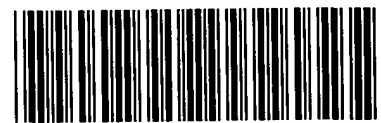


# **British Marine plc**

## **Annual Report and Consolidated Financial Statements**

**For the year ended 31 December 2014**

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<b>Directors</b>	Alan Bekhor (Chief Executive Officer) Sunil Malhotra (Chief Operating Officer) Peter Johnson (Chief Financial Officer)
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<b>Secretary</b>	Peter Johnson
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<b>Independent auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
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<b>Registered office</b>	11 Manchester Square London W1U 3PW
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<b>Ultimate parent company</b>	Britmar (UK) Limited 11 Manchester Square London W1U 3PW
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## **Directors' report**

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2014. The comparative results, as presented in the Group financial statements, are the financial statements for the year ended 31 December 2013.

The Group is comprised of British Marine plc ("the Company") and its subsidiaries. All amounts are shown in U.S. Dollars, unless otherwise stated.

### **Results and dividend**

The Group made a loss on ordinary activities before taxation of \$9,835k for the year (31 Dec 2013: loss \$109,137k). The directors do not recommend the payment of a dividend (31 Dec 2013: \$Nil).

### **Going concern**

Although the dry bulk market is suffering from a severe downturn, the Group has maintained a stable financial position both through strong liquidity, risk management and the retention of profits in prior years. As a result of the Group's financial position and its ongoing business development activities, the Group believes it is well placed to exploit future growth opportunities and deliver strong profitability in future years. Finally, reliance has been placed on financial support from a related entity and it is on this basis that the directors are satisfied that they can continue to adopt the going concern basis in the preparation of the consolidated financial statements.

### **Liquidity**

The Group's liquidity position remains adequate with \$10.2m of cash and cash equivalents at 31 December 2014 (31 December 2013: \$15m). 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.

### **Financial risk management**

The Group is exposed to a variety of financial risks, including market risk, credit risk, capital risk and liquidity risk. These risks are monitored by the directors on a continuous basis.

The financial risks faced by the Group are covered in more detail in note 23 to the financial statements.

### **Creditor payment policy**

The Group pays its suppliers in accordance with the maximum credit periods acceptable to the suppliers. For the Group the average number of days which trade and other creditors are settled in relation to third party suppliers is 31 days (31 Dec 2013: 31 days).

### **Directors**

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

### **Directors' liability insurance and indemnities**

The ultimate parent undertaking, Britmar (UK) Limited, purchased insurance against Directors' and Officers' liability as permitted by the Companies Act 2006 for the benefit of the directors and officers of its own company and all its subsidiaries, including the Company.

## **Directors' report**

### **Auditors**

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

### **Post balance sheet event**

Details of significant events since the balance sheet date are contained in note 24.

### **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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

  
By Order of the Board  
Peter Johnson  
Secretary  
Date: 26 March 2015

## **Group strategic report**

### **Principal activities**

The principal activity of the Group during the year was that of vessel owning and operation. The Group also enters into derivative financial instruments as necessary to reduce exposure to shipping costs, vessels fuel costs ("bunker costs") and interest rate movements as part of its risk management procedures.

### **Business review**

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

	<i>31 Dec 2014 \$'000</i>	<i>31 Dec 2013 \$'000</i>
Group turnover	21,719	34,587
Loss on disposal of fixed assets	-	(95,188)
Total operating loss	(6,634)	(105,414)
Loss after tax	(9,835)	(109,168)
EBITDA	1,930	6,500
Fleet average age	10.6 yrs	9.6 yrs
Gearing	37.7%	48.0%

The Group made a loss for the year, after taxation, of \$9,835k (31 Dec 2013: loss \$109,168k).

2014 was a disappointing year in the dry bulk market witnessing a marked decline in freight rates and in asset prices. Nevertheless the support given to the Company in 2013 by its parent Britmar (UK) which injected \$22m of equity, and the restructuring agreement reached with the Banks, which has allowed the Company to defer principal if required, puts it in a much stronger financial position than the vast majority of its competitors. The Company is in full compliance with its Bank covenants, and in the opinion of the directors is well placed to navigate the challenging market conditions in 2015. The liquidity position has been further strengthened by the agreed sale of the MV Gwendolen a 2004 built Japanese 50,200 dwt supramax towards the end of the year for \$13.9m which was completed in January 2015. Moreover the directors remain confident of securing substantial recoveries from the ongoing litigation it is pursuing against a number of defaulting COA counterparties owing some \$130m in outstanding claims.

The Company has been working proactively to re-build its operating business, and is focused on securing long-term project cargoes from strong partnerships and alliances it has forged, especially in the Asian region. The directors are confident that this business will start making a significant contribution to profitability in 2015 and beyond.

The fleet average age at the end of the year was 10.6 years (31 Dec 2013: 9.6 years).

The gearing, being long-term liabilities divided by the sum of equity and total liabilities, stands at 37.7% (31 Dec 2013: 48.0%).

## **Group strategic report**

### **Future developments**

In 2014, the Group has agreed heads of terms with the Reuben Brothers to form a joint-venture partnership to create a new ship-management and trading company called RB British Marine Limited ("RBBM"). The partners have worked successfully together previously in the 1990's at Trans-world Metals.

Combining the extensive commercial and technical management expertise accessible through British Marine's established shipping platform, with the opportunities for growth afforded by the Reuben Brothers' re-entry into shipping, RBBM will aim to build up a powerful shipping franchise, which will service not only the existing fleets respectively controlled by the joint-venture partners, but will also target vessels controlled by third parties.

The six supramax vessels already owned by the Group will provide an initial core of vessels to be managed by RBBM, to which will be added seven new-build kamsarmax vessels recently ordered by the Reuben Brothers. It is anticipated that many more dry-bulk vessels – both new-build and second-hand – will further contribute to the development of the portfolio.


### **Principal risks and uncertainties**

Although a number of major economies around the world have shown signs of recovery, there remain economic uncertainties around the continued availability and cost of finance for current and future development and the continued demand for shipping which 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 FBA derivatives as necessary to minimise the impact of volatility.

Counterparty risk for both the performance of contracted business and, to a lesser extent, payment for business done requires close management and action as appropriate.

Operational risks including piracy risk are constantly monitored and action taken as appropriate.

  
By Order of the Board  
Peter Johnson  
Secretary  
Date: 26 March 2015

## 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 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### 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 December 2014 and of the group's and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

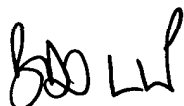
### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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.



