

Company number: 05070280

**PRIDE SHIPPING LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**31 JANUARY 2009**

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## **Pride Shipping Limited**

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## **Pride Shipping Limited**

### **Directors**

Alan Bekhor  
Sunil Malhotra

### **Secretary**

Harish Chikhlia

### **Registered Office**

11 Manchester Square, London, W1U 3PW

### **Auditors**

Ernst & Young LLP  
Registered Auditors  
1 More London Place, London SE1 2AF

## **Report of the Directors**

The directors present their report and the audited financial statements for the year ended 31 January 2009.

### **Results and dividends**

The profit before taxation for the financial year amounted to U.S. \$8,739,542 (2008: U.S. \$5,900,148).

The directors do not recommend the payment of a dividend for the year (2008: Nil).

### **Principal activities and review of the business**

The principal activity of the Company during the year was that of vessel operator.

The year started strongly supported by good demand. However, the market collapsed in the final quarter of the financial year. The worldwide recession led to reduced demand and over supply of vessels. The Baltic index average rate per day for Supramax vessels fell from U.S. \$ 53,500 in the first quarter of the year to U.S. \$ 13,000 in the last quarter.

The Company is confident that it can weather the current very difficult trading conditions. The Company should remain profitable but at a lower level than previously.

### **Directors**

Mr A. Bekhor and Mr Sunil Malhotra served as directors throughout the year.

### **Events After the Balance Sheet Date**

On 10 July the Company was a party to a new agreement with DVB Bank by which a loan was advanced to Gwendolen Shipping Limited to finance the purchase of M.V Gwendolen. The Company remains lessee of the ship under a finance lease novated from Ocean Gwendolen Limited to Gwendolen Shipping Limited.

## **Pride Shipping Limited**

### **Report of the Directors (continued)**

#### **Financial Risk Management**

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 continual basis.

The Company seeks to limit counter-party risk by conducting most of its banking activities through the treasury function of the parent company.

#### *Foreign Exchange Risk*

The Company's activities are principally conducted in U.S. dollars. Almost all revenues and approximately 90% of costs are in U.S. dollars, with the remainder of costs denominated in India rupees, pound sterling and several other currencies. Overall exposure is kept under continuous review and the Company will participate in currency hedging where considered appropriate.

#### *Liquidity Risk*

The Company finances its operations principally through retained profits and loans from its bankers and related parties. Liquidity risk is the risk that the Company will encounter difficulties in meeting its loan obligations from its related parties. The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to be able to finance its operations for the foreseeable future.

#### *Credit Risk*

No material exposure is considered to exist in respect of trade and other receivables. The Company carefully reviews all new customers before accepting new business and may require performance guarantees or other forms of security.

#### *Cost base variation risk*

The Company hedges through the parent company (previously directly) against variations in the cost of chartered in shipping which represents a significant portion of its cost base by the use of Forward Freight Affreightment contracts. (note 3).

#### **Directors' Declaration**

Each of the persons who are directors 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 of the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### **Auditors**

Moore Stephens LLP resigned on 13 May 2009 and Ernst & Young LLP were appointed in their place. A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

By Order of the Board  
A. Bekhor  
Director  
Date: 2 October 2009

## **Pride Shipping Limited**

### **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 judgments and estimates that are reasonable and prudent;
- state whether applicable 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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 judgments 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.

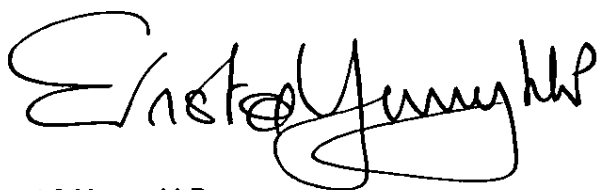
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## Independent auditor's report to the members of Pride Shipping Limited (cont.)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', with a large, stylized loop at the end.

