



# DOCKWISE

ANNUAL REPORT 2006 DOCKWISE TRANSPORT N.V.



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The Mighty Servant 1 loaded with BP Atlantis after transport from Korea to the Gulf of Mexico.

# Report of the Supervisory Board

## Composition of the Supervisory Board

Following the sale of the Company to Delphi Acquisition Holding I BV, all the members of the Supervisory Board, Mr. E.J. Nederkoorn, Mr. P.H. Heerema, Mr. S. Galtung and Mr. K. Damen, resigned from the Supervisory Board effective 12 January, 2007 being the date on which the sale of the Company was completed. They were given discharge for their supervision by a unanimous resolution of the shareholders dated 12 January, 2007.

The Supervisory Board currently consists of the following two members:

Mr. M. Dickinson

Mr. M. Antal

The supervision of the management of the Company in the financial year 2006 to which this report relates has therefore been carried out by members of the Supervisory Board who have since resigned. The current members of the Supervisory Board are nonetheless authorized to issue their report in the context of this Annual Report and have formed their opinion on the basis of the information provided to them since the date of their appointment.

## Annual Accounts 2006

The Board of Management has prepared the Annual Accounts over the financial year 2006. The Supervisory Board approves the Annual Accounts and supports the proposal of the Board of Management to add USD 20,482,000 to the general reserves of the Company and to pay a cash dividend of USD 40,013,000. This amount was already declared as interim dividend in June 2006.

The Company's auditors, KPMG Accountants NV, have audited the Annual Accounts and have issued an unqualified auditor's report, which is included in this Annual Report on page 74. The Board of Management shall submit the Annual Accounts as included in this Annual Report to the General Meeting of Shareholders. We shall propose to the shareholders to grant discharge to the members of the Board of Management for the performance of their management duties and to the members of the Supervisory Board for their supervision. The Supervisory Board expresses its appreciation to the Board of Management and all employees for their efforts and the results which have been achieved.

Breda, 28 March 2007

The Supervisory Board



2nd Officer Gatis Kovalevskis standing behind the chart table.

# Message from the CEO

In 2006 former shareholders Heerema and Wilhelmsen decided to find strategic alternatives for the Company. The new owner is Delphi Acquisition Holding I B.V., the private equity investment vehicle of funds managed by 3i Investments plc through its Benelux office. The commitment demonstrated by them towards the future of the Company provides important support for Management in its effort to achieve the strategic goals that have been set. We welcome them and look forward to a mutually beneficial cooperation. We would also like to thank the former shareholders for their continued support throughout the years.

The management and staff of Dockwise have continued to invest in the execution of the new strategy aiming at positioning the Company as an independent service contractor for the installation of production decks by means of the float over method. In 2006 a number of new professionals have been attracted to help the Company to further establish a project management structure. This project management structure will support the expansion towards the management of large and complex logistics challenges, all within a well-defined project format.

We secured growth, with continuous focus on safety, quality and service to our clients. Again a large number of complex projects have been completed, which have confirmed the name and reputation of Dockwise as a leader in the market of marine contracting. It is regrettable that on 6 December, 2006 close to year's end, the Mighty Servant 3 sank off the coast of Angola in the midst of an offloading operation. The professional attitude of the Master and its crew ensured that no one was injured in the incident and all were accounted for. The cargo remained fully intact without any damages or other negative consequences. Diving inspections suggest that the vessel is in a reasonable condition, giving rise to the valid expectation that the vessel is indeed salvageable and repairable. If such is the case, the vessel could be back in operation in the course of the year 2008.

We owe a word of gratitude to our most valued customers who have very loyally supported us in the aftermath of this incident. They have given us the opportunity to reschedule their transports and have encouraged our operational team in its efforts to achieve the most optimum result for all parties concerned.

The year 2007 starts under new ownership and that in itself presents new challenges, as well as opportunities. The Management is determined to invest in positioning the Company as the leader in our industry. The name of the Company will not change, but it will be linked with a new logo showing heritage combined with future. Dockwise continues to be on the move.

André Goedée

*Chief Executive Officer*

# Health Safety Environment Security (HSES) and Quality

## General

The name SHES (Safety, Health, Environment and Security) has been changed in HSES (Health, Safety, Environment and Security) to align it with the abbreviation commonly used in the industry.

## Accidents

On the morning of 6 December, 2006, the Mighty Servant 3 sank approximately 2 miles from Luanda Harbor (Angola) breakwater in position 08°03.5'S, 13°16'E in a water depth of approximately 60 meters. The incident occurred while the vessel was completing the discharge of the cargo consisting of the semi-submersible oil rig "Aleutian Key". Fortunately there were no casualties. The joint Anglo Eastern – Dockwise emergency response process was executed effectively. Although various investigations are in progress, the cause of the accident is still unknown. Smit Internationale was awarded the oil pollution prevention contract and completed this task in December. Smit has already made preparations for the salvage operation and is expected to start with the recovery in April 2007.

During the course of the year 23 crew members sustained various injuries including 9 Lost Time Injuries (LTI) and Medical Treatment Cases. The resulting 2006 LTI frequency rate was 2.33, which is within the safety performance targets for the year. There were 58 damages reported in 2006, a reduction of 20% in number compared with 2005.

Despite no major environmental incidents having occurred in 2006, we had 5 minor environmental incidents, 3 spills into water and 2 spills on deck.

## Health, Safety, Environment and Security system developments

In support of significant organizational changes and implementation of new Dockwise business strategy, a range of HSES system improvement activities were undertaken. A long term HSES strategy was developed and reviewed by the management team. Dockwise HSES management system will be updated and expanded in 2007 to cover new project scope and it will be certified to internationally recognized ISO 14001 (environment) and OHSAS 18001 (safety) standards.

During the year particular attention was paid to embed risk management in the project implementation. This included a structured hazard identification and assessment HAZID approach leading to the development and implementation of project specific risk mitigation measures, i.e. the transport of the nuclear submarines on

board the Transshelf, the transport of the Tahiti Spar buoy, etc.

To improve safety awareness and safety management system on our vessels, the development of the Safety Case for Black Marlin was nearly completed. It will be put into operation in 2007. Due to the significant workload increase, the HSES department was expanded with an extra HSES professional.

Further integration of HSES activities between Dockwise and Anglo Eastern took place, including interface meetings, improved safety communications and joint incident investigations. HSES awareness and competence of the crews was further improved through crew training sessions lead by Anglo Eastern in Riga and Odessa. The Dockwise fleet is in full compliance with the IMO International Safety Management (ISM) Safety Code, Flag State legislation, Class requirements, International Ship and Port Facility Security Code and all other relevant legislation.

Our primary goal remains zero accidents and to achieve a "Generative Safety Culture" by 2010.

## Health

Dockwise continues to provide several ways to facilitate personal health assessment and improvement. Employees are given the opportunity to have a full medical check-up every 3 years. A partnership is set up with a local fitness training studio to provide free fitness to all Breda based employees.

On board our vessels, we provide our employees the compulsory medical check-ups through Anglo Eastern, on-board sports and recreational facilities as well as balanced and healthy food.

