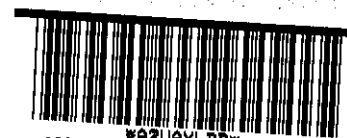


ASSOCIATED BULK CARRIERS LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche
London**



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ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Bruce MacPhail
K.W. Timmermann
Capt R. Zingher
S. Kellner (Resigned 4 September 2002)
A Lion (Appointed 5 September 2002)
E Ofer (Appointed 16 September 2002)

SECRETARY

Chaim Klein

REGISTERED OFFICE

Lynton House
7/12 Tavistock Square
London
WC1H 9TP

AUDITORS

Deloitte & Touche
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the group and the company for the year ended 31 December 2002.

ACTIVITIES AND SIGNIFICANT EVENTS

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

Four vessels were sold on 15 May 2002 for \$45,246,000 resulting in a loss of \$687,000 being the unamortised dry dock costs of these vessels.

A further four vessels were sold on 30 August 2002 for \$62,527,000 resulting in a loss of \$471,498 being the unamortised dry dock costs of these vessels.

On 29 October 2002 a decision was taken to withdraw from a trading pool agreement with Cape International Inc. and revert to an original pooling agreement previously in place with other vessels managed by Zodiac Maritime Agencies Limited.

The company entered the UK Tonnage Tax regime on 1 January 2001 for an initial period of ten years. Under the tonnage tax regime the current year tax charge is calculated by reference to the net tonnage of the qualifying ships owned by the company.

The directors expect the revenues to increase over the next 12 months in line with the increase in market rates.

RESULT FOR THE PERIOD

The loss after taxation of the group for the period from 1 January 2002 to 31 December 2002 was \$9,693,000 (2001 profit: \$16,447,000).

On 15 October 2002 the directors paid a dividend of \$25,000,000.

The directors made a further dividend payment of \$15,000,000 on 10 February 2003.

CREDITOR PAYMENT POLICY

The group policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the group does not follow any code or standard on payment policy, where payment terms have not been specifically agreed invoices dated in one calendar month are paid close to the end of the following month. These policies are understood by the purchasing and finance departments. The group has procedures for dealing promptly with complaints and disputes. Trade creditors of the group at 31 December 2002 were equivalent to 3.2 (2001: 5.4) days' purchases, based on the average daily amount invoiced by suppliers during the year.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. The directors served throughout the year, except as noted.

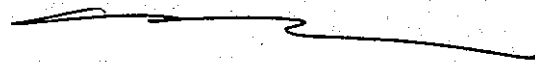
During the year no directors had any participating interests in the company or any of its subsidiary undertakings.

DIRECTORS' REPORT

AUDITORS

During the year Arthur Andersen resigned as auditors and Deloitte & Touche were appointed to fill the casual vacancy arising. The directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

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



Chaim Klein
Secretary

3 March 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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; and
- 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ASSOCIATED BULK CARRIERS LIMITED**

We have audited the financial statements of Associated Bulk Carriers Limited for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, the reconciliation of movement in shareholders' funds, and the related notes 1 to 20. 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 auditors' 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 and the group's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
5 March 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 \$000	2001 \$000
TURNOVER			
Cost of sales	2	121,050 (112,758)	171,900 (136,431)
GROSS PROFIT			
Administrative expenses		8,292 (3,392)	35,469 (3,007)
OPERATING PROFIT	2	4,900	32,462
Loss on sale of fixed assets		(1,157)	-
Interest receivable and similar income	3	297	1,492
Interest payable and similar charges	4	(13,297)	(16,907)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(9,257)	17,047
Tax on profit on ordinary activities	7	(18)	(600)
Tax on tonnage	7	(418)	-
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Equity dividends paid and proposed	8	(9,693) (40,000)	16,447 (52,000)
Retained loss for the year	17	(49,693)	(35,553)

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. Accordingly, no statement of total recognised gains and losses is required.

