

# **Flagships Limited**

## **Report and Financial Statements**

**31 December 2017**



Company Registered No. 04975518

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## Flagships Limited

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Registered No: 04975518

### **Directors**

Alan Bekhor

### **Registered Office**

Millbank Tower  
21-24 Millbank  
London  
SW1P 4QP

## Directors' report

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2017. The report has been prepared in accordance with the provision applicable to companies entitled to the small companies' exemptions, including the exemption to produce a strategic report.

### Principal activities and business model

The Company was dormant during the year. Following the disposal of its owned vessel, the Company ceased trading on 21 December 2016. Accordingly, these financial statements are not prepared on a going concern basis.

### Financial review

The Company's key financial and other performance indicators during the period were as follows:

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Turnover	-	1,988
Total operating profit / (loss)	158	(1,146)

The Company made a profit for the year, after taxation, of \$157,593 (31 December 2016: loss \$10,891,191).

### Directors of the company

Alan Bekhor served as a director throughout the year. Peter Johnson served as a director until he resigned on 20 December 2017.

### Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all the directors of the Company which was in force at the date of approval of this report.

### Dividends

The directors do not recommend the payment of a dividend (31 December 2016: \$nil).

### Going Concern

As explained in note 1, the company ceased trading on 21 December 2016. The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's net assets to net realisable value.

As of 21 December 2016 the company became dormant.

### Directors' responsibilities statement

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

## Directors' report

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law. 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 Company and of the profit or loss of the Company for that period.

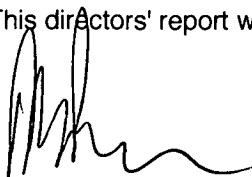
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

### Approval

This directors' report was approved by order of the Board on 31/8/2018.



A Bekhor  
Director

## Statement of comprehensive income

for the year ended 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
Turnover	3	-	1,987,612
Cost of sales	4	-	(2,801,036)
<b>Gross loss</b>		-	(813,424)
Administrative expenses	4	157,593	(332,178)
<b>Operating profit / (loss)</b>		157,593	(1,145,602)
Other losses	13	-	(9,552,007)
Finance expense	4	-	(186,659)
<b>Profit / (loss) before taxation</b>		157,593	(10,884,268)
Taxation on loss on ordinary activities	6	-	(6,923)
<b>Profit / (loss) after taxation</b>		157,593	(10,891,191)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive profit / (loss)</b>		157,593	(10,891,191)

The total comprehensive loss for both years was wholly attributable to owners of the company.

The notes on pages 8 to 20 form part of these financial statements.

## Balance sheet

at 31 December 2017

	Note	31 Dec 2017 \$	31 Dec 2016 \$
<b>Current assets</b>			
Cash at bank and in hand		223	-
Debtors due within one year	9	<u>-</u>	<u>43,591</u>
		223	43,591
<b>Creditors: amounts falling due within one year</b>	10	<u>-</u>	<u>(200,961)</u>
<b>Net current (liabilities) / assets</b>		<u>223</u>	<u>(157,370)</u>
<b>Net (liabilities) / assets</b>		<u>223</u>	<u>(157,370)</u>
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account	12	<u>221</u>	<u>(157,372)</u>
<b>Shareholders' (deficit) / funds</b>		<u>223</u>	<u>(157,370)</u>

For the year ending 31 December 2017, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime.

The financial statements were approved by the Board on 31/12/2018 and signed on its behalf by:



A R Bekhor  
Director

The notes on pages 8 to 20 form part of these financial statements.

## Statement of changes in equity

for the year ended 31 December 2017

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	\$	\$	\$
Balance at 1 January 2017	2	(157,372)	(157,370)
Profit for the financial year	-	157,593	157,593
	2	221	223
Balance at 31 December 2017			
Balance at 1 January 2016	2	10,733,819	10,733,821
Loss for the financial year	-	(10,891,191)	(10,891,191)
	2	(157,372)	(157,370)
Balance at 31 December 2016			

There was no other comprehensive income during the period.

