

Company Registration No. 3999163

ASSOCIATED BULK CARRIERS LIMITED

Report and Financial Statements

As at December 31st 2006



KPMG LLP
London

ASSOCIATED BULK CARRIERS LIMITED

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ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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 2006

ACTIVITIES

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

BUSINESS REVIEW

The profit of the group for the year to 31 December 2006 was \$34,085,924 (2005 \$16,320,082) a decrease compared to the previous year due to a combination of weaker shipping markets, increased operating costs and a reduction in chartering capacity

The director's paid a dividend of \$22 million during the year (\$4,400 per share) In accordance with FRS21 "Post Balance Sheet Events" dividends are only recognised in the period in which they are declared

The group employed an average of 150 seagoing staff during the year

PRINCIPAL RISKS AND UNCERTAINTIES

Shipping activities continue to generate healthy returns but are subject to usual market and commercial risks The group takes measures to mitigate these risks such as insurance as well as providing adequate training programmes for staff A wide range of KPI's are maintained at both financial and operational levels and compared to equivalent industry norms

POSITION OF THE COMPANY AT YEAR END AND FUTURE PROSPECTS

Looking forward the company will continue to operate in the international carriage of seaborne freight The directors have reviewed the balance sheet at 31 December 2006 and events thereafter They consider the results for the year and then ended and the position at 31 December 2006 to be satisfactory

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise short term bank deposits Further details are given in note 14 to the accounts

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company seeks to agree terms with its suppliers when it commits to expenditure and seeks to adhere to them provided goods are supplied in accordance with agreed terms and conditions The number of creditor days outstanding at year end was 10 days

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

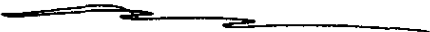
ASSOCIATED BULK CARRIERS LIMITED

DIRECTORS' REPORT

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

May 18 2007

ASSOCIATED BULK CARRIERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 and applicable law (UK Generally Accepted Accounting Practice)

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 2006 which comprises Consolidated Profit and Loss Account, Consolidated and Company Balance Sheets, Consolidated Cash Flow Statement, Reconciliation of Movement in Shareholders' Funds 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 whether in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 2006 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 the information given in the Directors' Report is consistent with the financial statements.


KPMG LLP

Chartered Accountants

Registered Auditor

May 18 2007

ASSOCIATED BULK CARRIERS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2006

	Note	2006 \$000's	2005 \$000's
TURNOVER	2	75,699	119,126
Cost of sales		(36,943)	(96,815)
GROSS PROFIT		38,756	22,311
Administrative expenses		(1,513)	(2,167)
OPERATING PROFIT		37,243	20,144
Interest receivable	3	77	251
Interest payable	4	(3,130)	(3,706)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	34,190	16,689
Tax on tonnage	6	(104)	(369)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		34,086	16,320

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

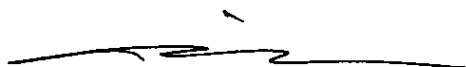
As at 31 December 2006

	Note	2006 \$000's	2005 \$000's
FIXED ASSETS			
Tangible assets	10	34,869	37,822
CURRENT ASSETS			
Stocks	11	485	321
Debtors	12	58,833	51,978
Cash at bank and in hand		1,973	207
		61,291	52,506
CREDITORS: amounts falling due within one year	13	(10,931)	(10,005)
NET CURRENT ASSETS		50,360	42,501
CREDITORS: amounts falling due after more than one year	13	(33,423)	(40,603)
NET ASSETS		51,806	39,720
CAPITAL AND RESERVES			
Called-up share capital	15,16	5,000	5,000
Profit and loss account	16	46,806	34,720
TOTAL EQUITY SHAREHOLDERS' FUNDS		51,806	39,720

These financial statements were approved by the Board of Directors on May 18 2007

