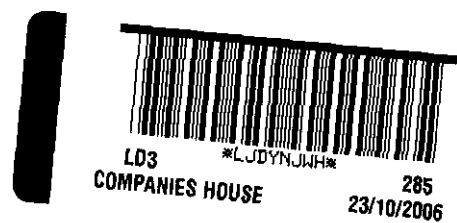


ASSOCIATED BULK CARRIERS LIMITED

Report and Financial Statements

As at December 31st 2005

KPMG LLP
London



ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005 CONTENTS

	Page
Officers and professional advisers	1
Directors Report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Group balance sheet	6
Company balance sheet	7
Cash flow statement	8
Reconciliation of movement in shareholders funds	9
Notes to the accounts	10-18

ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

DIRECTORS

A.Lion
Capt.R.Zingher
N.Weeks
C.Klein

SECRETARY

C.Klein

REGISTERED OFFICE

Lynton House
7/12 Tavistock Square
London WC1H 9TP

AUDITORS

KPMG LLP
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

ASSOCIATED BULK CARRIERS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

The principal activity of the company and the group is the international carriage of seaborne freight.

The directors expect revenues to remain consistent with market expectations.

RESULT FOR THE PERIOD

The profit of the group for the year to 31 December 2005 was \$16,320,082 (2004 \$65,945,294).

The state of the group and company's affairs at 31 December 2005 are set out in the balance sheets on pages 6 and 7.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

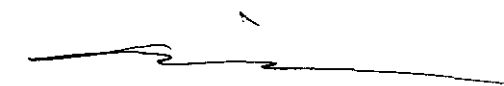
A.Lion
Capt.R.Zingher
N.Weeks
C.Klein

During the year no directors had any interests in the company or any of its subsidiary undertakings.

AUDITORS

KPMG LLP have expressed a willingness to continue in office as auditors and a resolution to reappoint will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



C.Klein - Secretary

18 October 2006

ASSOCIATED BULK CARRIERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP

8 Salisbury Square

London

EC4Y 8BB

United Kingdom

Independent auditors' report to the members of Associated Bulk Carriers Limited

We have audited the group and parent company financial statements (the "financial statements") of Associated Bulk Carriers for the year ended 31 December 2005 which comprise Consolidated Profit and Loss Account, Consolidated and Company Balance Sheets, Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

KPMG LLP
KPMG LLP

Chartered Accountants

Registered Auditor

[18 Oct 2006] 2006

ASSOCIATED BULK CARRIERS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 \$000's	2004 \$000's
TURNOVER	2	119,126	143,411
Cost of sales		(96,815)	(71,394)
GROSS PROFIT		22,311	72,017
Administrative expenses		(2,167)	(1,704)
OPERATING PROFIT		20,144	70,313
Interest receivable	3	251	92
Interest payable	4	(3,706)	(4,078)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	16,689	66,327
Tax on tonnage	6	(369)	(382)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		16,320	65,945

The group has no recognised gains or losses in either period other than the profit or loss for that period which were derived from continuing activities.

The accompanying notes are an integral part of this consolidated profit and loss account.

ASSOCIATED BULK CARRIERS LIMITED

CONSOLIDATED BALANCE SHEET As at 31 December 2005

	Note	2005 \$000's	2004 \$000's
FIXED ASSETS			
Tangible assets	10	37,822	44,220
CURRENT ASSETS			
Stocks	11	321	344
Debtors	12	51,978	20,065
Cash at bank and in hand		207	9,378
		52,506	29,787
CREDITORS: amounts falling due within one year	13	(10,005)	(9,401)
NET CURRENT ASSETS		42,501	20,386
CREDITORS: amounts falling due after more than one year	13	(40,603)	(47,261)
NET ASSETS		39,720	17,345
CAPITAL AND RESERVES			
Called-up share capital	14,15	5,000	5,000
Profit and loss account	15	34,720	12,345
TOTAL EQUITY SHAREHOLDERS' FUNDS		39,720	17,345

These financial statements were approved by the Board of Directors on 18 October 2006.

Signed on behalf of the Board of Directors


C.Klein
Director

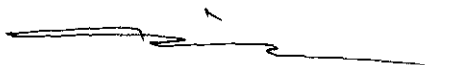
ASSOCIATED BULK CARRIERS LIMITED

COMPANY BALANCE SHEET As at 31 December 2005

	Note	2005 \$000's	2004 \$000's
FIXED ASSETS			
Tangible assets	10	9,913	13,160
		<u>9,913</u>	<u>13,160</u>
CURRENT ASSETS			
Stocks	11	171	261
Debtors	12	39,121	6,441
Cash at bank and in hand		207	9,378
		<u>39,499</u>	<u>16,080</u>
CREDITORS: amounts falling due within one year	13	(44,402)	(29,791)
NET CURRENT LIABILITIES		<u>(4,903)</u>	<u>(13,711)</u>
NET ASSETS / (LIABILITIES)		<u>5,010</u>	<u>(551)</u>
CAPITAL AND RESERVES			
Called-up share capital	14,15	5,000	5,000
Profit and loss account	15	10	(5,551)
TOTAL EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)		<u>5,010</u>	<u>(551)</u>

These financial statements were approved by the Board of Directors on 18 October 2006.