*The notes on pages 8 to 20 form part of these financial statements*



## Notes to financial statements

for the year ended 31 December 2017

### 1. Accounting policies

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is disclosed on page 2.

#### (a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework*. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The financial statements are stated in U.S. Dollars, being the functional and presentational currency of the Company.

#### *Disclosure exemptions adopted*

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Britmar (UK) Limited.

#### *Judgements and key areas of estimation uncertainty*

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

#### *Going concern*

The company has ceased trading during the year. The financial statements have been prepared on a basis other than that of a going concern.

The principal effects of the preparing the financial statements on a basis other than that of a going concern are as follows:

- Writing down the company's tangible assets by \$4,884,117 to net realisable value during the year ended 31 December 2015.
- Forgiveness of debt to related party British Marine Limited with the value of \$15,432,987. This was a related party transaction.

## Notes to financial statements

for the year ended 31 December 2017

No other material adjustments arose as a result of ceasing to apply the going concern basis.

(b) Turnover

Revenues, net of sales tax such as VAT where applicable, are recorded when services are rendered, the Company has a charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Company primarily generates revenues from the transportation of cargo and the time charter of vessels. Estimated losses on voyages are provided for in full at the time such losses become evident. Voyages in progress at the period end are accounted for on a percentage completion basis.

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

Where the Company employs its vessels on time charters, for which it receives a fixed hire rate 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.

(c) Tangible assets and depreciation (vessels)

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided to write off the cost of the asset, after allowing for an estimated residual value, over its estimated useful life of 25 years from date of construction. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on prospective basis.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(d) Dry-docking costs

Vessels are subject to a major service (dry-dock) typically every 30 months. Dry-docking costs are capitalised and written off to the profit and loss account on a straight line basis over the estimated period to the next dry-dock. If a dry-docking occurs prior to the next anticipated date, any remaining capitalised dry-docking costs are written-off.

On delivery of a new vessel a portion of the acquisition cost is allocated to the dry-dock cost and amortised over 60 months.

## Notes to financial statements

for the year ended 31 December 2017

(e) Stock

Stock is stated at the lower of cost and net realisable value on a first in first out basis. Stocks consist of bunkers, being fuel for the vessels, lubricating oil, stock under bond and food provisions.

(f) Financial instruments

Financial assets

*Initial recognition and measurement*

The Company 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.

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 Company commits to purchase or sell the asset.

The Company's financial assets include cash and trade and other receivables.

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 Company 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 Company does not have financial assets falling under this category.

*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.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each financial

## Notes to financial statements

for the year ended 31 December 2017

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.

### Financial assets (continued)

#### *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.

### 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 Company 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 Company's financial liabilities include trade and other payables.

#### *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.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. The Company does not have financial liabilities falling under this category.

#### *Loans and borrowings*

## Notes to financial statements

for the year ended 31 December 2017

Loans from fellow Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried 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.

### Financial liabilities (continued)

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.

#### (g) Foreign currencies

Transactions in foreign currencies are converted into U.S. Dollars at the rates ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are converted into U.S. Dollars at the rate of exchange ruling at the balance sheet date. All exchange differences have been dealt with in the profit and loss account.

#### (h) Taxation

The Company is resident in the United Kingdom and pays a flat rate tax based on the net tonnage of the vessel operated (tonnage tax). Any income and profits that the Company earns in the United Kingdom outside the tonnage tax regime are taxed under normal corporation tax rules.

Deferred tax (on non-tonnage tax activities) 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.

## 2. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## Notes to financial statements

for the year ended 31 December 2017

### *Judgements*

In the process of applying the 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.

### *Estimates and assumptions*

#### 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 trade receivables as at 31 December 2016 were \$nil.

#### 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 of vessel

Management review the vessel for impairment at the end of each financial period. Impairment of the vessel is identified where the fleet carrying amount exceeds the recoverable amount, which is determined by the fair value less cost to sell the vessel.

The fair value of the vessel was determined by independent valuation experts using the open market value of existing use. It is based on the conditions, information and variables available to us at the time of the valuation. Any development since the date of the valuation has not been considered.