The accompanying notes are an integral part of this consolidated balance sheet

Signed on behalf of the Board of Directors



C Klein

Director

ASSOCIATED BULK CARRIERS LIMITED

COMPANY BALANCE SHEET

As at 31 December 2006

	Note	2006 \$000's	2005 \$000's
FIXED ASSETS			
Tangible assets	10	10,113	9,913
Investments	10	-	-
		<u>10,113</u>	<u>9,913</u>
CURRENT ASSETS			
Stocks	11	266	171
Debtors	12	51,247	39,121
Cash at bank and in hand		1,973	207
		<u>53,486</u>	<u>39,499</u>
CREDITORS: amounts falling due within one year	13	<u>(57,485)</u>	<u>(44,402)</u>
NET CURRENT LIABILITIES		<u>(3,999)</u>	<u>(4,903)</u>
NET ASSETS / (LIABILITIES)		<u>6,114</u>	<u>5,010</u>
CAPITAL AND RESERVES			
Called-up share capital	15,16	5,000	5,000
Profit and loss account		<u>1,114</u>	<u>10</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>6,114</u>	<u>5,010</u>

These financial statements were approved by the Board of Directors on May 18 2007

The accompanying notes are an integral part of this balance sheet

Signed on behalf of the Board of Directors



C Klein

Director

ASSOCIATED BULK CARRIERS LIMITED

CONSOLIDATED CASHFLOW STATEMENT

As at 31 December 2006

	Note	2006 \$000's	2005 \$000's
Net cash inflow from operating activities	19(a)	34,585	82,811
Returns on investments and servicing of finance			
Interest received		77	251
Finance lease interest paid		(3,130)	(3,968)
Net cash outflow from returns on investments and servicing of finance		(3,053)	(3,717)
Tax paid		(153)	(397)
Dividends paid		(22,000)	-
Capital expenditure and financial investment			
Acquisitions of fixed assets		-	(48,000)
Dry docking expenditure		(877)	(743)
Net cash outflow from capital expenditure and financial investment		(877)	(48,743)
Net cash inflow before management of liquid resources and financing		8,427	29,954
Financing			
Finance lease capital payments		(6,660)	(6,180)
Advance to Parent Company		-	(32,945)
Net cash outflow from financing		-	(39,125)
Increase / (Decrease) in cash and cash equivalents		1,766	(9,171)

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 2006

	2006 \$000's	2005 \$000's
Group		
Profit for the financial period	34,086	16,320
Distributions (paid) / adjusted during the period	(22,000)	6,055
Net change in shareholders' funds	<u>12,086</u>	<u>22,375</u>
Shareholders' fund at the beginning of the period	<u>39,720</u>	<u>17,345</u>
Shareholders' funds at the end of the period	<u><u>51,806</u></u>	<u><u>39,720</u></u>

The accompanying notes are an integral part of this reconciliation of movement in shareholders funds

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

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 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 profit after tax for the year ended 31 December 2006 was \$23,104,000 (2005 loss \$494,000).

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 group 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 2006

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, using the first in first out method

Taxation

The group 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 represents allowances that could be clawed back, deferred tax is provided. To the extent that the group 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 group 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.

Retirement Benefit Fund

The group participates in a defined benefit retirement plan (as defined by FRS 17 Retirement Benefits) established by a fellow subsidiary group company for certain maritime personnel ("the plan") which provides, in certain circumstances, for a lumpsum benefit on retirement as specified by the plan rules. However the value of this benefit is calculated entirely with reference to the value of an investment fund ("the fund") managed by an independent insurance company. Contributions are calculated by reference to current service and are administered and invested in the fund by the fellow subsidiary group company. As the group's contributions are affected by a surplus or deficit in the scheme but the group is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, the contributions to the scheme has been accounted for as if it were a defined contribution scheme.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

2. TURNOVER

By geographical origin

All turnover and operating profit is derived from UK operations

By geographical destination

	2006 \$000's	Turnover 2005 \$000's	Operating profit 2006 \$000's	2005 \$000's
UK and Ireland	-	1,608	-	272
Europe	7,221	19,418	3,553	3,283
Far East	59,280	88,701	29,165	15,000
Rest of World	9,198	9,399	4,525	1,589
	<u>75,699</u>	<u>119,126</u>	<u>37,243</u>	<u>20,144</u>