Ernst & Young LLP  
Registered Auditor  
London  
Date: 05 October 2009

**Pride Shipping Limited**  
**Profit and Loss Account**  
**For the year ended 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
<b>Turnover</b>	2(b)	14,940,372	16,021,506
Cost of Sales		<u>(5,468,100)</u>	<u>(9,259,984)</u>
<b>Gross profit</b>		9,472,272	6,761,522
Administration expenses		<u>(366,963)</u>	<u>(351,001)</u>
<b>Operating profit</b>	3	9,105,309	6,410,521
Interest receivable and similar income	5	13,963	93,638
Interest payable	6	<u>(379,730)</u>	<u>(604,011)</u>
<b>Profit on ordinary activities before taxation</b>		8,739,542	5,900,148
Taxation on profit on ordinary activities	7	<u>14,091</u>	<u>(43,000)</u>
<b>Profit on ordinary activities after taxation</b>	15,16	<u>8,753,633</u>	<u>5,857,148</u>

All activities are continuing activities.

**Statement of total recognised gains and losses for the year ended 31 January 2009.**

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



**Pride Shipping Limited**

**Balance Sheet**

**At 31 January 2009**

	<u>Note</u>	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
<b>Assets</b>			
<b>Fixed Assets</b>			
Tangible assets	8	15,329,684	16,086,846
		<hr/>	<hr/>
<b>Current assets</b>			
Stock	9	99,106	224,743
Debtors	10	20,360,792	9,674,753
Cash at bank and in hand	11	1,241,341	3,510,338
		<hr/> 21,701,239	<hr/> 13,409,834
<b>Creditors: amounts falling due within one year</b>	12	<hr/> (1,284,961)	<hr/> (1,879,340)
<b>Net current assets</b>		<hr/> 20,416,278	<hr/> 11,530,494
<b>Total assets less current liabilities</b>		35,745,962	27,617,340
<b>Creditors, amounts falling due after more than one year</b>	13	<hr/> (5,746,301)	<hr/> (6,371,312)
<b>Net assets</b>		<hr/> 29,999,661	<hr/> 21,246,028
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	14	2	2
Profit and loss account	15	<hr/> 29,999,659	<hr/> 21,246,026
<b>Total equity</b>	16	<hr/> 29,999,661	<hr/> 21,246,028
		<hr/>	<hr/>

These financial statements were approved by the Board on 2 October 2009 and signed on its behalf by

  
A. BEKHOR  
Director

## **Pride Shipping Limited**

### **Financial Statements for the year ended 31 January 2009**

#### **Notes**

##### **1. Background and Trading Activities**

Pride Shipping Limited was incorporated in the United Kingdom on 11 March 2004 and commenced trading on 28 April 2004 when the Company entered into a bareboat charter arrangement with a third party to charter a 50,000 dwt bulk carrier, for an initial period of 7 years.

On 20 March 2007 the Company restructured its operating lease. As a result the operating lease was converted into a finance lease from 13 April 2007.

The vessel is employed on time and voyage charters.

##### **2. Principal Accounting Policies**

###### **(a) Basis of accounting**

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 currency of the Company,

###### **(b) Turnover**

Revenues are recorded when services are rendered, the Company has a signed 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 voyage are provided for in full at the time such losses become evident.

Deferred voyage 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.

The Company employs its vessel 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 off hire when the vessel is unavailable for to the charter.

###### **(c) Tangible fixed assets and depreciation**

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 vessel, 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**

Ships are subject to 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.

## **Pride Shipping Limited**

### **Financial Statements for the year ended 31 January 2009**

#### **Notes (Continued)**

#### **2. Principal Accounting Policies (cont)**

**(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 ships, stock under bond and food provisions.

**(f) 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.

**(g) Derivatives – forward freight agreements (FFA)**

Different types of derivatives to hedge specific aspects of the business are entered into by the Company directly or through the parent company. Forward freight agreements (FFA) are used to hedge shipping costs, bunker contracts are used to hedge vessel fuel costs, interest rate swaps to hedge interest fluctuations on borrowings, and foreign exchange contracts are used to hedge against fluctuations in foreign exchange rates.