Signed on behalf of the Board of Directors



C.Klein

Director

ASSOCIATED BULK CARRIERS LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2005

	Note	2005 \$000's	2004 \$000's
Net cash inflow from operating activities	18(a)	82,811	86,289
Returns on investments and servicing of finance			
Interest received		251	92
Finance lease interest paid		(3,968)	(4,191)
Net cash outflow from returns on investments and servicing of finance		(3,717)	(4,099)
Tax paid		(397)	(338)
Dividends paid		-	(61,248)
Capital expenditure and financial investment			
Acquisitions of fixed assets		(48,000)	(23,000)
Dry docking expenditure		(743)	(522)
Net cash outflow from capital expenditure and financial investment		(48,743)	(23,522)
Net cash inflow / outflow before management of liquid resources and financing		29,954	(2,918)
Financing			
Finance lease capital payments		(6,180)	(5,735)
Advance to Parent Company		(32,945)	-
Net cash outflow from financing		(39,125)	(5,735)
Decrease in cash and cash equivalents		(9,171)	(8,653)

The accompanying notes are an integral part of this cash flow statement.

ASSOCIATED BULK CARRIERS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS Year ended 31 December 2005

	2005 \$000's	2004 \$000's
Group		
Profit for the financial period	16,320	65,945
Distributions adjusted / (paid) during the period	6,055	(61,248)
Net change in shareholders' funds	22,375	4,697
Shareholders' fund at the beginning of the period	17,345	12,648
Shareholders' funds at the end of the period	39,720	17,345

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior period.

Basis of preparation of financial statements

The financial statements have been prepared on the historical cost basis.

The financial statements have been prepared on a going concern basis in view of a letter of support from a parent undertaking which undertakes to provide or procure such support as is necessary to enable the company to meet its liabilities as they fall due. Accordingly the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may have been necessary if the company was unable to continue as a going concern.

The consolidated accounts include the accounts of the company and its subsidiary. Results of subsidiaries acquired during the period are included from the effective dates of acquisition.

The company has taken advantage of the exemption from presenting its own profit and loss account in accordance with section 230 of the Companies Act 1985.

The company loss after tax for the year ended 31 December 2005 was \$494,000 (2004 profit: \$47,775,085)

Foreign currencies

The financial statements are presented in US Dollars as this is the functional currency of the group.

Transactions in other currencies are translated into the reporting currency at the exchange rate in operation at the date of the transaction, or where appropriate at contracted forward rates. Assets and liabilities denominated in foreign currencies are translated into the reported currency at closing rates ruling at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

Derivatives and other financial instruments

Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to the interest expense over the period of the contracts.

Gains or losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

Tangible fixed assets

Fixed assets are stated in the balance sheet at cost, less depreciation and any provision for impairment in value.

Depreciation is calculated on a straight line basis to write off the cost of the fixed assets to their residual values over their estimated useful lives of 20 years, with the exception of drydock and steelwork costs which is detailed below.

Drydock and steelwork costs

Costs incurred in respect of drydocks are capitalised and amortised to the profit and loss account over the period to the next scheduled drydock. Steelwork improvements are capitalised and amortised to the profit and loss account over the estimated useful economic life of the vessel concerned.

Finance leases and hire purchase contracts

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital which reduces the outstanding obligation for future instalments.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

Stocks

Stocks consist of consumables and are stated at lower of cost and net realisable value.

Taxation

The company entered the UK tonnage tax regime on 1 January 2001 for an initial period of ten years. Under this regime the current year tax charge is calculated by reference to the net tonnage of the qualifying ships owned by the company. This method replaces both the tax-adjusted commercial profit/loss on a qualifying shipping trade and the chargeable gains/losses made on the disposal of tonnage tax assets as calculated in previous periods. The regime includes provisions whereby a proportion of capital allowances previously claimed by the Group may be subject to tax in the event of a significant number of vessels being sold, restricted to a seven year period following the date of entry into the tonnage tax regime. To the extent that timing differences exist at the date of entry which represent allowances that could be clawed back, deferred tax is provided. To the extent that the company generates profits/losses which do not qualify for inclusion under the above regime they will be taxable under general UK corporation tax principles.

