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Pride Shipping Limited

Report and Financial Statements

31 January 2011

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Pride Shipping Limited

Registered No 05070280

Directors

Alan Bekhor
Sunil Malhotra
Peter Johnson

Secretary

Harish Chikhliia

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Registered Office

11 Manchester Square
London
W1U 3PW

Directors' report

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

Results and dividends

The Company made a profit on ordinary activities before taxation of \$4,472,632 for the year (2010 \$3,713,239).

The directors approved an interim dividend of \$4,600,000 during the year but do not recommend the payment of a final dividend (2010 \$21,700,000).

Review of activities and review of the business

The principal activity of the Company during the year was that of vessel owning and operation.

The Company remains lessee of the vessel M V Gwendolen under a finance lease agreement with Gwendolen Shipping Limited. Gwendolen Shipping Limited is a wholly owned subsidiary of British Marine plc, the immediate parent undertaking of the Company.

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

	2011 \$'000	2010 \$'000	Change %
Turnover	7,422	6,810	9.0
Total operating profit	4,829	4,111	17.5

The Company made a profit for the year, after taxation, of \$4,464,038 (2010 \$3,703,842).

The vessel, M V Gwendolen, was employed on long term time charter to British Marine (Asia) Pte Ltd at the prevailing Baltic Index rate throughout the prior and current years. British Marine (Asia) Pte Ltd is a wholly owned subsidiary of British Marine plc, the immediate parent undertaking of the Company.

The Company intends to continue its activity of vessel owning and operation and considers itself in a strong position to maintain its profitable business in the coming years.

Principal risks and uncertainties

The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity and credit risks. These risks are monitored by the directors on a continuous basis.

The Company seeks to limit counterparty risk by conducting most of its banking activities with a limited number of major international banks, whose status is kept under review.

Foreign exchange risk

The Company's activities are principally conducted in U S Dollars. Almost all of revenues and 90% of costs are in U S Dollars, with the remainder of costs denominated in sterling, Indian rupees and Euros. Overall exposure is kept under constant review.

Directors' report

Liquidity risk

The Company finances its business from its cash flow from operations and, as necessary, loans from its parent company. Liquidity risk is managed at a group level.

Credit risk

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

Cost base variation risk

Cost base variation risk is managed at a group level by the use of derivatives. Forward Freight Agreements and Bunker Hedging contracts.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors of the company

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

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

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



By Order of the Board
H CHIKHLIA
Secretary

Date 29 July 2011

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the 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 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 the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Pride Shipping Limited

We have audited the financial statements of Pride Shipping Limited for the year ended 31 January 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

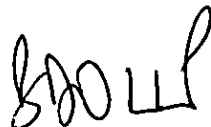
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

26 July 2011

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

Profit and loss account

for the year ended 31 January 2011

	Note	2011 \$	2010 \$
Turnover	1(b)	7,421,975	6,809,677
Cost of sales		(2,291,489)	(2,357,202)
Gross profit		5,130,486	4,452,475
Administrative expenses		(301,949)	(341,974)
Operating profit	2	4,828,537	4,110,501
Interest receivable and other income	4	273	541
Interest payable and similar charges	5	(356,178)	(397,803)
Profit on ordinary activities before taxation		4,472,632	3,713,239
Taxation on profit on ordinary activities	6	(8,594)	(9,397)
Profit on ordinary activities after taxation	14,15	4,464,038	3,703,842

All activities are continuing activities

Statement of total recognised gains and losses for the year ended 31 January 2011.

There are no recognised gains and losses other than those shown in the profit and loss account above

Balance sheet at 31 January 2011

	Note	2011 \$	2010 \$
Fixed assets			
Tangible fixed assets	7	14,272,970	15,115,390
Current assets			
Stock	8	101,718	63,666
Debtors	9	2,823,185	2,897,244
Cash at bank and in hand	10	398	125
		2,925,301	2,961,035
Creditors: amounts falling due within one year	11	(944,435)	(987,603)
Net current assets		1,980,866	1,973,432
Total assets less current liabilities		16,253,836	17,088,822
Creditors: amounts falling due after more than one year	12	(4,386,295)	(5,085,319)
Net assets		11,867,541	12,003,503
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	11,867,539	12,003,501
Shareholders' funds	15	11,867,541	12,003,503

The financial statements were approved by the Board on 29 July 2011 and signed on its behalf by



P G Johnson
Chief Financial Officer

Notes to financial statements

at 31 January 2011

1 Accounting policies

(a) Basis of preparation

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 US Dollars, being the functional and presentational currency of the Company

(b) Turnover

Revenues 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 year end are accounted for on a percentage completion basis.

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

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 fixed assets and depreciation (vessels)

Tangible fixed 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 carrying values of tangible fixed assets are reviewed for impairments when events or changes in circumstances indicate the carrying value will not be recoverable.

(d) Drydocking costs

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.

(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.

Notes to financial statements

at 31 January 2011

1 Accounting policies (continued)

(f) 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.

(g) 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.

(h) Cash flow statement

Under FRS1 (Revised) the Company is exempt from the requirement to prepare a Statement of Cash Flows on the grounds that the ultimate parent undertaking includes the Company in its own publicly reported Consolidated Financial Statements.

(i) Related parties

The Company claims exemption under FRS8 in respect of transactions with wholly owned subsidiaries of the Britmar (UK) Limited group.

