MC SHIPPING INC
Form 10-Q
August 02, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Quarter ended June 30, 2005	**Commission File Number:** **1-10231**

MC SHIPPING INC.
(Exact name of the registrant as specified in its charter)

LIBERIA	**98-0101881**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Richmond House, 12 Par-la-ville Road, Hamilton HM CX. Bermuda
(Address of principal executive offices)

441-295-7933
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO ¨

Indicate by a check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO þ

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	**Shares outstanding**

	at June 30, 2005
Common stock, par value $.01	**8,913,658**

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MC SHIPPING INC. AND SUBSIDIARIES

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

MC SHIPPING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	JUNE 30 2005 (unaudited)	DECEMBER 31 2004
CURRENT ASSETS		
Cash	$ 12,319,593	$ 11,629,896
Restricted cash	1,675,646	-
Hire receivables	-	4,835
Recoverable from insurers	51,500	55,529
Inventories	483,654	1,044,353
Receivables from affiliates	550,328	80,492
Prepaid expenses and other current assets	1,510,641	1,280,088
TOTAL CURRENT ASSETS	16,591,362	14,095,193
VESSELS, AT COST	155,162,794	109,303,246
Less - Accumulated depreciation	(28,842,690)	(52,251,877)
	126,320,104	57,051,369
OTHER ASSETS		
Investments in Associated Companies	6,546,344	-
Furniture & Equipment (net of accumulated depreciation of $13,184 at June 30, 2005 and $30,645 at December 31 ,2004)	3,972	-
Dry-docking costs (net of accumulated amortisation of $1,351,433 at June 30, 2005 and $3,439,685 at December 31, 2004)	1,780,475	3,829,590
Restricted Cash	-	5,000,000
Debt issuance costs (net of accumulated amortisation of $33,798 at June 30, 2005 and $10,323 at December 31, 2004)	462,631	340,916
TOTAL ASSETS	$ 151,704,888	$ 80,317,068

THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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MC SHIPPING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	JUNE 30 2005 (unaudited)	DECEMBER 31 2004
CURRENT LIABILITIES		
Accounts payable	$ 853,966	$ 529,960
Hire received in advance	793,560	584,843
Accrued expenses	3,304,489	3,045,787
Accrued interest	1,110,978	319,923
Current portion of long term debt	12,116,000	7,500,000
TOTAL CURRENT LIABILITIES	18,178,993	11,980,513
LONG TERM DEBT		
Secured Loans	83,384,000	37,500,000
TOTAL LIABILITIES	101,562,993	49,480,513
DEFERRED GAIN ON SALE OF VESSELS	15,601,145	-
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value - 20,000,000 shares authorised 8,913,658 shares issued at June 30, 2005 (8,765,974 at December 31, 2004)	89,137	87,660
Additional paid-in capital	50,935,066	51,280,010
Accumulated deficit	(15,734,099)	(20,792,717)
Accumulated comprehensive (loss) / income	(749,354)	261,602
	34,540,750	30,836,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 151,704,888	$ 80,317,068

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MC SHIPPING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Quarters ended June 30, 2005 and June 30, 2004
(unaudited)

		JUNE 30 2005		JUNE 30 2004
CHARTERHIRE AND OTHER INCOME	$	9,628,735	$	7,881,660
COSTS AND EXPENSES				
Commission on Charterhire		(131,887)		(196,756)
Vessel Operating Expenses		(3,756,246)		(3,866,093)
Amortisation of Drydocking Costs		(166,217)		(355,160)
Depreciation		(2,363,335)		(1,285,203)
General and Administrative Expenses		(550,664)		(734,925)
OPERATING INCOME		2,660,386		1,443,523
OTHER INCOME/(EXPENSES)				
Interest Expense		(1,217,768)		(913,270)
Interest Income		82,937		26,547
Recognized deferred gain on sale of vessels		1,187,572		-
Equity in income of associated companies		148,872		-
Loss on Repurchases of Notes		-		(20,355)
NET INCOME	$	2,861,999	$	536,445
EARNINGS PER SHARE				
Basic earnings per share	$	0.33	$	0.06
Diluted earnings per share	$	0.32	$	0.06
Basic weighted average number of shares outstanding		8,785,950		8,724,021
Diluted weighted average number of shares outstanding		8,946,431		8,825,013

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MC SHIPPING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the six months ended June 30, 2005 and June 30, 2004
(unaudited)

		JUNE 30 2005		JUNE 30 2004
CHARTERHIRE AND OTHER INCOME	$	15,867,221	$	15,777,436
COSTS AND EXPENSES				
Commission on Charterhire		(285,743)		(387,130)
Vessel Operating Expenses		(6,480,113)		(8,251,994)
Amortisation of Dry-docking Costs		(386,885)		(710,320)
Depreciation		(3,541,611)		(2,570,790)
General and Administrative Expenses		(1,087,066)		(1,067,153)
OPERATING INCOME		4,085,803		2,790,049
OTHER INCOME/(EXPENSES)				
Interest Expense		(1,572,117)		(1,918,491)
Interest Income		216,508		62,045
Recognized deferred gain on sale of vessels		2,114,139		-
Equity in income of associated companies		64,421		-
Gains on Repurchases of Notes		-		403,240
NET INCOME	$	4,908,754	$	1,336,843
EARNINGS PER SHARE				
Basic earnings per share	$	0.56	$	0.15
Diluted earnings per share	$	0.55	$	0.15
Basic weighted average number of shares outstanding		8,779,631		8,724,021
Diluted weighted average number of shares outstanding		8,928,359		8,825,013

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MC SHIPPING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended June 30, 2005 and June 30, 2004
(unaudited)