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

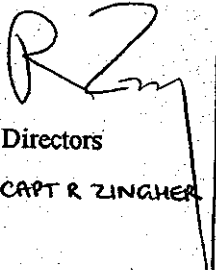
ASSOCIATED BULK CARRIERS LIMITED

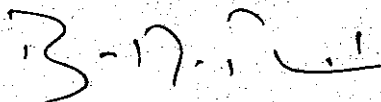
CONSOLIDATED BALANCE SHEET 31 December 2002

	Note	2002 \$000	2001 \$000
FIXED ASSETS			
Tangible assets	11	253,252	385,770
Investments	12	12	12
		<u>253,264</u>	<u>385,782</u>
CURRENT ASSETS			
Stocks	13	1,483	2,598
Debtors	14	22,900	21,697
Cash at bank and in hand		17,718	13,400
		<u>42,101</u>	<u>37,695</u>
CREDITORS: amounts falling due within one year	15	(32,186)	(34,982)
NET CURRENT ASSETS		<u>9,915</u>	<u>2,713</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>263,179</u>	<u>388,495</u>
CREDITORS: amounts falling due after more than one year	15	(133,862)	(209,485)
NET ASSETS		<u>129,317</u>	<u>179,010</u>
CAPITAL AND RESERVES			
Called up share capital	16	29,518	29,518
Share premium	17	30,000	30,000
Other distributable reserves	17	76,250	116,250
Profit and loss account	17	(6,451)	3,242
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>129,317</u>	<u>179,010</u>

These financial statements were approved by the Board of Directors on 3 March 2003.

Signed on behalf of the Board of Directors


Directors
CAPT R ZINGHER

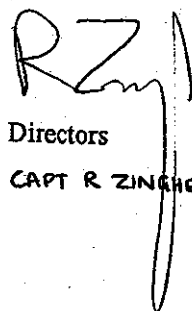

SIR BRUCE MACPHAIL

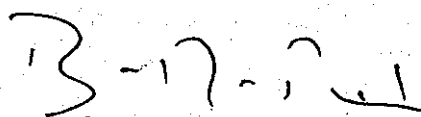
ASSOCIATED BULK CARRIERS LIMITED

COMPANY BALANCE SHEET 31 December 2002

	Note	2002 \$000	2001 \$000
FIXED ASSETS			
Tangible assets	11		
Investments	12	216,901	346,453
		<u>12</u>	<u>12</u>
		216,913	346,465
CURRENT ASSETS			
Stocks	13	1,312	2,326
Debtors	14	21,727	20,382
Cash at bank and in hand		17,673	13,245
		<u>40,712</u>	<u>35,953</u>
CREDITORS: amounts falling due within one year	15	(49,875)	(58,025)
NET CURRENT ASSETS		<u>(9,163)</u>	<u>(22,072)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>207,750</u>	<u>324,393</u>
CREDITORS: amounts falling due after more than one year	15	(74,686)	(144,985)
NET ASSETS		<u>133,064</u>	<u>179,408</u>
CAPITAL AND RESERVES			
Called up share capital	16	29,518	29,518
Share premium	17	30,000	30,000
Other distributable reserves	17	76,250	116,250
Profit and loss account	17	(2,704)	3,640
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>133,064</u>	<u>179,408</u>

These financial statements were approved by the Board of Directors on 3 March 2003.
Signed on behalf of the Board of Directors


Directors
CAPT R ZINGER


SIR BRUCE MACPHAIL

CONSOLIDATED CASHFLOW STATEMENT
Year ended 31 December 2002

	Note	2002 \$000	2001 \$000
Net cash inflow from operating activities	20(a)	22,314	59,499
Returns on investments and servicing of finance			
Interest received		293	1,457
Interest paid		(8,010)	(12,029)
Finance lease interest paid		(5,407)	(5,543)
Net cash outflow from returns on investments and servicing of finance		<u>(13,124)</u>	<u>(16,115)</u>
Tax paid		(874)	-
Dividends paid		(25,000)	(52,000)
Capital expenditure and financial investment			
Disposal of fixed assets		107,421	324
Dry docking expenditure		(251)	(4,540)
Net cash inflow/(outflow) from capital expenditure and financial investment		<u>107,170</u>	<u>(4,216)</u>
Net cash inflow/(outflow) before management of liquid resources and financing		90,486	(12,832)
Financing			
Loan repayments		(81,224)	(17,500)
Finance lease capital payments		(4,944)	(4,589)
Net cash outflow from financing		<u>(86,168)</u>	<u>(22,089)</u>
Increase/(decrease) in cash in the year		<u>4,318</u>	<u>(34,921)</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 December 2002