Matthew White (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
Date 27 March 2015

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

**Consolidated statement of comprehensive income  
for the year ended 31 December 2014**

	<u>Note</u>	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<b>Revenue</b>	5	21,719	34,587
Cost of sales	7	<u>(25,157)</u>	<u>(38,282)</u>
<b>Gross loss</b>		(3,438)	(3,695)
Other operating income	6	1,158	844
Loss on disposal of fixed assets	7	–	(95,188)
Administrative expenses	7	<u>(4,354)</u>	<u>(7,375)</u>
<b>Operating loss</b>		(6,634)	(105,414)
Finance income	9	177	1,803
Finance expense	9	<u>(3,378)</u>	<u>(5,526)</u>
<b>Loss before income tax</b>		(9,835)	(109,137)
Income tax expense	10	<u>–</u>	<u>(31)</u>
<b>Loss from continuing operations</b>		<u>(9,835)</u>	<u>(109,168)</u>
<b>Other comprehensive income</b>			
Exchange gains on translation of foreign operations		(2)	6
<b>Total comprehensive loss</b>		<u>(9,837)</u>	<u>(109,162)</u>



**Consolidated statement of financial position  
as at 31 December 2014**

	<u>Note</u>	31 Dec <u>2014</u> \$'000	31 Dec <u>2013</u> \$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	138,226	143,482
Derivative financial instruments	15	—	105
		<u>138,226</u>	<u>143,587</u>
<b>Current assets</b>			
Inventories	13	3,228	1,428
Trade and other receivables	14	2,574	4,078
Derivative financial instruments	15	—	101
Cash and cash equivalents	16	10,204	14,954
		<u>16,006</u>	<u>20,561</u>
<b>Current liabilities</b>			
Trade and other payables	17	9,941	4,580
Corporation tax liability		139	189
Loans and borrowings	18	30,269	14,847
		<u>40,349</u>	<u>19,616</u>
<b>Net current (liabilities) / assets</b>		<u>(24,343)</u>	<u>945</u>
<b>Non-current liabilities</b>			
Loans and borrowings	18	57,140	77,581
Derivative financial instruments	15	916	1,287
		<u>58,056</u>	<u>78,868</u>
<b>Net assets</b>		<u>55,827</u>	<u>65,664</u>
<b>Capital and reserves</b>			
Share capital	19	18,252	18,252
Share premium		22,594	22,594
Retained earnings		14,981	24,818
<b>Total equity</b>		<u>55,827</u>	<u>65,664</u>

The financial statements on pages 7 to 40 were approved and authorised for issue by the Board of Directors on 26 March 2015 and were signed on its behalf by:

  
Alan Bekhor  
Chief Executive Officer

  
Peter Johnson  
Chief Financial Officer

**Consolidated statement of changes in equity  
for the year ended 31 December 2014**

	<u>Share capital</u> \$'000	<u>Share premium</u> \$'000	<u>Retained profit</u> \$'000	<u>Foreign exchange reserve</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2014	18,252	22,594	24,604	214	65,664
Loss for the financial year	–	–	(9,835)	–	(9,835)
Other comprehensive income	–	–	–	(2)	(2)
Balance at 31 December 2014	<u>18,252</u>	<u>22,594</u>	<u>14,769</u>	<u>212</u>	<u>55,827</u>
Balance at 1 January 2013	18,251	595	133,772	208	152,826
Issue of ordinary shares	1	21,999	–	–	22,000
Loss for the financial year	–	–	(109,168)	–	(109,168)
Other comprehensive income	–	–	–	6	6
Balance at 31 December 2013	<u>18,252</u>	<u>22,594</u>	<u>24,604</u>	<u>214</u>	<u>65,664</u>

## Consolidated statement of cash flows for the year ended 31 December 2014

	<u>Note</u>	31 Dec <u>2014</u> \$'000	31 Dec <u>2013</u> \$'000
<b>Operating activities</b>			
Loss before tax		(9,835)	(109,137)
Adjustments for:			
Depreciation of property, plant and equipment	7	8,497	15,036
Loss on disposal of property, plant & equipment		(25)	95,188
Finance income	9	(177)	(1,803)
Finance expense	9	3,378	5,526
Tonnage tax expense		60	77
		<u>1,898</u>	<u>4,887</u>
Changes in working capital:			
(Increase) / decrease in inventories		(1,800)	2,436
Decrease in trade and other receivables		1,504	386
Increase / (decrease) in trade and other payables		5,362	(4,716)
		<u>5,066</u>	<u>(1,894)</u>
Interest received		12	32
Tonnage tax paid		(110)	197
<b>Net cash flows from operating activities</b>		<u><b>6,866</b></u>	<u><b>3,222</b></u>
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment		–	25,356
Purchase of property, plant and equipment		(3,216)	(677)
<b>Net cash flows used in investing activities</b>		<u><b>(3,216)</b></u>	<u><b>24,679</b></u>
<b>Financing activities</b>			
Issue of ordinary shares		–	22,000
Repayment of borrowings		(5,165)	(44,586)
Interest paid		(3,233)	(5,323)
<b>Net cash flows used in financing activities</b>		<u><b>(8,398)</b></u>	<u><b>(27,909)</b></u>
Net decrease in cash and cash equivalents		(4,748)	(9)
Cash and cash equivalents at beginning of year		14,954	14,957
Net foreign exchange differences		(2)	6
<b>Cash and cash equivalents at end of year</b>	16	<u><b>10,204</b></u>	<u><b>14,954</b></u>

## Notes to the consolidated financial statements for the year ended 31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. Authorisation of financial statements and compliance with IFRSs

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 24 March 2015. The comparative results are the Group's financial statements for the year ended 31 December 2013. The Company, British Marine plc, is incorporated in the United Kingdom.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with IFRS, issued by the IASB as adopted by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in U.S. Dollars, being the functional currency of the Group.

The Group has prepared and reviewed forecasts based on which, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Reliance has been placed on financial support from a related entity and it is on this basis that the directors are satisfied that they can continue to adopt the going concern basis in the preparation of the consolidated financial statements.

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"), each made up to 31 December 2014.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

#### 2.3 Revenue

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. Profitable 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 (see note 17).

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.3 Revenue (continued)

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.

#### 2.4 Foreign currency transactions and translation

##### Transactions and balances

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

##### Group companies

On consolidation, the results of overseas operations are translated into U.S. Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised as a profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

#### 2.5 Property, plant and equipment

Property, plant and equipment, including vessels, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.5 Property, plant and equipment (continued)

Depreciation is provided to write off the cost of the asset, after allowing for an estimated residual value, over its estimated useful life.

For vessels, the expected useful life is 25 years from date of construction. Vessels are subject to a major service ("drydock") typically every 30 months. Drydocking costs are capitalised and written off to the profit and loss account on a straight line basis over the estimated period to the next drydock.

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 related fit-out costs are depreciated over 10 years. Fixtures and fittings in respect of rented offices are depreciated over the period to the expiry of the operating lease agreement.

