

P&O BULK SHIPPING LIMITED

COMPANY REGISTRATION NO. 258949

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



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P&O BULK SHIPPING LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company did not trade during the year. The results of the company are set out on page 5.

DIRECTORS

The directors who held office during the year were:

R M Gradon (Chairman)

S Scott

Resigned 8 December 2004

D J Leonard

Appointed 8 December 2004

P A Walker

DIRECTORS' INTERESTS

According to notifications received by the Company relating to the interests of the directors and their families in the share capital and debentures of group companies, there were the following interests in the stock of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company:

	Deferred Stock		Deferred Stock under option			Closing balance 31/12/04
	2004	2003	Opening balance 01/01/04	Granted in year	Exercised in year	
PA Walker	37,933	16,055	160,560	-	-	160,560

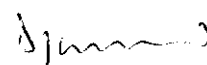
R M Gradon is a director of the ultimate holding company, The Peninsular and Oriental Steam Navigation Company, of which this company is a wholly owned subsidiary. His interest in shares and debentures of group companies and of his awards under the P&O Deferred Bonus and Co-Investment Matching Plan are disclosed in the directors' report of The Peninsular and Oriental Steam Navigation Company.

Auditors

Under section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

79 Pall Mall
London
SW1Y 5EJ
28 September 2005

On behalf of the Board



D J LEONARD
Secretary

P&O BULK SHIPPING LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
PREPARATION OF THE ACCOUNTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the report of the independent auditors on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the independent auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts on pages 5 to 13, the directors are required to select appropriate accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and state whether all accounting standards which they consider to be applicable have been followed. The directors are also required to use a going concern basis in preparing the accounts unless this is inappropriate.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

P&O BULK SHIPPING LIMITED

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB
28 September 2005

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

P&O BULK SHIPPING LIMITED

PROFIT AND LOSS ACCOUNT

FOR YEAR ENDED 31 DECEMBER 2004

	Notes	2004 Discontinued Operations £	2003 Discontinued Operations £
Administrative expenses		(31)	(8,789)
Other income		-	7,444
Operating loss	2	(31)	(1,345)
Write-off of irrecoverable balances		(101,585)	-
Interest payable	3	(4,899)	(22,485)
Exchange gain		17,127	73,061
(Loss)/profit on ordinary activities before taxation	2	(89,388)	49,231
Taxation	4	(3,659)	(465,992)
Loss on ordinary activities after taxation		(93,047)	(416,761)
Retained loss brought forward		(127,689,417)	(127,272,656)
Retained loss carried forward		(127,782,464)	(127,689,417)

The company has no recognised gains or losses other than those detailed above.

P&O BULK SHIPPING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
FIXED ASSETS:			
Investments	5	98	98
CURRENT ASSETS:			
Debtors	6	<u>7,054,550</u>	<u>7,082,441</u>
		7,054,648	7,082,539
CREDITORS: Amounts falling due within one year	7	<u>(484,770)</u>	<u>(1,148,869)</u>
NET CURRENT ASSETS:			
Due within one year		<u>(340,957)</u>	<u>(1,148,869)</u>
Debtors due after more than one year	6	<u>6,910,737</u>	<u>7,082,441</u>
		6,569,780	5,933,572
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>6,569,878</u>	<u>5,933,670</u>
CREDITORS: Amounts falling due after more than one year	7	(130,832,289)	(130,103,034)
Provisions for liabilities and charges	8	<u>(1,999,956)</u>	<u>(1,999,956)</u>
NET LIABILITIES:		<u>(126,262,367)</u>	<u>(126,169,320)</u>
CAPITAL AND RESERVES:			
Called up share capital	9	1,485,945	1,485,945
Share premium account	9	34,152	34,152
Profit and loss account		<u>(127,782,464)</u>	<u>(127,689,417)</u>
Equity shareholders' deficit		<u>(126,262,367)</u>	<u>(126,169,320)</u>

These financial statements were approved by the Board of Directors on 28 September 2005 and were signed on its behalf by:

PAW

P A Walker
Director

P&O BULK SHIPPING LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'

DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Total recognised gains and losses for the financial year	(93,047)	(416,761)
Net change in shareholder deficit	(93,047)	(416,761)
Equity shareholders' deficit at the beginning of the year	(126,169,320)	(125,752,559)
Equity shareholders' deficit at the end of the year	(126,262,367)	(126,169,320)

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these accounts.

(a) Basis of preparation of financial statements

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis as the ultimate parent company has undertaken to provide the company with sufficient funds as are necessary for it to meet its liabilities as they fall due.

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group accounts because its results are included in the consolidated accounts of its ultimate parent company. Accordingly, the accounts present the results of the Company only and not its Group.

