

Company Number: 871726

**BALKAN & BLACK SEA SHIPPING
COMPANY LIMITED**

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004



Balkan & Black Sea Shipping Company Limited

Registered Office

Black Sea House,
72, Wilson Street,
London, EC2A 2DH.

Registered Number

871726

Directors

H. Donev
R.C. Kingsland
R. Kosturkov
G.I. Georgiev

Company Secretary

D.I. Haynes

Auditors

Moore Stephens
Chartered Accountants
St. Paul's House, Warwick Lane, London, EC4M 7BP

Balkan & Black Sea Shipping Company Limited**Report and Financial Statements for the year ended 31 December 2004**

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Balkan & Black Sea Shipping Company Limited**Report of the Directors**

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal Activities and Business Review

The principal activity of the company and its subsidiaries continued to be that of shipping and forwarding agents, chartering brokers, suppliers of technical services and marine spares. The company acts mainly for certain Bulgarian shipowners and other Bulgarian companies. Throughout 2004 it operated from a head office in London with branches in Hamburg and Piraeus. The company also operated through subsidiary companies in Antwerp, Hull, Greece and Spain and through a participation in a joint venture with Navitrans Shipping Agency Sirketi of Istanbul to represent the company in the same activities throughout Turkey.

The Directors do not expect any significant changes in the group's activities in the foreseeable future but will continue to review the group's business activities worldwide in the current year with the objective of improving group profitability.

Results and Dividends

The loss for the year before taxation and minority interests amounted to £457,220 (2003: profit £41,632) and the loss after taxation and minority interest for the year amounted to £710,567 (2003: loss £131,018). No dividend was declared during the year (2003: £Nil).

Fixed Assets

The major movements in fixed assets are shown in note 9 to the financial statements. In the opinion of the directors there was no significant difference between market and book values of property at 31 December 2004.

Donations

The company made charitable donations during the year of £20 (2003: £62).

Directors

The directors who held office during the year were:

Hristo Donev	-	(Chairman)
Raymond Kingsland		
Rosen Kosturkov	-	(Managing Director)
Galin Georgiev		

Mr. Galin Georgiev was appointed a director on 1 January 2004.

The directors have no beneficial interests in the shares of the company, its subsidiaries, parent company, or fellow subsidiaries, as defined by the Companies Act 1985, at any time during the year.

Balkan & Black Sea Shipping Company Limited

Report of the Directors (Continued)

Auditors

The auditors, Moore Stephens, are willing to continue in office. A resolution for their reappointment will be proposed at the Annual General Meeting.

By Order of the Board on 28. April 2005



D.I. HAYNES

Secretary

Balkan & Black Sea Shipping Company Limited

**Statement of Directors' Responsibilities
For the year ended 31 December 2004**

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;
- 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 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.

**Independent Auditors' Report to the Shareholders of
Balkan & Black Sea Shipping Company Limited**

We have audited the financial statements of Balkan & Black Sea Shipping Company Limited for the year ended 31 December 2004 set out on pages 7 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

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

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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 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.

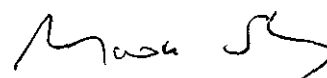
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 group's and the company's affairs as at 31 December 2004 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House
London, EC4M 7BP

6 June 2005



MOORE STEPHENS

Registered Auditor
Chartered Accountants

Balkan & Black Sea Shipping Company Limited

Consolidated Profit and Loss Account
For the year ended 31 December 2004

	<u>Note</u>	<u>2004</u>	<u>2003</u>
Turnover	1	5,085,504	5,971,862
Net operating expenses	2	(5,481,101)	(5,933,337)
Operating (Loss)/Profit		(395,597)	38,525
Investment income	4	7,797	6,324
Interest payable and similar charges	5	-	(3,217)
(Loss)/Profit on Ordinary Activities before Taxation		(387,800)	41,632
Taxation on profit on ordinary activities	6	(90,441)	(65,868)
Loss on Ordinary Activities after Taxation		(478,241)	(24,236)
Minority interests	7	(162,906)	(106,782)
Loss for the Financial Year	15,16	£ (641,147)	£ (131,018)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Balkan & Black Sea Shipping Company Limited

Consolidated Statement of Total Recognised Gains and Losses
For the year ended 31 December 2004

	<u>2004</u>	<u>2003</u>
Loss for the financial year	(641,147)	(131,018)
Exchange differences on foreign currency net investments	<u>(16,794)</u>	<u>(12,546)</u>
Total recognised gains and losses relating to the year	£ <u>(657,941)</u>	£ <u>(143,564)</u>