## Environment

Our main contribution to the environment comes from our focus on (ballast) water management. We aim to comply with provisional legislation and to refresh the water ballast at deep sea to prevent the contamination of coastal waters with hostile species.

Dockwise meets the latest Marpol Annex VI regulations with regard to prevention of air pollution of ships and will meet Low Sulfur Fuel consumption requirements in SECA areas of the Baltic to the North Sea when these come into force.

All engines on board the Dockwise fleet are fully certified and in compliance with latest NOx and SOx maximum

The imposing bow of the Blue Marlin, with its 63-meter beam and 224 meter, the world largest heavy transport vessel.



output requirements, while newly installed propulsion engines on board the new yacht carrier and Mighty Servants are certified for NOx output below the existing regulations in force.

Furthermore, a number of vessels have been equipped with homogenizers to reduce the sludge output and incinerator plants in compliance with the latest requirements for burning waste and plastics.

### Security

Dockwise is in full compliance with International Security Legislation for global operating ship owners. All of the vessels in the fleet are equipped accordingly and personnel are trained in accordance with applicable regulatory requirements. Dockwise is sponsoring a TNO study and trial with the aim of preventing successful boarding of our vessels by pirates.

### Quality

The Dockwise Management System is certified to ISO 9001:2000 for the development, engineering, execution and management of on- and offshore heavy transportation- and installation services.

Dockwise is transforming from a functional organization to a project (matrix) organization. This implies that the existing management system also needs to be transformed to fulfill the new requirements of the organization. The primary process has been redefined and procedures have been adapted. The supporting processes are scheduled to follow in the course of 2007.

To further enhance the quality of our products and services, our internal processes as well as our contribution to our stakeholders, Dockwise has committed itself to implement the Business Excellence model of the European Foundation for Quality Management (EFQM), which was initiated in 2006.



Discharging one pushboat and one bowboat at the Parana River (Argentina) after a safe transport from New Orleans (U.S.A.) onboard the Dock Express 10.

# Report of the Board of Management

## Activities of the Dockwise Group of Companies in 2006

### Profile

Dockwise Transport N.V. (the Company) owns and operates a fleet of 15 semi-submersible heavy transport vessels. With a versatile fleet of vessels of different concepts, design and sizes, Dockwise offers flexible marine transportation services at the top end of the marine heavy transport market. A wide range of projects of a complex and technically challenging nature ensures high utilization year after year.

Dockwise's business is represented by two separate operating companies, Dockwise Shipping B.V. based in Breda (The Netherlands) and Dockwise Yacht Transport LLC, based in Fort Lauderdale (USA). The first concentrates its activities on marine contracting for the Oil & Gas industry, an industry oriented type of service, while the latter is focused on the transportation of large private yachts, which is a typical consumer oriented type of service.

It is for this reason that these two operating companies have separate organizations that are different in set up, structure and personnel and have a different marketing orientation.

The fleet of vessels operating in the traditional marine contracting market consists of five open flat deck vessels, four flat deck vessels with dual tanker capacity and two dock type vessels.

Dockwise Yacht Transport LLC operates four dedicated yacht transport vessels. One new fully dedicated yacht transport vessel is currently under construction in Yantai (China), and is due for delivery around May 2007. Because of its large dimensions the vessel will add substantial additional transport capacity to the Company. The operations of the two operating companies are supported not only by their respective head offices in Breda and Fort Lauderdale, but also by sales offices in Houston, Texas (USA), Shanghai (China), Busan (Korea), Lagos (Nigeria), Golfe de Juan (France) and a worldwide network of agents.

### Reporting and functional currency

All amounts mentioned in the Consolidated Financial Statements are stated in thousands of United States Dollars (USD) unless stated otherwise. Dockwise Transport N.V. reports in United States Dollars in view of the concentration of operational revenues and expenditures in this currency. The USD is also the Company's functional currency. Apart from using natural hedges, the Company hedges its transaction exposure versus the Euro in general one year in advance using currency options.

## Report of the Board of Management

### Company structure

These statements represent the consolidated financial performance of Dockwise Transport N.V., a private limited liability company established in Curaçao (Netherlands Antilles). The Company has its corporate seat in The Netherlands.

The Company has its registered office at Lage Mosten 21, 4822 NJ Breda (The Netherlands).

The consolidated financial statements in this Annual Report encompass all entities belonging to the Dockwise Group of Companies, including Dockwise Yacht Transport LLC. Dockwise Transport N.V. is the sole shareholder of all single ship companies and all operating companies including Dockwise Shipping B.V. and Dockwise Yacht Transport LLC.

### Economic climate in 2006

With continued strong performance of economies in the US, Europe, India, China and Japan, consumption of Oil and Gas resources has remained at a high level with an increase of 3% versus 2005. With a global consumption of 31 billion barrels per year of oil equivalents against stagnating growth in reserves, the Oil and Gas industry continues to be under high pressure to find new reserves. The price of oil has reached 70 USD per barrel Brent Crude. Projections indicate that consumption by 2010 will reach the level of 38 billion barrels per year.

Political instability in the Middle East remains a continuous source of concern, and the current normalization of the situation between the Palestinians and Israel has had only a slight effect on the price of oil.

Both national oil companies as well as the major and independent oil companies again increased their exploration investments in 2006 versus 2005. Spending increased close to 10% and caused tremendous pressure on the global rig utilization. While only a small number of newly built drilling rigs entered the market in 2006, utilization of existing equipment reached 100% by year's end.

The order books for new to be built drilling equipment show an expected additional 90 drilling units to be delivered to the market in 2008 and 2009. There is an expectation that the increase of activities in the various basins around the world will absorb all of the new equipment in the coming years, thereby securing ample opportunities for the Dockwise vessels and all new or existing competitive vessels including those from Norway, The Netherlands and China.

### Competition

As indicated in previous years, the number of competing companies in our market is rising. Newcomers are

## Report of the Board of Management

Anders Wilhelmsen, Blystad and Frontline, all from Norway and Fairmount Heavy Transport from The Netherlands. Together these companies are expected to add around 10 new vessels to the market within the next few years. Two vessels of the Anders Wilhelmsen operating company, Awilco, were brought into operation towards the end of 2006. All other vessels are expected to come on the market in 2007 and 2008. Vessels brought into the market by Norwegian ship owners are all converted tanker type vessels, while Fairmount has chosen to convert two ex-BOA barges into self propelled vessels.

Cosco, commercially represented by NMA in The Netherlands, has announced plans to build four new vessels: two large vessels and two smaller dock type vessels.

### Market segment developments in 2006

Dockwise operates in 6 different market segments:

- › Offshore Structures: all fixed and mobile structures used for the production of Oil & Gas, i.e. jackets, modular topsides, floating production units, SPAR buoy's, TLP's and semi-submersible platforms.
- › Drilling Rigs: this segment includes 2 sub segments: jack-up drilling rigs and semi-submersible drilling rigs.
- › Military: all military related transports, i.e. submarines, mine sweepers/hunters, dry-docks, radar platforms and all associated logistics services as well as testing.
- › Cranes: all container terminal related heavy equipment such as: pre-assembled container cranes, rubber tired gantry cranes, etc.
- › Port & Marine Infrastructure: this segment includes all equipment associated with building and operating of marine infrastructure, i.e. dredging equipment, floating cranes, grain elevators, power barges, transport barges, dry-docks and yard facilities, etc.
- › Yachts: Transportation of luxury yachts.