		JUNE 30 2005		JUNE 30 2004
OPERATING ACTIVITIES:				
NET INCOME	$	4,908,754	$	1,336,843
Adjustments to reconcile Net Income to net cash provided from operating activities				
Depreciation		3,541,611		2,570,790
Recognized deferred gain on sale of vessels		(2,114,139)		-
Amortisation of Dry-docking costs		386,885		710,320
Amortisation of issuance costs		23,475		72,650
Dry-docking Costs Capitalised		(140,972)		(106,785)
Gains on repurchases of Senior Notes		-		(403,240)
Share of income of associated companies		(64,421)		-
Shares issued to directors		17,333		-
Stock-based employee compensation		74,932		-
Changes in Operating Assets and Liabilities:				
Hire receivables		4,835		8,489
Recoverable from insurers		4,029		(147,693)
Inventories		560,699		(184,217)
Receivables from affiliates		(469,836)		87,423
Prepaid expenses and other current assets		(230,553)		(2,113)
Accounts payable		324,006		122,692
Accrued expenses		258,702		(1,121,689)
Hire received in advance		208,717		-
Accrued interest		791,055		(179,740)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$	8,085,112	$	2,763,730
INVESTING ACTIVITIES:				
Purchase of office equipment		(3,641)		90
Sale of vessels		29,802,138		-
Investments in Associated Companies		(6,481,923)		-
Acquisitions of vessels		(82,977,250)		-
Change in restricted cash		3,324,354		4,946
NET CASH (USED) / PROVIDED BY INVESTING ACTIVITIES	$	(56,336,322)	$	5,036
FINANCING ACTIVITIES:				
Repayments of long-term debt		(17,500,000)		(2,089,777)
Repurchases of Senior Notes		-		(4,047,500)
Drawdown of term loans		68,000,000		-
Issuance of stock		262,695		-
Debt issuance costs		(262,269)		-

Dividends		(548,563)		-
Comprehensive Income		(1,010,956)		125,625
NET CASH PROVIDED / (USED) BY FINANCING ACTIVITIES	$	48,940,907	$	(6,011,652)
INCREASE / (DECREASE) IN CASH		689,697		(3,242,886)
CASH AT BEGINNING OF PERIOD		11,629,896		16,446,582
CASH AT END OF PERIOD	$	12,319,593	$	13,203,696

THE ACCOMPANYING NOTES ARE AN INTEGRAL
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MC SHIPPING INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of MC Shipping Inc. and subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and the 6 month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. These consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K.

NOTE 2. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION: The Company is incorporated in the Republic of Liberia and, through its subsidiaries, owns and operates eleven vessels comprising nine liquefied petroleum gas ("LPG") carriers and two multipurpose seariver vessels. In addition, the Company has a 25.8% percent interest in four containerships and a 50% interest in another LPG carrier.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of MC Shipping Inc. and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated. Investments of 20-50% ownership in associated companies are accounted for under the equity method.

REVENUE RECOGNITION: Charter revenues are derived from time charters, voyage charters and bareboat charters. Time charter and bareboat charter revenue is recognized on an accrual basis. Voyage charter revenue and related expenses are accounted for on the percentage of completion method. Other income includes demurrage, pooling of income or lump sum expenses and guarantee fees.

VESSEL REPAIR AND OVERHAUL: Normal vessel repair and maintenance costs are charged to income when incurred. Costs incurred during dry-docking and periodic inspections for regulatory and insurance purposes are deferred and charged to income rateably over the period of five years to the next intermediate or special survey dry-docking.

VESSELS AND DEPRECIATION: Vessels are stated at cost, which includes contract price and other direct costs relating to acquiring and placing the vessels in service. Depreciation is calculated, based on cost, less estimated salvage value, using the straight-line method, over the remaining economic life of each vessel. The economic life of LPG carriers is assumed to extend from the date of their construction to the date of the final special survey which is closest to thirty years from the date of their construction. The economic life of other vessels is assumed to extend from the date of their construction to the date of the final special survey, which is closest to twenty-five years from the date of their construction. If a vessel is used beyond its fifth special survey, its economic life is assumed to extend to the end of its current charter.

IMPAIRMENT OF LONG LIVED ASSETS: In accordance with SFAS 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”, the Company’s long lived assets are regularly reviewed for impairment (see Note 6).

SEGMENT REPORTING: The Company operates as a single segment, as Management internally evaluates the performance of the enterprise as a whole and not on the basis of separate business units or different type of charter.

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COMPREHENSIVE INCOME: Comprehensive income consists of foreign currency translation adjustment and unrealised gains or losses on cash flow hedges.

DEBT ISSUANCE COSTS: Debt issuance costs are being amortized, using the interest method, over the terms of the long-term credit facilities.

INTEREST RATE SWAPS: Occasionally, the Company enters into interest-rate swap agreements to fix the variable interest rate of some of its outstanding debt. As these interest rate swaps are designated and qualifying as a cash flow hedge (i.e. hedging the exposure to variability in expected future cash flows that are attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction in the same period during which the hedged transaction affects earnings. If a swap is cancelled, the cancellation cost is recorded as interest expense.

INVENTORIES: Inventories consist principally of lubricating oil and victualling and are stated at cost, determined by the first-in, first-out method.

RESTRICTED CASH: Certain cash balances are pledged to guarantee the Company's performance under the loan agreements. They are classified as Current Assets or Other Assets depending on the expected length of time of the restriction.

EARNINGS PER SHARE: Basic and diluted earnings per share are calculated in accordance with FASB Statement No. 128, Earnings per Share. Basic earnings per share exclude dilution and are computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if outstanding options were exercised or converted into common stock. All prior period basic and diluted earnings per share calculations presented have been restated to reflect the impact of the stock dividend declared in April 2004.

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Numerator:				
Net income available for common stockholders	$ 2,861,999	$ 536,445	$ 4,908,754	$ 1,336,843
Denominator:				
Weighted average number of common shares	8,785,950	8,724,021	8,779,631	8,724,021
Dilutive effect of employee stock options	160,481	100,992	148,728	100,992
Diluted average number of common shares	8,946,431	8,825,013	8,928,359	8,825,013
Earnings per common share:				
- Basic earnings per share	0.33	0.06	0.56	0.15
- Diluted earnings per share	0.32	0.06	0.55	0.15

There were no options that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS for each period presented because their impact was anti-dilutive.