The carrying values of property, plant and equipment are reviewed for impairments when events or changes in circumstances indicate the carrying value will not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial period.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

#### 2.6 Financial instruments

##### i) Financial assets

###### Initial recognition and measurement

The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value.

The fair value of financial assets that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial assets and further details as to how they are measured are provided in note 23.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, and derivative financial instruments.

**Notes to the consolidated financial statements  
for the year ended 31 December 2014**

**2. Summary of significant accounting policies (continued)**

**2.6 Financial instruments (continued)**

**i) Financial assets (continued)**

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at fair value through profit or loss**

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement.

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, forward bunker agreements ("FBA") 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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Realised gains or losses on derivatives are recorded in when the contract settles and an actual difference arises between the contracted price and the settlement rate on the date that the contract settles. Realised gains on FFAs and FBAs are recognised in cost of sales in the consolidated income statement. Settlements on interest rate swaps are recognised in interest expense on loans in the consolidated income statement.

For clearing house derivatives any initial or variation margins called are shown within restricted cash.

**Loans and receivables**

Trade and other receivables which have fixed or determinable payments that are not quoted in active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest rate method (EIR), less impairment. Interest is recognised by applying the EIR method, except for short-term receivables when the recognition of interest would be immaterial.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### i) Financial assets (continued)

###### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

###### Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

##### ii) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

###### Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

###### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.



## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.6 Financial instruments (continued)

##### ii) Financial liabilities (continued)

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Gains or losses on liabilities held for trading are recognised in the income statement.

##### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### 2.7 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.

#### 2.8 Inventories

Inventories comprise bunker fuel, lubricating oil, stock under bond and food provisions, all of which are located on board of the vessels. Inventories are stated at the lower of cost and net realisable value on a first-in-first-out basis. In arriving at the net realisable value, due allowance is made for obsolescence based on a review of the age and usage of inventories.

#### 2.9 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 presentation in the statement of cash flows, cash and cash equivalents include deposits with financial institutions which are subject to an insignificant risk of change in value, and restricted cash.

Cash held by clearing houses in respect of initial or variation margins for derivatives, and where loan interest payable is retained each month, is shown within restricted cash.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.10 Deferred revenue

Deferred revenue relates to billings made to or payments received from customers for services which have yet to be rendered.

#### 2.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial period.

British Marine plc and all but three of its subsidiaries are resident in the United Kingdom; two being a tax resident in India and the third in Singapore.

The Group has entered the U.K. tonnage tax regime under which its ship owning activities are taxed based on the net tonnage of vessels operated. Under IFRS, tonnage tax is specifically excluded from the income tax expense and is shown here within administrative expenses. Any income and profits outside the tonnage tax regime are taxed under the normal UK corporation tax rules.

The two Indian subsidiaries are taxed under the normal Indian corporation tax rules.

With effect of the 1 January 2014, the Group's Singaporean operations withdrew from the Maritime Sector Incentive - Approved International Shipping Enterprise ("MSI-AIS") Award which exempts certain income from Singapore Income Tax. All income will be taxable at the existing corporate income tax rate.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each financial period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period. Deferred tax is charged or credited to the statement of comprehensive income.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 2. Summary of significant accounting policies (continued)

#### 2.11 Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### 2.12 Leases

##### Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### 2.13 Employee benefit costs

##### Defined contribution plan

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income in the same financial period as the employment that gives rise to the contributions.

### 3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management made judgments, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### Critical judgments made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgments involved that have a significant effect on the amounts recognised in the financial statements.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 3. Critical accounting judgments and key sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty

Management is of the opinion that there are no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expenses within the next financial year, except as discussed below.

#### **Allowance for trade receivables**

Management establishes allowance for trade receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur, whether due to disputes, inability to pay or age. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial conditions of customers were to deteriorate, resulting in impairment of their ability to make the required payments, additional allowances may be required. The carrying amounts of the Group's trade receivables as at 31 December 2014 were \$1,903k (31 Dec 2013: \$2,312k).

#### **Vessel depreciation and useful lives**

Management review the estimated useful lives, residual values and depreciation method applied to vessels at the end of each financial period. The useful lives of vessels are not changed unless there is a change in the intended period of ownership of the vessel. Residual values are updated at the end of each financial period to reflect the current scrapping prices for steel as quoted in an active market. The depreciation method is on a straight line basis reflecting the consistent usage of each vessel during the course of each year. Management would only consider changing the method of depreciation where the pattern of vessel usage was determined to have changed.

#### **Impairment analysis**

Management review the vessels for impairment at the end of each financial period on a fleet basis, as the vessels are operated as interchangeable in accordance with the charter party or contract of affreightment. Impairment of the fleet of vessels is identified where the fleet carrying amount exceeds the recoverable amount, which is determined by the value in use for the fleet. A cash flow projection is prepared for the fleet, with future revenue rates determined based on average historic hire rates over the shipping market cycle. Operating costs per vessel are based on the current actual costs with consideration for the timing of any dry dock maintenance on the vessel.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards, interpretations and amendments issued by the IASB and IFRS Interpretations Committee, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. These are:

	Effective period commencing on or after
IFRIC 21 Levies	1 January 2014
IAS 19 Amendment – Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to IFRS (2010-2012 Cycle)	1 July 2014
Improvements to IFRS (2011-2013 Cycle)	1 July 2014
IFRS 9* - Financial Instruments	TBC
IFRS 14 Regulatory Deferral Accounts*	1 January 2016
IFRS 11 Amendment* - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38 Amendments* - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 Amendment* - Agriculture: Bearer Plants	1 January 2016
IAS 27 Amendment* - Equity Method in Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28 Amendment* - Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Improvements to IFRS* (2012–2014 Cycle)	1 January 2016
IFRS 15 – Revenue from Contracts with Customers*	1 January 2016
IFRS 9 Financial Instruments*	1 January 2018
IAS 1 Amendment – Disclosure Initiative*	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Amendments* – Investment Entities: Applying the Consolidation Exception	1 January 2016

\* Not yet endorsed by the European Union

### 5. Revenue

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Freight income	–	6,841
Charter hire income	21,719	27,746
	<u>21,719</u>	<u>34,587</u>

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 6. Other operating income

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Insurance claim receivable	580	780
Other income	578	64
	<u>1,158</u>	<u>844</u>