	2002	2001
	\$000	\$000
Group		
(Loss)/profit for the year	(9,693)	16,447
Net change in shareholders' funds	(9,693)	16,447
Opening shareholders' funds	179,010	214,563
Distributions made during the period	(40,000)	(52,000)
Closing shareholders' funds	<u>129,317</u>	<u>179,010</u>
Company		
(Loss)/profit for the year	(6,344)	17,762
Net change in shareholders' funds	(6,344)	17,762
Opening shareholders' funds	179,408	213,646
Distributions made during the period	(40,000)	(52,000)
Closing shareholders' funds	<u>133,064</u>	<u>179,408</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

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 undertakings drawn up to 31 December each year.

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.

Foreign currencies

The financial statements are presented in US dollars as this is the operational 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.

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.

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

Finance leases and hire purchase creditors represent the total minimum obligations of the company under the terms of the agreement less gross finance charges allocated to future periods.

Finance charges implicit in the contract payments are charged to the profit and loss account over the period of the contracts so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (continued)

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 into the UK tonnage tax regime on 1 January 2001 for an initial period of ten years. Under the tonnage tax regime the current year tax charge arising on qualifying activities 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 provision 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

2. TURNOVER

By geographical origin

All turnover, operating profit, and profit before tax is derived from UK operations.

By geographical destination

The table below shows turnover and operating profit by geographical destination on the basis of discharge port for the relevant voyage.

	By geographical destination			
	2002	2002	2001	2001
	Turnover	Operating Profit	Turnover	Operating Profit
	\$000	\$000	\$000	\$000
UK & Ireland	11,749	476	16,760	3,165
Continental Europe	37,927	1,535	82,907	15,656
Far East	61,983	2,509	65,528	12,375
Pacific	-	-	963	183
Rest of the world	9,391	380	5,742	1,083
	<u>121,050</u>	<u>4,900</u>	<u>171,900</u>	<u>32,462</u>

Net operating assets are all managed from the UK.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	\$000	\$000
Interest receivable on bank and cash balances	297	1,492

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	\$000	\$000
Interest payable on bank loans	(8,372)	(11,613)
Interest payable on finance leases	(4,925)	(5,294)
	<u>(13,297)</u>	<u>(16,907)</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

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

	2002	2001
	\$000	\$000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Audit fees – Group	110	110
Depreciation – Owned vessels	21,144	28,395
– Leased vessels	2,966	3,131
Dry dock amortisation	1,156	1,049
Hire of vessels under operating leases	19,236	19,247
Foreign exchange losses	175	22

6. COMPANY PROFIT AND LOSS

The company (loss)/profit after tax for the year ended 31 December 2002 was (\$6,344,000) (2001: \$17,762,000).

7. TAXATION

	2002	2001
	\$000	\$000
Tax on profit on ordinary activities	18	600
UK tonnage tax	418	-
	<u>436</u>	<u>600</u>

The deferred tax liability at 31 December 2002 is nil.

8. DIVIDENDS

	2002	2001
	\$000	\$000
Interim paid – 84.7c per ordinary share (2001 – 176.3c)	25,000	52,000
Final proposed – 50.8c per ordinary share (2001 – nil)	15,000	-
	<u>40,000</u>	<u>52,000</u>

9. DIRECTORS REMUNERATION

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

10. STAFF COSTS

	2002	2001
The average number of persons employed by the group (including directors) during the period was:	<u>4</u>	<u>4</u>

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

The aggregate payroll costs of staff employed was \$nil (2001: \$nil).

