

Global Ship Lease, Inc.
Form 20-F
May 19, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 1-34153

Global Ship Lease, Inc.

(Exact name of Registrant as specified in its charter)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

c/o Portland House

Stag Place

London SW1E 5RS

United Kingdom

(Address of principal executive offices)

Table of Contents

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Class A Common Shares, par value of \$0.01 per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

47,130,467 Class A Common Shares, par value of \$0.01 per share

7,405,956 Class B Common Shares, par value of \$0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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 of 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as Issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Table of Contents

GLOBAL SHIP LEASE, INC.

INDEX TO REPORT ON FORM 20-F

	Page
<u>PART I</u>	1
Item 1. <u>Identity of Directors, Senior Management and Advisors</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
A. <u>Selected Financial Data</u>	2
B. <u>Capitalization and Indebtedness</u>	4
C. <u>Reasons for the Offer and Use of Proceeds</u>	4
D. <u>Risk Factors</u>	4
Item 4. <u>Information on the Company</u>	19
A. <u>History and Development of the Company</u>	19
B. <u>Business Overview</u>	19
C. <u>Organizational Structure</u>	35
D. <u>Property, Plants and Equipment</u>	35
Item 5. <u>Operating and Financial Review and Prospects</u>	35
A. <u>Results of Operations</u>	35
B. <u>Liquidity and Capital Resources</u>	44
C. <u>Research and Development</u>	48
D. <u>Trend Information</u>	48
E. <u>Off-Balance Sheet Arrangements</u>	48
F. <u>Contractual Obligations</u>	48
Item 6. <u>Directors, Senior Management and Employees</u>	49
A. <u>Directors and Senior Management</u>	49
B. <u>Compensation</u>	51
C. <u>Board Practices</u>	53
D. <u>Employees</u>	54
E. <u>Share Ownership</u>	54
Item 7. <u>Major Shareholders and Related Party Transactions</u>	54
A. <u>Major Shareholders</u>	54
B. <u>Related Party Transactions</u>	55
Item 8. <u>Financial Information</u>	56
A. <u>Financial Statements and Other Financial Information</u>	56
B. <u>Significant Changes</u>	57

Item 9. The Offer and Listing

57

Table of Contents

	Page
Item 10.	58
<u>Additional Information</u>	
A. <u>Share Capital</u>	58
B. <u>Memorandum and Articles of Association</u>	58
C. <u>Material Contracts</u>	58
D. <u>Exchange Controls</u>	58
E. <u>Taxation</u>	58
F. <u>Dividends and Paying Agents</u>	64
G. <u>Statements by Experts</u>	64
H. <u>Documents on Display</u>	64
Item 11.	64
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
Item 12.	65
<u>Description of Securities Other than Equity Securities</u>	
<u>PART II</u>	66
Item 13.	66
<u>Defaults, Dividend Arrearages and Delinquencies</u>	
Item 14.	66
<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	
Item 15.	66
<u>Controls and Procedures</u>	
Item 16A.	67
<u>Audit Committee Financial Expert</u>	
Item 16B.	67
<u>Code of Ethics</u>	
Item 16C.	67
<u>Principal Accountant Fees and Services</u>	
Item 16D.	67
<u>Exemptions from the Listing Standards for Audit Committees</u>	
Item 16E.	67
<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	
Item 16F.	67
<u>Change in Registrants – Certifying Accountant</u>	
Item 16G.	67
<u>Corporate Governance</u>	
<u>PART III</u>	68
Item 17.	68
<u>Financial Statements</u>	
Item 18.	68
<u>Financial Statements</u>	
Item 19.	69
<u>Exhibits</u>	

Table of Contents

PART I

This Annual Report contains forward-looking statements. Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as anticipate, believe, continue, estimate, expect, intend, may, ongoing, plan, potential, predict, project, will or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Examples of forward-looking statements in this Annual Report include, but are not limited to, statements regarding our disclosure concerning our operations, cash flows, financial position, dividend policy and likelihood of success in acquiring additional vessels to expand our business.

Forward-looking statements appear in a number of places in this Annual Report including, without limitation, in the sections entitled Business Overview, Management's Discussion and Analysis of Financial Conditions and Operations, and Dividend Policy. The risks and uncertainties include, but are not limited to:

future operating or financial results;

expectations regarding the future growth of the container shipping industry, including the rates of annual demand and supply growth;

the financial condition of CMA CGM, our sole charterer and only source of operating revenue, and its ability to pay charterhire in accordance with the charters;

our financial condition and liquidity, including our ability to obtain additional waivers which might be necessary under the existing credit facility or obtain additional financing to fund capital expenditures, vessel acquisitions and other general corporate purposes;

our ability to meet our financial covenants and repay our credit facility;

our expectations relating to dividend payments and forecasts of our ability to make such payments including the availability of cash and the impact of constraints under our credit facility;

future acquisitions, business strategy and expected capital spending;

operating expenses, availability of crew, number of off-hire days, drydocking and survey requirements and insurance costs;

general market conditions and shipping industry trends, including charter rates and factors affecting supply and demand;

assumptions regarding interest rates and inflation;

changes in the rate of growth of global and various regional economies;

Edgar Filing: Global Ship Lease, Inc. - Form 20-F

risks incidental to vessel operation, including piracy, discharge of pollutants and vessel accidents and damage including total or constructive total loss;

estimated future capital expenditures needed to preserve our capital base;

our expectations about the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of our ships;

our continued ability to enter into or renew long-term, fixed-rate charters;

the continued performance of existing long-term, fixed-rate time charters;

our ability to capitalize on our management's and board of directors' relationships and reputations in the containership industry to our advantage;

changes in governmental and classification societies' rules and regulations or actions taken by regulatory authorities;

expectations about the availability of insurance on commercially reasonable terms;

unanticipated changes in laws and regulations including taxation;

potential liability from future litigation; and

other factors discussed in Risk Factors.