TAXATION: The Company is not subject to corporate income taxes in Liberia because its income is derived from non-Liberian sources. Additionally, the Company believes that it is not subject to corporate income taxes in other jurisdictions, including the United States.

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RECOVERABLE FROM INSURERS*:* Insurance receivables correspond to amounts recoverable under either Hull & Machinery insurance or Loss of Earnings insurance. Hull & Machinery insurance covers repair costs beyond a certain deductible and Loss of Earnings insurance covers the loss in revenues resulting from the immobilization of the vessel beyond a certain number of days.

GAINS ON REPURCHASES OF NOTES*:* Gains on repurchases of Notes are calculated as the face value of the Notes repurchased, minus amount paid for the Notes, minus brokerage commission, if any, minus write off of the corresponding portion of issuance costs.

DEFERRED GAIN ON SALE OF VESSELS: Deferred gain on sale of vessels is calculated as the sale price of the vessels, minus book value of the vessels and of the dry-dock costs at the time of sale, minus transaction costs, minus write off of the unamortized balance of the debt issuance costs incurred in 2004 in connection with the Fortis Loan corresponding to the $15 million prepayment. The deferred gain on sale of vessels, which amounted to $17,715,284 in January 2005, is recognized as income by the Company on a prorata temporis basis until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009 for the respective vessel after deduction of payments, if any, made under the Performance Guarantee in such quarter (see Item 2 - Management's Discussion - Guarantees).

FOREIGN CURRENCY TRANSLATION: The functional currency of the Company is the U.S. Dollar because the Company's vessels operate in international shipping markets, which primarily transact business in U.S. Dollars. The Company's accounting records are maintained in U.S. Dollars. A number of trade transactions related to normal vessel operations performed in other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, trade payables and accrued expenses as well as cash and trade receivables in foreign currencies are converted at year end exchange rates. Resulting gains or losses are recorded in vessel operating expenses.

STOCK-BASED COMPENSATION*:* The Company has a stock-based employee compensation plan, which is described more fully in Note 9. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations.

RECENT STATEMENTS OF FINANCIAL ACCOUNTING STANDARD: On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. The Company expects to adopt Statement 123(R) on January 1, 2006.

NOTE 3: SALE AND PURCHASE OF VESSELS

On January 20, 2005, the Company sold four container vessels to MUNIA Mobiliengesellschaft mbH & Co. ("MUNIA"), a special purpose German KG company formed by the German finance house KGAL, a German KG, for a total price of $29,843,360. After repayment of $15 million under the Fortis Loan (see Note 8. Long Term Debt), the sale generated a cash surplus of $14.8 million, of which $4 million was reinvested in Munia for a 25.8% equity participation (see Note 4 Investment in Associated Company). The sale generated a net accounting gain of $17,715,284, which was recorded as a deferred gain on sale of vessels. As part of the transaction, the Company has agreed to guarantee certain levels of operating expenses and of employment for the vessels (see Item 2 - Management's Discussion - Guarantees).

In April 2005, the Company acquired two very large gas carriers ("VLGCs") from the Bergesen Group of Norway. The vessels, M/v 'Berge Flanders' of 75,000 m^3 capacity (built 1991) and M/v 'Berge Kobe' of 77,000 m^3 capacity (built

1987) were acquired for considerations of $50,717,250 and $32,260,000, respectively. The vessels are time-chartered to the Bergesen Group for a minimum period of five years. The acquisitions were funded with a $68 million loan from Scotiabank Europe PLC and for the balance with internal cash resources.

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NOTE 4. INVESTMENT IN ASSOCIATED COMPANIES

In January 2005, the Company invested $4 million in MUNIA, a special purpose German KG company formed by the German finance house KGAL, a German KG. MUNIA purchased four container vessels from MC Shipping for a total consideration of $29.8 million and chartered them to AP Møller until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for each vessel respectively. MUNIA contracted the technical management of the vessels out to V.Ships.

MUNIA is a limited partnership with equity in the amount of $15.5 million. The limited partners of MUNIA include MC Shipping with an equity contribution of $4 million (25.8%), V Ships (1%), ALCAS GmbH, a subsidiary of KGAL (1%) and MIRAN GmbH (72.2%). MIRAN is in the process of selling limited partnership interests to certain German individual investors (the “Individual Investors”) who enter into a trust agreement with a fiduciary partner.

MUNIA borrowed $18 million from Danmarks Skibskreditfond to finance the balance of the purchase price of the vessels and the working capital. The bank loan bears interest at LIBOR plus 1.05% and consists of four advances of $4.5 million each. Each advance is repayable in equal quarterly instalments of $450,000 plus a balloon due on February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for each vessel respectively. The loan is secured by mortgages on the vessels and is non-recourse to the partners of MUNIA. Swap agreements were concurrently entered into, as a result of which the interest rate has been effectively fixed at rates ranging from 4.73 to 4.85% depending on the final maturity of each advance.

The managing partner is MUNIA Mobilien-Verwaltungsgesellschaft mbH (the “Managing Partner”). The Managing Partner has sole power of representation toward third parties and may, in the ordinary course of business without the consent of the partners, enter into management contracts, enter into any contract necessary for the operation of the vessels (purchase contracts, insurance policy, employment contracts, agency contracts), enter into the existing charter parties with Maersk, charter the vessels up to 6 months, change the vessel register or flag, enter into agreements regarding the placement of equity, enter into loan agreements, perform repairs on the vessels up to $500,000, grant credit to the suppliers, assume the bookkeeping and handle the payment of transactions, etc. The right to enter into agreements also includes the amendment and cancellation of such agreements. The financial statements of MUNIA to be prepared in USD currency will be signed by the Managing Partner. V.Ships will receive a fee of $230,000 from MUNIA as a broker fee on the acquisition of the vessels.

The original partnership agreement was signed in January 2005. An amended partnership agreement, dated as of March 31, 2005, was signed on June 7, 2005: the equity of the partnership was raised from $15.2 to $15.5 million which reduced MC Shipping’s initial participation from 26.3% to 25.8%; V.Ships and ALCAS, a subsidiary of KGAL, were introduced as partners; an Advisory Board consisting of representatives of the limited partners was created to approve certain major decisions; there was no change in the repartition of profits and losses between the partners.

