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The Baltic Exchange Limited

DIRECTORS' REPORT and ACCOUNTS
31st March, 1982

14-20 ST. MARY AXE, LONDON, EC3A 8BU





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The Baltic Exchange Limited

Directors' Report and Accounts

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The Baltic Exchange Limited

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty-First Annual General Meeting of The Baltic Exchange Limited will be held in the Queen's Room of the Baltic Exchange, 14-20, St. Mary Axe, London, E.C.3, on Thursday, 17th June, 1982 at noon precisely for the following purposes:—

To receive the Directors' Report with Statement of Accounts for the year ended 31st March, 1982.

To declare a Dividend.

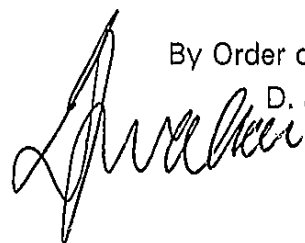
To report the election of Directors.

To reappoint Coopers & Lybrand as Auditors, under Section 14(1) of the Companies Act 1976.

To authorise the Directors to fix the Auditors' remuneration.

To transact any other ordinary business of an Annual General Meeting.

The Register of Transfers will be closed from 26th May, 1982 to 17th June, 1982 inclusive.

 By Order of the Board,
D. J. WALKER,
Secretary

14-20 St. Mary Axe,
London, E.C.3.
26th May, 1982.

An Individual Member entitled to attend and vote at the Meeting may appoint a Proxy (who need not be a member) to attend in his stead and to vote on his behalf only in the event of a poll.

Any corporation which is a Member may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at the Meeting.

The Baltic Exchange Limited

DIRECTORS

P. L. HARDING, F.I.C.S. (*Chairman*)

THE LORD INVERFORTH (*Vice-Chairman*)

*D. C. BARRON

J. BRADY

D. M. McL. CLARK

*J. S. COTTRELL, A.I.C.S.

R. D. COWING

D. W. FRAME

E. M. FREEMAN, F.I.C.S.

H. L. C. GREIG, C.V.O.

R. B. HUNT, F.I.C.S.

C. S. PEERLESS, F.I.C.S.

*F. M. THOMPSON

P. C. TUDBALL

P. J. VOGT, A.I.C.S.

**Ballot Director*

SECRETARY

D. J. WALKER, M.A., F.C.I.S.

The Baltic Exchange Limited



The Queen with the Chairman after viewing the Foundation Stone of Baltic Exchange Chambers, 14-20 St. Mary Axe, the building opened by Her Majesty in November, 1956.

Chairman's Review

The outstanding event of the past year was the visit of Her Majesty The Queen to the Exchange at midday on 9th December, 1981. Her Majesty received an enthusiastic welcome from Members on the Floor and after a tour and a reception with senior Members, lunched in the Queen's Room with the Board. The Queen showed great interest in the activities of Members. At the conclusion of her visit The Queen signed a photograph which now hangs in the foyer to the Queen's Room, and was presented with a leather bound volume of "The History of the Baltic Exchange" to commemorate the occasion.

The Baltic Exchange Limited

Chairman's Review

(Continued)

This year a substantial increase in our property income has enabled us to make a profit before taxation of £318,989 which has made it possible for us to recommend the payment of a dividend of £1 per share (an increase of 25p per share over the previous year). However, the increase in Exchange income, largely due to higher subscriptions, only enabled us to contain the loss under this heading and it seems inevitable that our recent policy of increasing subscriptions every other year will have to continue unless the annual inflation rate falls dramatically.

I am pleased to be able to advise you that the annual cost of catering has been reduced from £48,284 to £20,478 and it now seems possible that the continuing policy of successive Boards to contain catering costs and to try and achieve a break-even situation may soon be realised. Much credit is due to our Catering Manager, Mr. Leslie Neave, and his loyal staff for the improved results from our Catering Department.