### 7. Expenses by nature

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Charter hire expense	–	2,044
Bunker inventory expense	1,755	3,768
Port costs	235	632
Brokers commission expense	1,106	1,569
Realised loss from derivative financial instruments	964	21
Insurance costs and settlements	1,816	4,466
Consumption of lubricating oil	902	1,284
Loss on sale of vessels	–	95,188
Depreciation of property, plant and equipment	8,496	15,036
Repairs and maintenance on vessels	2,316	2,967
Employee costs (Note 8)	5,821	5,342
Other vessel crew costs	3,729	4,723
Operating lease expense – property	321	283
Impairment loss on trade receivables (Note 14)	33	1,440
Fees paid to legal and professional advisors	815	932
Fees paid to Group's auditor – audit of Group and subsidiary accounts	244	324
Fees paid to Group's auditor – taxation services	123	115
Bank charges - loan restructuring	–	353
Tonnage tax expense	60	77
Foreign exchange (gains)/losses	32	16
Other costs	743	265
Total cost of sales and administrative expenses	<u>29,511</u>	<u>140,845</u>

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 8. Employee costs

#### Employee costs

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Wages and salaries	5,383	4,995
Social security contributions and similar taxes	328	278
Defined contribution pension cost	110	69
	<u>5,821</u>	<u>5,342</u>

#### Employee numbers

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

	31 Dec 2014 Number	31 Dec 2013 Number
Administrative	23	23
Operations	170	212
	<u>193</u>	<u>235</u>

#### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1.

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Salaries	714	485
Defined contribution pension cost	66	35
	<u>780</u>	<u>520</u>

Remuneration for the highest paid director, excluding pension contributions, was \$330k (31 December 2013: \$235k). Pension contributions in respect of the highest paid director are \$12k (31 December 2013: \$12k).

During the year there were 3 directors (2013: 3) accruing pension benefits under the Group's money purchase pension scheme.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 9. Finance income and expense

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<u>Finance income</u>		
Interest received on bank accounts	12	14
Other interest receivable	–	18
Net gain on financial instruments at fair value through profit or loss	165	1,771
Total finance income	<u>177</u>	<u>1,803</u>
<u>Finance expense</u>	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Interest expense on bank loans	1,473	3,563
Interest rate swap loss on settlement	1,760	1,760
Deferred finance expense	145	203
Total finance expense	<u>3,378</u>	<u>5,526</u>
Net finance (expense) / income recognised in profit or loss	<u>(3,201)</u>	<u>(3,723)</u>

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Total interest income on financial assets	12	32
Total interest expense on financial liabilities	<u>(1,618)</u>	<u>(3,766)</u>
	<u>(1,606)</u>	<u>(3,734)</u>



## Notes to the consolidated financial statements for the year ended 31 December 2014

### 10. Tax expense

The Group has entered the U.K. tonnage tax regime under which its ship owning 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 UK corporation tax rules.

With effect of the 1 January 2014, the Group's Singaporean operations withdrew from the Maritime Sector Incentive - Approved International Shipping Enterprise ("MSI-AIS") Award which exempts certain income from Singapore Income Tax. All income will be taxable at the existing corporate income tax rate.

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Current tax on profits for the year	—	—
Adjustment for under provision in prior periods	—	31
Total tax expense / (credit)	—	31

The standard rate of corporation tax in the UK reduced from 23% to 21% on 1 April 2015, (31 Dec 2013: 23%). The effective rate of tax is lower than the standard rate of corporation tax in the UK.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Loss for the year before income tax	(9,835)	(109,137)
Tax charge based on the standard rate of corporation tax in the UK at the domestic rate of 21.25% (2013: 23.25%)	(2,115)	(25,374)
Profits attributable to tonnage tax	541	22,342
Losses attributable to foreign tax exemption	—	1,582
Unutilised tax losses	641	150
Adjustments in respect of prior periods	—	31
Transfer pricing adjustments	1,037	1,782
Utilisation of losses brought forward	—	—
Non-taxable income	(129)	(587)
Group relief claimed for nil payment	—	93
Expenses not deductible for tax purposes	25	12
	—	31

The Group has cumulative tax losses of \$37.0m (31 December 2013: \$33.7m). No deferred tax has been recognised on these losses owing to uncertainty over future use.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 11. Property, plant and equipment

	<u>Vessels</u> \$'000	<u>Dry docking costs</u> \$'000	<u>Office property</u> \$'000	<u>Office equipment</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>					
At 1 January 2014	166,632	2,494	7,552	678	177,356
Additions	–	3,180	–	36	3,216
Disposals	–	(1,318)	–	–	(1,318)
At 31 December 2014	166,632	4,356	7,552	714	179,254
<b>Depreciation</b>					
At 1 January 2014	31,923	1,418	49	484	33,874
Charge for the year	6,958	1,441	13	85	8,497
Disposals	–	(1,343)	–	–	(1,343)
At 31 December 2014	38,881	1,516	62	569	41,028
<b>Net book value</b>					
At 31 December 2014	127,751	2,840	7,490	145	138,226

	<u>Vessels</u> \$'000	<u>Dry docking costs</u> \$'000	<u>Office property</u> \$'000	<u>Office equipment</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>					
At 1 January 2013	354,857	4,808	7,552	677	367,894
Additions	–	676	–	1	677
Disposals	(188,225)	(2,990)	–	–	(191,215)
At 31 December 2013	166,632	2,494	7,552	678	177,356
<b>Depreciation</b>					
At 1 January 2013	86,885	2,190	36	415	89,526
Charge for the year	13,380	1,574	13	69	15,036
Disposals	(68,342)	(2,346)	–	–	(70,688)
At 31 December 2013	31,923	1,418	49	484	33,874
<b>Net book value</b>					
At 31 December 2013	134,709	1,076	7,503	194	143,482

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 11. Property, plant and equipment (continued)

Details of the Group's owned vessels at 31 December 2014 are as follows:

<u>Vessel Name</u>	<u>dwt</u>	<u>Year built</u>
Marylebone	48,377	2001
Primrose (Previously named Britannia)	48,337	2001
Aquitania	55,932	2006
Clementine	50,248	2004
Gwendolen*	50,248	2004
Gloriana	52,056	2000
Diamond Jubilee	56,172	2011

\*Gwendolen was sold on 12 January 2015, see note 24.

Bank borrowings are secured on vessels held by the Group.

### 12. Subsidiaries

The principal subsidiaries of British Marine plc, all of which have been included in these consolidated financial statements, are as follows:

<u>Name</u>	<u>Nature of business</u>	<u>Country of incorporation</u>	<u>Proportion of ownership</u>
Anglia Maritime Limited	Ship owning	United Kingdom	100%
Pride Shipping Limited	Ship owning	United Kingdom	100%
Gloriana Limited	Ship owning	United Kingdom	100%
Flagships Limited	Ship owning	United Kingdom	100%
Volumnia Shipping Limited	Ship owning	United Kingdom	100%
Excalibur Shipping Limited	Ship owning	United Kingdom	100%
Diamond Jubilee Limited	Ship owning	United Kingdom	100%
British Marine (Asia) Pte Limited	Ship operator	Singapore	100%
British Marine (India) Pvt Limited	Service company	India	99.99%*
OBC Shipping and Chartering Pvt Limited	Ship broker	India	99.99%*
Clementine Shipping Limited	Ship lessor**	United Kingdom	100%
Gwendolen Shipping Limited	Ship lessor**	United Kingdom	100%

\* One share is held by Mr A. Bekhor as nominee for the beneficial owner being the Company.

