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Aurora Shipping Ltd

Annual report and financial statements for the year ended 31 December 2007

Incorporated	09 September 03
UK registered number	FC026839
UK branch number	BR008843
Date of opening of UK branch	13 June 06

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Aurora Shipping Ltd
Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 2007. The directors have elected to prepare these financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practices) and references to statutes or accounting standards are to those of England and Wales or the UK, unless otherwise stated.

Principal activities and business review

The principal activity of the company is, and will continue to be, the operation of the vessel M V Hyundai Busan. The directors consider the results for the year to be satisfactory.

Results and dividends

The company profit for the year, after taxation, was US\$ 1,975,162.
The directors do not recommend the payment of a dividend.

Directors

The directors, who served for the year to 31 December 2007, were as follows:

A Lion
R Zingher
C Klein
N Weeks


No director has any interests in the shares of the company which are required to be disclosed under schedule 7 of the Companies Act 1985.

Auditors

KPMG LLP were appointed as auditors after the year end. A resolution for their re-appointment will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Registered office
Trident Chambers
P O Box 146, Road Town
Tortola
British Virgin Islands

By order of the Board



C Klein
Secretary

20 October 2008

Aurora Shipping Ltd
Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Aurora Shipping Ltd

Independent auditors' report to the members of Aurora Shipping Ltd

We have audited the financial statements of Aurora Shipping Ltd for the year ended 31 December 2007, which comprise the profit and loss account, the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

London

20 Oct 2008

Aurora Shipping Ltd
Profit and loss account
For the year ended 31 December 2007

		Year ended 31 December 2007 \$'000	Period ended 31 December 2006 \$'000
	Notes		
Turnover	2	10,950	5,760
Direct and operating costs		(5,848)	(2 949)
Operating profit		<u>5,102</u>	<u>2,811</u>
Interest payable and similar charges	5	(3,330)	(1,877)
Interest receivable and similar income	5	229	36
Profit on ordinary activities before taxation		<u>2,001</u>	<u>970</u>
Tax on tonnage	6	(26)	(13)
Profit on ordinary activities after taxation		<u>1 975</u>	<u>957</u>
Profit for the year	16	<u><u>1,975</u></u>	<u><u>957</u></u>

All of the activities of the company are classified as continuing

The company has no recognised gains or losses other than the results for the year as set out above and therefore no statement of total recognised gains and losses has been presented

Aurora Shipping Ltd
Balance sheet
31 December 2007

	Notes	2007 \$'000	2006 \$'000
Fixed assets			
Tangible assets	7	65,305	68,682
Current assets			
Stocks	8	250	288
Debtors	9	5,020	2,474
		<u>5,270</u>	<u>2,762</u>
Current liabilities			
Creditors amounts falling due within one year	10	(5,364)	(4,421)
		<u>(94)</u>	<u>(1,659)</u>
Net current liabilities			
Total Assets less Current Liabilities		<u>65,211</u>	<u>67,023</u>
Creditors amounts falling due after more than one year	11	<u>(62,279)</u>	<u>(66,066)</u>
Net assets		<u>2,932</u>	<u>957</u>
Financed by			
Share capital	14	-	-
Profit and loss account	16	<u>2,932</u>	<u>957</u>
Shareholders' funds	16	<u>2,932</u>	<u>957</u>

These financial statements were approved by the Board of Directors on 20 October 2008

Signed on behalf of the Board of Directors



Director

Name CHAIM KLEIN

The accompanying notes are an integral part of this balance sheet

Aurora Shipping Ltd
Cash flow statement
for the year ended 31 December 2007

	Notes	2007 \$'000	2006 \$'000
Net cash from operating activities	15	6,900	2,450
Returns on investments and servicing of finance	15	(3,101)	(1,841)
Capital expenditure and financial investment	15	-	(70,461)
Cash inflow/(outflow) before financing		<u>3,799</u>	<u>(69,852)</u>
Financing	15	(3,786)	69,852
Tax paid	15	<u>(13)</u>	<u>-</u>
Increase in cash		<u><u>-</u></u>	<u><u>-</u></u>