The Company participates for 25.8% in the profits and losses of the partnership and will receive the following percentages of the net sale proceeds of each of the ships: 0% of the first $3.9 million, 100% of the next $1 million and 40% of any amount in excess of $4.9 million. As part of the transaction, the Company has agreed to guarantee certain levels of operating expenses and of employment for the vessels (see Item 2 - Management’s Discussion - Guarantees). The share of net income of MUNIA included in the Company's financial statements was $270,849 for the quarter and $186,419 for the six months ended June 30, 2005.

In April 2005, Waterloo Shipping Limited (“Waterloo”), the joint venture company set up on a 50/50 basis by the Company and Petredec Limited, a leading LPG trading and shipping company, acquired the 1983-built, 59,725cbm, LPG carrier ‘Galileo’ (ex ‘Isomeria’) for a total consideration of $16 million and chartered the vessel to Petredec for a period of four years. The vessel is technically managed by V.Ships. The Company and Petredec each advanced an

amount of $2,481,923 to Waterloo and Waterloo borrowed $11.2 million from Danmarks Skibskreditfond. The bank loan bears interest at LIBOR plus 1.05% and is repayable in 16 equal quarterly instalments of $610,156 plus a balloon of $1,437,504. The loan is non-recourse to the joint venture partners, except for a corporate guarantee limited to $850,000 for each joint venture partner. The share of the net loss of Waterloo included in the Company's financial statements was $121,977 for the quarter ended June 30, 2005 as the LPG carrier Galileo suffered off-hire during its first 3 months of operation due to initial technical problems.

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NOTE 5. RELATED COMPANY TRANSACTIONS

V.Investments Limited (“V.Investments”), V.Ships Group Ltd., V.Holdings Limited (“V.Ships”), Greysea Limited, Close Securities Limited, Close Investment Partners Limited, Navalmar (UK) Limited (“Navalmar”), Bogazzi Fimpar S.p.A., and Enrico Bogazzi control over 50% of the outstanding stock of the Company.

Certain of the directors and executive officers of the Company are involved in outside business activities similar to those conducted by the Company. Mr. Antony Crawford (Chief Executive Officer, President and Director) is also the Chief Executive Officer of V.Investments, a subsidiary of V.Ships handling the financial, commercial and investment activities of the group; he is a director and minority shareholder of V.Holdings Limited, the holding company of the V.Ships group; he is joint managing director of AL Ships, a marketing company jointly owned by V.Ships and KGAL; he is a director of Finship, a Rotterdam based financial advisory company jointly owned by V.Ships and ING Bank. Mr Biggi is the President and Chief Executive Officer of V.Holdings Ltd and an executive officer of its principal subsidiaries which provide management-related services to the Company. Mr. Biggi is also a shareholder of Greysea, which owns a participation in V.Ships. Mr. Bogazzi (Director) is involved in the business of purchasing, owning and selling cargo vessels through the Bogazzi Group of shipping companies. As a result of these affiliations, such persons may experience conflicts of interest in connection with the selection, purchase, operation and sale of the Company's vessels and those of other entities affiliated with such persons.

The By-Laws of the Company provide that any of the transactions giving rise to potential conflicts of interest are subject to review by the Audit Committee of the Company's Board of Directors which is also charged with the responsibility of monitoring and reviewing transactions to be entered into with affiliates. Management believes that the terms of all the transactions described herein with V.Ships were fair to the Company.

The Company, via its wholly owned subsidiaries, has entered into Management Agreements with V.Ships for the technical operation of all the Company's fleet, excluding the seariver vessels which are managed by an independent vessel manager because of the specialised nature of the trade. The Agreements are “cost-plus” contracts under which the Company reimburses all costs incurred by V.Ships for the operation of the Company's vessels and V.Ships is paid a fixed management fee. In 2005, the management fees payable to V.Ships are fixed at the rate of $9,250 per vessel/per month for the container vessels and the large LPG carriers and at the rate of $9,167 per vessel/per month for the other LPG carriers (in 2004, $8,600 and $8,500 respectively). In the quarter and in the six month period ended June 30, 2005, $244,356 and $513,963 respectively were paid by the Company to V.Ships for services provided to the Company pursuant to the Management Agreements (in 2004, $290,379 and $580,758, respectively).

If the Company deems it necessary to employ the services of V.Ships in the acquisition or disposal of vessels, the Company will pay commissions and legal fees determined in light of current industry practice. In the quarter and in the six month period ended June 30, 2005, legal fees and expenses totalling $17,341 and $35,968 were paid by the Company to affiliates of V.Ships (no such commissions or legal fees were paid in 2004).

The Company leases office space from an affiliate of V.Ships. In the quarter and in the six month period ended June 30, 2005, the rental cost paid to the affiliate of V.Ships was approximately $23,205 and $47,574 (in 2004, $21,185 and $42,793, respectively).

In the quarter and in the six month period ended June 30, 2005, the Company paid approximately $7,250 and $14,000 for accounting services to an affiliate of V.Ships (in 2004, $7,750 and $15,500, respectively).

In August 2004, the Company entered into a service agreement with V.Investments Limited whereby, the Company pays a fee of £10,000 per month in consideration of V.Ships permitting the Chief Executive Officer to provide his services to the Company. V.Ships is also entitled to reimbursement of all business expenses incurred by the CEO in

the provision of his services.

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In addition, on a case by case basis, as technical manager of the Company's fleet, V.Ships may use on behalf of the Company the services of other service providers for insurance, crew and staff travelling, port agency services, manning, safety and training services, and miscellaneous services. Some of the service providers may be affiliates of V. Ships.

At June 30, 2005, the Company had intercompany balances of trade account receivable from affiliates of $550,328 ($80,492 at December 31, 2004). This amount includes $493,589 receivable from MUNIA for the payment of the lube oil remaining on board at the time of sale of the container vessels.