#### Offshore structures

In line with expectations this segment clearly saw a reduction in activity versus 2005. The most significant project in this segment was the transportation of the Kikeh Spar for Chevron Texaco with Technip as the client of Dockwise.

#### Drilling rigs

Based on the global increase of exploration activities, it was not a surprise that this segment showed great activity during 2006.

## Report of the Board of Management

### **Jack-up drilling rigs**

The total number of jack-up drilling rigs were been transported throughout 2006 was 21.

We transported 3 drilling rigs on board the Blue Marlin, which was a first ever.

### **Semi-submersibles**

Dockwise transported a total number of 4 semi-submersible drilling units in 2006, which is an increase from previous years.

### **Military**

At the beginning of 2006 the floating radar platform SBX was redelivered to the US Military in the Port of Honolulu after a voyage from Galveston in the US Gulf down to South America and through the Strait of Maghallan. The SBX platform is a highly sophisticated floating observation platform operated by the US Missile Defense Agency.

### **Container cranes**

In 2006 Dockwise also continued with the transport of fully erected container cranes, although this market is increasingly moving towards dominance by China based ZPMC. Other manufacturers still use the services of Dockwise for transportation of new cranes, in most cases the larger new generation cranes. The Japanese manufacturers, Mitsubishi and Mitsui, continue to use the Dock Express 10 and its forklift capabilities, in view of the type of crane they manufacture and the water depth limitations they have close to the quay for this type of vessel. Next to this the forklift methodology allows installation in rail at the quay site of the terminal operator, which saves important production time. For other manufacturers the Swan class vessels continue to be used as well.

### **Port & Marine Infrastructure**

In 2006 Nippon used Dockwise vessels for the transport and installation of bridge deck modules of the Tacoma Narrows suspension bridge project. The Tacoma Narrows Consortium, formed by Bechtel and Kiewit, subcontracted the steel part of the structure to Nippon Steel. The bridge sections were manufactured by Samsung in Korea and were transported in four full shiploads on deck of the Swan class vessels. The vessels were also used as installation platforms during the installation of the sections in the suspension wires of the bridge.

## Report of the Board of Management

### **Yacht Transport**

The transportation of yachts continues to be a growth market. In 2006 the market again grew by approximately 8%. In the course of the year Dockwise Yacht Transport was registered as Limited Liability Company under the Laws of Delaware.

The construction of the new vessel that is expected to be brought into service by May 2007 is on track.

### **New offices**

Dockwise established offices in various important areas in the world. After the opening of the office in China in 2005, dedicated offices were opened in 2006 in Busan (Korea) and Lagos (Nigeria). The office in Perth will be opened in the course of 2007.

Management believes that the expected developments in the coming years justify the investment in these areas and our presence will facilitate better and direct communication with our customers.

### **Vessel operations**

The technical management for all vessels is provided by Anglo Eastern Ship Management, based in Hong Kong. The contract with Anglo Eastern which expired in 2006 was renewed for a further three years. Anglo Eastern was able to meet all required Key Performance Indicators, being an essential part of the contract, and these will remain in force in the extended contract.

Operational policies are fully compliant with ISM, ISO9001:2000, ISO14001 and DNV Rules for Management of Safe Ship Operation and Pollution Prevention. All major surveys, dry dockings and regular maintenance are performed under supervision and management of Anglo Eastern.

All vessels performed according to expectations in 2006. There were no delays and no idle hours as a result of maintenance or repair of the vessels.

It is very unfortunate that on 6 December, 2006 the Mighty Servant 3 sank near the coast of Angola at the end of a discharge operation. The cause of the incident is as yet unknown, but investigation continues. No personal injuries occurred during the incident and all crewmembers are accounted for.

## Report of the Board of Management

Smit Internationale is contracted to salvage the vessel. This operation is expected to start in April 2007. While diving inspections revealed that the vessel is in reasonably good condition and rests bottom down on the seabed, there is reason to believe that the vessel, once retrieved, will be repairable.

### Turnover, Results and Economic Value Added

The consolidated net turnover in 2006 amounted to USD 252.1 million. Net operating profit after taxes (NOPAT) amounted to USD 73.7 million, while the net profit for the year resulted in USD 60.5 million. Economic Value Added (EVA) for the whole of 2006 amounted to USD 46.2 million.

The results of 2006 are substantially higher versus 2005. The higher number of Oil & Gas related projects and a rise in prices due to the increased demand fuelled the improvements versus previous years.

Optimal planning, minimal downtime and favorable dry-docking schedules resulted in a high number of sellable days.

### Capital Expenditure

A total of USD 42.7 million was invested in the vessels in 2006. This is including the milestone payments for the new building of the new yacht carrier. The remainder relates to investments for the survey and dry dockings of the rest of the fleet.

### Financing

The Company has been financed through a syndicated loan from credit institutions in Denmark, The Netherlands and Germany. The total loan capacity, which was provided in the form of a reducing revolving credit facility, is USD 130 million, of which USD 97.6 million was in use until year's end. As part of the sale of the Company, a refinancing of the balance sheet took place during the first quarter of 2007.

### Works Council

The Works Council gave significant support to management in the decision process during the sale of the Company in relation to which the Works Council rendered positive advice. In addition, the Works Council was involved in the social aspects of the release of Dutch marine officers of whom 30 officers were still in service at the end of 2006.

## Report of the Board of Management

With approval of the Seafarers Union, the Works Council constructively supervised the finalization of labor contracts of the individual officers, who opted to leave the Company, thereby using the agreed severance package available under the Social Plan.

Towards the end of 2006 the Works Council organized elections for a new Works Council, which was installed in early 2007.

### Sale of the Company

At the beginning of 2006, Heerema and Wilhelmsen acquired all additional outstanding shares in the Company from Dyvi Invest, Dyvi Capital, Capricorn Invest and Oslo Beton Fabrikt, all from Norway. This resulted in a 76% versus 24% split in ownership of the Company between Heerema and Wilhelmsen respectively.

From May 2006 onwards the Company was involved in a comprehensive sale process, which was managed by Deutsche Bank. Deutsche Bank recommended a controlled auction model. In total 82 information memoranda were distributed and 35 parties formally provided conditional bids, of which 16 were invited for detailed management presentations. Only a small select number of bidders were invited to perform due diligence in the context of submitting final bids.

The Company was sold to Delphi Acquisition Holding I B.V., the investment vehicle of private equity funds managed by 3i Investments plc.

### Outlook for 2007 and beyond

The outlook for 2007 is positive. Investments in the Oil & Gas industry remain high. Day rates of drilling equipment continue to rise, while demand is growing. Utilization of drilling rigs at the beginning of 2007 was registered to be 100%. The demand for dry transportation of drilling rigs continues to increase which contributes to an increase, in prices for dry transportation.

Breda, 28 March 2007

Board of Management



Dockwise Superintendent Steven de Beus directing the Searex IX towards her correct position during float-on onboard the Dock Express 10.