Work continued throughout the year to convert the old Merchants' Hall into a new Wine Bar which was ready for use on 5th April, 1982. The concept of a Baltic Wine Bar was successful from the outset and all the indications are that the new Wine Bar will be both popular with Members and profitable as a catering venture. This year our improved results on the property side have enabled us to transfer £98,989 to General Reserve which will help to sustain the momentum of our modernisation programme. We are now seeing the benefit of the planning instituted by previous Boards and the next project will be to convert the present Bar and Snack Bar into an area where drink will be served together with bar snacks.

We were particularly pleased to see the honour conferred on our immediate past Chairman, Mr. D. R. Donaldson, who was appointed a Commander of the Order of the British Empire in the New Year Honours List.

Finally, I would like to thank our Secretary, Mr. Derek Walker and all the staff of the Company for their continued endeavours and dedicated service to the Baltic Exchange.

P. L. Harding,
Chairman.

18th May, 1982

The Baltic Exchange Limited

Directors' Report

The Directors of the Company have pleasure in presenting their Eighty-First Annual Report and the audited accounts for the year ended 31st March, 1982.

DIRECTORS

The Directors of the Company at the 31st March, 1982 are shown on page 4. All of them have been Directors for the whole year ending on that date, with the exception of Mr. D. C. Barron, Mr. D. W. Frame, Mr. E. M. Freeman, Mr. R. B. Hunt and Mr. C. S. Peerless, who became Directors on the 18th June, 1981 in place of Mr. D. R. Donaldson, Mr. P. L. Sibree and Mr. J. A. W. Whitehead who retired on that date, and to fill the two further vacancies that existed.

Mr. E. A. Elwig (Bunge & Co. Limited) will become a Ballot Director in place of Mr. F. M. Thompson who retires at the Annual General Meeting.

The Directors retiring at the Annual General Meeting in accordance with the Articles of Association are Mr. J. Brady and Mr. H. L. C. Greig.

The following nominations have been received to fill the two vacancies on the Board:—

Mr. A. H. Harper (Coley & Harper Limited, Commodity & Futures Brokers);

Mr. M. G. Raymond (Bigard Brothers & Buswell Limited, Shipbrokers);

Mr. W. A. J. Reardon Smith (Sir Wm. Reardon Smith & Sons Limited, Shipowners).

INTERESTS OF THE DIRECTORS IN THE SHARES OF THE COMPANY

The interests of the Directors of the Company in the Shares of the Company, according to the Register kept under Section 29 of the Companies Act, 1967, were respectively at the 1st April, 1981 or the later date of appointment as Director and at the 31st March, 1982 as shown below.

	At 1st April, 1981 or on appointment as a Director	At 31st March, 1982
<i>Personal holdings</i>	<i>Shares</i>	<i>Shares</i>
P. L. Harding	320	320
The Lord Inverforth	230	230
D. C. Barron	—	50
J. Brady	50	50
D. M. McL. Clark	50	50
J. S. Cottrell	50	50
R. D. Cowing	50	50
D. W. Frame	—	50
E. M. Freeman	—	50
H. L. C. Greig	50	50
R. B. Hunt	50	50
C. S. Peerless	—	50
F. M. Thompson	50	50
P. C. Tudball	50	50
P. J. Vogt	50	50
<i>Interests in other holdings</i>		
The Lord Inverforth	1,890	1,890

There has been no change in the interests set out above between 31st March, 1982 and 18th May, 1982.

The Baltic Exchange Limited

Directors' Report

(continued)

CHANGE OF NAME AND RE-REGISTRATION AS A PRIVATE COMPANY

Following the passing of the Special Resolution at the Extraordinary General Meeting on the 18th February, 1982 the Company received on the 8th April, 1982 from the Secretary of State approval for its change of name to The Baltic Exchange Limited and for its re-registration under the Companies Acts 1948 to 1980 as a Private Company.

RESULTS AND PROPOSED DIVIDEND

The results for the year and the treatment thereof are set out in the Profit and Loss Account on page 10.

The Directors recommend the payment of a Dividend of £1 per share, on the 1st July, 1982.

MEMBERSHIP

Membership of the Exchange counting Individual Members, Principals, Representatives and Probationers was 2,430 at the 31st March, 1982, as compared with 2,467, at the 31st March, 1981.