3. INTEREST RECEIVABLE

	2006 \$000's	2005 \$000's
Interest receivable on bank and cash balances	<u>77</u>	<u>251</u>

4. INTEREST PAYABLE

	2006 \$000's	2005 \$000's
Interest payable on finance leases	<u>(3,130)</u>	<u>(3,706)</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 \$000's	2005 \$000's
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Audit fees		
- audit of these financial statements	58	66
- audit of subsidiary pursuant to legislation	29	33
Non-audit fees paid to auditors	13	27
Depreciation - Owned vessels	-	50,706
- Leased vessels	2,966	2,966
Drydock amortisation	939	1,028
Hire of vessels under operating leases	-	15,625
Foreign exchange losses / (gains)	<u>117</u>	<u>(12)</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

6. TAXATION

	2006 \$000's	2005 \$000's
UK tonnage tax	104	369

7. DIRECTORS' REMUNERATION

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

8. STAFF COSTS

	2006 \$000's	2005 \$000's
Wages and salaries	3,601	5,531
Social security costs	-	-
Pension costs	108	120

9. EQUITY DIVIDENDS

	2006 \$000's	2005 \$000's
Dividends (paid) / adjusted	(22,000)	6,055

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

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 2006	71,000	44,182	2,182	117,364
Additions	-	-	952	952
Disposals	-	-	-	-
At 31 December 2006	71,000	44,182	3,134	118,316
Accumulated depreciation				
At 1 January 2006	(62,032)	(16,732)	(778)	(79,542)
Charge for the year	-	(2,966)	(939)	(3,905)
Disposals	-	-	-	-
At 31 December 2006	(62,032)	(19,698)	(1,717)	(83,447)
Net book value				
At 31 December 2006	8,968	24,484	1,417	34,869
At 1 January 2006	8,968	27,450	1,404	37,822
Company				
At 1 January 2006	71,000	-	1,572	72,572
Additions	-	-	952	952
Disposals	-	-	-	-
At 31 December 2006	71,000	-	2,524	73,524
Accumulated depreciation				
At 1 January 2006	(62,032)	-	(627)	(62,659)
Charge for the year	-	-	(752)	(752)
Disposals	-	-	-	-
At 31 December 2006	(62,032)	-	(1,379)	(63,411)
Net book value				
At 31 December 2006	8,968	-	1,146	10,113
At 1 January 2006	8,968	-	945	9,913

Investment in subsidiaries

The company has direct and indirect shareholders in the following subsidiaries, the results of which have been consolidated from the date of acquisition

Name	Nature of business	Country of incorporation	Percentage owned
Associated Bulk Carriers (London) Limited	Seafreight	UK	100%

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

11. STOCKS

	2006 \$000's	2005 \$000's
Group		
Lubricants	485	321
Company		
Lubricants	266	171

12. DEBTORS

	2006 \$000's	2005 \$000's
Group		
Trade debtors	30,222	12,770
Other debtors	28,520	39,090
Prepayments and accrued income	91	118
	<u>58,833</u>	<u>51,978</u>
Company		
Trade debtors	22,647	39
Other debtors	28,520	38,977
Prepayments and accrued income	80	105
	<u>51,247</u>	<u>39,121</u>

13. CREDITORS

	2006 \$000's	2005 \$000's
Group		
Amounts falling due within one year		
Finance lease creditors	7,178	6,659
Trade creditors	806	402
Tax creditor	131	180
Other creditors	1,417	774
Accruals and deferred income	1,399	1,990
	<u>10,931</u>	<u>10,005</u>
Amounts falling due after one year		
Finance Lease creditor	33,423	40,603
	<u>44,354</u>	<u>40,603</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

