

Registered number
05886419

Bernhard Schulte Shipmanagement (UK) Limited

Report and Accounts

31 December 2017



Bernhard Schulte Shipmanagement (UK) Limited
Report and accounts
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Bernhard Schulte Shipmanagement (UK) Limited
Company Information

Directors

P Varnavas
J A Eltringham
A Smiley (resigned 28/02/17)
N J McNeil
S Broadhurst

Secretary

Prima Secretary Limited

Auditors

Pinder & Ratki
Chartered Accountants
7 Lansdowne Terrace
Gosforth
Newcastle upon Tyne
NE3 1HN

Bankers

The Royal Bank of Scotland Plc
Chatham (Shipping)
Waterside Court
Chatham Maritime
Chatham
Kent
ME4 4RT

Registered office

3 Hedley Court
Orion Business Park
Newcastle upon Tyne
NE29 7ST

Registered number

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Bernhard Schulte Shipmanagement (UK) Limited**Registered number:** 05886419**Directors' Report**

The directors present their report and accounts for the year ended 31 December 2017.

Principal activities

The company's principal activity during the year continued to be the provision of ship management services.

Review of the business

The loss for the year, after taxation, amounted to \$1,052,377. The directors do not recommend payment of a final ordinary dividend.

Future developments

The company is in the process of taking on and developing new business opportunities which will eventually return to company to a profitable position. This is expected to take a number of years to achieve and in the intervening period full financial support will be provided from the parent and associated companies.

Directors

The following persons served as directors during the year:

P Varnavas
J A Eltringham
A Smiley (resigned 28/02/17)
N J McNeil
S Broadhurst

Political and charitable donations

During the year, the company made no political contributions and made charitable contributions totalling \$Nil.

Disclosure of information to auditors


Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

This report was approved by the board on 27 April 2018 and signed on its behalf.


N J McNeil
Director

Bernhard Schulte Shipmanagement (UK) Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the directors must not approve the accounts 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 accounts, 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

Bernhard Schulte Shipmanagement (UK) Limited
Independent Auditors' Report
to the member of Bernhard Schulte Shipmanagement (UK) Limited

Opinion

We have audited the accounts of Bernhard Schulte Shipmanagement (UK) Limited for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Bernhard Schulte Shipmanagement (UK) Limited
Independent Auditors' Report
to the member of Bernhard Schulte Shipmanagement (UK) Limited

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

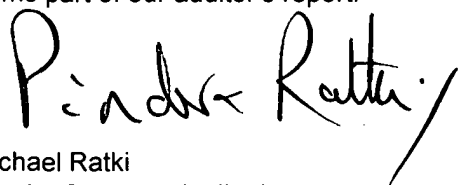
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Bernhard Schulte Shipmanagement (UK) Limited
Independent Auditors' Report
to the member of Bernhard Schulte Shipmanagement (UK) Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Michael Ratki
(Senior Statutory Auditor)
for and on behalf of
Pinder & Ratki
Chartered Accountants and Statutory Auditors
7 Lansdowne Terrace
Gosforth
Newcastle upon Tyne
NE3 1HN

27 April 2018

Bernhard Schulte Shipmanagement (UK) Limited
Statement of Comprehensive Income
for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Turnover	3	3,415,357	4,442,178
Direct costs		(518,732)	(759,006)
Gross profit		<u>2,896,625</u>	<u>3,683,172</u>
Administrative expenses		(4,009,528)	(5,358,227)
Other operating income		25,102	(29,310)
Loss from operations	4	<u>(1,087,801)</u>	<u>(1,704,365)</u>
Interest receivable		1,198	1,834
Interest payable	7	-	(640)
Loss before tax		<u>(1,086,603)</u>	<u>(1,703,171)</u>
Income tax expense	8	34,226	108,699
Loss for the year from continuing operations		<u>(1,052,377)</u>	<u>(1,594,472)</u>
Loss for the year attributable to equity holders		<u>(1,052,377)</u>	<u>(1,594,472)</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the loss for the above two financial years.

Bernhard Schulte Shipmanagement (UK) Limited
Statement of Financial Position
as at 31 December 2017

	Notes	2017 \$	2016 \$
Assets			
Non-current assets			
Property, plant and equipment	9	84,309	85,184
Current assets			
Trade and other receivables	10	201,931	224,539
Cash and cash equivalents		105,265	148,025
		<u>307,196</u>	<u>372,564</u>
Total assets		<u>391,505</u>	<u>457,748</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	11	1,810,482	824,348
Total liabilities		<u>1,810,482</u>	<u>824,348</u>
Equity			
Called up share capital	12	264,201	264,201
Foreign exchange reserve	13	11,249	11,249
Profit and loss account	14	(1,694,427)	(642,050)
		<u>(1,418,977)</u>	<u>(366,600)</u>
Total equity and liabilities		<u>391,505</u>	<u>457,748</u>

The accounts have been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

The accounts on pages 7 to 17 were approved by the board of directors and authorised for issue on 27 April 2018 and are signed on its behalf by :