# Key Figures

<i>(x USD million)</i>	<b>2006</b>	<b>2005</b>
<b>Results</b>		
Revenue	252,099	208,356
Gross Profit	102,109	78,060
EBITDA	101,847	89,335
EBIT	67,329	57,261
Net result	60,495	50,681
EVA (Economic Value Added)	46,181	28,462
▲ EVA	17,719	8,158
NOPAT (Net Operating Profit After Taxes)	73,674	57,462
<b>Equity and financing</b>		
Total assets less current liabilities	209,835	285,882
Shareholders' equity	209,835	188,637
Long term debt (> 1 year)	-	97,204
<b>Cash flow</b>		
Cash flow from operating activities	117,057	80,837
Investments	(44,473)	(39,163)
Long term loans redeemed	(21,100)	(13,275)
Dividend	(53,617)	(19,470)
Movement cash and cash equivalents	(2,133)	8,929
<b>Ratio's</b>		
WACC (Weighted Average Cost of Capital)	10.4%	9.8%
Net debt/EBITDA	0.6	0.9
Solvency (equity/balance sheet total)	0.6	0.5
Interest cover (EBITDA/net interest)	16.6	14.1

# Consolidated Income Statement

for the Year ended 31 December, 2006

(x USD 1,000)	Note	2006	2005
Revenue		252,099	208,356
Direct costs	1	(149,990)	(130,296)
<b>Gross profit</b>		<b>102,109</b>	<b>78,060</b>
Administrative expenses	2,3	(34,780)	(20,799)
<b>Profit from operations</b>		<b>67,329</b>	<b>57,261</b>
Financial income		1,189	691
Financial expenses		(7,326)	(7,138)
<b>Net financing costs</b>	4	<b>(6,137)</b>	<b>(6,447)</b>
<b>Profit before tax</b>		<b>61,192</b>	<b>50,814</b>
Income tax expense	5	(697)	(133)
<b>Net profit (loss) for the year</b>		<b>60,495</b>	<b>50,681</b>
<b>Attributable to:</b>			
Equity holders of the Company		60,495	50,681
		<b>60,495</b>	<b>50,681</b>

# Consolidated Statement of Recognized Income and Expenses

for the Year ended 31 December, 2006

(x USD 1,000)	Note	2006	2005
<b>Cash flow hedges:</b>			
- Effective portion of changes in fair value		716	(805)
<b>Net income / (loss) recognized directly in equity</b>		<b>716</b>	<b>(805)</b>
Net profit for the year		60,495	50,681
<b>Total recognized income and expense for the period</b>		<b>61,211</b>	<b>49,876</b>
<b>Attributable to:</b>			
Equity holders of the Company		61,211	49,876
<b>Total recognized income and expense for the period</b>		<b>61,211</b>	<b>49,876</b>

# Consolidated Balance Sheet

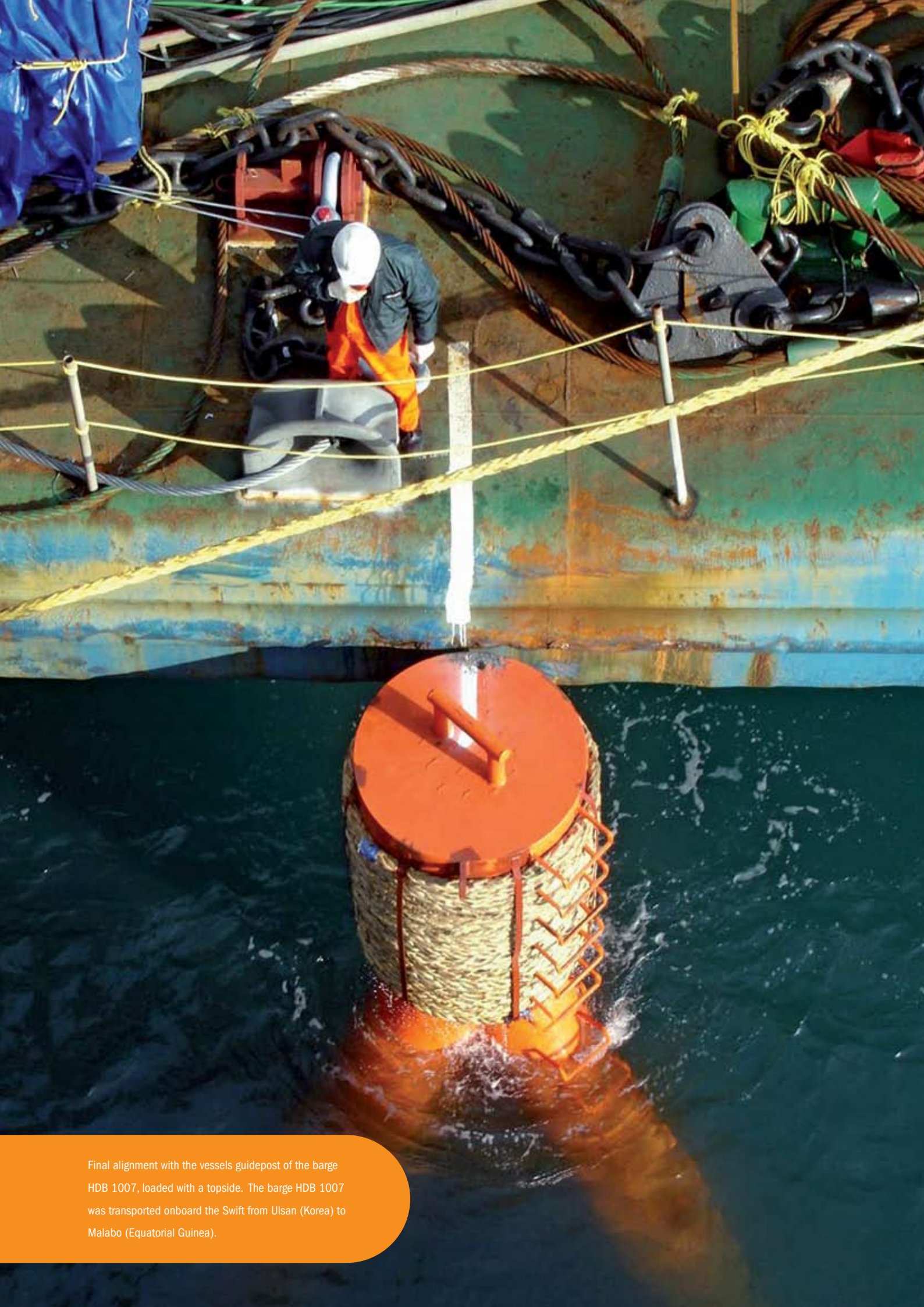
as at 31 December, 2006

(x USD 1,000)	Note	31 Dec 2006	31 Dec 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	6	295,403	285,335
Intangible assets	7	539	652
Employee benefits	8	819	229
		<b>296,761</b>	<b>286,216</b>
<b>Current assets</b>			
Inventories	9	8,364	7,728
Trade and other receivables	10	32,466	39,563
Cash and cash equivalents	11	34,783	36,916
		<b>75,613</b>	<b>84,207</b>
<b>Total assets</b>		<b>372,374</b>	<b>370,423</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Issued share capital		59	59
Share premium		161,097	161,097
Other reserves		96	(620)
Retained earnings		28,101	10,494
Unappropriated profit		20,482	17,607
<b>Total equity</b>	<b>12</b>	<b>209,835</b>	<b>188,637</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing borrowings	13	0	96,904
Provisions	14	0	300
		<b>0</b>	<b>97,204</b>
<b>Current liabilities</b>			
Current maturities of interest-bearing borrowings	13	97,625	21,100
Trade and other payables	15	64,238	63,427
Income tax liabilities		676	55
		<b>162,539</b>	<b>84,582</b>
<b>Total liabilities</b>		<b>162,539</b>	<b>181,786</b>
<b>Total equity and liabilities</b>		<b>372,374</b>	<b>370,423</b>