Balkan & Black Sea Shipping Company Limited

Balance Sheets
As at 31 December 2004

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
		£	£	£	£
Fixed Assets					
Goodwill	8	(2,948)	(3,158)	-	-
Tangible assets	9	1,798,488	1,865,722	876,407	807,220
Investments	10	643	643	95,225	101,353
		<u>1,796,183</u>	<u>1,863,207</u>	<u>971,632</u>	<u>908,573</u>
Current Assets					
Debtors	11	4,017,581	9,878,365	2,695,255	7,597,923
Cash at bank and in hand		2,449,659	1,416,356	1,851,034	911,752
		<u>6,467,240</u>	<u>11,294,721</u>	<u>4,546,289</u>	<u>8,509,675</u>
Creditors, amounts falling due within one year	12	<u>(5,496,667)</u>	<u>(9,957,220)</u>	<u>(3,791,863)</u>	<u>(7,542,742)</u>
Net Current Assets		<u>970,573</u>	<u>1,337,501</u>	<u>754,426</u>	<u>966,933</u>
Total Assets Less Current Liabilities		<u>2,766,756</u>	<u>3,200,708</u>	<u>1,726,058</u>	<u>1,875,506</u>
Creditors, amounts falling due after more than one year	12	<u>(562,099)</u>	<u>(328,739)</u>	<u>-</u>	<u>-</u>
		<u>£ 2,204,657</u>	<u>£ 2,871,969</u>	<u>£ 1,726,058</u>	<u>£ 1,875,506</u>
Capital and Reserves					
Called up share capital	14	50,000	50,000	50,000	50,000
Other reserves	15	379,441	378,669	-	-
Profit and loss account	15	1,460,957	2,186,949	1,676,058	1,825,506
Equity Shareholder's Funds	16	<u>1,890,398</u>	<u>2,615,618</u>	<u>1,726,058</u>	<u>1,875,506</u>
Minority interests	7	314,259	256,351	-	-
		<u>£ 2,204,657</u>	<u>£ 2,871,969</u>	<u>£ 1,726,058</u>	<u>£ 1,875,506</u>

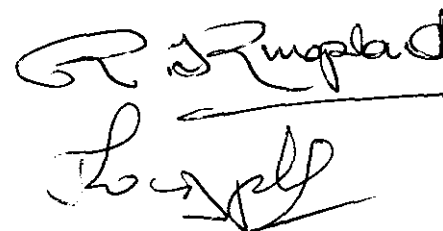
These financial statements were approved by the Board on
and signed on its behalf by

RAYMOND KINGSLAND

ROSEN KOSTURKOV

Directors

28 April 2005



Balkan & Black Sea Shipping Company Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2004

	<u>Note</u>	<u>2004</u>	<u>2003</u>
Net Cash (Outflow)/Inflow from Operating Activities	1	(469,583)	299,242
Returns on Investments And Servicing of Finance			
Interest received		7,797	6,324
Interest paid		-	(3,217)
Net cash inflow from returns on investments and servicing of finance		7,797	3,107
Taxation Paid		(108,180)	(153,171)
Capital Expenditure and Financial Investment			
Purchase of tangible fixed assets		(388,948)	(613,396)
Proceeds from sale of tangible fixed assets		79,521	128,592
Net cash outflow on capital expenditure and financial investment		(309,427)	(484,804)
Cash Outflow before use of Liquid Resources and Financing		(879,393)	(335,626)
Financing Activities			
Net amounts received from/ (paid to) parent company		2,019,750	(252,889)
Payment to minority interest		(104,998)	(83,072)
Repayment of bank loan		(2,056)	-
		1,912,696	(335,961)
Increase/(Decrease) in Cash and Cash Equivalents in the Year	2,3	£ 1,033,303	£ (671,587)

Balkan & Black Sea Shipping Company Limited

Notes to the Consolidated Cash Flow Statement

1. Net Cash Flow from Operating Activities

	<u>2004</u>	<u>2003</u>
	£	£
Operating (loss)/profit	(395,597)	38,525
Gain on disposal of subsidiary	-	(60,430)
Profit/(loss) on disposal of fixed assets	(4,112)	909
Goodwill amortisation	(210)	(210)
Depreciation	382,099	408,367
Differences on exchange	(85,399)	28,363
Decrease/(increase) in debtors	644,569	(39,399)
Decrease in creditors	(1,010,933)	(180,554)
Decrease in stock	-	103,671
	<u>£ (469,583)</u>	<u>£ 299,242</u>