\*\* A Group finance lease arrangement is held between subsidiaries; Clementine Shipping Limited as lessor and Anglia Maritime Limited as lessee in respect of M.V. Clementine, and Gwendolen Shipping Limited as lessor and Pride Shipping Limited as lessee in respect of M.V. Gwendolen.

The Company had a 100% ordinary shareholding of the following non-trading companies during the year: BR Ships Limited, Oceanic Transport Limited, Miranda Rose Limited, Meridian Navigator Limited, and L Bridge Limited. On 24 December 2014, these five companies were sold to Alan Bekhor for a total consideration of \$1 per company.

The ultimate controlling party of the group is Alan Bekhor.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 13. Inventories

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Bunkers	2,436	635
Lubricating oil	729	716
Food provisions	48	57
Stock under bond	15	20
	<u>3,228</u>	<u>1,428</u>

### 14. Trade and other receivables

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Trade receivables – third parties	6,089	8,116
Less: provision for impairment of trade receivables	<u>(4,186)</u>	<u>(5,804)</u>
Net trade receivables	<u>1,903</u>	<u>2,312</u>
Accrued income	–	15
Amount due from related undertakings	38	529
Prepayments	463	559
Other debtors	<u>170</u>	<u>663</u>
Trade and other receivables	<u>2,574</u>	<u>4,078</u>

The trade amounts owing by third parties are non-interest bearing, repayable within the normal trade credit term of 15 days for charter hire invoicing and 7 days for freight income.

Accrued income is comprised of receivables where the service has been delivered, the revenue has been recognised, but the invoice has not yet been raised.

The movement in the provision for impairment of trade receivables is as follows:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Balance at beginning of the year	5,804	4,861
Provided for during the year	20	1,635
Receivables written off	(1,072)	(497)
Unused amounts reversed	<u>(566)</u>	<u>(195)</u>
Balance at the end of the year	<u>4,186</u>	<u>5,804</u>

The movement on the provision for impaired receivables is included within administrative expenses in the consolidated statement of comprehensive income. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 14. Trade and other receivables (continued)

The age analysis of trade receivables which are not impaired is as follows:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Trade receivables not yet due	368	997
Trade receivables past due:		
Less than 30 days	—	—
30 to 60 days	20	3
61 to 90 days	—	38
91 to 120 days	30	—
More than 120 days	114	28
	<u>532</u>	<u>1,066</u>

### 15. Derivative financial instruments

The Group does not have any derivatives designated as hedging instruments.

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<u>Derivative financial assets</u>		
Forward freight agreements	—	206
Total derivative financial assets	<u>—</u>	<u>206</u>
Less: non-current portion		
Forward freight agreements	—	(105)
Current portion	<u>—</u>	<u>101</u>
<u>Derivative financial liabilities</u>		
Interest rate swaps	916	1,287
Total derivative financial liabilities	<u>916</u>	<u>1,287</u>
Less: non-current portion		
Interest rate swaps	(916)	(1,287)
Current portion	<u>—</u>	<u>—</u>
<u>Net derivative position</u>		
Derivative financial liability	<u>(916)</u>	<u>(1,081)</u>

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 15. Derivative financial instruments (continued)

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract. An analysis of derivative financial instruments' maturity is as follows:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Net asset / (liability) maturities:		
Within 6 months	(276)	105
6 to 12 months	(264)	(4)
1 to 2 years	(376)	35
2 to 5 years	—	(1,217)
More than 5 years	—	—
	<u>(916)</u>	<u>(1,081)</u>

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the consolidated statement of financial position.

#### Forward bunker agreements

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 bunker agreements ("FBAs") to hedge its exposure to, and manage the volatility associated with vessel fuel prices by locking in the price for a portion of future foreseeable bunker requirement.

The Group's net realised gain from FBAs, net of commissions, amounted was nil for the year ended 31 Dec 2014 (31 Dec 2013: nil).

#### Forward freight agreements

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 \$0.9m for the year ended 31 Dec 2014 (31 Dec 2013: nil).

#### 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 \$0.6m for the year ended 31 Dec 2014 (31 Dec 2013: Loss \$1.8m).

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 16. Cash and cash equivalents

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash at bank	7,736	12,147
Restricted cash	2,468	2,807
	<u>10,204</u>	<u>14,954</u>

Restricted cash comprises of cash held by banks as security deposits.

### 17. Trade and other payables

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Trade payables – third parties	1,839	2,234
Payables due to related undertakings	3,725	–
Other payables	781	817
Accruals	2,190	1,459
Total financial liabilities excluding loans and borrowings	<u>8,535</u>	<u>4,510</u>
Deferred income	1,406	70
Total trade and other payables	<u>9,941</u>	<u>4,580</u>

The trade amounts owing to third parties are non-interest bearing and repayable within the normal trade credit terms of 15 days for charter hire payables and 30 days for bunker payables.

The non-trade amounts owing to ultimate parent company are unsecured, non-interest bearing and repayable on demand. The amount due to ultimate parent company at each balance date shown includes net balance payable to related companies which were transferred to ultimate parent company based on a set-off agreement between the British Marine plc group of companies.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 18. Loans and borrowings

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<u>Bank borrowings</u>		
Credit Suisse loan	48,600	51,814
Commerzbank	15,630	15,630
DVB loan - A	18,050	19,200
DVB loan – B,C	5,301	6,102
Deferred financing costs	(172)	(318)
	<u>87,409</u>	<u>92,428</u>
Current loans and borrowings	30,269	14,847
Non-current loans and borrowings	<u>57,140</u>	<u>77,581</u>
Total bank borrowings	<u>87,409</u>	<u>92,428</u>

On 29 May 2013, the Group completed agreements with the Group's bank lenders covering the period to the end of 2015, to waive or relax the covenants of its bank loans as well as permit loan principal deferrals if required, in return for a subordinated convertible loan for \$22m being provided from the ultimate parent company, Britmar UK Limited, to its subsidiary British Marine plc.

All loans are in US Dollars. Interest on the bank loans is at LIBOR plus 2% to 2.5%, with the exception of the DVB Tranche B and C loans which are fixed rate loans. The maturity profile of the bank borrowings is demonstrated in note 23.4 of the financial statements.

The key terms of the agreements are noted below.