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

- a) *Basis of accounting*
The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.
- b) *Turnover*
Revenue from charter hire is recognised evenly over the year of the charter.
Voyage revenue and costs are recognised according to the percentage completion of each voyage. Estimated losses on voyages are provided in full at the time such losses become evident.
- c) *Fixed assets*
All fixed assets are initially recorded at cost.
- d) *Depreciation*
Depreciation is calculated on a straight line basis to write off the cost of the fixed assets to their residual values over the estimated useful economic life of that asset.

Vessel	-straight line over 20 years
Deferred dry dock expenditure	-between 30 to 60 months
- e) *Stocks*
Stocks comprise bunkers and lubricants and are stated at the lower of cost and net realisable value.
- f) *Finance lease agreements*
Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital which reduces the outstanding obligation for future instalments.
- g) *Foreign currencies*
The financial statements are presented in US dollars as this is the operational currency of the company. Transactions in other currencies are translated into the reporting currency at the exchange rate in operation at the date of the transaction, or where appropriate, at contracted forward rates. Assets and liabilities denominated in foreign currencies are translated into the reported currency at closing rates ruling at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.
- h) *Taxation*
On 22 June 2006 the company elected to enter the UK tonnage regime for an initial period of ten years. Under the tonnage tax regime the current year tax charge is calculated by reference to the net tonnage of the qualifying ship chartered in by the partnership. To the extent that the company generates profits/losses which do not qualify for inclusion under the above regime they will be taxable under general UK tax principles.
Deferred taxation is not recognised in respect of profits/losses arising within the tonnage tax regime. However, where the company generates profits/losses which do not qualify for inclusion under the above regime, deferred tax will be recognised and measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or subsequently enacted at the balance sheet date.

Aurora Shipping Ltd
Notes to the financial statements (continued)

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

3 Operating profit	2007	2006
	\$'000	\$'000

Operating profit is stated after charging

Depreciation of assets	3,297	1,732
Amortisation of drydock	80	47

Auditor's remuneration is borne by another group undertaking. The fee attributable to the company is \$2,500. There were no other fees paid to the auditor.

4 Particulars of employees

The company had no employees in either the current year or prior period.

No director received any remuneration for services to the company in the current year or prior period.

5 Interest payable	2007	2006
	\$'000	\$'000

Bank loans	3,330	1,877
	<u>3,330</u>	<u>1,877</u>

Interest receivable	2007	2006
	\$'000	\$'000

Bank interest	(229)	(36)
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6 Tax on profit on ordinary activities	2007	2006
	\$'000	\$'000

Current tax

UK Tonnage tax	(26)	(13)
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Responsibilities for assisting with negotiation of charters and daily operations are performed by management service companies. The directors are of the opinion that the company is managing its affairs in a manner that does not make it liable to corporation or other taxes in respect of any of its operations other than UK tonnage tax.

7 Tangible fixed assets

	Vessel	Deferred dry dock expenditure	Total
	\$'000	\$'000	\$'000
Cost			
At 1 January 2007	70,061	400	70,461
Additions	-	-	-
At 31 December 2007	<u>70,061</u>	<u>400</u>	<u>70,461</u>
Depreciation / amortisation			
At 1 January 2007	1,732	47	1,779
Charge for the year	3,297	80	3,377
At 31 December 2007	<u>5,029</u>	<u>127</u>	<u>5,156</u>
Net book value			
At 31 December 2007	<u>65,032</u>	<u>273</u>	<u>65,305</u>
At 31 December 2006	<u>68,329</u>	<u>353</u>	<u>68,682</u>

Aurora Shipping Ltd
Notes to the financial statements (continued)