2. Reconciliation of Net Cash Flow to Movement in Net Funds

Increase in cash	1,033,303	
Decrease in bank loans	<u>2,056</u>	
Change in net funds resulting from cash flows		<u>1,035,359</u>
Movement in net funds in the year		<u>1,035,359</u>
Net funds at 1 January 2004		<u>1,384,058</u>
Net funds at 31 December 2004		<u>£ 2,419,417</u>

3. Analysis of Net Funds

	<u>2003</u>	<u>Cashflow</u>	<u>2004</u>
Cash at bank	1,416,356	1,033,303	2,449,659
Bank loans	<u>(32,298)</u>	<u>2,056</u>	<u>(30,242)</u>
	<u>£ 1,384,058</u>	<u>£ 1,035,359</u>	<u>£ 2,419,417</u>

Balkan & Black Sea Shipping Company Limited**Accounting Policies****(a) Basis of Accounting**

The financial statements are prepared on the historical cost basis of accounting, and in accordance with applicable Accounting Standards in the United Kingdom.

(b) Consolidation of Subsidiaries

All subsidiaries make up their financial statements to 31 December and the results for the year ended on that date are included in the Group results. All entities over which the Group exerts dominant influence are treated as subsidiary undertakings.

(c) Foreign Currency Assets and Liabilities

The financial statements of overseas subsidiaries and branches are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net assets at different rates from those used in the previous year have been taken to the profit and loss account for the year in respect of branches and in respect of subsidiaries (where the differences do not arise from the company's normal trading activities) are adjusted directly through reserves. Exchange differences on transactions during the year are taken to the profit and loss account as they arise.

Where, in the opinion of the directors, any of the group's operations are deemed to be operating within a hyper-inflationary economy, the provisions in UITF Abstract 9 "Accounting for Operations in Hyper-inflationary Economies" have been applied. Accordingly the functional currency is treated as being sterling and the transactions of such operations are translated into sterling using the temporal method of translation. Exchange differences arising are credited or charged to the profit and loss account for the year.

(d) Turnover

Turnover represents the amounts invoiced, excluding value added tax, for commissions receivable in respect of agency, chartering, bunkering and other services. Forwarding and container income is after deducting related expenses.

(e) Goodwill and Intangible Fixed Assets

The group has adopted FRS10 "Goodwill and Intangible Assets" and goodwill is capitalised and amortised over its useful economic life.

FRS10 has not been applied retrospectively and the negative goodwill arising on an acquisition in 1993 is included in the capital reserve. The profit and loss account will be credited with this negative goodwill on disposal of the business.

Balkan & Black Sea Shipping Company Limited

Accounting Policies (Continued)

(f) **Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged on a straight-line basis, at the following annual rates:

Freehold property	- United Kingdom	1.67%
	- Overseas	5 - 12.5%
Plant, furniture, fixtures and fittings		5 - 25%
Equipment and motor vehicles		20 - 25%
Leasehold improvements		20%

Depreciation is not provided on freehold land.

(g) **Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(h) **Pensions**

The company operates a Group Personal Pension Plan Scheme. The contributions are expensed as incurred.

The Group's Turkish subsidiary is required to make lump sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The estimated liability for such payments is included in creditors falling due after more than one year.

(i) **Leased Assets**

Where assets are financed by leasing arrangements ("finance leases") the assets are included in the balance sheet at cost less depreciation in accordance with the group's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of the capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

(j) **Stock**

Stock is valued at the lower of cost and net realisable value.

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

1. Turnover and Profit on Ordinary Activities before Taxation

The group's business is carried on through branches and subsidiary companies operating in the principal locations and with the turnover and profit on ordinary activities before taxation shown below. The net assets attributable to each location are not disclosed.