#### Credit Suisse

On 7 June 2011 a \$75 million loan facility was agreed to refinance the Gloriana, Volumnia and Excalibur vessels and finance the newbuild vessel Diamond Jubilee.

During the prior year the M.V. Excalibur and M.V. Volumnia were sold by Excalibur Shipping Limited and Volumnia Shipping Limited. On 25 November 2013, Excalibur Shipping Limited and Volumnia Shipping Limited bought the M.V. Marylebone and M.V. Britannia from sister companies Oceanic Transport Limited and BR Ships Limited.

A second supplemental agreement was signed on 25 November 2013, providing for the replacement of the "Ships" definition from the Loan Agreement dated 7 June 2011 with M.V. Gloriana, M.V. Marylebone, M.V. Britannia, and M.V. Diamond Jubilee.

The facility consists of a term loan (A) of \$45 million repayable by 23 quarterly instalments of \$1.6 million followed by a final payment due in June 2017; a revolving credit facility (B) of \$5.5m repayable no later than the end of June 2017; and a term loan (C) by 39 quarterly instalments of \$0.41 million followed by a final payment due in November 2021. Facilities A and B are secured on the Gloriana, Marylebone and Britannia vessels and facility C is secured on the Diamond Jubilee vessel.



## Notes to the consolidated financial statements for the year ended 31 December 2014

### 18. Loans and borrowings (continued)

#### Commerzbank

The revolving credit facility with Commerzbank is secured by vessels owned by Oceanic Transport Limited, BR Ships Limited and Flagships Limited.

On 25 November 2013, M.V. Marylebone and M.V. Britannia were sold by Oceanic Transport Limited and BR Ships Limited, to sister companies Excalibur Shipping Limited and Volumnia Shipping Limited. The sale of vessels enabled a repayment of \$23.5m on the Commerzbank facility.

Following the sale of the two vessels, the remaining facility is repayable in semi-annual instalments of \$1.4m, with a final instalment of \$9.9m due 24 May 2017. The remaining facility is secured by M.V. Aquitania.

#### DVB

The loan facility is secured by first priority mortgages over the Clementine and Gwendolen vessels and the corporate guarantee of the Company. The facility consists of three term loans: Tranche A \$39m facility, Tranche B \$6.2m facility and Tranche C \$6.2m facility.

Tranche A 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.

Tranche B and C 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 Tranche B is 6.435% and Tranche C is 6.32%.

### 19. Share capital

<u>Authorised, issued and fully paid</u>	31 Dec <u>2014</u> Number	31 Dec <u>2014</u> \$'000	31 Dec <u>2013</u> Number	31 Dec <u>2013</u> \$'000
Deferred shares of £1 each	12,288,998	18,250	12,288,998	18,250
Ordinary shares of \$0.0001 each	25,719,788	2	25,719,788	2
	<u>38,008,786</u>	<u>18,252</u>	<u>38,008,786</u>	<u>18,252</u>

The deferred shares have no voting rights and minimal economic rights attached to them. The ordinary shares have full voting and economic rights in accordance with the percentage of shares held. On 29 May 2013 the company issued 11,000,000 ordinary shares of \$0.001 each to the Company's immediate parent undertaking, British Marine Corporation. The total equity contribution made by the ultimate parent undertaking, Britmar UK Limited, was \$22,000,000 which resulted in an addition to the share premium account of \$21,998,900.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 20. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into U.S. Dollars.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 21. Commitments and contingencies

#### Operating lease commitments – Group as lessee

The Group has obligations under operating leases for its rented offices in London and Singapore. The Singapore office rental agreement was renewed on 4 April 2014, with a fixed rental rate until the end of the lease term in May 2017. The London office is rented from the Group's ultimate parent undertaking, Britmar (UK) Limited ("Britmar UK"), with an office rental rate which is fixed until the end of the lease term in December 2017.

Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

As at the financial year end, there were future minimum lease payments under non-cancellable operating lease commitments for rental of offices as follows:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Within one year	316	251
After one year but not more than five years	875	900
	<u>1,191</u>	<u>1,151</u>

#### Contingent liabilities

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 all 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 Contracts of Affreightment (COAs), related bunker costs and other voyage commitments.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 22. Related party transactions

The Group had transactions in the ordinary course of business with related parties during the year ended 31 December 2014.

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
<u>Parent</u>		
Rent payable to parent	(226)	(257)
Recharge of office overheads	25	136
Cash (received from) / paid to	(1,783)	(19,143)
Ordinary shares issued	–	22,000
Group settlement of related party balances	(2,159)	492
Net transactions with Parent during the year	(4,143)	3,228
Amounts owed from / (to) parent at 31 December	(3,614)	529
<u>Related parties</u>		
Invoices paid on behalf of related parties	–	9
Recharge of office overheads	280	483
Cash paid to / (received from)	(72)	–
Group settlement of related party balances	(280)	(492)
Net transactions with related parties during the year	(72)	–
Amounts owed by related parties at 31 December	(72)	–

#### Parent company – Britmar (UK) Limited

Balances outstanding with the ultimate parent company are unsecured, interest free, and repayable on demand.

#### Related parties – companies under common control

Transactions with companies under common control during the year include the following companies:

Trademar Limited, incorporated in the United Kingdom  
Auckland Shipping Limited, incorporated in the United Kingdom  
Britmar Limited, incorporated in the United Kingdom  
Britmar (Asia) Pte Ltd, incorporated in Singapore

Balances outstanding with the related parties are unsecured, interest free, and repayable on demand.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23. Financial instruments, financial risks and capital risk management

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings for which the main purpose of these financial liabilities was to fund the acquisition of vessels and finance the Group's operations.

The Group has trade and other payables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group also enters into derivative transactions, such as Forward Freight Agreements and Forward Bunker Agreements to hedge shipping costs and vessel fuel costs, respectively. In addition Interest Rate Swaps are utilised to manage the exposure to interest rate variability. The Group does not adopt hedge accounting and all gains or losses arising from forward contracts have been recognised in the statements of comprehensive income.

A summary of financial instruments held by category is provided below.

	Financial assets at fair value through profit or loss		Loans and receivables	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
<u>Financial assets</u>	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	—	—	2,111	3,504
Derivative financial instruments	—	206	—	—
Cash and cash equivalents	—	—	10,204	14,954
	<u>—</u>	<u>206</u>	<u>12,315</u>	<u>18,458</u>
	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	31 Dec	31 Dec	31 Dec	31 Dec
	2014	2013	2014	2013
<u>Financial liabilities</u>	\$'000	\$'000	\$'000	\$'000
Trade and other payables	—	—	8,535	4,510
Loans and borrowings	—	—	87,409	92,428
Derivative financial instruments	916	1,287	—	—
	<u>916</u>	<u>1,287</u>	<u>95,944</u>	<u>96,938</u>

The Group's activities expose it to market risks (including foreign currency risk), credit risks and liquidity risks.