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose intercompany related party transactions on the grounds that it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements. There are no other related party transactions.

(b) Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate in operation at the date of the transaction, or where appropriate at contracted forward rates.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at closing rates ruling at the balance sheet date. All translation differences and realised foreign exchange differences are taken to the profit and loss account.

(c) Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(d) Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet dates except as otherwise required by Financial Reporting Standard 19 (Deferred tax).

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

- (a) The Company had no employees during the year (2003 – none)
- (b) The directors do not receive any remuneration for their services to the Company; their emoluments for work within the group are paid by other group companies and are dealt with in the accounts of those companies (2003 - £ nil).
- (c) Auditors' remuneration is dealt with on a group basis and no amount has been specifically recharged to this company (2003 - £ nil).

3. INTEREST PAYABLE

	2004	2003
	£	£
Payable on overdrafts	4,889	22,485
	<hr/>	<hr/>

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. TAXATION

	2004 £	2003 £
UK Corporation Tax – current year	3,659	12,536
UK Corporation Tax – prior year	-	453,456
Current tax	<u>3,659</u>	<u>465,992</u>

The current taxation charge is higher than (2003: higher than) the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below.

	2004 £	2003 £
(Loss)/profit on ordinary activities before taxation	(89,388)	49,231
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(26,816)	14,769
Effects of:		
UK income not taxable and other UK permanent adjustments	30,475	(2,233)
Prior period adjustments	-	453,456
Current taxation charge for the period	<u>3,659</u>	<u>465,992</u>

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS

	Shares in Subsidiary Undertakings
	£
Cost:	
At 1 January 2004 and at 31 December 2004	39,698
Provisions:	
At 1 January 2004 and at 31 December 2004	(39,600)
Net Book Value:	
At 31 December 2003 and 31 December 2004	98

(a) At 31 December 2004 the company's investments in subsidiary undertakings consisted of:

Subsidiary undertaking	Cost £	Principal Activities
Thinkmajor Limited	98	The company is registered in England and Wales and is an investment holding company.
Toweriver Limited	39,500	The company is registered in England and Wales and did not trade during the year.
Witchin Capesize Limited	100	The company is registered in England and Wales. The company has ceased to trade.
	<u>39,698</u>	

The Company directly holds all of the ordinary share capital of the above companies, except Thinkmajor Limited and Toweriver Limited. The company owns 50% of the ordinary share capital and 100% of the preference share capital of Thinkmajor Limited. Thinkmajor Limited owns 100% of the ordinary share capital of Toweriver Limited.

(b) In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the financial statements.

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. DEBTORS

	2004 £	2003 £
Due within one year:		
Amounts owed by fellow subsidiary undertakings	<u>143,813</u>	<u>-</u>
Due after more than one year:		
Amounts owed by fellow subsidiary undertakings	<u>6,910,737</u>	<u>7,082,441</u>
Total debtors	<u><u>7,054,550</u></u>	<u><u>7,082,441</u></u>

7. CREDITORS

	2004 £	2003 £
Due within one year:		
Bank overdrafts	-	811,571
Taxation	484,448	336,976
Amounts owed to fellow subsidiary undertakings	<u>322</u>	<u>322</u>
	484,770	1,148,869
Due after more than one year:		
Amounts owed to group undertakings:		
Ultimate parent company	130,733,409	129,926,739
Fellow subsidiary undertakings	98,880	169,000
Subsidiary undertakings	<u>-</u>	<u>7,295</u>
	<u><u>130,832,289</u></u>	<u><u>130,103,034</u></u>

Amounts due to fellow parent and subsidiary undertakings are non-interest bearing and have no set repayment date.

P&O BULK SHIPPING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Subsidiary undertakings	1,999,956	1,999,956

The provision is in respect of the liabilities of a subsidiary undertaking which the Company has agreed to settle in full.

9. SHAREHOLDERS' DEFICIT

	At 1 Jan 2004 £	Movement for the period £	At 31 Dec 2004 £
Share capital	1,485,945	-	1,485,945
Share premium	34,152	-	34,152
Profit and loss account	(127,689,417)	(93,047)	(127,782,464)
Total shareholders' deficit	(126,169,320)	(93,047)	(126,262,367)

Share capital consists of 1,500,000 authorised shares of £1 each, of which 1,485,945 are allotted, called up and fully paid. All of the shareholders' funds are equity.

10. ULTIMATE PARENT COMPANY

The ultimate parent company is The Peninsular and Oriental Steam Navigation Company, which is incorporated by Royal Charter in the United Kingdom. The results of P&O Bulk Shipping Limited are consolidated into those of the ultimate parent company only, a copy of whose financial statements may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