	<u>Turnover</u>		<u>(Loss)/profit before Taxation</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	£	£	£	£
United Kingdom	680,198	1,230,655	(389,994)	(60,858)
Belgium	148,792	160,947	16,234	32,613
Germany	662,088	756,966	(84,242)	(55,065)
Greece	599,663	1,025,398	(287,857)	(34,004)
Singapore	-	6,067	-	(54,617)
Turkey	2,947,051	2,566,167	363,815	237,900
Spain	47,712	65,920	(5,756)	5,025
Italy	-	159,742	-	(29,362)
	<u>5,085,504</u>	<u>5,971,862</u>	<u>(387,800)</u>	<u>41,632</u>

2. Net Operating Expenses

	<u>2004</u>	<u>2003</u>
	£	£
Operating charges	863,903	1,336,177
Staff costs (see note 3)	4,235,099	4,249,223
Exceptional gain on disposal of subsidiary	-	(60,430)
Depreciation of tangible fixed assets		
- owned by the group	382,099	408,367
Net operating expenses	<u>5,481,101</u>	<u>5,933,337</u>

	<u>2004</u>	<u>2003</u>
	£	£
Net operating expenses are stated after charging/(crediting):		
Depreciation	382,099	408,367
Directors' emoluments	97,317	187,109
Auditors' remuneration, including expenses		
for audit services	72,824	71,375
Auditors' remuneration for non audit services	11,284	12,306
Hire of plant and machinery	5,813	935
(Gain)/loss on exchange	(117,110)	489,549
(Profit)/loss on disposal of fixed assets	(4,112)	909

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

3. Directors and Employees

The average monthly number of persons (including directors) employed by the Group during the year was shown below. All employees were engaged in an administrative capacity:

	<u>2004</u> <u>Number</u>	<u>2003</u> <u>Number</u>
United Kingdom	20	32
Overseas	199	200
	<u>219</u>	<u>232</u>

	<u>2004</u> <u>£</u>	<u>2003</u> <u>£</u>
Staff costs:		
Wages and salaries	3,731,201	3,818,996
Social security costs	468,843	372,666
Other pension costs	35,055	57,561
	<u>4,235,099</u>	<u>4,249,223</u>

	<u>2004</u> <u>£</u>	<u>2003</u> <u>£</u>
The remuneration paid to directors was:		
Fees and other emoluments	<u>97,317</u>	<u>187,109</u>

Fees and other emoluments disclosed above include amounts paid to:

	<u>2004</u> <u>£</u>	<u>2003</u> <u>£</u>
Highest paid director	<u>48,702</u>	<u>77,883</u>

The London head office operates a Group Personal Pension Plan Scheme to which the company makes a defined contribution. A separate trustee administered fund holds the assets of the scheme. Contributions to the Group Personal Pension Plan Scheme during the year were £32,307 (2003: £27,564), none of which relates to the directors.

4. Investment Income

	<u>2004</u> <u>£</u>	<u>2003</u> <u>£</u>
Income from fixed asset investment	180	219
Interest receivable	7,617	6,105
	<u>7,797</u>	<u>6,324</u>

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

5. Interest Payable and Similar Charges

	<u>2004</u>	<u>2003</u>
	£	£
Bank overdraft and loans	-	3,217
	<u>-</u>	<u>3,217</u>

6. Taxation

	<u>2004</u>	<u>2003</u>
	£	£
Analysis of tax charge for the year:		
U.K. Corporation Tax at 30% (2003 - 30%)	-	4,040
Adjustment in respect of prior years	(1,586)	(4,150)
	<u>(1,586)</u>	<u>(110)</u>
Foreign taxation	92,027	65,978
	<u>90,441</u>	<u>65,868</u>

Factors Affecting Tax Charge for Year

	<u>2004</u>	<u>2003</u>
	£	£
(Loss)/profit on ordinary activities before tax	(387,800)	41,632
UK Corporation tax at 30% (2003 - 30%)	(116,340)	12,490
Effects of:		
Expenses not deductible for corporation tax purposes	42,782	13,976
Difference between depreciation of fixed assets for period and capital allowances	(13)	5,432
Foreign taxation and other adjustments	59,562	18,880
Investments exemption	(30,932)	15,090
Losses carried forward	146,650	-
Other adjustments	11,268	-
	<u>90,441</u>	<u>65,868</u>

7. Minority Interests

The financial statements of Balkan and Black Sea Denizcilik Limited Sirketi and Bulspain S.A. have been included in the consolidated profit and loss account. The minority interests represent the minority shareholders' shares of the profit or loss after tax of these subsidiaries for the year and their shares of the subsidiaries' net assets at the end of the year.

