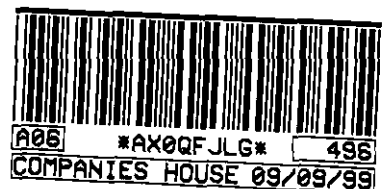


**SIGNED**

1036027

BIBBY BULK CARRIERS LIMITED

FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 1998



# BIBBY BULK CARRIERS LIMITED

## ULTIMATE PARENT COMPANY

Bibby Line Group Limited

## DIRECTORS

Simon Patrick Sherrard - Chairman  
John Stewart Whewell Hogarth  
Michael James Bibby  
Jonathan Haymer

## SECRETARY

Bibby Bros & Co (Management) Limited

## REGISTERED OFFICE

105 Duke Street  
Liverpool  
L1 5JQ

Incorporated in England and Wales  
Registered No. 1036027

## AUDITORS

PricewaterhouseCoopers  
8 Princes Parade  
St. Nicholas Place  
Liverpool  
L3 1QJ

FLEET		TONNES DEADWEIGHT
'Cheshire'	Gas Carrier	29,171

BIBBY BULK CARRIERS LIMITED

NOTICE OF MEETING

Notice is hereby given, that the Annual General Meeting of the Company will be held on 1 June 1999 at 105 Duke Street, Liverpool for the following purposes:

To approve the Directors' Report and Financial Statements for the year ended 31 December 1998.

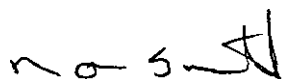
To re-elect Directors.

To re-appoint PricewaterhouseCoopers as Auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of Price Waterhouse) for the ensuing year.

To transact any other ordinary business.

A member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.

By order of the Board



Bibby Bros & Co (Management) Limited  
Secretary

9 April 1999

## BIBBY BULK CARRIERS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors present their Report together with the Audited Financial Statements for the year ended 31 December 1998.

#### ACTIVITIES

The principal activity is the ownership and operation of ships.

#### TRADING RESULT

The result for the year is set out in the Profit and Loss account. The Directors do not recommend a dividend in respect of the year.

#### YEAR 2000

The Year 2000 issue within the Bibby Line Group is being considered and dealt with as described below.

Many computer systems and equipment with embedded microchips, express calendar dates using only the last two digits of the year. In order to avoid malfunction, causing widespread commercial disruption, those systems and equipment that are critical to the operation of the business will require modification or replacement to accommodate the year 2000 and beyond.

The Group is giving high priority to the impact of this problem and is taking positive steps to ensure that critical systems are Year 2000 compliant. Each Division of the Group is implementing a Year 2000 programme, using an agreed methodology with clear milestone dates and defined responsibilities. Progress against plans is regularly monitored by the Group and Divisional Boards.

The total costs involved in achieving compliance have not been quantified but they are considered not to be material. In the normal course of business, each of the three Divisions has replaced its main accounting systems in 1998 and this has significantly reduced the potential for large costs being expended in this area.

# BIBBY BULK CARRIERS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

### DIRECTORS AND THEIR INTERESTS

The names of the persons who were Directors of the Company during the year were:

S. P. Sherrard - Chairman  
J. S. W. Hogarth  
M. J. Bibby  
J. Haymer

The only interests of the Directors in shares of the Bibby Line Group companies were in shares of Bibby Line Group Limited.

The interests of Mr. S. P. Sherrard, Mr. M. J. Bibby and Mr. J. Haymer in the shares of Bibby Line Group Limited are disclosed in the Directors' Report of that company.

The interests of the other Director in the shares of Bibby Line Group Limited were as follows:-

	31 December 1998 Beneficial	1 January 1998 Beneficial
J. S. W. Hogarth £1,000 Ordinary Shares	1	1

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

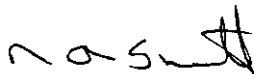
BIBBY BULK CARRIERS LIMITED

DIRECTORS' REPORT FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

AUDITORS

During the year, our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 following which Price Waterhouse resigned and the Directors appointed the new firm, PricewaterhouseCoopers as auditors to fill the casual vacancy caused by this resignation. A resolution to reappoint PricewaterhouseCoopers as auditors of the Company will be proposed at the Annual General Meeting.

By Order of the Board



Bibby Bros & Co (Management) Limited  
Secretary

9 April 1999

BIBBY BULK CARRIERS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

**Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

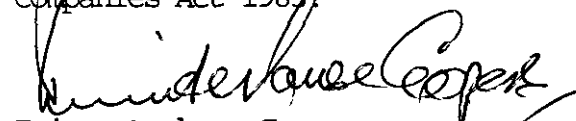
**Basis of Audit Opinion**

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 at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
8 Princes Parade  
St. Nicholas Place  
Liverpool L3 1QJ

9 April 1999

BIBBY BULK CARRIERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31 DECEMBER 1998

	Note	1998 US\$	1997 US\$
Turnover	2	5,410,628	6,450,498
Operating Costs		(5,565,809)	(5,073,304)
Foreign Exchange Difference		7,379	(4,876)
		<hr/>	<hr/>
Gross (Loss)/Profit,		(147,802)	1,372,318
Administration Expenses		(341,857)	(441,121)
		<hr/>	<hr/>
(Loss)/Profit on Ordinary Activities Before Taxation	3	(489,659)	931,197
Taxation (Charge)/Credit	4	(612,094)	906,508
		<hr/>	<hr/>
(Loss)/Profit for the Financial Year Transferred (from)/to Reserves	10	<u>(1,101,753)</u>	<u>1,837,705</u>

There are no recognised gains or losses in 1998 or 1997 other than those dealt with in the profit and loss account.