NOTE 6. PROVISION FOR IMPAIRMENT LOSS

At June 30, 2005, the Company evaluated the recoverability of its vessels and its investments in associated companies in accordance with FAS 144 and determined that no provision for loss was required as the carrying values of such assets were deemed to be recoverable.

In July 2005, the Company received appraisals for its gas fleet from a leading independent shipbroker. The seariver vessels values were assumed to remain at their appraised values of January 2005. On this basis, the appraised value of the Company's fully owned fleet was approximately $167 million compared to a book value of $126,320,104 on June 30, 2005 (see also Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Value of the vessels).

In accordance with SFAS 144 "Accounting for the Impairment or Disposal of Long Lived Assets", the Company's vessels are regularly reviewed for impairment. The Company performs the impairment valuations at the individual vessel level pursuant to paragraph 10 of SFAS 144. To consider whether there is an impairment indicator, the Company compares the book value and the market value of each vessel at the end of each quarterly reporting period. At year end, the market value used by the Company is equal to the average of the appraisals provided by two leading independent shipbrokers. Appraisals are based on the technical specifications of each vessel, but are not based on a physical inspection of the vessel. At quarter end, the market value is assessed by the President on the basis of market information, shipping newsletters, sale of comparable vessels reported in the press, informal discussions with shipbrokers or unsolicited proposals received from third parties for the vessels. Whenever a vessel's market value is above its book value, the Company considers there is no indication of impairment. Whenever a vessel's market value is below its book value, the Company considers there is a potential impairment and performs a recoverability test. The Company estimates the undiscounted future cash flows attributable to the vessel in order to determine if the book value of such vessel is recoverable. If the book value of the vessel exceeds the estimated undiscounted future cash flows attributable to the vessel, the Company recognizes an impairment loss equal to the excess of the book value over the market value as defined above.

The Company's investment in MUNIA is also reviewed for impairment at each quarter end. To consider whether there is an indication of impairment, the Company compares the fair market value or estimated scrap value of each container vessel at the end of the quarterly reporting period with the minimum threshold of $4.9 million, which corresponds to a full recovery of the investment (see Note 4. Investment in Associated Companies). Whenever the fair market value or estimated scrap value of a vessel is below $4.9 million (corresponding to a price of scrap of $314 per ton), the Company considers there is a potential impairment and performs a recoverability test. The Company estimates the undiscounted future cash flows attributable to the investment in order to determine if the book value of such investment is recoverable. If the book value of the investment exceeds the estimated undiscounted future cash flows attributable to the investment, the Company recognizes an impairment loss equal to the excess of the book value over the scrap value.

The assumptions used to determine, whether the sum of undiscounted cash flows expected to result from the use and eventual disposition of an asset exceeds the carrying value, involve a considerable degree of judgment on the part of Management. Actual results could differ from those estimates, which could have a material effect on the recoverability of the assets.

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NOTE 7. SHAREHOLDERS' EQUITY

The net income of $4,908,754 for the six months ended June 30, 2005 has been recorded as a reduction in accumulated deficit. In March 2005, the Company's Board of Directors decided to distribute a dividend of $0.25 per share payable in four equal quarterly instalments of $0.0625 to be recorded as a reduction of Additional paid-in capital. The first instalment of $548,563 was paid on April 29, 2005. The date of record for the next instalment is July 14, 2005 and the date of distribution July 28, 2005.

The summary of changes in shareholders' equity during the six months ended June 30, 2005 is as follows:

USD	Common Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders Equity
December 31, 2004	87,660	51,280,010	(20,792,717)	261,602	30,836,555
Net Income			4,908,754		4,908,754
Foreign currency translation adjustment				(13,280)	(13,280)
Unrealised losses on cash flow hedges				(997,676)	(997,676)
Stock-based employee compensation		74,932			74,932
Issuance of stock to Directors	48	17,285			17,333
Dividends		(548,563)			(548,563)
Issuance of stock under stock option plan	1,429	261,266			262,695
June 30, 2005	89,137	50,935,066	(15,734,099)	(749,354)	34,540,750

In June 2005, the Company’s Board of Directors extended the authorization to repurchase up to 400,000 shares of its common stock. Shares will be repurchased in the open market at times and prices considered appropriate by the Company. The timing of any purchases and the exact number of shares to be purchased will be dependent on market conditions. Repurchased stock, if any, will be held in treasury.

Directors, who are not officers of the Company or of an affiliated company, receive $5,000 out of their total annual compensation by allotment of shares of the Company’s common stock of equivalent value. In 2005, 4,766 shares were issued representing director compensation of $17,333 for the period April 1 to December 31, 2004.

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NOTE 8. LONG TERM DEBT

On January 20, 2005, upon the sale of the container vessels, the Company repaid $15 million under the loan agreement with Fortis Bank (the "Fortis Loan") and the repayment schedule of the remaining loan was reduced proportionately. An amount of $116,194 representing the unamortized balance of the debt issuance costs incurred in 2004 in connection with such portion of the Fortis Loan was written off and recorded as a reduction of the Deferred Gain on sale of vessels. Concurrently with such prepayment, cash balances of $5 million held as collateral by Fortis Bank were released. As of June 30, 2005, the amount outstanding under the Fortis Loan was $27,500,000.

In April 2005, the Company entered into a $68,000, 000 loan agreement with Scotiabank (the "Scotia Loan") in order to partially fund the acquisition of two vessels. The loan consists of two advances, bears interest at LIBOR plus 0.85% and is guaranteed by the Company:

- the first advance of $41 million was drawn by one of the Company's wholly owned subsidiaries, to finance the acquisition of the 'Berge Flanders'. This advance is repayable over eleven years in twenty two equal semi-annual instalments of $1,772,500 plus a balloon of $2,005,000.

- the second advance of $27 million was drawn by another of the Company's wholly owned subsidiaries in order to finance the acquisition of the 'Berge Kobe'. This advance is repayable over seven years in fourteen equal semi-annual instalments of $1,785,500 plus a balloon of $2,003,000.

Swap agreements were concurrently entered into with Scotiabank, as a result of which the variable rate, exclusive of margin, has been effectively fixed for the first five years at 4.58 % and 4.545% respectively for the first and second advance.