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

8. Goodwill

	<u>2004</u> £
Cost at 1 January and 31 December 2004	4,208
Amortisation in the year	
As at 1 January 2004	1,050
Charge for the year	210
At 31 December 2004	1,260
Net book value	
At 31 December 2004	2,948
At 31 December 2003	3,158

9. Tangible Fixed Assets

	<u>Freehold property</u> £	<u>Leasehold improvements</u> £	<u>Plant, furniture, fixtures and fittings</u> £	<u>Equipment and motor vehicles</u> £	<u>Total</u> £
Group					
Cost					
At 1 January 2004	1,442,039	170,217	1,031,125	2,837,792	5,481,173
Exchange differences	2,795	-	3,522	1,094	7,411
Additions	21,324	6,790	63,779	297,055	388,948
Disposals	-	-	(54,105)	(440,467)	(494,572)
At 31 December 2004	1,466,158	177,007	1,044,321	2,695,474	5,382,960
Accumulated depreciation					
At 1 January 2004	639,285	142,975	898,301	1,934,890	3,615,451
Exchange differences	2,179	-	3,013	893	6,085
Charge for the year	29,038	21,565	61,820	269,676	382,099
Disposals	(6,435)	(12,364)	(51,051)	(349,313)	(419,163)
At 31 December 2004	664,067	152,176	912,083	1,856,146	3,584,472
Net book value					
At 31 December 2004	£ 802,091	24,831	132,238	839,328	1,798,488
At 31 December 2003	£ 802,754	27,242	132,824	902,902	1,865,722

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

9. Tangible Fixed Assets (Continued)

Company	Freehold property	Plant, furniture, fixtures and fittings	Motor vehicles	Total
Cost				
At 1 January 2004	1,095,151	405,594	126,925	1,627,670
Exchange differences	90	1,342	547	1,979
Additions	-	28,579	25,309	115,175
Transfers	61,287	-	-	-
Disposals	-	(19,072)	(89,210)	(108,282)
At 31 December 2004	<u>1,156,528</u>	<u>416,443</u>	<u>63,571</u>	<u>1,636,542</u>
Accumulated depreciation				
At 1 January 2004	325,789	372,423	122,238	820,450
Exchange differences	88	1,210	515	1,813
Depreciation for the year	15,061	16,712	4,213	35,986
Disposals	-	(16,948)	(81,166)	(98,114)
At 31 December 2004	<u>340,938</u>	<u>373,397</u>	<u>45,800</u>	<u>760,135</u>
Net book value				
At 31 December 2004	<u>815,590</u>	<u>43,046</u>	<u>17,771</u>	<u>876,407</u>
At 31 December 2003	<u>769,362</u>	<u>33,171</u>	<u>4,687</u>	<u>807,220</u>

10. Investments

Group	Unlisted Investments £		
Cost and Net Book Value			
At 1 January and 31 December 2004			<u>643</u>
Company	Unlisted Investments £	Subsidiary Companies £	Total £
Cost and Net Book Value			
At 1 January 2004	643	100,710	101,353
Disposal	-	(6,128)	(6,128)
At 31 December 2004	<u>643</u>	<u>94,582</u>	<u>95,225</u>

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

10. Investments (Continued)

The company's subsidiaries at 31 December 2004 which are owned within the group and have been consolidated into the group accounts are:

<u>Name</u>	<u>Nature of Business</u>	<u>Shareholding</u>	<u>Country of Incorporation and Operation</u>
Balkan & Black Sea Shipping Company (Belgium) NV	Shipping and forwarding agents	100%	Belgium
Balkan & Black Sea Shipping Company (Hellas) Ltd	Shipping and forwarding agents	100%	Greece
Baltec (1987) Limited	Dormant	100%	England
Overseas Transport & Trade Company Ltd.	Dormant	100%	England

In the opinion of the directors the group exerts a dominant influence over the following companies and it has therefore treated these as subsidiary undertakings:

<u>Name</u>	<u>Nature of Business</u>	<u>Shareholding</u>	<u>Country of Incorporation and Operation</u>
Bulspain S.A.	Shipping agents and brokers	50%	Spain
Balkan and Black Sea Denizcilik Limited Sirketi	Shipping agents and brokers	50%	Turkey

11. Debtors

	<u>Group</u>		<u>Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amounts falling due within one year:				
Trade debtors	2,267,834	2,922,572	1,035,290	1,545,635
Other debtors	172,841	306,773	138,565	141,867
Prepayments and accrued income	113,094	131,852	47,012	32,111
Amounts owed by group undertakings	1,445,813	6,495,118	1,468,862	5,854,387
Corporation tax repayable	-	-	5,061	23,674
	<u>3,999,582</u>	<u>9,856,315</u>	<u>2,694,790</u>	<u>7,597,674</u>
Amounts falling due after more than one year:				
Other debtors	17,999	22,050	465	249
	<u>4,017,581</u>	<u>9,878,365</u>	<u>2,695,255</u>	<u>7,597,923</u>

Included within trade debtors are amounts owed from the ultimate parent company totalling £166,910 (2003: £271,857).