The Board of Directors is responsible for reviewing and agreeing policies for managing these financial risks. Overall, the Group's risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

There has been no change to the Group's exposure to these financial risks and the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23. Financial instruments, financial risks and capital risk management (continued)

#### 23.1 Credit risk

Credit risk refers to the risk that counterparty will not meet its contractual obligations resulting in a loss to the Group. The Group performs ongoing credit evaluation of its counterparties' financial condition and does not hold collateral as security.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

The Group's major classes of financial assets are bank balances, restricted cash, derivative financial instrument, and trade and other receivables.

Bank balances and restricted cash are deposits held with banks with high credit-ratings assigned by international credit rating agencies. Contracts for derivative financial instruments are performed through clearing houses.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables which are not impaired is provided within note 14.

The Group's trade receivables that are impaired at the end of financial year and the movement of the allowance accounts used to record the impairment are as follows:

	<u>Note</u>	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Trade receivables – nominal amounts		6,523	7,051
Less: Allowance for impairment	14	(5,153)	(5,804)
		<u>1,370</u>	<u>1,247</u>

#### 23.2 Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, shipping costs and vessel fuel costs, and interest rates. The Group seeks to identify areas of significant risks as well as appropriate measures to control and mitigate these risks.

##### Shipping costs and vessel fuel costs risk management

The Group uses financial instruments to minimise adverse effects from the volatility of financial markets on the Group's financial performance. Forward freight agreements are derivatives that may be purchased to fix future ship charter-in costs or sold to fix future charter-out costs and thereby hedge shipping costs. Forward bunker agreements are derivatives used to fix future bunker purchase prices and thereby hedge vessel fuel costs. The net exposure to the market is monitored daily. The values of the derivative financial instruments at period end are measured at their mark to market value.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23. Financial instruments, financial risks and capital risk management (continued)

#### 23.3 Foreign exchange risk

Foreign currency risk arises from transactions denominated in currencies other than the functional currency of the Group. All revenue and expenditure transactions within the vessel operating business are performed in U.S. Dollars. In addition all loans and borrowings are in U.S. Dollars. Some maintenance of the vessels is in currencies other than U.S. Dollars, in addition to the office overheads in Singapore, United Kingdom and India being in local currencies. These transactions form an insignificant part of the Group's operations and hence foreign currency risk is considered to be an immaterial risk to the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of financial year are as follows.

<u>Monetary assets</u>	31 Dec <u>2014</u> \$'000	31 Dec <u>2013</u> \$'000
Sterling	138	336
Singapore dollars	202	76
Euro	210	68
Indian rupees	106	99
Japanese yen	<u>84</u>	<u>115</u>

The Group also has foreign currency exposure in respect of its Indian operations where the functional currency is Indian rupees. Movements in the exchange rate of Indian rupees to U.S. Dollars results in exchange differences on translation of the financial statements to Group's functional currency. These exchange differences are reported in the Group consolidated statement of changes in equity.

#### 23.4 Liquidity risks

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The liquidity risk of each entity within the Group is managed centrally by the group treasury function.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its loans and borrowings. Liquidity risk also arises from derivative contracts entered into through clearing houses, where margin calls may be required.

Management regularly monitor the liquidity of the Group and manage the exposure to liquidity risk by maintaining significant free cash, which far exceeds the bank covenant requirements.

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23. Financial instruments, financial risks and capital risk management (continued)

#### 23.4 Liquidity risks (continued)

<u>At 31 December 2014</u>	<u>Within 6 months</u> \$'000	<u>6 to 12 months</u> \$'000	<u>1 to 5 years</u> \$'000	<u>More than 5 years</u> \$'000	<u>Total</u> \$'000
Trade and other payables	8,535	–	–	–	8,535
Interest bearing loans and borrowings	6,413	23,770	46,453	10,773	87,409
Derivative financial liabilities	(276)	(264)	(376)	–	(916)
	<u>14,672</u>	<u>23,506</u>	<u>46,077</u>	<u>10,773</u>	<u>95,028</u>
 <u>At 31 December 2013</u>	 <u>Within 6 months</u> \$'000	 <u>6 to 12 months</u> \$'000	 <u>1 to 5 years</u> \$'000	 <u>More than 5 years</u> \$'000	 <u>Total</u> \$'000
Trade and other payables	4,510	–	–	–	4,510
Interest bearing loans and borrowings	7,412	7,435	77,581	–	92,428
Derivative financial liabilities	105	(4)	(1,182)	–	(1,081)
	<u>12,027</u>	<u>7,431</u>	<u>76,399</u>	<u>–</u>	<u>95,857</u>

#### 23.5 Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital risk management policies and objectives are consistent with the prior year.

The capital structure of the Group consists of issued share capital and retained earnings.

The gearing ratio is calculated as long term liabilities divided by the sum of total liabilities and equity.

	<u>Note</u>	<u>31 Dec 2014</u> \$'000	<u>31 Dec 2013</u> \$'000
Non-current liabilities	15,18	58,056	78,868
Total liabilities		98,405	98,484
Equity		55,827	65,664
Total liabilities and equity		<u>154,232</u>	<u>164,148</u>
Gearing ratio		<u>37.6%</u>	<u>48.0%</u>

## Notes to the consolidated financial statements for the year ended 31 December 2014

### 23. Financial instruments, financial risks and capital risk management (continued)

#### 23.6 Fair value of financial assets and financial liabilities

The fair value of a financial instrument is the amount of which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2: Inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and  
Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2014 are set out below:

	Level 1	Level 2	Fair value Total	Carrying value Total
<u>Financial assets:</u>				
Forward freight agreements	–	–	–	–
<u>Financial liabilities:</u>				
Interest bearing loans and borrowings	–	87,409	87,409	87,409
Interest rate swaps	–	916	916	916

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2013 are set out below:

	Level 1	Level 2	Fair value Total	Carrying value Total
<u>Financial assets:</u>				
Forward freight agreements	206	–	206	206
<u>Financial liabilities:</u>				
Interest bearing loans and borrowings	–	92,428	92,428	92,428
Interest rate swaps	–	1,287	1,287	1,287

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair values due to the relative short term maturity of these financial instruments.



**Notes to the consolidated financial statements  
for the year ended 31 December 2014**

**24. Post balance sheet events**

The Group sold the vessel Gwendolen on 12 January 2015 for \$13.9m.

**25. 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.

## Company balance sheet at 31 December 2014

The Company has prepared a balance sheet under UK GAAP.