### 3. Revenue

	<u>31 Dec</u> <u>2017</u>	<u>31 Dec</u> <u>2016</u>
	\$	\$
Charter hire income	-	1,987,612

All revenue in both years was derived from the United Kingdom.

## Notes to financial statements

for the year ended 31 December 2017

### 4. Expenses by nature

	<i>31 Dec</i> <u>2017</u> \$	<i>31 Dec</i> <u>2016</u> \$
Bunker inventory expense	-	220,696
Brokers commission expense	-	99,176
Insurance costs and settlements	-	214,683
Consumption of lubricating oil	-	113,716
Depreciation of tangible assets (note 7)	-	736,630
Impairment of tangible assets (note 7) (i)	-	-
Repairs and maintenance on vessels	-	384,325
Employee costs (note 5)	-	513,586
Other vessel crew costs	-	510,907
Management fees	-	-
Finance costs	-	186,659
Other costs	(157,593)	339,495

(i) Fixed asset impairment charges have been recognised in cost of sales.

### 5. Directors' remuneration and staff costs

The directors received no remuneration in respect of their services as directors of the Company during the year (31 December 2016: \$nil).

Staff costs during the year were as follows:

	<i>31 Dec</i> <u>2017</u> \$	<i>31 Dec</i> <u>2016</u> \$
Wages and salaries	-	513,586

The average monthly number of employees during the year was nil (31 December 2016: 23), all employed in an operations capacity.

## Notes to financial statements

for the year ended 31 December 2017

### 6. Taxation on profit on ordinary activities

The Company operates within the U.K. tonnage tax regime under which its vessel owning and operating activities are taxed based on the net tonnage of the vessel.

	<i>31 Dec</i> <u>2017</u> \$	<i>31 Dec</i> <u>2016</u> \$
UK corporation tax	-	6,923
Total tax charge	-	6,923

Factors affecting the taxation charge for the year:

The standard rate of corporation tax in the UK is 19.25% during the period.

The differences are explained below:

	<i>31 Dec</i> <u>2017</u> \$	<i>31 Dec</i> <u>2016</u> \$
Profit / (loss) on ordinary activities before tax	157,593	(10,884,268)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK	30,337	(2,176,854)
Gain from forgiveness of related party debt	(30,864)	-
Loss carried forward to future periods	527	-
Profit / (loss) attributable to tonnage tax	-	2,183,777
Current tax charge	-	6,923

### 9. Debtors due within one year

	<i>31 Dec</i> <u>2017</u> \$	<i>31 Dec</i> <u>2016</u> \$
Trade debtors	-	42,056
Other debtors	-	1,535
	-	43,591



## Notes to financial statements

for the year ended 31 December 2017

### 10. Cash at bank and in hand

	31 Dec <u>2017</u> \$	31 Dec <u>2016</u> \$
Cash at bank	223	-
	<u>223</u>	<u>-</u>

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

	31 Dec <u>2017</u> \$	31 Dec <u>2016</u> \$
Trade creditors	-	114,214
Bank overdraft	-	3
Corporation tax	-	6,525
Other creditors	-	63,190
Accruals and deferred income	-	17,029
	<u>-</u>	<u>200,961</u>

### 11. Share capital

	31 Dec <u>2017</u> \$	31 Dec <u>2016</u> \$
<i>Authorised</i>		
1 ordinary share of £1 each	2	2
<i>Allotted, called-up and fully paid</i>		
1 ordinary share of £1 each	<u>2</u>	<u>2</u>

### 12. Reserves

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

Reserve	Description and purpose
Share capital	Nominal value of share capital subscribed for.

## Notes to financial statements

for the year ended 31 December 2017

Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
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### 13. Related party transactions

During the year, the company had debts to related parties of 160,333 forgiven, giving rise to a gain recognised in the statement of comprehensive income.

### 14. Ultimate parent company and control

The Company was a wholly-owned subsidiary of British Marine Limited, a company incorporated in England, until it was sold to Alan Bekhor on 13 December 2017.

The company is controlled by Mr Alan Bekhor.