

Company Registration No 3999163

ASSOCIATED BULK CARRIERS LIMITED

Report and Financial Statements

At December 31st 2011

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ASSOCIATED BULK CARRIERS LIMITED

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ASSOCIATED BULK CARRIERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Ofer
Capt R Zingher
N Weeks
C Klein

SECRETARY

C Klein

REGISTERED OFFICE

6th Floor
One Hanover Street
London W1S 1YZ

AUDITORS

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

ASSOCIATED BULK CARRIERS LIMITED

DIRECTORS' REPORT

The directors present their directors' report and the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The profit of the company for the year to 31 December 2011 was \$7,635,016 (2009 \$17,961,250) This is a decrease compared to the previous year due to less vessel tonnage being operated

At 31 December 2011 the company was not operating any tonnage and the board will be assessing markets to determine as to whether any tonnage will be acquired in subsequent periods

The company employed an average of 25 until the final operating vessel was sold on 21 June 2011 Thereafter all personnel we re-deployed on other tonnage operated by the manager and there were no remaining employment liabilities

FINANCIAL INSTRUMENTS

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

DIVIDENDS

The directors paid a dividend of \$14.35 million during the year equating to \$2.87 per share (2010 \$20.5 million equating to \$4.10 per share)

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 There were no creditor days outstanding at year end (2010 - 6 days)

DIRECTORS

The directors who held office during the year were as follows

A Lion
Capt R Zingher
N Weeks
C Klein
D Ofer

A Lion resigned on 31 March 2011 and D Ofer was appointed on 31 March 2011

None of the directors who held office at the end of the period, or their families and family trusts, had any interest in the shares of the company

ASSOCIATED BULK CARRIERS LIMITED

DIRECTORS' REPORT (Continued)

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable donations during the year

STATEMENT AS TO 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

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



C Klein
Secretary

6th Floor
One Hanover Street
London W1S 1YZ

July 24th 2012

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 company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 2011 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 company's members, as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

 27 July 2012

Ian Griffiths (Senior Statutory Auditor).

for and on behalf of KPMG Audit LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

ASSOCIATED BULK CARRIERS LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Note	2011 \$000's	2010 \$000's
TURNOVER	2	7,908	37,077
Cost of sales		<u>(6,724)</u>	<u>(23,950)</u>
GROSS PROFIT		1,184	13,127
Administrative expenses		<u>(285)</u>	<u>(448)</u>
OPERATING PROFIT		899	12,679
Interest receivable and similar income	3	3	6
Profit on sale of fixed assets	4	<u>6,744</u>	<u>5,315</u>
PROFIT BEFORE TAXATION	5	7,646	18,000
Tax on tonnage	6	<u>(11)</u>	<u>(39)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>7,635</u>	<u>17,961</u>

There were no recognised gains or losses in either period other than those presented above

The notes on pages 10 to 17 form part of these financial statements

ASSOCIATED BULK CARRIERS LIMITED

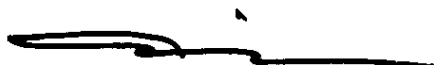
BALANCE SHEET As at 31 December 2011

	Note	2011 \$000's	2010 \$000's
FIXED ASSETS			
Tangible Assets	10	<u>-</u>	<u>4,839</u>
		<u>-</u>	<u>4,839</u>
CURRENT ASSETS			
Stocks	11	-	1,864
Debtors	12	289	2,674
Cash at bank and in hand		<u>4,802</u>	<u>3,940</u>
		<u>5,091</u>	<u>8,478</u>
CREDITORS Amounts falling due within one year	13	(66)	(1,577)
NET CURRENT ASSETS		<u>5,025</u>	<u>6,901</u>
NET ASSETS		<u>5,025</u>	<u>11,740</u>
CAPITAL AND RESERVES			
Called-up share capital	15	5,000	5,000
Profit and loss account	16	25	6,740
SHAREHOLDERS' FUNDS		<u>5,025</u>	<u>11,740</u>