The borrowers have granted ship mortgages over their vessels as security. The loan agreements contain debt covenants related to minimum liquidity reserves of $5,000,000, minimum value clauses for the vessels, minimum interest coverage of 2:1 and minimum tangible net worth. As of June 30, 2005, tangible net worth exceeded the minimum requirement by $4,805,801. The Company has complied with all applicable debt covenants for all periods presented.

NOTE 9: STOCK OPTION PLAN

The following table summarizes the activity under the stock plan during the first 6 months of 2005:

	Number of shares	Weighted average exercise price
Options outstanding as of December 31, 2004	142,918	1.84
Options granted in 2005	186,398	9.228
Options exercised in 2005	142,918	1.84
Options forfeited in 2005	-	-
Options outstanding as of June 30, 2005	186,398	9.228
Options exercisable as of June 30, 2005	186,398	9.228

On June 14, 2005, the Company's Board of Directors approved the issuance of 186,398 options to employees at an exercise price of $9.228 per share. Options granted under this plan are granted with an exercise price equal to the average of the Company's stock price over the ten days prior to the grant date. As a result, the intrinsic value of these options on the grant date was $0.402 per share and the Company recognized a non cash compensation charge of $74,932. The fair value for these options was estimated to be equal to $2.96 per share at the date of grant using a

Black-Scholes option pricing model with the following assumptions:

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	2005
Risk-free interest rate	3.70%
Volatility	54%
Expected option term (in years)	2
Dividend yield	2.50%

On June 14, 2005, the Board modified the vesting conditions of the stock options under the terms of the plan. From now on, the options vest 100% on the day following the grant date. There are no more options to be granted under the plan as of June 30, 2005.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	3 months ended June 30, 2005	3 months ended June 30, 2004	6 months ended June 30, 2005	6 months ended June 30, 2004
Net income, as reported	$ 2,861,999	$ 536,445	$ 4,908,754	$ 1,336,843
Add: Stock-based employee compensation expense included in reported net income	74,932	-	74,932	-
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards	(642,875)	(3,590)	(657,844)	(7,180)
Proforma net income	2,294,056	532,855	4,325,842	1,329,663
Earnings per share:				
Basic - as reported	0.33	0.06	0.56	0.15
Basic - pro forma	0.26	0.06	0.49	0.15
Diluted - as reported	0.32	0.06	0.55	0.15
Diluted - pro forma	0.26	0.06	0.48	0.15

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ITEM 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Results of Operations for the quarter ended on June 30, 2005.

Significant events during the six months

In the first 6 months of 2005, the Company focused its activities in the LPG sector. The company sold its four container vessels in January, while retaining a 25.6% interest, bought two very large gas carriers from Bergesen and 50% of another one from Shell in April (see Note 3. Sale and Purchase of vessels and Note 4. Investments in Associated Companies).

Revenues

The Company had revenue from charterhire and other sources amounting to $9,628,735 for the quarter and $15,867,221 for the six month period ended June 30, 2005 ($7,881,660 for the quarter and $15,777,436 for the six month period ended June 30, 2004). The increase in revenues is a result of the change in fleet composition.

In the first half of 2005, the Company's on-hire performance of the vessels on time charter was 99.6% on a potential 1441 days (for the first half of 2004, it was 99.0% on a potential of 2002 days). The increase in on-hire performance is due to the fact that no ship underwent dry-docking during the first six months of 2005, compared to one ship in the same period of 2004.

Whenever possible, the Company employs its vessels on long term time charters with first class charterers. All of the Company's eleven fully-owned vessels (except the sea river vessels) are currently fixed on time charters. Future minimum revenues from these non-cancellable charters are as follows:

Last 6 months of 2005	$ 18,202,500
2006	$ 28,040,000
2007	$ 19,150,625
2008	$ 16,980,000
2009	$ 16,980,000
2010	$ 4,245,000

Costs and Expenses

Commission on charterhire was $131,887 for the quarter and $285,743 for the six months ended June 30, 2005. It was $196,756 for the quarter and $387,130 for the six months ended June 30, 2004. The increase is directly related to increased revenues.

Vessel operating expenses plus amortisation of dry-docking costs totalled $3,922,463 for the quarter and $6,866,998 for the six months ended June 30, 2005. They were $4,221,253 for the quarter and $8,962,314 for the six months ended June 30, 2004. Vessel operating expenses comprise vessel running costs, direct costs (such as fuel costs, port charges and canal dues incurred directly while vessels are unemployed or are employed on voyage charters) and management fees. As a percentage of revenue, vessel operating expenses plus amortisation of dry-docking costs decreased from 56.8% in the first half of 2004 to 43.3% in the first half of 2005. Daily operating expenses per vessel on time charter (excluding the container vessels sold in January 2005) averaged $3,608 in the first half of 2005, as compared to $3,168 in the first half of 2004. The changes in vessel operating expenses as a percentage of revenues and in daily operating expenses are due to the change in fleet composition and to higher charter rates.

Depreciation totalled $2,363,335 in the quarter and $3,541,611 for the first six months of 2005 ($1,285,203 for the quarter and $2,570,790 for the six months ended June 30 2004). The increase in depreciation following the purchase of two vessels in April 2005 was more important than the reduction due to the sale of four vessels in January 2005.

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General and administrative expenses amounted to $550,664 for the quarter and $1,087,066 for the six months ended June 30, 2005. They were $734,925 for the quarter and $1,067,153 for the six months ended June 30, 2004. In the second quarter of 2004, the Company incurred certain non-recurring expenses in relation to the change of ownership of the Company and the offer for additional equity received by the Company.

Interest Expense

Interest expense amounted to $1,217,768 for the quarter and $1,572,117 for the six months ended June 30, 2005 ($913,270 for the quarter and $1,918,491 for the six months ended June 30, 2004). Despite the increase in long term debt, the interest expense is significantly reduced in the first 6 months of 2005 due to the refinancing of the 11.25% Senior Notes at a substantially lower rate in October 2004.

