

SIGNED

BIBBY BULK CARRIERS LIMITED

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1997



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

Price Waterhouse
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

FLEET

TONNES
DEADWEIGHT

'Cheshire'	Gas Carrier	29,171
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BIBBY BULK CARRIERS LIMITED

NOTICE OF MEETING

Notice is hereby given, that the Annual General Meeting of the Company will be held on 5 May 1998 at 105 Duke Street, Liverpool for the following purposes:

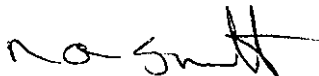
To approve the Directors' Report and Financial Statements for the year ended 31 December 1997.

To re-appoint Price Waterhouse as Auditors of the Company 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

1 April 1998

BIBBY BULK CARRIERS LIMITED

DIRECTORS' REPORT FOR THE
YEAR ENDED 31 DECEMBER 1997

The Directors present their Report together with the Audited Financial Statements for the year ended 31 December 1997.

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.

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. 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 1997 Beneficial	1 January 1997 Beneficial
J. S. W. Hogarth £1,000 Ordinary Shares	1	1

BIBBY BULK CARRIERS LIMITED

DIRECTORS' REPORT FOR THE
YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

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:

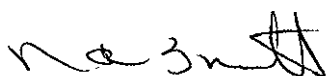
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

AUDITORS

Price Waterhouse, being eligible, have indicated their willingness to be re-appointed.

By Order of the Board



Bibby Bros & Co (Management) Limited
Secretary

Duly Authorised Signatory
For and on behalf of
Bibby Bros. & Co.
(Management) Limited

1 April 1998

BIBBY BULK CARRIERS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective Responsibilities of Directors and Auditors

As described on page 4 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

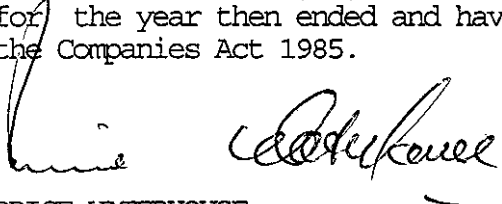
Basis of Opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

1 April 1998

BIBBY BULK CARRIERS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 DECEMBER 1997

	Note	1997 US\$	1996 US\$
Turnover	2	6,450,498	5,078,183
Operating Costs		(3,022,567)	(3,423,274)
Foreign Exchange Difference		(4,876)	19,099
		<hr/>	<hr/>
Gross Profit Before Depreciation		3,423,055	1,674,008
Depreciation		(2,050,737)	(2,050,738)
		<hr/>	<hr/>
Gross Profit/(Loss)		1,372,318	(376,730)
Administration Expenses		(441,121)	(350,070)
		<hr/>	<hr/>
Operating Profit/(Loss)		931,197	(726,800)
Interest Payable		-	(1,632,897)
		<hr/>	<hr/>
Profit/(Loss) on Ordinary Activities Before Taxation	3	931,197	(2,359,697)
Taxation Credit	4	906,508	497,954
		<hr/>	<hr/>
Profit/(Loss) for the Financial Year Transferred to/(from) Reserves	10	<u>1,837,705</u>	<u>(1,861,743)</u>

There are no recognised gains or losses in 1997 or 1996 other than those dealt with in the profit and loss account.

The turnover and profit on ordinary activities all derive from continuing activities.

BIBBY BULK CARRIERS LIMITED

BALANCE SHEET AS AT
31 DECEMBER 1997

	Note	1997 US\$	1996 US\$
FIXED ASSETS:			
Tangible Assets	5	23,583,475	25,634,212
Investment in Subsidiary Undertakings	13	155	155
		<u>23,583,630</u>	<u>25,634,367</u>
CURRENT ASSETS:			
Debtors	6	881,112	124,240
Creditors (Amounts Falling Due Within One Year)	7	(31,175,368)	(34,511,852)
Net Current Liabilities		<u>(30,294,256)</u>	<u>(34,387,612)</u>
Total Assets Less Current Liabilities		<u>(6,710,626)</u>	<u>(8,753,245)</u>
Provision For Liabilities & Charges	8	<u>2,848,598</u>	<u>2,643,684</u>
CAPITAL AND RESERVES:			
Called Up Share Capital	9	6,210	6,210
Profit & Loss Account	10	<u>(9,565,434)</u>	<u>(11,403,139)</u>
Shareholders' Funds (Including Non-Equity Interests)	10	<u>(9,559,224)</u>	<u>(11,396,929)</u>
		<u>(6,710,626)</u>	<u>(8,753,245)</u>

Approved by the Board on 1 April 1998



J. Haymer
Director

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 1997

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.