N J McNeil
Director

Bernhard Schulte Shipmanagement (UK) Limited
Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital \$	Foreign exchange reserve \$	Retained earnings \$	Total \$
At 1 January 2015	317,484	11,249	952,422	1,281,155
Exchange rate movement	(53,283)	-	-	(53,283)
Total comprehensive income for the year	-	-	(1,594,472)	(1,594,472)
At 31 December 2015 and 1 January 2017	264,201	11,249	(642,050)	(366,600)
Total comprehensive income for the year	-	-	(1,052,377)	(1,052,377)
At 31 December 2017	264,201	11,249	(1,694,427)	(1,418,977)

Bernhard Schulte Shipmanagement (UK) Limited
Statement of Cash Flows
for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit from operations		(1,087,801)	329,261
Depreciation and amortisation		54,116	90,168
Decrease in receivables		22,608	566,062
Increase in payables		986,134	414,222
Net cash (outflow)/inflow from operating activities		<u>(24,943)</u>	<u>1,399,713</u>
Cash flow statement			
Net cash (outflow)/inflow from operating activities		(24,943)	1,399,713
Returns on investments and servicing of finance	16	1,198	21
Taxation		34,226	(122,155)
Capital expenditure	16	(17,700)	(8,596)
		<u>(7,219)</u>	<u>1,268,983</u>
Effect of foreign exchange rate changes		(35,541)	(5,574)
(Decrease)/increase in cash		<u>(42,760)</u>	<u>1,263,409</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(42,760)	1,263,409
Change in net debt	17	<u>(42,760)</u>	<u>1,263,409</u>
Net funds/(net debt) at 1 January 2017		148,025	(1,115,384)
Net funds at 31 December 2017		<u>105,265</u>	<u>148,025</u>

Bernhard Schulte Shipmanagement (UK) Limited

Notes to the Accounts

for the year ended 31 December 2017

1 Presentation of accounts

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The financial statements are presented in US Dollars since this is the currency in which the other group companies report their results.

2 Summary of significant accounting policies

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Revenue recognition

Sales of services are recognised when services are delivered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Depreciation is charged so as to write off the cost or valuation of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold property alterations	over 5 years
Plant and equipment	over 3 - 10 years

Stocks

Stock is valued at the lower of cost and net realisable value.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are nonassessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred taxation is calculated on an un-discounted basis at the tax rates which are expected to apply in the years when the timing differences will reverse.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. All differences are taken to the statement of comprehensive income.

Exchange rate differences arising from the initial translation of opening balances at 1 January 2010 following the change of policy relating to reporting in US Dollars (previously Sterling) are classified as equity and transferred to the foreign exchange reserve.

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the statement of financial position and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the statement of financial position as a liability.

The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the income statement on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

3 Analysis of turnover	2017	2016
	\$	\$
By activity:		
Activity 1	<u>3,415,357</u>	<u>4,442,178</u>
By geographical market:		
UK	<u>3,415,357</u>	<u>4,442,178</u>
 4 Profit from operations	 2017	 2016
	\$	\$
This is stated after charging:		
Depreciation of property, plant and equipment	54,116	56,181
Operating lease rentals - land and buildings	104,777	116,237
Auditors' remuneration for audit services	14,543	14,543
Auditors' remuneration for other services	<u>11,643</u>	<u>11,643</u>
 5 Directors' emoluments	 2017	 2016
	\$	\$
Emoluments	144,499	869,238
Company contributions to money purchase pension schemes	<u>41,200</u>	<u>60,216</u>
	<u>185,699</u>	<u>929,454</u>
 Number of directors in company pension schemes:	 2017	 2016
	Number	Number
Money purchase schemes	<u>1</u>	<u>4</u>

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

6 Staff costs	2017	2016
	\$	\$
Wages and salaries (including Directors)	2,379,312	3,394,004
Social security costs	246,419	378,279
Other pension costs	58,058	112,754
	<u>2,683,789</u>	<u>3,885,037</u>
Average number of employees during the year	Number	Number
Administration	7	8
Service provision	50	50
	<u>57</u>	<u>58</u>
7 Interest payable	2017	2016
	\$	\$
Other loans	-	640
8 Income tax expense	2017	2016
	\$	\$
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	(34,226)	(92,657)
Deferred tax:		
Origination and reversal of timing differences	-	(16,042)
Tax on loss on ordinary activities	<u>(34,226)</u>	<u>(108,699)</u>
Factors affecting tax charge for year		
The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:		
	2017	2016
	\$	\$
Loss before tax	<u>(1,086,603)</u>	<u>(1,703,171)</u>
Standard rate of corporation tax in the UK	19%	20%
	\$	\$
Profit on ordinary activities multiplied by the standard rate of corporation tax	(206,455)	(340,634)
Effects of:		
Expenses not deductible for tax purposes	172,229	247,977
Current tax charge for year	<u>(34,226)</u>	<u>(92,657)</u>