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

11. TANGIBLE FIXED ASSETS

	Owne vessels \$000	Finance leased vessels \$000	Dry dock costs capitalised \$000	Total \$000
Group cost				
At 1 January 2002	386,244	44,182	6,259	436,685
Additions	-	-	252	252
Disposals	(137,197)	-	(1,833)	(139,030)
At 31 December 2002	249,047	44,182	4,678	297,907
Accumulated depreciation				
At 1 January 2002	(45,001)	(4,865)	(1,049)	(50,915)
Charge for the year	(21,144)	(2,966)	(1,156)	(25,266)
Disposals	30,942	-	584	31,526
At 31 December 2002	(35,203)	(7,831)	(1,621)	(44,655)
Net book value				
At 31 December 2002	213,844	36,351	3,057	253,252
At 31 December 2001	341,243	39,317	5,210	385,770
Company cost				
At 1 January 2002	386,244	-	6,259	392,503
Additions	-	-	252	252
Disposals	(137,197)	-	(1,477)	(138,674)
At 31 December 2002	249,047	-	5,034	254,081
Accumulated depreciation				
At 1 January 2002	(45,001)	-	(1,049)	(46,050)
Charge for the year	(21,144)	-	(1,156)	(22,300)
Disposals	30,942	-	228	31,170
At 31 December 2002	(35,203)	-	(1,977)	(37,180)
Net book value				
At 31 December 2002	213,844	-	3,057	216,901
At 31 December 2001	341,243	-	5,210	346,453

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

12. INVESTMENTS

Group and company

	Investment in subsidiaries \$000	Trade investment \$000	Total investment \$000
At 1 January 2002 and 31 December 2002	-	12	12

The principal undertakings in which the group and company's interest at the period end is more than 20% is:

Name	Country of incorporation	Principal activity	% Equity capital owned
Associated Bulk Carriers (London) Limited	Great Britain	Bulk shipping	100%
Associated Bulk Carriers Race Manning Services (India) Pvt. Ltd	India	Crew Management	50%

No significant influence is held in the 50% investment in Associated Bulk Carriers Race Manning Services (India) Pvt. Ltd. The investment is held in the balance sheet as a trade investment.

13. STOCKS

	2002 \$000	2001 \$000
Group		
Bunkers	902	1,801
Lubricants	581	797
	<u>1,483</u>	<u>2,598</u>
Company		
Bunkers	773	1,610
Lubricants	539	716
	<u>1,312</u>	<u>2,326</u>

14. DEBTORS

	2002 \$000	2001 \$000
Group		
Trade debtors	19,435	14,341
Other debtors	283	5,350
Called up share capital not paid	7	7
Prepayments and accrued income	3,175	1,999
	<u>22,900</u>	<u>21,697</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

Company		
Trade debtors		
Amounts owed by group undertakings	18,889	13,677
Called up share capital not paid	-	-
Other debtors	7	7
Prepayments and accrued income	(297)	4,739
	3,128	1,959
	<u>21,727</u>	<u>20,382</u>

15. CREDITORS

Group	2002 \$000's	2001 \$000's
Amounts falling due within one year		
Bank loan		
Obligations under finance leases	6,602	17,235
Trade creditors	5,324	4,944
Corporation tax	1,019	2,056
Other creditors	436	600
Accruals and deferred income	470	6,430
Proposed dividend	3,335	3,717
	15,000	-
	<u>32,186</u>	<u>34,982</u>
Amounts falling due after one year		
Bank loan		
Obligations under finance leases	74,686	144,985
	59,176	64,500
	<u>133,862</u>	<u>209,485</u>
Obligations under finance leases fall due as follows:		
Within one year		
Between one and two years	10,144	10,144
Between two and five years	10,144	10,144
After five years	30,434	30,432
	35,833	45,979
	<u>86,555</u>	<u>96,699</u>
Finance charges relating to future years	(22,055)	(27,255)
	<u>64,500</u>	<u>69,444</u>
Amount due within one year	(5,324)	(4,944)
	<u>59,176</u>	<u>64,500</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

Company	2002 \$000	2001 \$000
Amounts falling due within one year		
Bank loan		
Trade creditors	6,602	17,235
Amounts owed to group undertakings	956	1,723
Corporation tax	25,484	30,745
Other creditors	396	600
Accruals and deferred income	471	6,307
Proposed dividend	966	1,415
	<u>15,000</u>	<u>-</u>
	<u>49,875</u>	<u>58,025</u>
Amounts falling due after one year		
Bank loan		
	<u>74,686</u>	<u>144,985</u>
	<u>74,686</u>	<u>144,985</u>

Of the \$74,686,000 bank loan falling due after more than one year no amount is due less than five years from the balance sheet date.