(j) Leasing

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to financial statements

at 31 January 2011

2. Operating profit

Operating profit is stated after charging	2011 \$	2010 \$
Depreciation of tangible fixed assets held under finance leases	842,420	773,558
Foreign exchange differences	2,028	36,358

Auditors' remuneration is charged on a group basis in the accounts of British Marine plc

3. Directors and staff costs

The directors received no remuneration in respect of their services as directors of the Company during the year (2010 Nil)

Staff costs during the year were as follows

	2011 \$	2010 \$
Wages and salaries	395,682	399,088

The average monthly number of employees during the year was 22 (2010 22), all employed in an operations capacity

4. Interest receivable and similar income

	2011 \$	2010 \$
Bank interest receivable	273	541

Notes to financial statements

at 31 January 2011

5. Interest payable and similar charges

	2011 \$	2010 \$
Finance lease charges	356,178	397,803

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

	2011 \$	2010 \$
UK corporation tax	8,578	9,397
Adjustments in respect of prior periods	16	-
Total tax charge	8,594	9,397

Factors affecting the taxation charge for the year

The effective rate of tax is lower than the standard rate of corporation tax in the UK 28% (2010 28%)

The differences are explained below

	2011 \$	2010 \$
Profit on ordinary activities before tax	4,472,632	3,713,239
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%)	1,252,337	1,039,707
Profits attributable to tonnage tax	(1,243,759)	(1,029,803)
Adjustments in respect of prior periods	16	(507)
Current tax charge	8,594	9,397

Notes to financial statements

at 31 January 2011

7. Tangible fixed assets

	<i>Vessels</i> \$	<i>Dry docking costs</i> \$	<i>Total</i> \$
Cost			
At 1 February 2010 and 31 January 2011	16,517,662	559,264	17,076,926
	<i>Vessels</i> \$	<i>Dry docking costs</i> \$	<i>Total</i> \$
Depreciation			
At 1 February 2010	1,849,683	111,853	1,961,536
Charge for the year	618,716	223,704	842,420
At 31 January 2011	2,468,399	335,557	2,803,956
Net book value			
At 31 January 2011	14,049,263	223,707	14,272,970
At 31 January 2010	14,667,979	447,411	15,115,390

The above amounts represent a vessel that was held under a finance lease. The depreciation charges made in the year are disclosed in Note 2 to the financial statements.

8. Stock

Stocks consist of the following

	<i>2011</i> \$	<i>2010</i> \$
Lubricating oil	88,969	53,244
Stock under bond	12,749	10,422
	101,718	63,666

Notes to financial statements

at 31 January 2011

9. Debtors

	2011	2010
	\$	\$
Trade debtors	13,936	13,936
Amount owed by parent company	2,753,808	2,758,393
Other debtors	19,923	29,249
Prepayments and accrued income	35,518	95,666
	<u>2,823,185</u>	<u>2,897,244</u>

10. Cash at bank and in hand

Cash at bank and in hand includes the following amounts

	2011	2010
	\$	\$
Restricted amounts	<u>398</u>	<u>125</u>

Restricted amounts are funds held in Company bank accounts on retention for the finance lease obligation

11. Creditors: amounts falling due within one year

	2011	2010
	\$	\$
Trade creditors	119,032	245,067
Corporation tax	8,594	16,524
Finance lease (Note 12)	699,024	660,982
Other creditors	18,442	12,276
Accruals and other creditors	<u>99,343</u>	<u>52,754</u>
	<u>944,435</u>	<u>987,603</u>

Notes to financial statements

at 31 January 2011

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

	2011 \$	2010 \$
Finance lease creditor	4,386,295	5,085,319
Repayable as follows	2011 \$	2010 \$
Within one year	699,024	660,982
Between one and two years	739,254	699,024
Between two and five years	781,800	2,347,847
More than five years	2,865,241	2,038,448
	5,085,319	5,746,301
Less amounts due within one year (Note 11)	(699,024)	(660,982)
	4,386,295	5,085,319

13. Issued share capital

	2011 \$	2010 \$
Allotted, called-up and fully paid		
1 ordinary shares of £1 each	2	2

14. Profit and loss account

	2011 \$	2010 \$
At 1 February	12,003,501	29,999,659
Profit for the year	4,464,038	3,703,842
Interim dividend paid	(4,600,000)	(21,700,000)
At 31 January	11,867,539	12,003,501

Notes to financial statements

at 31 January 2011

15. Movement in shareholder's funds

	2011 \$	2010 \$
At 1 February	12,003,503	29,999,661
Profit for the year	4,464,038	3,703,842
Interim dividend paid	(4,600,000)	(21,700,000)
At 31 January	11,867,541	12,003,503

16. Commitments and contingencies

The Company, in the normal course of business, has entered into contracts to time charter out its vessel for future periods

The Company's vessel is the subject of a finance lease from another group company. The Company is also a party to a cross guarantee with DVB bank related to the group financing arrangement.

17. Related party transactions

As a wholly owned subsidiary of Britmar (UK) Limited, the Company is exempt from the requirements of Financial Reporting Standard No 8 (FRS8) to disclose transactions with other group members of the group headed by Britmar (UK) Limited.

18. Ultimate parent undertaking

The Company is the wholly-owned subsidiary of British Marine plc, a company incorporated in England, which is the immediate parent undertaking and the parent company of the smallest group in which the results of the company are consolidated.

The Company's ultimate parent undertaking is Britmar (UK) Limited, a company incorporated in England, which is the holding company of the largest group in which the results of the company are consolidated.

The individual company financial statements and the consolidated financial statements of British Marine plc and Britmar (UK) Limited may be requested from the registered office at 11 Manchester Square, London W1U 3PW.

19. Ultimate controlling party

Mr Alan Bekhor is the ultimate controlling party of the Company.