These financial statements were approved by the Board of Directors on July 24th 2012

The notes on pages 10 to 17 form part of these financial statements

Signed on behalf of the Board of Directors



C Klein
Director

ASSOCIATED BULK CARRIERS LIMITED

CASHFLOW STATEMENT

Year ended 31 December 2011

	Note	2011 \$000's	2010 \$000's
Net cash inflow from operating activities	19	4,022	14,812
Returns on investments and servicing of finance			
Interest received		<u>3</u>	<u>6</u>
Net cashflow from returns on investments and servicing of finance		<u>3</u>	<u>6</u>
Tax paid		(39)	(50)
Dividends paid		(14,350)	(20,500)
Proceeds of vessel disposal		11,832	9,046
Capital expenditure and dry docking expenditure		<u>(606)</u>	<u>-</u>
Net cash inflow from capital expenditure		<u>11,226</u>	<u>9,046</u>
Net cashflow before management of liquid resources and financing		<u>862</u>	<u>3,314</u>
Increase in cash and cash equivalents		<u>862</u>	<u>3,314</u>
Cash and cash equivalents at the beginning of the year		<u>3,940</u>	<u>626</u>
Cash and cash equivalents at the end of the year		<u><u>4,802</u></u>	<u><u>3,940</u></u>

The notes on pages 10 to 17 form part of these financial statements

ASSOCIATED BULK CARRIERS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS **Year ended 31 December 2011**

	2011 \$000's	2010 \$000's
Profit for the financial year	7,635	17,961
Distributions	<u>(14,350)</u>	<u>(20,500)</u>
Net change in shareholders' funds	<u>(6,715)</u>	<u>(2,539)</u>
Shareholders' funds at the beginning of the year	<u>11,740</u>	<u>14,279</u>
Shareholders' funds at the end of the year	<u><u>5,025</u></u>	<u><u>11,740</u></u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

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 year.

Basis of preparation of financial statements

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

Foreign currencies

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

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.

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 company entered the UK tonnage tax regime on 1 January 2001 for an initial period of ten years. Under this regime the current 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. Application was made and approved to continue in the scheme in 2011.

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES (Taxation continued)

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.

Retirement Benefit Fund

The company 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 a 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 was a defined contribution scheme.

2. TURNOVER

By geographical origin

All turnover and operating profit is derived from UK operations

By geographical destination

	Turnover		Operating Profit	
	2011 \$000's	2010 \$000's	2011 \$000's	2010 \$000's
Europe	-	-	-	-
Far East	7,908	37,077	899	12,679
Rest of World	-	-	-	-
	<u>7,908</u>	<u>37,077</u>	<u>899</u>	<u>12,679</u>

3. INTEREST RECEIVABLE

	2011 \$000's	2010 \$000's
Interest receivable on bank and cash balances	<u>3</u>	<u>6</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

4 PROFIT ON SALE OF FIXED ASSETS

	2011 \$000's	2010 \$000's
Net book value of sold vessels	(5,088)	(3,416)
Stocks & expenditure	(475)	(315)
Sale proceeds	12,307	9,046
Profit on sale	<u>6,744</u>	<u>5,315</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 \$000's	2010 \$000's
Profit on ordinary activities before taxation is stated after charging		
Audit fees		
- audit of these financial statements	54	94
Drydock amortisation	357	1,281
Foreign exchange losses / (gains)	<u>8</u>	<u>1</u>

6. TAXATION

	2011 \$000's	2010 \$000's
UK tonnage tax	<u>11</u>	<u>39</u>

The tax charge included in the profit & loss account differs from the application of the weighted average rate of corporation tax in the UK (28%) of the companys profit before tax for the following reasons

	2011 \$000's	2010 \$000's
Profit before taxation	<u>7,646</u>	<u>18,000</u>
Tax at 26%	1,988	5,040
Effect of being in UK tonnage tax regime	(1,988)	(5,040)
UK tonnage tax	<u>11</u>	<u>39</u>
Total	<u>11</u>	<u>39</u>