The turnover and (loss)/profit on ordinary activities all derive from continuing activities.



BIBBY BULK CARRIERS LIMITED

BALANCE SHEET AS AT  
31 DECEMBER 1998

	Note	1998 US\$	1997 US\$
FIXED ASSETS:			
Tangible Assets	5	21,532,738	23,583,475
Investment in Subsidiary Undertakings	13	155	155
		<u>21,532,893</u>	<u>23,583,630</u>
CURRENT ASSETS:			
Debtors	6	-	881,112
Creditors (Amounts Falling Due Within One Year)	7	(29,977,121)	(31,175,368)
Net Current Liabilities		<u>(29,977,121)</u>	<u>(30,294,256)</u>
Total Assets Less Current Liabilities		<u>(8,444,228)</u>	<u>(6,710,626)</u>
Provision For Liabilities & Charges	8	<u>2,216,749</u>	<u>2,848,598</u>
CAPITAL AND RESERVES:			
Called Up Share Capital	9	6,210	6,210
Profit & Loss Account	10	<u>(10,667,187)</u>	<u>(9,565,434)</u>
Shareholders' Funds (Including Non-Equity Interests)	11	<u>(10,660,977)</u>	<u>(9,559,224)</u>
		<u>(8,444,228)</u>	<u>(6,710,626)</u>

Approved by the Board on 9 April 1999

  
J. Haymer  
Director

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

**Accounting Basis**

The financial statements are stated in US Dollars. They have been prepared under the historical cost convention, as modified by the method used to translate the issued share capital and the carrying value of the vessel to US Dollars, and in accordance with applicable Accounting Standards.

The US Dollar value of the vessels at 31 December 1995 was arrived at by converting from Sterling at the exchange rate ruling at 31 December 1995. Subsequent additions are stated at cost.

The US Dollar value of the issued share capital at 31 December 1995 was arrived at by converting from Sterling at the exchange rate ruling at 31 December 1995.

The financial statements are presented on a going concern basis as the shareholders have informed the Board that it is their present intention to continue to support the operations of the Company.

**Fixed Assets**

Depreciation is provided on a straight line basis to write off the vessel over its estimated useful life which is twenty years.

**Survey Costs and Drydocks**

The fleet is surveyed in line with classification society and international requirements. Drydocking is carried out on a minimum 30-month cycle and provision is made annually for a pro-rata proportion of the estimated drydocking costs.

**Fleet Insurance**

The vessel is fully insured outside of the Group.

**Deferred Taxation**

Provision for deferred taxation, resulting from accelerated tax depreciation allowances, is made where a corporation tax liability might arise within the foreseeable future.

**Foreign Currencies**

Assets and liabilities in foreign currencies are converted into US Dollars at the approximate rates ruling at the year end.

Trading transactions denominated in foreign currencies are translated into US Dollars at the exchange rate ruling on the date of the transaction or at an average rate for the year where appropriate.

**Cash Flows**

A statement of Group cash flows has been included in the consolidated accounts presented by the ultimate parent undertaking. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1997).

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

1. ACCOUNTING POLICIES (Continued)

**Related Party Transactions**

Under Financial Reporting Standard 8, the Company is exempt from disclosing related party transactions, as more than 90% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited.

Transactions between Bibby Line Group Limited and its related parties and a statement of substantial shareholdings in Bibby Line Group Limited are included in that company's consolidated financial statements.

2. TURNOVER

Turnover is the charter hire earned.

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/Profit on ordinary activities before taxation is stated after charging

	1998 US\$	1997 US\$
Depreciation	<u>2,050,737</u>	<u>2,050,737</u>

There were no emoluments paid to the Directors for the year (1997 - Nil).

Auditors' remuneration is borne by the parent company.

4. TAXATION (CHARGE)/CREDIT

	1998 US\$	1997 US\$
Proceeds for Tax Losses Surrendered (by)/to Group Undertaking	(387,665)	881,112
(Over)/Under Provision for Proceeds for Surrender of Tax Losses in Prior Years	(624,429)	2,396
Deferred Tax Credit for Year (Note 8)	400,000	23,000
	<u>(612,094)</u>	<u>906,508</u>

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

4. TAXATION (CHARGE)/CREDIT (Continued)

Deferred Taxation, calculated under the liability method, has been provided at a Corporation Tax rate of 30% (1997 - 30%) to the extent set out in the Statement of Accounting Policies being mainly in respect of accelerated tax depreciation allowances.