The bank loan is unsecured and interest is payable at a rate of 5.85%.

16. CALLED UP SHARE CAPITAL

	2002 \$000	2001 \$000
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:		
14,750,000 A ordinary shares of \$1 each	14,750	14,750
14,750,000 B ordinary shares of \$1 each	14,750	14,750
25,000 A non-participating deferred shares of £1 each	2	2
25,000 B non-participating deferred shares of £1 each	2	2
	<u>29,504</u>	<u>29,504</u>
Issued and unpaid:		
25,000 A non-participating deferred shares of £1 each	7	7
25,000 B non-participating deferred shares of £1 each	7	7
	<u>29,518</u>	<u>29,518</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	Share premium \$000	Other distributable reserves \$000	Profit and loss account \$000	Total \$000
At 1 January 2002	30,000	116,250	3,242	149,492
Dividend	-	(40,000)	-	(40,000)
Loss for the year	-	-	(9,693)	(9,693)
At 31 December 2002	30,000	76,250	(6,451)	99,799

Company	Share premium \$000	Other distributable reserves \$000	Profit and loss account \$000	Total \$000
At 1 January 2002	30,000	116,250	3,640	149,890
Dividend	-	(40,000)	-	(40,000)
Loss for the year	-	-	(6,344)	(6,344)
At 31 December 2002	30,000	76,250	(2,704)	103,546

18. RELATED PARTY TRANSACTIONS

During the year the group sold 8 vessels to companies that form part of the same group as one of the 50% shareholders in the company (Eurotower Holdings SA). The details of these transactions are as follows:

Name of company	Sale proceeds \$000
Transquay Limited	9,900
Questorian Limited	11,880
Beacon Quay Limited	11,385
Eastertech Limited	11,880
Heathbay Limited	15,602
Goldfirth Limited	16,044
Emeraldian Limited	14,911
Aquis Limited	14,744

No amounts were due to or due from the above companies as at 31 December 2002.

During the year the group received management services from Zodiac Maritime Agencies Limited, a company in the same group as one of the 50% shareholders in the company. Management fees paid to Zodiac Maritime Agencies Limited during the year were \$4.77million, with \$nil outstanding as at 31 December 2002. In 2001, Zodiac Maritime Agencies Limited was not a related party.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

19. COMMITMENTS

Capital

There were no contracted capital commitments at 31 December 2002.

Operating leases

The commitments of the group and the company during the following year in respect of non-cancellable operating leases are as follows:

	Group 2002 \$000	Company 2002 \$000
Vessel leases expiring:		
Within two-five years		
After more than five years	19,236	19,236

20. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

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

	2002 \$000	2001 \$000
Operating profit	4,900	32,462
Depreciation and amortisation	25,266	32,575
Decrease in stocks	1,115	4,781
Increase in debtors	(1,203)	(4,193)
Decrease in creditors and provisions	(7,764)	(5,977)
Net profit on disposal of assets	-	(149)
Net cash inflow from operating activities	22,314	59,499

(b) Analysis of net debt

	1 January 2002 \$000	Non-cash changes \$000	Cashflow \$000	31 December 2002 \$000
Cash	13,400	-	4,318	17,718
Loans due within one year	(17,235)	(146)	10,779	(6,602)
Loans due after one year	(144,985)	(146)	70,445	(74,686)
Obligations under finance leases	(69,444)	-	4,944	(64,500)
Net debt	(218,264)	(292)	90,486	(128,070)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

20. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (continued)

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

	\$000
Increase in cash in the year	4,318
Cash outflow from decrease in loans and lease financing	86,168
Changes in net debt resulting from cashflows	90,486
Arrangement fee amortisation	(292)
Movement in net debt in the year	90,194
Net debt at the beginning of the year	(218,264)
Net debt at the end of the year	(128,070)