Table of Contents

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in Risk Factors in this Annual Report. Accordingly, you should not unduly rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, or SEC, after the date of this Annual Report.

Unless the context otherwise requires, references to the company, we, us or our refers to Global Ship Lease, Inc.; CMA CGM refers to CMA CGM S.A. and Ship Manager refers to CMA Ships, a wholly-owned subsidiary of CMA CGM and our current ship manager.

For the definition of certain terms used in this Annual Report, please see Glossary of Shipping Terms at the end of this Annual Report.

Unless otherwise indicated, all references to \$ and dollars in this Annual Report are in United States dollars. We use the term TEU, meaning twenty-foot equivalent unit, the international standard measure of container size, in describing volumes in world container trade and other measures, including the capacity of our containerships, which we also refer to as vessels. Unless otherwise indicated, we calculate the average age of our vessels on a weighted average basis, based on TEU capacity.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

You should read the information set forth below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and notes thereto, which are referred to as our combined financial statements, included elsewhere in this Annual Report.

This selected historical combined financial and operating information gives effect to the merger of Global Ship Lease, Inc and Marathon Acquisition Corp as described further below (Merger) as at August 14, 2008 and consequently the selected combined financial statements up to December 31, 2010 include two distinct reporting periods (i) January 1, 2006 through August 14, 2008 (Predecessor) and (ii) August 15, 2008 through December 31, 2010 (Successor), which relate to the period preceding the Merger and the period succeeding the Merger, respectively. Further, although we derived all of our revenue in 2010 and 2009 and virtually all of our revenue in 2008 from chartering out our vessels under our continuing business of long-term fixed rate time charters, for periods before 2008, under predecessor accounting rules, we earned all or virtually all of our revenue from carrying containerized cargo when the vessels were owned and operated by CMA CGM and its subsidiaries. We use the term Predecessor Group to mean the container shipping services provided by the 10 secondhand vessels, which we purchased in December 2007, and two newly built vessels, which we purchased in January 2008, in our initial fleet when these vessels were owned and operated by CMA CGM and its subsidiaries rather than to mean any particular entity or entities.

There are significant differences between our business after the acquisition of our initial fleet of 12 vessels in December 2007 and January 2008, when we started our time charter business, and the business of our Predecessor Group when the vessels earned revenue from carrying cargo for customers. Accordingly, the selected historical combined financial data prior to January 2008, which includes mainly the Predecessor Group's trading activities of the vessels earning revenue from carrying cargo for third party customers, are not indicative of the results we would have achieved had we historically operated as an independent ship-owning company earning charterhire or of our future results.

Edgar Filing: Global Ship Lease, Inc. - Form 20-F

The combined financial statements for the Successor period after August 14, 2008 reflect the acquisition of Global Ship Lease, Inc., as a result of the Merger, under the purchase method of accounting. The results of the Successor are not comparable to the results of the Predecessor due to the difference in the basis of presentation under purchase accounting as compared to historical cost and due to the changes in capital and legal structure following the Merger including our becoming listed on the New York Stock Exchange.

The historical selected combined financial data as of December 31, 2010, 2009, 2008, 2007 and 2006 and for each of the years then ended (2008 including two distinct reporting periods before and after the Merger) have been derived from our audited combined financial statements and have been prepared in accordance with United States generally accepted accounting principles. The historical selected combined financial data as of December 31, 2006 and for the year then ended together with such financial data for 2007 relating to the initial 10 vessels until their purchase by us in December 2007 and the two new vessels when they were in CMA CGM's ownership for the last few days of 2007 until their purchase by us in January 2008 is derived from carve-out information of the

Table of Contents

Predecessor Group prepared by management of CMA CGM. Certain financial information has been rounded, and, as a result, certain totals shown in this Annual Report may not equal the arithmetic sum of the figures that should otherwise aggregate to those totals.

This selected financial information should be read together with, and is qualified in its entirety by, our combined financial statements and the notes thereto included elsewhere in this Annual Report.

(in millions of U.S. dollars, except per share data)

	2010 Successor	2009 Successor	August 15 to December 31 2008 Successor	January 1 to August 14 2008 Predecessor	2007 Predecessor	2006 Predecessor
Statement of Income						
Operating revenues:						
Freight revenue (1)	\$	\$	\$	\$ 2.1	\$ 332.2	\$ 299.6
Time charter revenue (2)	158.8	148.7	39.1	55.9	2.9	
Operating expenses:						
Voyage expenses (3)				(1.9)	(249.5)	(213.1)
Vessel expenses	(42.1)	(41.4)	(11.9)	(18.1)	(24.0)	(22.6)
Depreciation	(40.1)	(37.3)	(8.7)	(12.2)	(16.1)	(16.7)
General and administrative (4)	(8.3)	(8.7)	(3.7)	(3.8)	(17.8)	(11.3)
Impairment charge (5)	(17.1)					
Other operating income (expense)	0.4	0.4	0.1	(0.1)	2.3	11.9
Total operating expenses	(107.1)	(87.0)	(24.2)	(36.1)	(304.9)	(251.9)
Operating income	51.8	61.7	14.9	21.9	30.2	47.7
Non operating income (expense)						
Interest income	0.2	0.5	0.4	0.4	0.2	
Interest expense	(23.8)	(24.2)	(3.8)	(17.6)	(13.6)	(15.1)
Realized and unrealized (loss) gain on interest rate derivatives	(32.0)	4.8	(55.3)	2.7		