Interest Income

Interest income totalled $82,937 for the quarter and $216,508 for the six months ended June 30, 2005 ($26,547 for the quarter and $62,045 for the six months ended June 30, 2004). The increase in interest income is due to higher interest rates.

Deferred Income

Deferred income totalled $1,187,572 for the quarter and $2,114,139 for the six months that ended June 30, 2005 and represents the portion of Deferred Gain on sale of assets recognized as income during the relevant period (see Note 2). There were no payments made under the guarantee as of June 30, 2005 and therefore no deduction from deferred income. The container vessels experienced no off-hire during the quarter and operated within their budget.

Equity in Income of associated companies

Equity in net income of associated companies totalled $148,872 for the quarter and $64,421 for the six months ended June 30, 2005.

	3 months ended June 30, 2005	6 months ended June 30, 2005
MUNIA	$ 270,849	$ 186,398
Waterloo	(121,977)	(121,977)
Equity in net income of associated companies	148,872	64,421

The Company’s 25.8% share of MUNIA’s net income amounted to $270,849 and $186,398 respectively for the quarter and for the six month periods ended June 30, 2005. The on-hire performance of the container vessels was 100% on a potential 644 days.

The LPG carrier Galileo, owned by Waterloo, suffered off-hire during its first 3 months of operation due to initial technical problems. The on-hire performance of the Galileo was 83.0% on a potential 87 days. As a result, Waterloo experienced a loss in the quarter ended June 30, 2005 and the Company’s share of Waterloo’s loss was $121,977.

Market Conditions

Five of the Company's six small pressurized LPG vessels are due for renewal between December 2005 and June 2006. The existing charter rates of these vessels are significantly below current market rates. Management feels that the charter market will remain strong for the next twelve months and that the Company will be able to take advantage of such improved rates as the existing charters come for renewal.

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The market for VLGCs (very large gas carriers) was also quite strong in the first part of 2005; however, the Company's three fully-owned VLGC are fixed on long-term timecharter. The first one will be free in September 2006 and the other two are fixed at least until April 2010. The Galileo owned by the associated company Waterloo Shipping is contracted until May 2009.

In the 2nd quarter of 2005, the scrapping prices of vessels have come down somewhat from the very high levels of the beginning of 2005.

Market value of the vessels

In July 2005, the Company received appraisals for its gas fleet from a leading independent shipbroker (see Note 6. Provision for Impairment Loss). The Company seariver vessels and the container vessels sold to MUNIA and 25.8% owned by the Company were not appraised at this time and were assumed to remain respectively at their appraised value of January 2005 and their book value.

On this basis, Management estimates that the excess of market value over book value of the Company's fleet and Investment in Associated Companies is equal to approximately $43 million, or $4.80 per share. Such excess is subject to market fluctuations, cyclical nature of the shipping industry, competition, general economic conditions and other risk factors. The Company's shareholders' equity was equal to $34,540,750 as of June 30, 2005, not including the deferred gain on sale of vessels of $15,601,145.

Liquidity and Sources of Capital

Liquidity

The Company had $12,319,593 in Cash at June 30, 2005 (December 31, 2004 - $11,629,896). Restricted cash amounted to $1,675,646 (December 31, 2004 - $5,000,000). In addition, it should be noted that $1,098,320 were deposited in vessels operating accounts which are directly operated by the vessel technical managers (December 31, 2004 - $1,255,280).

The ratio of current assets to current liabilities decreased from 1.18 at December 31, 2004 to 0.91 at June 30, 2005. The reduction is mainly due to the fact that, upon the acquisition of two vessels in April 2005, the Company's current portion of long term debt increased by $7,116,000 after the drawdown of the Scotia loan. However, the cash flows from the purchased vessels, which are employed under five year time charters at fixed charter rates, are expected to be more than sufficient to cover the expected interest and principal repayments of such loan.

Operating activities

The Company generated cash flows from operations of $8,085,112 in the six months ended June 30, 2005 in comparison to $2,763,730 in the six months ended June 30, 2004. The increase is due to higher charter rates and a change in the fleet composition resulting in higher net income.

In the first half of 2005, the Company did not dry-dock any vessel, against one vessel in the same period of 2004. Four vessels are planned to be dry-docked in the second half of 2005 (three vessels in the second half of 2004).

Investing activities

In April 2005, the Company acquired two very large gas carriers (“VLGCs”) from the Bergesen Group of Norway. The vessels, M/v ‘Berge Flanders’ of 75,000 m^3 capacity (built 1991) and M/v ‘Berge Kobe’ of 77,000 m^3 capacity (built 1987) were acquired for considerations of $50,717,250 and $32,260,000, respectively. The vessels are time-chartered to the Bergesen Group for a minimum period of five years. The acquisitions were funded with a $68 million loan from Scotiabank Europe PLC and for the balance with internal cash resources.

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In April 2005, Waterloo Shipping Limited ("Waterloo"), a joint venture company set up on a 50/50 basis by the Company and Petredec Limited, a leading LPG trading and shipping company, acquired the 1983-built, 59,725 m^3, LPG carrier 'Galileo' (ex 'Isomeria') for a total consideration of $16 million and chartered the vessel to Petredec for a period of four years. The vessel is technically managed by V.Ships. The Company and Petredec each advanced an amount of $2,481,923 to Waterloo and Waterloo borrowed $11.2 million from Danmarks Skibskreditfond. The bank loan bears interest at LIBOR plus 1.05% and is repayable in 16 equal quarterly instalments of $610,156 plus a balloon of $1,437,504. The loan is non-recourse to the joint venture partners, except for a corporate guarantee limited to $850,000 for each joint venture partner.

Financing activities

In the first six months of 2005, the Company repaid net borrowings of $17,500,000. These repayments on the Fortis Loan consisted of: normal scheduled repayments of $2,500,000 and a prepayment of $15,000,000 at the time of the sale of the four container vessels.

In April, the Company borrowed $68 million to partially finance the acquisition of two vessels. The debt service of this loan during the first five years is more than adequately supported by time charters with a first class charterer.As a result, the Company's long term debt (including current portion) increased from $28,750,000 as of March 31, 2005 to $95,500,000 as of June 30, 2005.