Where the company generates profits/losses which do not qualify for inclusion under the above regime, deferred taxation will be provided on income and expenditure dealt with for taxation purposes in periods different from those for accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Turnover

Turnover represents voyage revenue and charter hire receivable.

Revenue recognition

Revenue from charter hire is recognised evenly over the period of the charter. Voyage revenue and costs are recognised according to the percentage completion of each voyage. Estimated losses on voyages are provided in full at the time such losses become evident.

Revenue from relet cargoes, where a vessel is voyage chartered in and voyage chartered out to a third party, is recognised at completion of loading.

2. TURNOVER

By geographical origin

All turnover and operating profit is derived from UK operations.

By geographical destination

	Turnover		Operating profit	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
UK and Ireland	1,608	3,470	272	1,711
Europe	19,418	28,495	3,283	13,971
Far East	88,701	100,560	15,000	49,304
Rest of World	9,399	10,886	1,589	5,327
	<u>119,126</u>	<u>143,411</u>	<u>20,144</u>	<u>70,313</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

3. INTEREST RECEIVABLE

	2005 \$000's	2004 \$000's
Interest receivable on bank and cash balances	251	92

4. INTEREST PAYABLE

	2005 \$000's	2004 \$000's
Interest payable on finance leases	(3,706)	(4,078)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 \$000's	2004 \$000's
Profit on ordinary activities before taxation is stated after charging / (crediting) :		
Audit fees	99	77
Non-audit fees paid to auditors	27	66
Depreciation - Owned vessels	50,706	11,326
- Leased vessels	2,966	2,974
Drydock amortisation	1,028	1,007
Hire of vessels under operating leases	15,625	19,236
Foreign exchange gains	(12)	(23)

The fee for the audit of the company was \$99 (2004 - \$104)

6. TAXATION

	2005 \$000's	2004 \$000's
UK tonnage tax	369	382

7. DIRECTORS' REMUNERATION

No director received any remuneration for services to the group during the current or prior year.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

8. STAFF COSTS

	2005	2004
The average number of persons employed by the group (including directors) during the year was:	<u>4</u>	<u>4</u>

Staff numbers exclude sea staff who were employed on contracts through third party manning agents.

9. EQUITY DIVIDENDS

	2005 \$000's	2004 \$000's
Dividends adjustment / paid	<u>(6,055)</u>	<u>61,248</u>

The dividend adjustment was required in 2005 due to dividends paid in 2004 being in excess of the profit and loss reserve available in the company balance sheet.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

10. TANGIBLE FIXED ASSETS

	Owned Vessels \$000's	Finance Leased Vessels \$000's	Dry Dock Costs Capitalised \$000's	Total \$000's
Group				
At 1 January 2005	23,000	44,182	4,685	71,867
Additions	48,000	-	743	48,743
Disposals	-	-	(3,246)	(3,246)
At 31 December 2005	71,000	44,182	2,182	117,364
Accumulated depreciation				
At 1 January 2005	(11,326)	(13,766)	(2,555)	(27,647)
Charge for the year	(50,706)	(2,966)	(1,028)	(54,700)
Disposals	-	-	2,805	2,805
At 31 December 2005	(62,032)	(16,732)	(778)	(79,542)
Net book value				
At 31 December 2005	8,968	27,450	1,404	37,822
At 1 January 2005	11,764	30,416	2,130	44,220
Company				
At 1 January 2005	23,000	-	4,075	27,075
Additions	48,000	-	743	48,743
Disposals	-	-	(3,246)	(3,246)
At 31 December 2005	71,000	-	1,572	72,572
Accumulated depreciation				
At 1 January 2005	(11,326)	-	(2,589)	(13,915)
Charge for the year	(50,706)	-	(843)	(51,549)
Disposals	-	-	2,805	2,805
At 31 December 2005	(62,032)	-	(627)	(62,659)
Net book value				
At 31 December 2005	8,968	-	945	9,913
At 1 January 2005	11,674	-	1,486	13,160

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

11. STOCKS

	2005 \$000's	2004 \$000's
Group		
Lubricants	321	344
Company		
Lubricants	171	261

12. DEBTORS

	2005 \$000's	2004 \$000's
Group		
Trade debtors	12,770	16,687
Other debtors	39,090	1,495
Prepayments and accrued income	118	1,883
	<u>51,978</u>	<u>20,065</u>
Company		
Trade debtors	39	3,380
Other debtors	38,977	1,403
Prepayments and accrued income	105	1,658
	<u>39,121</u>	<u>6,441</u>