8 Stock	2007	2006
	\$'000	\$'000
Consumables	<u>250</u>	<u>288</u>
9 Debtors	2007	2006
	\$'000	\$'000
Trade receivables	93	15
Amounts due from fellow group companies	4,908	2 452
Prepayments, accrued income and insurance claims	<u>19</u>	<u>7</u>
	<u>5 020</u>	<u>2,474</u>
10 Creditors amounts falling due within one year	2007	2006
	\$'000	\$'000
Bank loans	(3,787)	(3 786)
Trade payables	(1,367)	(412)
Taxation	(26)	(13)
Accruals and deferred income	<u>(184)</u>	<u>(210)</u>
	<u>(5,364)</u>	<u>(4,421)</u>
11 Creditors amounts falling due after more than one year	2007	2006
	\$'000	\$'000
Bank loans	(48,280)	(52,067)
Amounts due to shareholders	<u>(13,999)</u>	<u>(13,999)</u>
	<u>(62,279)</u>	<u>(66,066)</u>
12 Commitments under bank loans	2007	2006
	\$'000	\$'000
Amounts payable within 1 year	(3 787)	(3,786)
Amounts payable between 2 to 5 years	(15 147)	(15,147)
Amounts payable after more than 5 years	<u>(33,133)</u>	<u>(36,920)</u>
	<u>(52,067)</u>	<u>(55,853)</u>
13 Related party transactions		
During the year the company paid management fees of \$120,000 to Zodiac Maritime Agencies Limited, a related company, for vessel management services (2006 \$148,387) At 31 December 2007 \$nil remained unpaid		
14 Share capital	2007	2006
	\$	\$
Authorised		
50,000 ordinary shares of US\$1 each	<u>50,000</u>	<u>50,000</u>
	<u>50,000</u>	<u>50,000</u>
Allotted, called-up and fully paid		
1 ordinary share of US\$1 each	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

Aurora Shipping Ltd
Notes to the financial statements (continued)

15 Notes to the statement of cash flows

a) <i>Reconciliation of operating profit to net cash flow from operating activities</i>	2007 \$'000	2006 \$'000
Operating profit	5,102	2 811
Depreciation and amortisation	3,377	1,779
Decrease/(Increase) in stocks	38	(288)
Increase in debtors	(2,546)	(2,474)
Increase in creditors	929	622
	<u>6 900</u>	<u>2 450</u>
b) <i>Returns on investments and servicing of finance</i>	2007 \$'000	2006 \$'000
Interest received	229	36
Interest paid	(3,330)	(1,877)
	<u>(3,101)</u>	<u>(1,841)</u>
c) <i>Capital expenditure</i>	2007 \$'000	2006 \$'000
Payments to acquire tangible fixed assets	-	(70 461)
d) <i>Financing</i>	2007 \$'000	2006 \$'000
(Repayment of)/increase in loans	<u>(3,786)</u>	<u>69,852</u>
e) <i>Tax paid</i>	2007 \$'000	2006 \$'000
UK Tonnage tax paid	<u>(13)</u>	<u>-</u>

f) *Analysis of changes in net debt*

	At 1 January 2007 \$'000	Non-cash changes \$'000	Cash flows \$'000	At 31 December 2007 \$'000
Loans	(13,999)	-	-	(13,999)
Bank loans	(55,853)	-	3,786	(52,067)
Net debt	<u>(69,852)</u>	<u>-</u>	<u>3,786</u>	<u>(66,066)</u>

Aurora Shipping Ltd**Notes to the financial statements (continued)**

16 Reserves	\$'000
Profit and loss account	
At 1 January 2007	957
Retained profit for the financial year	<u>1 975</u>
At 31 December 2007	<u>2 932</u>

Reconciliation of movement in shareholders' funds	2007
	\$'000

Shareholders' funds at 1 January 2007	957
Profit for the year	1,975
Shareholders' funds as at 31 December 2007	<u>2,932</u>

Immediate and ultimate parent company

The immediate parent company of the company is Container Enterprises Ltd, a company incorporated in the Republic of Liberia
The ultimate parent company of the company is Oceania Holdings Limited, a company incorporated in the Republic of Liberia