Dividend

The Company resumed the distribution of cash dividends and expects to pay $0.0625 per share per quarter. The first distribution took place on April 29, 2005 and amounted to $548,563.

Contractual obligations

As of June 30, 2005, the Company's contractual obligations were as follows:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Fortis loan due 2010	$ 27,500,000	$ 5,000,000	$ 10,000,000	$ 10,000,000	$ 2,500,000
Scotia loan due 2016	$ 68,000,000	$ 7,116,000	$ 14,232,000	$ 14,232,000	$ 32,420,000
Total	$ 95,500,000	$ 12,116,000	$ 24,232,000	$ 24,232,000	$ 34,920,000

Future cash requirements

Management believes that the net cash generated by operating activities will provide sufficient funds to enable the Company to meet its liquidity requirements throughout 2005. After the completion of the acquisitions and investments that took place in April 2005, Management believes that the Company still has excess cash to invest and is looking actively at the acquisition of vessels. However, the Company does not currently have any significant commitments for capital expenditures.

Contingencies

In June 2001, the Company sold the 1984-built container vessel Maersk Tampa to a non-affiliated Company with the Maersk charter attached. The buyer had the option to give the vessel back on charter to the Company in November

2004 for 12 months at a daily rate of $17,900, then a second option in November 2005 for a period of 6 months at a daily rate of $17,500. The first option was not exercised. The aggregate amount of the Company's commitment under the second option is approximately $3,182,000. This amount does not take into consideration any revenues the Company would earn from chartering out the vessel to another party. As of August 2005, the current charter rate for six month time charter of a vessel similar to the Maersk Tampa is well in excess of $17,500 and the expected revenues from the chartering out of the vessel would cover the expected amount of the commitment. There is no assurance today, however, as to where market rates will be in November 2005.

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Share Repurchase Program

The Company Share repurchase Program is not expected to have a material impact on the Company liquidity. The buy back will be used if management feels the stock trades at or below levels where it does not accurately reflect the potential of the Company and where it makes such action attractive. It is designed as one of the tools to enhance shareholder value and will not replace or repress the strategy in place to grow the Company.

Guarantees

The Company has issued guarantees in relation to the Fortis and Scotia Loans. In addition, the Company has issued a guarantee of $850,000 in relation with the loan granted by Danmarks Skibskreditfond to Waterloo (see Investing Activities).

In connection with the sale of the container vessels in January 2005, the Company has agreed to guarantee to the purchaser certain levels of operating expenses and of employment for the vessels until February 1st 2008, September 1st 2008, May 15th 2009 and February 1st 2009, for the respective vessel (or earlier in case of sale or total loss of the respective vessel). As a result, the excess or surplus of operating expenses, up to a certain extent, will be absorbed by the Company. As compensation for issuing such guarantee, the Company receives a daily guarantee fee for each vessel, which is included in Revenues.

Critical Accounting Policies

The Company believes that there have been no significant changes to its critical accounting policies during the six months ended June 30, 2005, as compared to those the Company disclosed in the Management Discussion and Analysis section of its Form 10-K for the year ended December 31, 2004.

Off-Balance sheet Arrangements

The Company had no off-balance sheet financial arrangements as of June 30, 2005.

Forward looking statements

Certain of the information contained in this Form 10-Q may constitute “forward-looking statements” as that term is defined under United States federal securities laws. “Forward-looking statements” are subject to risks, uncertainties and other factors which could cause actual events to differ materially from those stated in such statements, including the identification of suitable vessels for purchase, the availability of additional financing for the Company, if needed, the cyclical nature of the shipping industry, competition, general economic conditions and other risk factors detailed in the Company’s filings with the SEC.

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ITEM 3: **Market Risk**

Interest Rate Swaps

The Company holds three interest rate swap agreements, which are used to hedge the Company's interest rate exposure associated with its long-term debt.

As of June 30, 2005	Notional amount	Fair value	Interest rate	Expiry
First swap / Fortis loan	$ 27,500,000	$ 400,914	3.075%	October 2007
Second swap / Scotia loan	$ 41,000,000	$ (424,127)	4.580%	April 2010
Third swap / Scotia loan	$ 27,000,000	$ (765,163)	4.545%	April 2010

Long term Debt

As of June30, 2005, the Company had no variable interest debt.

Impact of Currency Fluctuations

The Company's functional currency is the US dollar; however, a number of trade transactions related to normal vessel operations are performed in other currencies. Trade payables and accrued expenses as well as cash and trade receivables in foreign currencies are converted at year end exchange rates and therefore recorded at fair value. The Company does not hold any other assets or liabilities denominated in foreign currencies.

ITEM 4: **Controls and Procedures**

Evaluation of disclosure controls and procedures.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities and Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of June 30, 2005, (the "Evaluation Date"). Based on such review, they have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Changes in internal controls.

There were no significant changes in the Company's internal controls or, to the knowledge of the Company's Chief Executive Officer and Chief Financial Officer, in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date.

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PART II: OTHER INFORMATION

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibit 10.1 Memorandum of Agreement for the purchase of Berge Kobe
Exhibit 10.2 Memorandum of Agreement for the purchase of Berge Flanders
Exhibit 10.3 Amended Partnership Agreement, dated as of March 31,2005, signed on June 7, 2005 (non-binding translation)
Exhibit 10.4 Loan Agreement with Scotia Bank and Guarantee Agreement dated March 30, 2005

(b) Exhibit 31.1
Certification provided by the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.

(c) Exhibit 31.2
Certification provided by the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2003.

(d) Exhibit 32
Certification provided by the Chief Executive Officer and the Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2003.

(e) Reports on Form 8-K

None

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SIGNATURES

Pursuant to the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MC SHIPPING INC.
Registrant

Date : August 1, 2005

/S/ ANTONY CRAWFORD

Antony Crawford

Chief Executive Officer
President and Chief Operating Officer
(Principal Executive Officer)

Date : August 1, 2005

/S/ DOMINIQUE SERGENT

Dominique Sergent

Vice President
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)