Realised gains or losses on derivatives are recorded when the contract settles and an actual difference arises between the contracted price and the settlement rate on the date that the contract settles. Gains and losses on derivatives are recognised in the profit and loss account when they are realised. Where an estimated loss is not anticipated to be offset by future profits on the underlying transaction, the unrealised loss is treated as an onerous contract and provision for the loss is made at the time such loss becomes evident.

**(h) Cash flow statement**

Under FRS 1 (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 group claims exemption under FRS8 in respect of transactions with wholly owned subsidiaries of the Britmar (UK) Limited group on the grounds that the group prepares consolidated financial statements which are available to the public.

**(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 group are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

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

# **Pride Shipping Limited**

## **Financial Statements for the year ended 31 January 2009**

### **Notes (Continued)**

#### **3. Operating profit**

Operating profit is stated after charging/ (crediting):	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Operating lease rentals - hired-in vessels	-	217,894
Depreciation of tangible fixed assets held under finance leases	757,162	680,816
Payment to auditors – audit remuneration	-	7,988
Realised losses on derivatives	-	5,958,956
	<hr/>	<hr/>

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

#### **4. Directors and employees**

The directors received no remuneration in respect of their services as a director of the Company during the year, or in the prior year.

Staff costs during the year were as follows:

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Wages and salaries	407,825	387,357
	<hr/>	<hr/>

The Company employed an average number of 22 employees during year. (2008: 25), all employed in an operations capacity.

#### **5. Interest receivable and other income**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Bank interest receivable	13,963	93,638
	<hr/>	<hr/>

#### **6. Interest payable and similar charges**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Finance lease charges	379,730	604,011
	<hr/>	<hr/>

# Pride Shipping Limited

## Financial Statements for the year ended 31 January 2009

### Notes (Continued)

#### 7. Taxation on ordinary activities

The Company has entered the U.K. tonnage tax regime under which its ship owning and operating 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 U.K. corporation tax rules.

	<u>2009</u> <u>U.S.\$</u>	<u>2008</u> <u>U.S.\$</u>
UK corporation tax on profits of the period	11,745	43,000
Adjustments in respect of prior periods	(25,837)	
Total tax charge	<u>(14,092)</u>	<u>43,000</u>

The effective tax rate is lower than the standard rate of UK corporation tax of 28.32% (2008: 28%), the differences are explained below.

Factors affecting the taxation charge for the year.	<u>2009</u> <u>U.S.\$</u>	<u>2008</u> <u>U.S.\$</u>
Profit on ordinary activities before tax	<u>8,739,542</u>	<u>5,900,148</u>
Corporation tax charge at 28.32% (2008:28%)	2,475,038	1,652,041
Effect of:		
Profit assessed under tonnage tax	(2,463,293)	(1,609,041)
Adjustments in respect of prior periods	<u>(25,837)</u>	<u></u>
Current tax (credit) / charge	<u>(14,092)</u>	<u>43,000</u>

#### 8. Tangible Fixed Assets

	<u>Vessel</u> <u>U.S.\$</u>	<u>Drydocking</u> <u>Costs</u> <u>U.S.\$</u>	<u>Total</u> <u>U.S.\$</u>
Cost			
At 1 February 2008 and 31 January 2009	<u>16,517,662</u>	<u>250,000</u>	<u>16,767,662</u>
Depreciation			
At 1 February 2008	585,985	94,831	680,816
Charge for year	644,983	112,179	757,162
At 31 January 2009	<u>1,230,968</u>	<u>207,010</u>	<u>1,437,978</u>
Net book value			
At 31 January 2009	<u>15,286,694</u>	<u>42,990</u>	<u>15,329,684</u>
At 31 January 2008	<u>15,931,677</u>	<u>155,169</u>	<u>16,086,846</u>

The above amounts represent a vessel held under a finance lease. The depreciation charges made in the year are disclosed in note 3 to the financial statements.