7. DIRECTORS' REMUNERATION

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

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

8. STAFF COSTS

	2011 \$000's	2010 \$000's
Wages and benefits	<u>564</u>	<u>1,892</u>

9. EQUITY DIVIDENDS

	2011 \$000's	2010 \$000's
Dividends	<u>14,350</u>	<u>20,500</u>
Effective dividend paid per share	<u>\$2 87</u>	<u>\$4 10</u>

Dividends were paid in respect of both A & B classes of shares that are identical in every respect

10 TANGIBLE FIXED ASSETS

	Owned Vessels \$000's	Dry Dock Costs Capitalised \$000's	Total \$000's
Cost			
At 1 January 2010	53,000	6,899	59,899
Additions	-	-	-
Disposals	<u>(23,000)</u>	<u>-</u>	<u>(23,000)</u>
At 31 December 2010	30,000	6,899	36,899
Additions	-	606	606
Disposals	<u>(30,000)</u>	<u>(7,505)</u>	<u>(37,505)</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation			
At 1 January 2010	(45,797)	(4,566)	(50,363)
Charge for the year	-	(1,281)	(1,281)
Disposals	<u>19,584</u>	<u>-</u>	<u>19,584</u>
At 31 December 2010	(26,213)	(5,847)	(32,060)
Charge for the year	-	(357)	(357)
Disposals	<u>26,213</u>	<u>6,204</u>	<u>32,417</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2010	<u>3,787</u>	<u>1,052</u>	<u>4,839</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

11 STOCKS

	2011 \$000's	2010 \$000's
Bunker fuels	-	1,760
Lubricants	-	104
	<u>-</u>	<u>1,864</u>

12. DEBTORS

	2011 \$000's	2010 \$000's
Trade debtors	148	2,525
Other debtors	141	81
Prepayments and accrued income	-	68
	<u>289</u>	<u>2,674</u>

13. CREDITORS

	2011 \$000's	2009 \$000's
Amounts falling due within one year		
Trade creditors	13	401
Tax creditor	11	39
Other creditors	-	1,130
Accruals and deferred income	42	7
	<u>66</u>	<u>1,577</u>

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

14. FINANCIAL INSTRUMENTS

Financial risk management

The company has no interest bearing liabilities

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 company does not require collateral in respect of financial assets. At the balance sheet 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.

15. CALLED UP SHARE CAPITAL

	2011 \$000's	2010 \$000's
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>

There are two classes of shares A and B, they are identical in every respect

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2011

16 RESERVES

	Share capital \$000's	Profit and loss account \$000's	Total \$000's
At 1 January 2011	5,000	6,740	11,740
Profit for the year	-	7,635	7,635
Dividends	-	(14,350)	(14,350)
At 31 December 2011	<u>5,000</u>	<u>25</u>	<u>5,025</u>

17 RELATED PARTY TRANSACTIONS

During the period the company 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 \$0.376 million (2010: \$0.839 million) with nil outstanding as at 31 December 2011 (2010: \$nil).

18 COMMITMENTS

Capital

There were no contracted capital commitments at 31 December 2011 (2010: \$nil).

Operating leases

There were no obligations under operating leases in 2011.

The company charts out its vessels and the future income arising from these charters is as follows:

	2011 \$000's	2010 \$000's
Less than one year	-	3,143
Between one and five years	-	-
More than five years	-	-

ASSOCIATED BULK CARRIERS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

19. NOTES TO THE COMPANY CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities

	2011 \$000's	2010 \$000's
Operating profit	899	12,679
Depreciation and amortisation	357	1,281
Decrease in stocks	1,864	76
Decrease in debtors	2,385	1,286
(Decrease) in creditors and provisions	<u>(1,483)</u>	<u>(510)</u>
Net cash inflow from operating activities	<u>4,022</u>	<u>14,812</u>

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