	<u>Note</u>	<u>31 Dec</u> <u>2014</u> \$'000	<u>31 Dec</u> <u>2013</u> \$'000
<b>Fixed assets</b>			
Investment in subsidiaries	b	<u>8,097</u>	<u>8,105</u>
		8,097	8,105
<b>Current assets</b>			
Debtors	c	127,498	144,256
Cash at bank and in hand	d	<u>7,691</u>	<u>4,786</u>
		135,189	149,042
<b>Creditors: amounts falling due within one year</b>	e	<u>(34,324)</u>	<u>(18,380)</u>
<b>Net current assets</b>		<u>100,865</u>	<u>130,662</u>
<b>Creditors: amounts falling due after more than one year</b>	f	<u>(53,135)</u>	<u>(73,103)</u>
<b>Net assets</b>		<u>55,827</u>	<u>65,664</u>
<b>Capital and reserves</b>			
Called up share capital	g	18,252	18,252
Share premium account	h	22,594	22,594
Profit and loss account	i	<u>14,981</u>	<u>24,818</u>
<b>Shareholders' funds</b>	j	<u>55,827</u>	<u>65,664</u>

The financial statements on pages 41 to 46 were approved and authorised for issue by the Board of Directors on 26 March 2015 and were signed on its behalf by:

  
Alan Bekhor  
Chief Executive Officer

  
Peter Johnson  
Chief Financial Officer

## Notes to the Company balance sheet for the year ended 31 December 2014

### a. Accounting policies

#### Basis of preparation

The accompanying consolidated financial statements of the Company 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.

The Company has taken advantage of the exemption allowed by FRS1 and section 408 of the Companies Act to not include its own cash flow statement and profit and loss account as its results are included in the Group accounts.

#### 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.

#### Debtors

Debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provisions for bad and doubtful debtors. Provisions are made specifically against debtor balances based on evidence of disputes, inability to pay and age.

#### 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.

#### 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. Cash held by clearing houses in respect of initial or variation margins for derivatives, and where loan interest payable is retained each month, is shown within restricted cash.

#### 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.

#### Taxation

The Company is resident in the United Kingdom. Any income and profits that the Company earns in the United Kingdom outside the tonnage tax regime are taxed under normal corporation tax rules.

## Notes to the Company balance sheet for the year ended 31 December 2014

### a. Accounting policies (continued)

#### 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.

#### Related parties

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

### b. Investments in subsidiaries

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Shares in subsidiary companies at cost		
At 1 January	8,105	7,845
Additions	–	260
Disposals	(8)	–
At 31 December	<u>8,097</u>	<u>8,105</u>

The following companies were directly held subsidiaries during the period. 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.

Name	Percentage shareholding (Ordinary Shares)	Principal Activity
Anglia Maritime Limited	100%	Shipowner
Pride Shipping Limited	100%	Shipowner
Gloriana Limited	100%	Shipowner
Flagships Limited	100%	Shipowner
Volumnia Shipping Limited	100%	Shipowner
Excalibur Shipping Limited	100%	Shipowner
Diamond Jubilee Limited	100%	Shipowner
British Marine (Asia) Pte Limited	100%	Ship Operator
British Marine (India) Pvt Limited	99.99%*	Service Company
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.

The Company had a 100% ordinary shareholding of the following non-trading companies during the year: BR Ships Limited, Oceanic Transport Limited, Miranda Rose Limited, Meridian Navigator Limited, and L Bridge Limited. On 24 December 2014, these five companies were sold to Alan Bekhor for a total consideration of \$1 per company.

## Notes to the Company balance sheet for the year ended 31 December 2014

## c. Debtors

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Amounts due from subsidiary undertakings	127,253	143,431
Amounts due from parent company	38	529
Other debtors and prepayments	207	296
	<u>127,498</u>	<u>144,256</u>

The Company provides financing to its subsidiaries, whereby the loans provided are unsecured, interest free and repayable on demand.

## d. Cash at bank and in hand

Cash at bank and in hand includes the following amounts:

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash at bank	6,191	3,286
Restricted cash at bank	1,500	1,500
	<u>7,691</u>	<u>4,786</u>

Restricted amounts are funds held in bank accounts as collateral.

## e. Creditors: amounts falling due within one year

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Bank loans	28,973	13,223
Trade creditors	505	564
Amounts due to related undertakings	110	4,263
Amounts due to parent company	2,728	–
Accruals	451	330
Other creditors	151	–
Deferred income	1,406	–
	<u>34,324</u>	<u>18,380</u>

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

## Notes to the Company balance sheet for the year ended 31 December 2014

## f. Creditors: amounts falling due after more than one year

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

	<i>31 Dec</i> <u>2014</u> \$'000	<i>31 Dec</i> <u>2013</u> \$'000
<b><u>Bank loans</u></b>		
Commerzbank	15,630	15,630
DVB – tranche A only	18,050	19,200
Credit Suisse	48,600	51,814
Deferred financing costs	<u>(172)</u>	<u>(318)</u>
Total long-term debt	82,108	86,326
Less current portion (note e)	<u>(28,973)</u>	<u>(13,223)</u>
	<u>53,135</u>	<u>73,103</u>

Details of the Company's bank loans are set out in note 18 of the consolidated financial statements.

## g. Issued share capital

	<i>31 Dec</i> <u>2014</u> \$'000	<i>31 Dec</i> <u>2013</u> \$'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	<u>2</u>	<u>2</u>
	<u>18,252</u>	<u>18,252</u>

Details are set out in note 19 of the consolidated financial statements.

## h. Share premium account

	<i>31 Dec</i> <u>2014</u> \$'000	<i>31 Dec</i> <u>2013</u> \$'000
At 1 January	595	595
Issue of ordinary shares	<u>21,999</u>	<u>21,999</u>
At 31 December	<u>22,594</u>	<u>22,594</u>

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**Notes to the Company balance sheet for the year ended 31 December 2014**
**i. Profit and loss account**

	<i>31 Dec</i> <u>2014</u> \$'000	<i>31 Dec</i> <u>2013</u> \$'000
At 1 January	24,818	24,488
Loss for the financial year	(14,674)	(23,371)
Dividends received from group companies	4,837	23,701
	<hr/>	<hr/>
At 31 December	<u>14,981</u>	<u>24,818</u>

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

	<i>31 Dec</i> <u>2014</u> \$'000	<i>31 Dec</i> <u>2013</u> \$'000
At 1 January	65,664	43,334
Issue of ordinary shares	—	22,000
Loss for the financial year	(14,674)	(23,371)
Dividends received from group companies	4,837	23,701
	<hr/>	<hr/>
At 31 December	<u>55,827</u>	<u>65,664</u>

**k. Derivatives**

At year end interest rate swaps agreements were held by the Company. The open interest rate derivative positions at year end represent a liability of \$916k (2013:\$1,287k). Further details on the interest rate swap agreements are contained within note 15 of the consolidated financial statements.