13. CREDITORS CONTINUED.....

Obligations under finance leases fall due as follows

	2006 \$000's	2005 \$000's
Within one year	10,144	10,144
Between one and two years	10,144	10,144
Between two and five years	25,688	35,833
	<u>45,976</u>	<u>56,121</u>
Finance charges relating to future years	(5,375)	(8,860)
	<u>40,601</u>	<u>47,261</u>
Amount due within one year	(7,178)	(6,658)
	<u>33,423</u>	<u>40,603</u>

Financial leases have implied interest of between 6.38% - 8.85% and range up to 2008

Company	2006 \$000's	2005 \$000's
Amounts falling due within one year		
Trade creditors	685	269
Amounts owed to group undertakings	56,374	42,819
Tax creditor	83	133
Other creditors	271	790
Accruals and deferred income	72	391
	<u>57,485</u>	<u>44,402</u>

14. FINANCIAL INSTRUMENTS

Financial risk management

The Company's financial instruments comprise of short term bank deposits and finance leases. The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group trading activities. Exposure to liquidity, credit and interest rate risks arise in the normal course of the Company's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. At the balance date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

Interest rate risk

The Group has a portfolio of income – earning assets and interest-bearing financial liabilities. These have a range of effective interest rates and maturity dates and are negotiated on commercial considerations appropriate at the time of negotiation.

Fair values

The fair value of finance lease is estimated as the present value of future cash flows, discounted at market interest rates for homogenous lease agreements. The estimated fair values reflect change in interest rates. The fair value and carrying value of the finance leases are \$42,015,000 (2005: \$49,537,000) and \$40,601,000 (2005: \$47,261,000) respectively.

Trade and other receivables / payables

For the receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables/payables are discounted to determine the fair value.

15 CALLED UP SHARE CAPITAL

	2006 \$000's	2005 \$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
	<u>40,072</u>	<u>40,072</u>
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
	<u>5,000</u>	<u>5,000</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

16. RESERVES

Group	Share capital \$000's	Profit and loss account \$000's	Total \$000's
At 1 January 2006	5,000	34,720	39,720
Profit for the year	-	34,086	34,086
Dividends paid	-	(22,000)	(22,000)
At 31 December 2006	5,000	46,806	51,806

Company	Share capital \$000's	Profit and loss account \$000's	Total \$000's
At 1 January 2006	5,000	10	5,010
Profit for the year	-	23,104	23,104
Dividends paid	-	(22,000)	(22,000)
At 31 December 2005	5,000	1,114	6,114

17. 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 \$1 630 million (2005 \$3 122 million) with nil outstanding as at 31 December 2006.

18. COMMITMENTS

Capital

There were no contracted capital commitments at 31 December 2006 (2005 \$nil).

Operating leases

There were no obligations under operating leases in 2006.

The group charters out its vessels on long-term charters. The future income arising from these charters is as follows:

	2006 \$000's	2005 \$000's
Less than 1 yr	8,184	4,505
Between 1 and 5 years	-	-
More than 5 years	-	-

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

19. NOTES TO THE GROUP CASH FLOW STATEMENT

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

	2006 \$000's	2005 \$000's
Group operating profit	37,243	20,144
Depreciation and amortisation	3,905	54,700
(Increase) / Decrease in stocks	(164)	23
(Increase) / Decrease in debtors	(6,855)	7,087
Increase in creditors and provisions	456	857
Net cash inflow from operating activities	34,585	82,811

b) Analysis of net debt

	1 Jan 2006 \$000's	Cash flow \$000's	31 Dec 2006 \$000's
Cash	207	1,766	1,973
Finance leases	(47,262)	6,661	(40,601)
Net debt	(47,055)	8,427	(38,628)

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

	2006 \$000's	2005 \$000's
Increase / (decrease) in cash in the year	1,766	(9,171)
Cash outflow from decrease in loans and lease financing	6,661	6,180
	8,427	(2,991)
Movement in net debt in the year	8,427	(2,991)
Net debt at the beginning of the year	(47,055)	(44,063)
Net debt at the end of the year	(38,628)	(47,054)

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

20 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