**Pride Shipping Limited**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**9. Stock**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Bunkers	-	109,585
Lubricating oil	89,619	96,263
Stock under bond	9,487	18,895
	<u>99,106</u>	<u>224,743</u>

**10. Debtors**

	<u>2009</u> U.S. \$	<u>2008</u> U.S. \$
Trade debtors	1,198,788	1,130,968
Amounts owed by parent company	18,414,010	8,309,478
Amounts owed by group undertakings	617,960	33,498
Amounts owed by related undertakings	-	35,087
Corporation tax	13,082	-
Other debtors	18,679	59,777
Prepayments and accrued income	98,273	105,945
	<u>20,360,792</u>	<u>9,674,753</u>

**11. Cash at bank and in hand**

Cash at bank and in hand included the following amounts:

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Cash at bank	-	1,143,456
Restricted amounts	1,241,341	2,366,882
	<u>1,241,341</u>	<u>3,510,338</u>

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

**12. Creditors: amounts falling due within one year**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Trade creditors	397,430	500,691
Amounts owed to related undertakings	-	559,496
Corporation tax	-	43,000
Finance lease (note 13)	625,012	590,998
Other creditors	10,073	50,255
Accruals and deferred income	252,446	134,900
	<u>1,284,961</u>	<u>1,879,340</u>

**Pride Shipping Limited**

**Financial Statements for the year ended 31 January 2009**

**Notes (Continued)**

**13. Creditors: amounts falling due after more than one year**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Finance lease	5,746,301	6,371,312
	<hr/>	<hr/>
Repayable as follows:		
	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
Within one year	625,012	590,998
Between one and two years	660,982	625,012
Between two and five years	2,220,078	2,099,260
More than five years	2,865,241	3,647,040
	<hr/>	<hr/>
	6,371,313	6,962,310
Less amounts due within one year (note 12)	<hr/>	<hr/>
	(625,012)	(590,998)
	<hr/>	<hr/>
	5,746,301	6,371,312
	<hr/>	<hr/>

**14. Share capital**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
<i>Authorised</i>		
1,000 ordinary shares of £1 each	2,000	2,000
	<hr/>	<hr/>
<i>Ordinary shares issued and fully paid</i>		
1 ordinary share of £1 each	2	2
	<hr/>	<hr/>

**15. Profit and loss account**

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
At 1 February	21,246,026	15,388,878
Retained profit for the year	8,753,633	5,857,148
At 31 January	<hr/>	<hr/>
	29,999,659	21,246,026
	<hr/>	<hr/>

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

	<u>2009</u> U.S.\$	<u>2008</u> U.S.\$
At 1 February	21,246,028	15,388,880
Profit for the financial year	8,753,633	5,857,148
At 31 January	<hr/>	<hr/>
	29,999,661	21,246,026
	<hr/>	<hr/>

## **Pride Shipping Limited**

### **Financial Statements for the year ended 31 January 2009**

#### **Notes (Continued)**

#### **17. Commitments and contingencies**

In accordance with its policy to use derivatives to minimise exposure to freight movements, the Company enters into forward freight agreements either directly or through a group company.

Realised losses on completed forward freight agreements during the year ended January 2009 amounted to U.S. \$ NIL (2008 U.S. \$5,958,956).

At 31 January 2009 there were no outstanding forward freight agreements in place (2008 U.S. \$400,672). In accordance with the Company's accounting policy relating to derivatives this amount was not recognised in the financial statements.

The Company, in the normal course of business, has entered into contracts to time charter in and to time charter out vessels for future periods, as well as COAs and voyage commitments.

The Company is party to a cross guarantee arrangement with one of its bankers which includes facilities made available to its parent Company, fellow subsidiaries and to related undertakings owned by Mr A Bekhor.

At 31 January 2009 there was a group loan facility with DVB for U.S. \$42,000,000, bearing interest at 4.4% per annum. A mortgage was taken out against the MV Gwendolen as security on this loan.

#### **18. Related party transactions**

In addition to the transactions reported in notes 10, 12 and 17 above, British Marine Plc, a Company registered in the United Kingdom, carries out husbandry and administration activities on behalf of the Company. In the period ended 31 January 2009 the amount charged to the Company relating to these activities was 1.25% of the company's income.

#### **19. Ultimate holding company and controlling shareholder**

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is British Marine plc. The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member is Britmar (UK) Limited.

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

The ultimate controlling party and shareholder is Mr A. Bekhor.