# Consolidated Statement of Cash Flows

for the Year ended 31 December, 2006

(x USD 1,000)	2006	2005
<b>Cash flows from operating activities</b>		
Profit from operations before tax	67,329	57,261
Depreciation tangible fixed assets	34,255	32,074
Amortization intangible fixed assets	263	0
Increase / (decrease) in provisions	0	(1,030)
Increase employee benefits assets	(590)	0
Deferred taxes	0	78
<b>Operating cash flows before movements in working capital</b>	<b>101,257</b>	<b>88,383</b>
Decrease / (increase) inventories	(636)	(892)
Decrease / (increase) work in progress	(7,239)	3,996
Decrease / (increase) current receivables	7,111	(1,561)
Increase / (decrease) current liabilities	22,701	(2,642)
<b>Cash generated by operations</b>	<b>123,194</b>	<b>87,284</b>
Interest paid	(6,137)	(6,447)
	<b>(6,137)</b>	<b>(6,447)</b>
<b>Net cash generated from operating activities</b>	<b>117,057</b>	<b>80,837</b>
<b>Investing activities</b>		
Acquisition of intangible fixed assets	(150)	(653)
Acquisition of tangible fixed assets	(44,556)	(38,510)
Proceeds from disposal of fixed assets	233	0
<b>Net cash used in investing activities</b>	<b>(44,473)</b>	<b>(39,163)</b>
<b>Financing activities</b>		
Repayment of borrowings	(21,100)	(13,275)
Dividend	(53,617)	(19,470)
<b>Net cash from (used in) financing activities</b>	<b>(74,717)</b>	<b>(32,745)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(2,133)</b>	<b>8,929</b>
Cash and cash equivalents at beginning of the year	36,916	27,987
<b>Cash and cash equivalents at end of the year</b>	<b>34,783</b>	<b>36,916</b>



Final alignment with the vessels guidepost of the barge HDB 1007, loaded with a topside. The barge HDB 1007 was transported onboard the Swift from Ulsan (Korea) to Malabo (Equatorial Guinea).

# Notes on the Consolidated Financial Statements

## General information

Dockwise Transport N.V. (the "Company") owns and operates a fleet of semi submersible heavy transport vessels. With a versatile fleet of vessels of different concepts, designs and sizes, Dockwise offers flexible marine transportation services at the top end of the marine heavy transport market. A wide range of projects of a most extraordinary nature ensures utilization of the fleet of vessels throughout the year.

Dockwise's business is handled by two operating units. One focuses on the marine heavy transport market, while the other, "Dockwise Yacht Transport", (DYT) focuses on the transportation of all types of yachts.

The Company's corporate offices are located in Breda (The Netherlands). The traditional heavy transport activities are supported by dedicated sales offices in Houston (USA), Shanghai (China), Busan (Korea) and Lagos (Nigeria) as well as various dedicated sales agents in other locations around the world. The sales offices of DYT are located in Fort Lauderdale (USA) and Golfe Juan (France).

## Reporting and functional currency

All amounts mentioned in the Consolidated Financial Statements are stated in thousands of United States Dollars (USD) unless stated otherwise. Dockwise Transport N.V. reports in United States Dollars in view of the concentration of operational revenues and expenditures in this currency. The USD is also the Company's functional currency. Apart from using natural hedges, the Company hedges its transaction exposure versus the Euro in general one year in advance using currency options.

## Company structure

Dockwise Transport N.V. is a private limited company established in Curaçao, Netherlands Antilles. The Company holds its actual corporate seat in The Netherlands and is registered as a Dutch Formal Foreign Company. The consolidated financial statements for the year ending 31 December, 2006 comprise the Company and all entities controlled by the Company (together referred to as "the Group"). The financial statements were authorized for issue by the directors on 28 March, 2007.

## Significant accounting policies

### A. Statement of Compliance and basis for preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS). IFRS 1, First-time Adoption

## Notes to the Consolidated Financial Statements

of International Financial Reporting Standards, has been applied in preparing these financial statements. These are the Group's first consolidated financial statements prepared in accordance with IFRS.

Consolidated financial statements of the Group until 31 December, 2005 have been prepared in accordance with Dutch Generally Accepted Accounting Principles (Dutch GAAP). Dutch GAAP differs in certain respects from IFRS. When preparing the 2006 consolidated financial statements, management amended certain accounting and valuation methods applied previously in the Dutch GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated or reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from Dutch GAAP to IFRS on the reported financial position, financial performance and cash flows of the Group are given in note 24 ("Explanation of transition to IFRS").

The financial statements are presented in USD, rounded to the nearest thousand. They have been prepared on the historical cost convention basis, except that derivative financial instruments and plan assets of defined benefit pension plans are valued at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22 ("Accounting estimates and judgments").

## Notes to the Consolidated Financial Statements

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet as of 1 January 2005, the transition date to IFRS.

### **B. Basis of Consolidation**

The Consolidated Financial Statements comprise the Company and all entities controlled by the Company (together referred to as “the Group”).

#### *(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *(ii) Transactions eliminated on consolidation*

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Financial Statements.

### **C. Foreign currencies**

#### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate effective on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to USD at the foreign exchange rate effective on that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates effective on the dates the fair value was determined.

#### *(ii) Financial information of foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to USD at foreign exchange rates effective on the balance sheet date. The revenues

## Notes to the Consolidated Financial Statements

and expenses of foreign operations are translated to USD at rates approximating the foreign exchange rates effective on the dates of the transactions.

### **D. Derivative financial instruments**

The Group uses derivative financial instruments to hedge part of its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for cash flow hedge accounting, the effective part is recognized in a hedging reserve (part of equity). In case option contracts are used in a cash flow hedge accounting relationship, the time value related part of the fair value change is recognized in the income statement immediately (see accounting policy E, "Hedging").

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap on the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

### **E. Hedging**

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and is included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognized). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognized in the income statement in the same period or periods

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during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognized immediately in the income statement. When a hedging instrument expires or is sold, terminated or exercised or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealized gain or loss recognized in equity is recognized immediately in the income statement.

### **F. Property, plant and equipment**

Property, plant and equipment comprise the following categories:

- ▶ Heavy transport vessels;
- ▶ Other tangible fixed assets;
- ▶ Assets not in use;
- ▶ Assets under construction.