SUBSTANTIAL SHARE HOLDINGS

The Directors have not been advised of any share holding at the 18th May, 1982 of 5% or more in the share capital of the Company.

ACTIVITIES

The Company provides facilities for the conduct of the international Markets of the Exchange covering shipping, of which it is the central freight market of the world, commodity trading and aircraft chartering.

The Company owns and manages freehold property.

The proportions of the income for the past year attributable to the exchange, property and miscellaneous activities of the Company and the approximate extent to which they contributed to the results for the year before taxation were respectively as follows:—

	Division of Income		Profit/(Loss) for year before Taxation	
	1982	1981	1982	1981
	£	£	£	£
Exchange	1,397,516	1,070,023	(530,745)	(537,961)
Property	1,487,519	1,221,261	819,091	496,292
Miscellaneous	53,400	50,374	30,643	43,017
	<u>£2,938,435</u>	<u>£2,341,658</u>	<u>£318,989</u>	<u>£1,348</u>

Further details of these figures are set out in the detailed Profit and Loss Account on page 16.

FIXED ASSETS

The Directors have taken advice on the question of estimating the market value of the freehold property of the Company. Their estimate, based on this advice, is that the market value of the freehold property of the Company is not less than £16,000,000 before taking into consideration any taxation that would arise on disposal.

The Baltic Exchange Limited

Directors' Report

(continued)

PAYMENTS FOR CHARITABLE PURPOSES

The Baltic Exchange Charitable Trust which handles the Company's charitable activities received £28,572 by way of covenant from the Company and additional donations were made direct by the Company amounting to £5,584. The Charitable Trust made charitable donations totalling £18,315.

Freight Market commissions totalling £17,945 representing commission received by the Exchange from chartering undertaken by the Government Freight Market Representative were, as in past years, donated under covenants to the main charities associated with the Exchange.

No payments were made for political purposes.

EMPLOYEES

The average number of persons employed by the Company during the year to 31st March, 1982, was 162 (71 being part-time employees) and their remuneration was £756,502 in aggregate.

MODERNISATION PROGRAMME

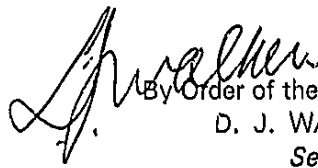
Modernisation work has continued and the new accommodation for the Wine Bar has been completed.

INCOME AND CORPORATION TAXES ACT 1970

The Company is not a close Company as defined in section 282 of the Income and Corporation Taxes Act 1970.

AUDITORS

A resolution to reappoint the Auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.


By Order of the Board,
D. J. WALKER,
Secretary.

14-25 St. Mary Axe,
London, E.C.3.
18th May, 1982.

The Baltic Exchange Limited

Profit and Loss Account

for the Year ended 31st March, 1982

	Note	1982 £	1981 £
TURNOVER	2	<u>2,938,435</u>	<u>2,341,658</u>
OPERATING PROFIT		318,989	154,895
Less: Exceptional items	3	—	<u>153,547</u>
PROFIT BEFORE TAXATION	4	<u>318,989</u>	<u>1,348</u>
TAXATION	6	<u>166,000</u>	<u>50,000</u>
PROFIT/(LOSS) AFTER TAXATION		152,989	(48,652)
Less:			
DIVIDEND —Proposed dividend of £1 per share (1981 75p)		<u>54,000</u>	<u>40,500</u>
TRANSFER TO/(FROM) GENERAL RESERVE	10	98,989	(89,152)
GENERAL RESERVE AT 1st APRIL, 1981		408,433	497,585
GENERAL RESERVE AT 31st MARCH, 1982		<u>£507,422</u>	<u>£408,433</u>

For Notes see pages 13 to 15

Report of the Auditors to the Members

We have audited the accounts on pages 10 to 15 in accordance with approved Auditing Standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st March, 1982 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Coopers & Lybrand
COOPERS & LYBRAND,

Chartered Accountants.

LONDON,

18th May, 1982.