If full provision had been made for deferred taxation, the tax credit in the profit and loss account would have been increased by US\$266,620 (1997 - US\$16,000).

5. TANGIBLE ASSETS

	Fleet US\$
Cost or Valuation (see Note 1) At 31 December 1998 and 31 December 1997	35,893,524
Accumulated Depreciation At 31 December 1997 Provision for the Year	12,310,049 2,050,737
At 31 December 1998	14,360,786
Net Book Amount at 31 December 1998	21,532,738
Net Book Amount at 31 December 1997	23,583,475

6. DEBTORS

	1998 US\$	1997 US\$
Amounts Owed By Group Undertakings	-	881,112

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

7. CREDITORS  
(Amounts falling due within one year)

	1998 US\$	1997 US\$
Amount Owed to Group Undertaking	<u>29,977,121</u>	<u>31,175,368</u>

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

8. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation US\$	Provision for Drydocking US\$	Total US\$
At 31 December 1997	1,913,000	935,598	2,848,598
Deferred Taxation Transferred to Profit and Loss Account (Note 4)	(400,000)	-	(400,000)
Movement in Provision for Drydocking	-	(231,849)	(231,849)
	<u>1,513,000</u>	<u>703,749</u>	<u>2,216,749</u>
At 31 December 1998	<u>1,513,000</u>	<u>703,749</u>	<u>2,216,749</u>

The balance on the deferred taxation account is analysed as follows:

	Provided		Unprovided	
	1998 US\$	1997 US\$	1998 US\$	1997 US\$
Accelerated Capital Allowances	<u>1,513,000</u>	<u>1,913,000</u>	<u>1,008,000</u>	<u>1,275,000</u>

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

9. CALLED UP SHARE CAPITAL

	1998 US\$	1997 US\$
Authorised, Allotted and Fully Paid:		
450 Ordinary Equity Shares of £1 Each	698	698
3,550 10% Non-Cumulative First Preference Shares of £1 Each	5,512	5,512
	<hr/>	<hr/>
	6,210	6,210
	<hr/>	<hr/>

The rights attaching to the First Preference Shares are as follows:

- (a) The First Preference Shares have the right to be paid out of the profits of the Company available for dividend and resolved to be distributed in respect of any financial year a fixed non-cumulative preferential dividend at the rate of 10% per annum in priority to any payment to the holders of any other class of shares
- (b) The right to participate pari passu with the Ordinary Shareholders in the assets of the Company to be divided on liquidation in the proportion which the amount paid up on the First Preference Shares bears to forty times the amount paid up on the Ordinary Shares in issue at the commencement of such liquidation
- (c) No right to receive notice of or attend or vote at any general meeting of the Company except in the case of a meeting which is to consider the winding up or reducing the capital of the Company.

10. RESERVES

	Profit & Loss Account US\$
At 31 December 1997	(9,565,434)
Loss for the Financial Year	(1,101,753)
	<hr/>
At 31 December 1998	(10,667,187)
	<hr/>

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

11. RECONCILIATION OF MOVEMENT IN  
SHAREHOLDERS' FUNDS

	1998 US\$	1997 US\$
(Loss)/Profit for the Financial Year	(1,101,753)	1,837,705
Opening Shareholders' Funds	(9,559,224)	(11,396,929)
Closing Shareholders' Funds	<u>(10,660,977)</u>	<u>(9,559,224)</u>

US\$5,512 (1997 - US\$5,512) of the shareholders' funds relate to non-equity interests.

12. CONTINGENT LIABILITIES

The Company, along with fellow group undertakings, has guaranteed certain facilities of the Bibby Group which are in the name of Bibby Line Limited to that company's bankers. At 31 December 1998 the amount covered by such guarantees was US\$64,489,675 (1997 - US\$80,141,615).

A mortgage has been registered on the vessel as security for a bank loan to Bibby Line Limited.

13. SUBSIDIARY UNDERTAKINGS

	Country of Registration	Type of Business	Holding
Bibby Tankers Limited	England	Shipping	100%

The Company is exempt under Section 228(1) of the Companies Act 1985 from the requirement to prepare group accounts since consolidated accounts are prepared by the parent undertaking, Bibby Line Group Limited. Accordingly, financial information is presented about the Company as an individual undertaking. In the opinion of the Directors, the value of the investment in the subsidiary undertaking is not less than its carrying value.

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE  
YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

14. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of Bibby Line Limited, which itself is a wholly owned subsidiary undertaking of Bibby Line Group Limited both of which are registered in England. Bibby Line Group Limited is the parent undertaking of the largest group which consolidates these accounts and of which the Company is a member. Bibby Line Limited is the parent undertaking of the smallest group which consolidates these accounts and of which the Company is a member.

Copies of the accounts of Bibby Line Group Limited may be obtained from the Company Secretary, Bibby Line Group Limited, 105 Duke Street, Liverpool L1 5JQ.