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy K "Impairment"). Depreciation is charged to the income statement on a straightline basis over the estimated useful lives of each part of an item of property, plant and equipment.

The residual values and useful lives are reviewed, and adjusted if not insignificant, annually on balance sheet date. In case the book value of an asset is higher than its recoverable amount, the book value is adjusted to its recoverable amount.

#### *(ii) Subsequent costs*

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

#### *(iii) Heavy transport vessels*

Heavy transport vessels are valued at historical acquisition costs, plus capitalized maintenance and/or improvement costs, less straight-line depreciation based on the estimated useful lives.

In accordance with IAS 16 (Property, Plant & Equipment), the Group has adopted the component approach

The Blue Marlin ready to depart for the transport of the jack-up rigs Galaxy II and Rowan Gorilla VI from Halifax (Canada) to Invergordon (Scotland).



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for the heavy transport vessels under which different components have different economic lives. The estimated useful lives of these components are as follows:

› Hull	30 years
› Accommodation	30 years
› Electrical machinery	20 years
› Engines	30 years
› Ballast tank / systems	30 years
› Navigations	5 years
› Auxiliary machines	20 years
› Safety equipment	20 years
› Survey & docking	5 years

### *(iv) Other tangible fixed assets*

Other tangible fixed assets consist mainly of computer equipment and sea fastening equipment, as far as the life cycle is more than 1 year. Sea fastening equipment with a useful life shorter than 1 year is included in inventories.

These assets are valued at cost, less straight-line depreciation based on the estimated economic lives.

### *(v) Assets not in use*

Assets not in use are valued at cost less accumulated depreciation and impairment losses (see accounting policy K "Impairment").

### *(vi) Assets under construction*

Assets under construction are valued at cost. Assets in progress are transferred to property, plant and equipment when the specific asset is completed and brought into use.

## Notes to the Consolidated Financial Statements

### **G. Intangible assets**

#### *(i) Initial recognition*

Intangible assets, mainly consisting of software, that are acquired by the Group, are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy K, "Impairment"). Expenditure on internally generated goodwill and brands is recognized in the income statement as an expense as incurred.

#### *(ii) Subsequent expenditure*

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### *(iii) Amortization*

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

👉 Software	3 years
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### **H. Trade and other receivables**

Trade and other receivables are stated at their cost less a provision for impairment (see accounting policy K, "Impairment"). A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the receivables carrying amount and the present value of estimated future cash flows. The amount of the provision is recognized in the income statement.

Work-in-progress is valued in proportion to the stage of completion of a voyage on the balance sheet date. The stage of completion is assessed by reference to the number of days sailed prior to the balance sheet date compared to the total days of sailing expected to be required for each individual contract. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs. The balance of amounts capitalized less advance payments received is either recognized in other receivables (positive total balance), or in current liabilities (negative total balance).

### **I. Inventories**

Inventories mainly consist of bunker and lubricants stocks on board the vessels, sea fastening inventories and spare parts. Inventories are stated at the lower of cost and net realizable value.

## Notes to the Consolidated Financial Statements

### **J. Cash and cash equivalents**

Cash and cash equivalents are stated at nominal value and comprise cash on hand, positive balances in bank accounts and call deposits. If applicable, bank overdrafts are included in cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### **K. Impairment**

The carrying amounts of the Group's assets, other than inventories (see accounting policy I, "Inventories") and deferred tax assets (see accounting policy S, "Income tax"), are reviewed on each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### *(i) Calculation of recoverable amount*

The recoverable amount of the Group's investments in receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed upon initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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### *(ii) Reversals of impairment*

An impairment loss in respect to a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. In respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **L. Capital and reserves**

The capital and reserves of the Group consist of:

- › issued share capital;
- › share premium;
- › other reserves;
- › retained earnings.

Share capital consists of ordinary shares. The amounts paid by shareholders exceeding the nominal value of the shares are recognized as share premium. Dividends are recognized as a liability in the period in which they are declared.

### **M. Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

The parts of the borrowings falling due after more than 12 months after balance sheet date, are recognized as noncurrent liabilities. The amounts due within 12 months after balance sheet date are classified within current liabilities.

### **N. Employee benefits**

#### *(i) Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

## Notes to the Consolidated Financial Statements

### *(ii) Defined benefit plans*

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, less the fair value of any plan assets. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

All actuarial gains and losses as at 1 January 2005 were recognized. In respect of actuarial gains and losses that arise subsequent to 1 January 2005 in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

### **0. Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Notes to the Consolidated Financial Statements

### *(i) Restructuring*

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

### *(ii) Onerous contracts*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### **P. Trade and other payables**

Trade and other payables are stated at cost.

### **Q. Revenue**

Revenue from services rendered is recognized in the income statement in proportion to the stage of completion of a voyage on the balance sheet date. The stage of completion is assessed by reference to the number of days sailed prior to the balance sheet date compared to the total days of sailing expected to be required for each individual contract. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs.

### **R. Expenses**

#### *(i) Operating lease payments*

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

#### *(ii) Net financing costs*

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and fair value changes on hedging instruments that are recognized in the income statement (see accounting policy E, "Hedging").

## Notes to the Consolidated Financial Statements

Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established.

### **S. Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The major part of the Group's income is taxed under the Dutch tonnage tax regime.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not accounted for. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted on the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.



The Dock Express 10 moored stern to the quay for loading two container cranes in Oita (Japan) for transport to Long Beach (U.S.A.) via the Panama Canal.

## Notes to the Consolidated Financial Statements

### Disclosures to Items of the Consolidated Financial Statements 2006

#### 1. Direct costs

Direct costs consist of depreciation and amortization, contract related costs and vessel operating costs, which include fuel, sea fastening materials, harbor dues, canal passages, subcontractors, crew, vessel maintenance and insurances.

A breakdown of these costs is as follows:

(x USD 1,000)	2006	2005
Contract related expenses	76,577	67,721
Vessel operating expenses	38,895	30,501
Depreciation and amortization	34,518	32,074
	<b>149,990</b>	<b>130,296</b>

#### 2. Administrative expenses

A breakdown of the administrative expenses is as follows:

(x USD 1,000)	2006	2005
Personnel expenses of management and office staff	18,772	10,057
Other general and administrative expenses	16,008	10,742
	<b>34,780</b>	<b>20,799</b>

#### 3. Employee benefit expenses

A breakdown of the employee benefit expenses is as follows:

(x USD 1,000)	2006	2005
Wages and salaries	27,091	12,017
Social security contributions	1,056	952
Contributions to defined contribution plans	683	770
Expenses relating to defined benefit plans	621	437
	<b>29,451</b>	<b>14,176</b>

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The employee benefit expenses are included in the following items of the income statement:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Direct costs (crew on board vessels)	10,679	4,120
Administrative expenses (management and office staff)	18,772	10,056
	<b>29,451</b>	<b>14,176</b>

The employee benefit expenses include redundancy payments of USD 7.6 million (2005: USD 1.1 million).