The Baltic Exchange Limited

Balance Sheet

as at 31st March, 1982

	Note	1982 £	1981 £
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	8	1,136,776	963,639
LISTED INVESTMENTS at cost (Market value 31st March, 1982 £19,200 (1981 £19,050))		13,362	13,362
MORTGAGE LOANS TO EMPLOYEES	9	126,054	107,082
		<u>1,276,192</u>	<u>1,084,083</u>
CURRENT ASSETS			
Stock		57,912	45,377
Debtors and payments in advance		317,637	222,661
Corporation tax recoverable		—	17,627
Bank balances and cash		133,849	164,724
		<u>509,398</u>	<u>450,389</u>
<i>Less:</i>			
CURRENT LIABILITIES			
Creditors		397,340	273,683
Rents and subscriptions received in advance		113,220	264,248
Current taxation		130,516	17,837
Proposed dividend		54,000	40,500
		<u>695,076</u>	<u>596,268</u>
NET CURRENT LIABILITIES		(185,678)	(145,879)
		<u>£1,090,514</u>	<u>£938,204</u>
CAPITAL EMPLOYED			
SHARE CAPITAL			
54,000 ordinary shares of £5 each (authorised, issued and fully paid)		270,000	270,000
RESERVES	10	612,452	513,463
CAPITAL AND RESERVES		882,452	783,463
DEFERRED TAXATION	11	130,857	77,536
DEBENTURES			
3½% Irredeemable First Mortgage Debenture Stock (secured under a trust deed dated 12th July, 1900)		77,205	77,205
		<u>£1,090,514</u>	<u>£938,204</u>

P. L. HARDING
INVERFORTH

Directors

For Notes see pages 13 to 15

The Baltic Exchange Limited
Source and Application of Funds
for the Year ended 31st March, 1982

	1982		1981	
	£	£	£	£
SOURCE OF FUNDS				
Operating profit		318,989		154,895
Less: Exceptional items		—		153,547
Profit before tax		318,989		1,348
Adjustments of items not involving the movement of funds				
Depreciation		121,114		75,536
Profit on disposal of fixed assets		(6,188)		(2,585)
Profit from cancellation of debentures		—		(27,745)
TOTAL GENERATED FROM OPERATIONS		433,915		46,554
FUNDS FROM OTHER SOURCES				
Proceeds of sales of fixed assets		23,750		7,575
Tax recovered		17,897		—
		475,562		54,129
<i>Less:</i>				
APPLICATION OF FUNDS				
Cost of debentures cancelled		—		14,940
Dividend paid		40,500		40,500
Tax paid		270		17,627
Purchase of fixed assets		311,813		88,933
		352,583		162,000
		122,979		(107,871)
INCREASE/DECREASE IN WORKING CAPITAL				
Increase/(Decrease) in stocks		12,535		1,771
Increase/(Decrease) in debtors		94,976		(8,211)
Increase in mortgage loans		18,972		5,228
Increase in creditors		(123,657)		(67,108)
Increase/(Decrease) in rents and subscriptions received in advance		151,028		(158,535)
Movement in net liquid funds:				
(Decrease)/Increase in bank balances and cash		(30,875)		118,984
		<u>£122,979</u>		<u>(£107,871)</u>

Auditors' Report—Page 10

The Baltic Exchange Limited

Notes on the Accounts

31st March, 1982

1. Accounting Policies

The main accounting policies are as follows:—

- (a) **Depreciation** is calculated to write off the assets on a straight line basis during their expected normal lives at varying rates depending on the type of asset.
The principal annual rates of depreciation used for this purpose are Buildings 2%, Furniture, Plant and Motor Vehicles 5%–25%.
No depreciation is provided on Freehold Land or on additions to Buildings in the year of purchase.
- (b) **Stock** which consists of catering supplies including wine is valued at the lower of cost and net realisable value, cost being direct invoice price.
- (c) **Deferred taxation** is provided, using the liability method, at the rate of Corporation tax ruling at the year end for all potential liabilities except in respect of any tax reduction which can reasonably be expected to continue in the foreseeable future.
- (d) **Listed investments** are stated at the lower of cost and net realisable value, determined on an aggregate basis.