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

9 Property, plant and equipment

	Land and buildings \$	Plant and equipment \$	Total \$
Cost			
At 1 January 2017	39,452	534,022	573,474
Exchange rate movement	10,074	157,157	
Additions	-	17,700	17,700
At 31 December 2017	<u>49,526</u>	<u>708,879</u>	<u>758,405</u>
Accumulated depreciation			
At 1 January 2017	31,524	456,766	488,290
Exchange rate movement	4,330	127,360	
Charge for the year	10,938	43,178	54,116
At 31 December 2017	<u>46,792</u>	<u>627,304</u>	<u>674,096</u>
Carrying amount			
At 31 December 2017	<u>2,734</u>	<u>81,575</u>	<u>84,309</u>
At 31 December 2016	<u>7,928</u>	<u>77,256</u>	<u>85,184</u>

10 Trade and other receivables

	2017 \$	2016 \$
Trade receivables	2,475	69,719
Amounts owed by group undertakings	54,889	34,356
Other receivables	56,256	82,741
Prepayments and accrued income	88,311	37,723
	<u>201,931</u>	<u>224,539</u>

11 Trade and other payables

	2017 \$	2016 \$
Trade payables	27,028	14,977
Amounts owed to group undertakings	1,405,717	571,920
Other taxes and social security costs	70,411	73,871
Other payables	1,142	4,886
Accruals and deferred income	306,184	158,694
	<u>1,810,482</u>	<u>824,348</u>

The directors have received a letter of confirmation of future support from Bernhard Schulte Shipmanagement (Cyprus) Limited, their immediate parent company to enable the company to trade out of its current financial position,

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

12 Share capital	Nominal value	2017 Number	2017 \$	2016 \$
Alotted, called up and fully paid:				
Ordinary shares	£1 each	200,000	264,201	317,484
Exchange rate movement			-	(53,283)
			<u>264,201</u>	<u>264,201</u>
13 Foreign exchange reserve			2017 \$	
At 1 January 2017			11,249	
At 31 December 2017			<u>11,249</u>	
14 Retained earnings			2017 \$	
At 1 January 2017			(642,050)	
Loss for the financial year			(1,052,377)	
At 31 December 2017			<u>(1,694,427)</u>	
15 Reconciliation of movement in shareholder's funds			2017 \$	2016 \$
At 1 January 2017			(349,605)	1,281,155
Exchange rate movement			(16,995)	(53,283)
			<u>(366,600)</u>	<u>1,227,872</u>
Loss for the financial year			(1,052,377)	(1,594,472)
At 31 December 2017			<u>(1,418,977)</u>	<u>(366,600)</u>
16 Gross cash flows			2017 \$	2016 \$
Returns on investments and servicing of finance				
Interest received			<u>1,198</u>	<u>21</u>
Capital expenditure				
Payments to acquire plant and equipment			<u>(17,700)</u>	<u>(8,596)</u>

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

17 Analysis of changes in net debt

	At 1 Jan 2017 \$	Cash flows \$	Non-cash changes \$	At 31 Dec 2017 \$
Cash at bank and in hand	148,025	(42,760)	-	105,265
Total	148,025	(42,760)	-	105,265

18 Financial risk management

The company finances its operations through a mixture of equity and retained earnings. Finance requirements are reviewed by the Board when funds are required for acquisition, exploration and development of projects.

The company's policy is to maintain a strong balance sheet so as to maintain the confidence of stakeholders and to sustain the future development of the business. There were no changes to the Group's capital management approach during the year, but this is under review in the current financial year in light of the events as per note 18.

Foreign currency risk

The company manages exposure to fluctuations in foreign currencies by maintaining cash and bank accounts in the same currencies in which it receives income and pays expenses.

If Sterling weakened / strengthened against the US Dollar by 5% the loss / profit for the year and shareholder's equity would have increased / decreased by \$72,626 (2016; \$131,511).

19 Contingent liabilities

Bernhard Schulte Shipmanagement (UK) Limited has given sub-manager's undertakings in respect of its role as Security Trustee as part of a loan agreement between the Bank of China Limited and the owners of the vessels mv Edzard Schulte, mv Elisabeth Schulte and mv Erin Schulte.

Similar undertakings in respect of its role as Security Trustee have been given as part of a loan agreement between the Standard Chartered Bank, Singapore branch and the owners of the vessels mv Dorothea Schulte and mv Donata Schulte.

The undertakings guarantee that, in the event of the loss of a vessel, insolvency of the vessel owner or other event making the loan agreement invalid or unenforceable, Bernhard Schulte Shipmanagement (UK) Limited will pay all funds held on behalf of that vessel's owners, including any proceeds of the insurance policies arising on the loss of a vessel, to the respective bank.

20 Related party transactions

The company has taken advantage of the exemption rule under Financial Reporting Standard Number 8 from disclosing intercompany transactions and balances with other group companies.

Bernhard Schulte Shipmanagement (UK) Limited
Notes to the Accounts
for the year ended 31 December 2017

21 Ultimate controlling party

The parent company is Bernhard Schulte Shipmanagement (Cyprus) Limited. The ultimate parent company is Bernhard Schulte GmbH & Co. KG, a company registered in Germany.