Balkan & Black Sea Shipping Company Limited

**Notes to the Financial Statements
For the year ended 31 December 2004**

12. Creditors

	Group		Company	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	£	£	£	£
Amounts falling due within one year:				
Bank loans	30,242	32,298	-	-
Trade creditors	2,280,712	4,070,954	1,662,641	2,955,671
Taxation	22,381	40,120	-	-
Other taxation and social security payable	167,923	208,097	25,697	47,145
Other creditors	313,496	397,624	18,512	1,957
Accruals and deferred income	143,751	277,545	132,556	143,904
Amounts owed to group undertakings	2,538,162	4,930,582	1,952,457	4,394,065
	<u>5,496,667</u>	<u>9,957,220</u>	<u>3,791,863</u>	<u>7,542,742</u>
Amounts falling due after more than one year:				
Other creditors	562,099	328,739	-	-
	<u>562,099</u>	<u>328,739</u>	<u>-</u>	<u>-</u>

Included within trade creditors are amounts owed to the ultimate parent company totalling £804,045 (2003: £836,556).

13. Deferred Taxation

Unprovided deferred tax assets are analysed as follows:

	<u>2004</u>	<u>2003</u>
	£	£
Group and Company		
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation	13,889	20,548
Trading losses	146,650	-
Capital losses	58,672	58,672
	<u>219,211</u>	<u>79,220</u>

14. Called Up Share Capital

	<u>2004</u>	<u>2003</u>
	£	£
Authorised, allotted, called up and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Balkan & Black Sea Shipping Company Limited

Notes to the Financial Statements
For the year ended 31 December 2004

15. Reserves

Group	<u>Other Reserves</u> £	<u>Profit and Loss Account</u> £
Balance at 1 January 2004	378,669	2,186,949
Retained loss for year	-	(641,147)
Other adjustments	-	(68,051)
Exchange differences	772	(16,794)
	<hr/>	<hr/>
Balance as at 31 December 2004	<u>379,441</u>	<u>1,460,957</u>

Included in other reserves is the negative goodwill arising on acquisition of a subsidiary company during 1993 and appropriations made to satisfy the working capital requirements of subsidiary companies.

Company	<u>Profit and Loss Account</u> £
Balance at 1 January 2004	1,825,506
Retained loss for the year	(149,448)
	<hr/>
Balance as at 31 December 2004	£ <u>1,676,058</u>

No provision has been made for additional United Kingdom and overseas taxation which may arise as a result of further profit distributions by subsidiaries in overseas territories.

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the holding company is not presented with these financial statements.

16. Movement in Shareholders' Funds

Group	<u>2004</u> £	<u>2003</u> £
Loss for the year	(641,147)	(131,018)
Other recognised gains and losses	(84,073)	(14,892)
	<hr/>	<hr/>
Net movement during the year	(725,220)	(145,910)
Shareholders funds at 1 January 2004	2,615,618	2,761,528
	<hr/>	<hr/>
Shareholders funds at 31 December 2004	<u>1,890,398</u>	<u>2,615,618</u>

Balkan & Black Sea Shipping Company Limited

**Notes to the Financial Statements
For the year ended 31 December 2004**

17. Operating Lease Commitments

	<u>Land and Buildings</u>	<u>Other</u>
For leases which expire:		
Within one year	-	4,440
Within two to five years	-	2,565
	<hr/>	<hr/>

18. Contingent Liabilities

The group has indemnified its bankers in respect of guarantees issued by the bankers on its behalf to third parties. At 31 December 2004 the gross sum guaranteed amounted to £60,089 (2003: £8,459).

Two former employees have lodged claims in respect of termination of employment against one of the subsidiaries. These claims are being contested by the subsidiary, although their outcome is not yet clear. No provision for the potential loss of £93,130 was considered necessary at the year end.

19. Related Party Transactions

The company is a wholly owned subsidiary of Navigation Maritime Bulgare. The group principally acts for Bulgarian companies, the majority of which are owned by the State, including the company's parent company. The balances outstanding with group undertakings at the year end are disclosed in notes 11 and 12.

20. Ultimate Holding Company

The group's ultimate parent company at 31 December 2004 is Navigation Maritime Bulgare, incorporated in Bulgaria.