2. Turnover

Turnover comprises the total income of the Company as detailed on page 16.

3. Exceptional Items

	1982 £	1981 £
Non-recurring expenditure incurred during the year under the contract for renewing the main electrical supply system of the Baltic Exchange	—	181,292
Profit on cancellation of debentures	—	(27,745)
	<u>—</u>	<u>£153,547</u>

4. Profit before Taxation

	1982 £	1981 £
Profit before taxation is stated after charging:—		
Depreciation	121,114	75,538
Interest on debenture stock	2,895	3,032
Auditors' remuneration	8,800	6,842
Directors' fees	4,812	4,562
and after crediting:—		
Rents of offices	1,124,369	904,962
Income from listed investments	900	900
Deposit interest	23,922	12,156
Interest on mortgage loans	4,445	4,193

The profit for the year ended 31st March, 1982 has also been charged with an amount of £8,050 for Auditors' remuneration in 1981 resulting from a change in the method of accounting for this item from a cash to an accruals basis.

The Baltic Exchange Limited

Notes on the Accounts

(continued)

31st March, 1982

5. Employees' Emoluments

Particulars of employees of the Company whose emoluments exceed £20,000, disclosed in accordance with section 8 of the Companies Act 1967 were:—

	1982	1981
	1	1
£20,000—£25,000		

6. Taxation

Taxation is calculated as follows:—

On profit for the year

Corporation tax at 52% (1981 40%)

Transfer to Deferred taxation

Adjustments relating to previous years

Release of Corporation tax

Deferred taxation

	1982	1981
	£	£
On profit for the year	125,000	3,000
Corporation tax at 52% (1981 40%)	60,000	17,000
Transfer to Deferred taxation	185,000	20,000
Adjustments relating to previous years	(3,000)	—
Release of Corporation tax	(16,000)	30,000
Deferred taxation	£166,000	£50,000

The charge for taxation of £185,000 is increased principally as a result of depreciation of assets not qualifying for capital allowances.

7. Pensions and Allowances

The Company has a funded non-contributory group retirement pension scheme with the Standard Life Assurance Company. Pensions and allowances paid in the current year are set out in the schedule below:—

	1982	1981
	£	£
Premiums for pension fund	109,942	100,450
Pensions and allowances not funded	35,028	19,992
Premiums for sickness scheme	5,969	4,655
B.U.P.A. scheme	6,283	3,308
	<u>£157,222</u>	<u>£128,405</u>

8. Fixed Assets

	Freehold Land and Buildings	Plant and Motor Vehicles	Furniture	Total	1981
	£	£	£	£	£
At cost					
At 1st April, 1981	1,094,477	597,120	100,722	1,792,319	1,718,223
Additions	61,159	231,632	19,022	311,813	88,933
	<u>1,155,636</u>	<u>828,752</u>	<u>119,744</u>	<u>2,104,132</u>	<u>1,807,156</u>
Less: Disposals	—	34,607	—	34,607	14,837
At 31st March, 1982	<u>1,155,636</u>	<u>794,145</u>	<u>119,744</u>	<u>2,069,525</u>	<u>1,792,319</u>
Depreciation					
At 1st April, 1981	392,037	344,681	91,962	828,680	762,990
Charged to profit and loss account	19,073	92,564	9,477	121,114	75,536
	<u>411,110</u>	<u>437,245</u>	<u>101,439</u>	<u>949,794</u>	<u>838,526</u>
Less: Disposals	—	17,045	—	17,045	9,846
At 31st March, 1982	<u>411,110</u>	<u>420,200</u>	<u>101,439</u>	<u>932,749</u>	<u>828,680</u>
Net book value					
At 31st March, 1982	<u>£744,526</u>	<u>£373,945</u>	<u>£18,305</u>	<u>£1,136,776</u>	<u>£963,639</u>
1981	<u>£702,440</u>	<u>£252,439</u>	<u>£8,760</u>	<u>£963,639</u>	

The Baltic Exchange Limited

Notes on the Accounts

(continued)

31st March, 1982

9. Mortgage Loans

Included in the amount of £126,054 is a loan to an officer of the Company of £4,242 (1981 £4,418) which is the remaining balance of a loan of £4,977.