13. CREDITORS

	2005 \$000's	2004 \$000's
Group		
Amounts falling due within one year :		
Finance lease creditors	6,659	6,180
Trade creditors	402	498
Tax creditor	180	208
Other creditors	774	505
Accruals and deferred income	1,990	2,010
	<u>10,005</u>	<u>9,401</u>
Amounts falling due after one year :		
Finance Lease creditor	40,603	47,261
	<u>40,603</u>	<u>47,261</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

13. CREDITORS CONTINUED.....

Obligations under finance leases fall due as follows:

	2005 \$000's	2004 \$000's
Within one year	10,144	10,144
Between one and two years	10,144	10,144
Between two and five years	35,833	45,978
	<hr/>	<hr/>
Finance charges relating to future years	56,121 (8,860)	66,266 (12,825)
	<hr/>	<hr/>
Amount due within one year	47,261 (6,658)	53,441 (6,180)
	<hr/>	<hr/>
	40,603	47,261
	<hr/>	<hr/>

	2005 \$000's	2004 \$000's
Company		
Amounts falling due within one year :		
Trade creditors	269	375
Amounts owed to group undertakings	42,819	27,982
Tax creditor	133	161
Other creditors	790	979
Accruals and deferred income	391	294
	<hr/>	<hr/>
	44,402	29,791
	<hr/>	<hr/>

14. CALLED UP SHARE CAPITAL

	2005 \$000's	2004 \$000's
Authorised:		
40,000,000 ordinary shares of \$1 each	40,000	40,000
50,000 non-participating deferred shares of £1 each	72	72
	<hr/>	<hr/>
	40,072	40,072
	<hr/>	<hr/>
Called up, allotted and fully paid		
2,491,000 A ordinary shares of \$1 each	2,491	2,491
2,491,000 B ordinary shares of \$1 each	2,491	2,491
Issued and 25% paid		
25,000 A non-participating deferred shares of £1 each	9	9
25,000 B non-participating deferred shares of £1 each	9	9
	<hr/>	<hr/>
	5,000	5,000
	<hr/>	<hr/>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

15. RESERVES

Group	Share capital \$000's	Profit and loss account \$000's	Total \$000's
At 1 January 2005	5,000	12,345	17,345
Profit for the year	-	16,320	16,320
Dividend adjustment	-	6,055	6,055
At 31 December 2005	5,000	34,720	39,720

Company	Share capital \$000's	Profit and loss account \$000's	Total \$000's
At 1 January 2005	5,000	(5,551)	(551)
Loss for the year	-	(494)	(494)
Dividend adjustment	-	6,055	6,055
At 31 December 2005	5,000	10	5,010

16. RELATED PARTY TRANSACTIONS

During the period the group received management services from Zodiac Maritime Agencies Limited, a company in the same group as the shareholder. Management fees paid to Zodiac Maritime Agencies Limited during the period were \$3.122 million (2004 :\$2.749 million) with nil outstanding as at 31 December 2005.

17. COMMITMENTS

Capital

There were no contracted capital commitments at 31 December 2005 (2004 \$nil).

Operating leases

There were no obligations under operating leases in 2005 as the vessels under the commitment were purchased by the parent company.

	2005 \$000's	2004 \$000's
Vessel leases expiring:		
Within two-five years	-	10,950
After more than five years	-	8,286

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2005

18. NOTES TO THE GROUP CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities

	2005 \$000's	2004 \$000's
Group operating profit	20,144	70,313
Depreciation and amortisation	54,700	15,307
Decrease in stocks	23	632
Decrease in debtors	7,087	464
Decrease in creditors and provisions	857	(427)
Net cash inflow from operating activities	82,811	86,289

b) Analysis of net debt

	1 Jan 2005 \$000's	Cash flow \$000's	31 Dec 2005 \$000's
Cash	9,378	(9,171)	207
Finance leases	(53,441)	6,180	(47,261)
Net debt	(44,063)	(2,991)	(47,054)

c) Reconciliation of net cash flow to movement in net debt

	2005 \$000's	2004 \$000's
Decrease in cash in the year	(9,171)	(8,653)
Cash outflow from decrease in loans and lease financing	6,180	5,735
	(2,991)	(2,918)
Movement in net debt in the year	(2,991)	(2,918)
Net debt at the beginning of the year	(44,063)	(41,145)
Net debt at the end of the year	(47,054)	(44,063)

19. PARENT UNDERTAKING

The immediate parent company of the group is Eurotower Holdings S.A., a company incorporated in Liberia. The ultimate parent company of the group is Oceania Holdings Limited, a company incorporated in Liberia.

The largest group of undertakings for which group accounts are drawn up and of which the company is a member is Oceania Holdings Limited and the smallest First Maritime Holdings Limited, both incorporated in Liberia.