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 1996).

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997 (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. PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging the following amounts:-

	1997 US\$	1996 US\$
Finance Lease Interest on Long Term Inter Group Loan	-	1,632,897

Auditors' remuneration is borne by the parent company, Bibby Line Limited.

4. TAXATION CREDIT

	1997 US\$	1996 US\$
Proceeds for Tax Losses		
Surrendered to Group Undertaking	881,112	124,240
Under Provision for Proceeds for		
Surrender of Tax Losses in Prior Years	2,396	26,394
Deferred Tax Credit for Year (Note 8)	23,000	232,982
Corporation Tax Refund on Account of		
Prior Years	-	114,338
	<u>906,508</u>	<u>497,954</u>

Deferred Taxation, calculated under the liability method, has been provided at a Corporation Tax rate of 30% (1996 - 33%) 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\$16,000 (1996 - US\$55,321).

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

5. TANGIBLE ASSETS

	Fleet US\$
Cost or Valuation (see Note 1) At 31 December 1997 and 31 December 1996	35,893,524
Accumulated Depreciation At 31 December 1996 Provision for the Year	10,259,312 2,050,737
At 31 December 1997	12,310,049
Net Book Amount at 31 December 1997	23,583,475
Net Book Amount at 31 December 1996	25,634,212

6. DEBTORS

	1997 US\$	1996 US\$
Amounts Owed By Group Undertakings	881,112	124,240

7. CREDITORS

(Amounts falling due within one year)

	1997 US\$	1996 US\$
Trade Creditors	-	10,687
Amount Owed to Group Undertaking	31,175,368	34,501,165
	31,175,368	34,511,852

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

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

8. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation US\$	Provision for Drydocking US\$	Total US\$
At 31 December 1996	1,936,000	707,684	2,643,684
Deferred Taxation Transferred to Profit and Loss Account (Note 4)	(23,000)	-	(23,000)
Movement in Provision for Drydocking	-	227,914	227,914
	<u>1,913,000</u>	<u>935,598</u>	<u>2,848,598</u>
At 31 December 1997	<u>1,913,000</u>	<u>935,598</u>	<u>2,848,598</u>

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

	Provided		Unprovided	
	1997 US\$	1996 US\$	1997 US\$	1996 US\$
Accelerated Capital Allowances	<u>1,913,000</u>	<u>1,936,000</u>	<u>1,275,000</u>	<u>1,291,000</u>

9. CALLED UP SHARE CAPITAL

	1997 US\$	1996 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
	<u>6,210</u>	<u>6,210</u>

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

9. CALLED UP SHARE CAPITAL (Continued)

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 1996	(11,403,139)
Profit for the Financial Year	1,837,705
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At 31 December 1997	<u>(9,565,434)</u>

Reconciliation of Movement in
Shareholders' Funds

	1997 US\$	1996 US\$
Profit/(Loss) for the Financial Year	1,837,705	(1,861,743)
Opening Shareholders' Funds	<u>(11,396,929)</u>	<u>(9,535,186)</u>
Closing Shareholders' Funds	<u>(9,559,224)</u>	<u>(11,396,929)</u>

US\$5,512 (1996 - US\$5,512) of the shareholders' funds relate to non-equity interests.

BIBBY BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

11. EMOLUMENTS OF DIRECTORS

There were no emoluments paid to the Directors for the year (1996 - Nil).

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 1997 the amount covered by such guarantees was US\$80,141,615 (1996 - US\$43,744,119).

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.

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.