10. Reserves

	<i>Compensation Reserve</i>	<i>Share Premium</i>	<i>General Reserve</i>	<i>Total</i>
	£	£	£	£
At 1st April, 1981	100,000	5,030	408,433	513,463
Transfer from profit and loss account	—	—	98,989	98,989
At 31st March, 1982	<u>£100,000</u>	<u>£5,030</u>	<u>£507,422</u>	<u>£612,452</u>

11. Deferred Taxation

The provision being the full potential liability for deferred taxation is set out below:—

	1982	1981
	£	£
Accelerated tax allowances on qualifying fixed assets	154,000	110,000
Less: Advance Corporation tax recoverable	23,143	32,464
	<u>£130,857</u>	<u>£77,536</u>

Full provision is made for deferred tax in respect of accelerated tax allowances on qualifying fixed assets since, in the opinion of the Directors, the expected level of expenditure on qualifying fixed assets in the foreseeable future may not be sufficient to prevent the reversal of timing differences.

12. Capital Commitment

	1982	1981
	£	£
Amount contracted for, but not provided	<u>30,000</u>	<u>20,000</u>

The Baltic Exchange Limited

Detailed Profit and Loss Account

for the Year ended 31st March, 1982

INCOME (GROSS)		Note	Exchange	Property	Miscellaneous	1982
1981						Total
Total			£	£	£	£
440,679	Subscriptions		653,534			653,534
33,000	Entrance Fees		32,000			32,000
2,140	Sundry Fees		5,198			5,198
43,545	Communication Services		57,100			57,100
544,349	Catering		636,450			636,450
6,310	Administrative Services		13,234			13,234
904,962	Rent of Offices			1,124,369		1,124,369
	Additional Rent of Offices					
313,934	(Service Charge)			361,451		361,451
2,365	Sundry Lettings			1,699		1,699
900	Income from Listed Investments				900	900
12,156	Interest on Deposits				23,922	23,922
4,193	Interest on Mortgage Loans				4,445	4,445
30,540	Freight Market Commissions				17,945	17,945
2,585	Profit from sale of Fixed Assets				6,188	6,188
<u>£2,341,658</u>	TOTAL INCOME		<u>£1,397,516</u>	<u>£1,487,519</u>	<u>£63,400</u>	<u>£2,938,435</u>
EXPENDITURE						
136,163	Information and Communication Expenses		159,479			159,479
205,841	Property Expenses			256,550		256,550
128,372	Exchange Expenses		177,124			177,124
345,371	Catering Direct Expenses		382,074			382,074
32,124	Donations		34,156			34,156
24,380	Public Relations		43,216			43,216
205,110	Rates and Insurance		249,809			249,809
75,149	Repairs and Renewals		19,770	103,883		123,653
75,536	Depreciation		102,041	19,073		121,114
756,888	Salaries, Wages & National Insurance		621,286	211,046		832,332
	Recoverable under Service Charge (£199,014)					
128,405	Pensions and Allowances	7	117,350	39,872		157,222
3,137	Interest on Debenture Stock and Trustees' Fees			3,000		3,000
35,185	Professional Fees		21,956	35,004		56,960
4,562	Directors' Fees				4,812	4,812
30,540	Covenanted Freight Market Commission Payments				17,945	17,945
<u>£2,186,763</u>	TOTAL EXPENDITURE		<u>£1,928,261</u>	<u>£668,428</u>	<u>£22,757</u>	<u>£2,619,446</u>
154,895	OPERATING PROFIT		—	—	—	—
(153,547)	Exceptional items	3	—	—	—	—
<u>£1,348</u>	PROFIT/(LOSS) BEFORE TAXATION		<u>£(530,745)</u>	<u>£819,091</u>	<u>£30,643</u>	<u>£318,989</u>

Note: The net cost of catering amounts to £20,478 (1981 £48,284).