The average number of employees in 2006 was 186 (2005: 189), which can be divided as follows:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Crew on board vessels	63	101
Management and office staff	123	88
	<b>186</b>	<b>189</b>

A breakdown of the employees employed inside respectively outside The Netherlands is as follows:

	<b>2006</b>	<b>2005</b>
Inside The Netherlands	94	88
Outside The Netherlands	92	101
	<b>186</b>	<b>189</b>

## Notes to the Consolidated Financial Statements

### 4. Net financing costs

The net financing costs are broken down as follows:

(x USD 1,000)	2006	2005
Interest income and financial revenues	1,189	691
<b>Financial income</b>	<b>1,189</b>	<b>691</b>
Interest expenses and financial charges	(7,326)	(7,138)
Net result on remeasurement of interest rate risk derivatives at fair value through profit or loss	0	0
<b>Financial expenses</b>	<b>(7,326)</b>	<b>(7,138)</b>
<b>Net financing costs</b>	<b>(6,137)</b>	<b>(6,447)</b>

### 5. Income tax expense

The specification of the income tax expense recognized in the income statement is as follows:

(x USD 1,000)	2006	2005
<b>Current tax expense</b>		
Current year	697	55
	<b>697</b>	<b>55</b>
<b>Deferred tax expense</b>		
Use of deferred taxes	0	78
<b>Total income tax expense in income statement</b>	<b>697</b>	<b>133</b>

#### Reconciliation of effective tax rate

The company's income tax is based on the tonnage tax regime for maritime transport activities in The Netherlands. In this regime taxable shipping profit is determined on the basis of the net tonnage of the seagoing vessels employed; the normal tax rates are applied to this taxable shipping profit.

## Notes to the Consolidated Financial Statements

### Current tax assets and liabilities

The current tax liability of USD 676 (31 December 2005: USD 55) represents the amount of income taxes payable in respect of current and prior periods that exceed payments made.

### 6. Property, plant and equipment

(x USD 1,000)	Heavy transport vessels	Other operating assets	Assets not in use	Assets under construction	Total
<b>Cost</b>					
Balance at 1 January 2005	395,347	8,268	-	-	403,615
Additions 2005	17,316	2,021	-	19,173	38,510
Disposals 2005	-	-	-	-	-
<b>At 31 December 2005</b>	<b>412,663</b>	<b>10,289</b>	<b>-</b>	<b>19,173</b>	<b>442,125</b>
Additions 2006	22,175	1,885	-	20,496	44,556
Disposals 2006	(200)	(131)	-	-	(331)
Vessel not in service	(34,860)	-	34,860	-	-
<b>At 31 December 2006</b>	<b>399,778</b>	<b>12,043</b>	<b>34,860</b>	<b>39,669</b>	<b>486,350</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January 2005	(120,307)	(4,409)	-	-	(124,716)
Depreciation charge	(30,638)	(1,436)	-	-	(32,074)
Reversal of depreciation	-	-	-	-	-
<b>At 31 December 2005</b>	<b>(150,945)</b>	<b>(5,845)</b>	<b>-</b>	<b>-</b>	<b>(156,790)</b>
Depreciation 2006	(16,346)	(1,679)	(16,230)	-	(34,255)
Reversal depreciation disposed assets	5	93	-	-	98
<b>At 31 December 2006</b>	<b>(167,286)</b>	<b>(7,431)</b>	<b>(16,230)</b>	<b>-</b>	<b>(190,947)</b>
<b>Carrying amounts</b>					
<b>At 31 December 2005</b>	<b>261,718</b>	<b>4,444</b>	<b>-</b>	<b>19,173</b>	<b>285,335</b>
<b>At 31 December 2006</b>	<b>232,492</b>	<b>4,612</b>	<b>18,630</b>	<b>39,669</b>	<b>295,403</b>

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### *Assets not in use ('Mighty Servant 3')*

On 6 December 2006 one of the Group's heavy transport vessels, the 'Mighty Servant 3' ('MS3'), with a carrying amount of USD 18.6 million sank near the coast of Angola and consequently has been out of service since. As of 31 December, 2006, the carrying amount of the MS3 on 6 December 2006 is presented under the heading "Assets not in use". No depreciation is calculated on the MS3 as of 6 December, 2006, but will be calculated again once the vessel is back in operation. The cause of the incident is currently being investigated and a salvage plan is being developed. It is management's expectation that the vessel will be repaired during 2007-2008 and that it will return to service in the course of 2008. Furthermore management expects that the insured amounts are sufficient to cover both the salvage and repair costs of the MS3 and that these are fully recoverable from the insurance company. Consequently, no impairment loss has been recognized in respect to the MS3 in the 2006 annual accounts.

In the meantime management has re-allocated all of the MS3's scheduled projects onto other vessels, in order to reduce as much as possible any customer disruption as a result of the incident.

### *Assets under construction*

The assets under construction, valued at cost, relate to the construction of:

▶ Yacht Carrier	USD	38.5 million
▶ Heavy Lift vessel design	USD	1.0 million
▶ Other	USD	0.2 million
	<b>USD</b>	<b>39.7 million</b>

The yacht carrier is scheduled to be brought into service in the first half of 2007.

### *Security*

As of 31 December 2006, the heavy transport vessels (incl. vessel not in use) with a carrying amount of USD 251.1 million (31 December 2005: USD 261.7 million) are subject to a registered debenture to secure bank loans (see note 13 "Interest-bearing borrowings").

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### 7. Intangible assets

<i>(x USD 1,000)</i>	<b>Computer software</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>			
On 1 January 2005	-	-	-
Additions 2005	-	652	652
Disposals 2005	-	-	-
<b>At 31 December 2005</b>	<b>-</b>	<b>652</b>	<b>652</b>
Additions 2006	150	-	150
Disposals 2006	-	-	-
Brought into use 2006	652	(652)	-
<b>At 31 December 2006</b>	<b>802</b>	<b>-</b>	<b>802</b>
<b>Amortisation and impairment losses</b>			
At 1 January 2005	-	-	-
Amortisation 2005	-	-	-
<b>At 31 December 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>
Amortisation 2006	(263)	-	(263)
<b>At 31 December 2006</b>	<b>(263)</b>	<b>-</b>	<b>(263)</b>
<b>Carrying amounts</b>			
<b>At 31 December 2005</b>	<b>-</b>	<b>652</b>	<b>652</b>
<b>At 31 December 2006</b>	<b>539</b>	<b>-</b>	<b>539</b>

#### *Under construction*

In 2006, the Group brought a new SAP ERP-system into use. The costs incurred till 31 December 2005 amounting to USD 652, which were included under intangible assets under construction, are transferred to computer software in 2006.

## Notes to the Consolidated Financial Statements

### 8. Employee benefits

The Group makes contributions to defined benefit plans that provide pension benefits for employees upon retirement.

#### 8.1 Balance sheet

The amounts recognized in the balance sheet are determined as follows:

(x USD 1,000)	31 Dec 2006	31 Dec 2005
Present value of funded obligations	12,462	12,171
Fair value of plan assets	(12,868)	(10,559)
Present value of net obligations	(406)	1,612
Unrecognized actuarial gains and losses	(413)	(1,841)
<b>Employee benefit liability (asset)</b>	<b>(819)</b>	<b>(229)</b>

Movements in the net employee benefits liability (asset) recognized in the balance sheet are as follows:

(x USD 1,000)	31 Dec 2006	31 Dec 2005
Net liability for defined benefit obligations at 1 January	(229)	646
Contributions paid	(1,154)	(1,272)
Expense recognized in the income statement	571	437
Actuarial losses (gains) recognized in income statement	50	-
Currency (gain) / loss	(57)	(40)
<b>Net liability for defined benefit obligations at 31 December</b>	<b>(819)</b>	<b>(229)</b>

## Notes to the Consolidated Financial Statements

Movements in the defined benefit obligation are as follows:

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Balance at 1 January	12,171	11,429
Service cost	632	495
Interest cost	514	470
Actuarial (gains) and losses	(2,116)	1,357
Benefits paid	(78)	-
Currency (gain) / loss	1,339	(1,580)
<b>Balance at 31 December</b>	<b>12,462</b>	<b>12,171</b>

Movements in the fair value of plan assets is as follows:

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Balance at 1 January	10,559	10,783
Expected return on plan assets	575	528
Actuarial gains / (losses)	(647)	(513)
Contributions paid	1,154	1,272
Benefits paid	(78)	-
Currency gain / (loss)	1,305	(1,511)
<b>Balance at 31 December</b>	<b>12,868</b>	<b>10,559</b>

### 8.2 Income statement

The amounts recognized in the income statement are as follows:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Current service cost	632	495
Interest cost	514	470
Expected return on plan assets	(575)	(528)
Recognized actuarial losses (gains)	50	-
	<b>621</b>	<b>437</b>

## Notes to the Consolidated Financial Statements

The expenses are all included in the direct costs in the income statement.

The actual return (loss) on plan assets is USD 72 (2005: gain USD 15), which can be broken down as follows

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Actuarial gains and losses	647	513
Expected return on plan assets	(575)	(528)
	<b>72</b>	<b>(15)</b>

### 8.3 Actuarial assumptions

The principal actuarial assumptions were as follows:

	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Discount rate	4.40%	4.00%
Expected return on plan assets	4.00%	4.60%
Future salary increases (incl. inflation adjustment)	3.00%	3.00%
Future pension increases	2.00%	2.00%
Mortality tables used	GBM/V 1995-2000	GBM/V 1995-2000

The retirement age within the Group is set at the age of 65.

## 9. Inventories

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Fuel and seafastening inventory	8,364	7,728
	<b>8,364</b>	<b>7,728</b>

No inventories are stated at fair value less costs to sell.

Furthermore there are no inventories subject to retention of title clauses.

## Notes to the Consolidated Financial Statements

### 10. Trade and other receivables

(x USD 1,000)	31 Dec 2006	31 Dec 2005
Trade receivables	22,374	27,544
Less: provision for impairment	(2,445)	(2,305)
<b>Trade receivables - net</b>	<b>19,929</b>	<b>25,239</b>
Receivables from related parties	2,546	4,038
Less: provision for impairment	(2,339)	(2,339)
<b>Receivables from related parties - net</b>	<b>207</b>	<b>1,699</b>
Other receivables and prepayments	11,844	12,361
Fair value derivatives	486	264
	<b>32,466</b>	<b>39,563</b>

As of 31 December 2006, receivables with a total amount of USD 4,784 (2005: USD 4,644) were impaired and fully provided for. The impairment provision is based on an individual assessment of the recoverable amounts of the receivables.

The ageing of the impaired receivables as of 31 December 2006 is (x USD 1,000):

< 1 year:	378
1-2 years	331
2-5 years	532
> 5 years	3,543
	<b>4,784</b>

The movement in the provision for impairment during 2006 is as follows (x USD 1,000):

Balance 31 December, 2005	4,644
Impaired receivables added to provision	434
Receivables written off	(294)
<b>Balance 31 December, 2006</b>	<b>4,784</b>

## Notes to the Consolidated Financial Statements

As of 31 December 2006 trade receivables of USD 1,717 were overdue, but not impaired. The ageing of these receivables is as follows:

< 6 months	1,035
6-12 months	658
> 1 year	24
	<b>1,717</b>

### 11. Cash and cash equivalents

(x USD 1,000)	31 Dec 2006	31 Dec 2005
Cash in bank and at hand	34,783	36,916
Call deposits	-	-
<b>Cash and cash equivalents</b>	<b>34,783</b>	<b>36,916</b>
Bank overdrafts	-	-
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>34,783</b>	<b>36,916</b>

### 12. Capital and reserves

Reconciliation of movement in capital and reserves:

(x USD 1,000)	Attributable to equity holders of the company					Total equity
	Issued share capital	Share premium	Other reserves	Retained earnings	Unappropriated profit	
<b>Balance at 1 January, 2005</b>	<b>59</b>	<b>161,097</b>	<b>185</b>	<b>10,494</b>	<b>-</b>	<b>171,835</b>
Total recognized income and expense	-	-	(805)	-	50,681	49,876
Dividends to shareholders	-	-	-	-	(33,074)	(33,074)
<b>Balance at 31 December, 2005</b>	<b>59</b>	<b>161,097</b>	<b>(620)</b>	<b>10,494</b>	<b>17,607</b>	<b>188,637</b>
Currency differences	-	-	-	-	-	-
Total recognized income and expense	-	-	716	-	60,495	61,211
Appropriated result 2005	-	-	-	17,607	(17,607)	-
Dividends to shareholders	-	-	-	-	(40,013)	(40,013)
<b>Balance at 31 December, 2006</b>	<b>59</b>	<b>161,097</b>	<b>96</b>	<b>28,101</b>	<b>20,482</b>	<b>209,835</b>

## Notes to the Consolidated Financial Statements

### *Issued share capital*

	<b>Ordinary shares 2006</b>	<b>Ordinary shares 2005</b>
Number of shares		
On issue at 1 January	4,921,698	4,921,698
Issued for cash	-	-
<b>On issue at 31 December – fully paid</b>	<b>4,921,698</b>	<b>4,921,698</b>

At 31 December 2006, the authorized share capital comprised 9,000,000 ordinary shares of EUR 0.01 (USD 0.013) each. In total 4,921,698 shares are issued and fully paid up.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### *Share premium*

The share premium is to be considered as a distributable reserve.

### *Other reserves*

Other reserves consist of the hedging reserve, which comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### *Dividends*

During 2006 a dividend of USD 40,013 has been paid. After the balance sheet date no dividend payments are proposed.

### **13. Interest-bearing borrowings**

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 16 ("Financial instruments").

## Notes to the Consolidated Financial Statements

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Non-current liabilities		
Secured bank loans	-	96,904
	-	<b>96,904</b>
Current liabilities		
Current portion of secured bank loans	97,625	21,100
	<b>97,625</b>	<b>21,100</b>

The secured bank loans bear a variable interest, based on 3-months LIBOR plus an applicable margin of 0.7%. The interest rate is adapted at the end of each calendar quarter.

Subsequent to 31 December, 2006 the Group was sold to 3i Investments plc by its shareholders, the Heerema Group (owner of 76%) and Wilhelm Wilhelmsen ASA (owner of 24%). Based on the contractual terms, the interest-bearing borrowings become immediately due in the event of such a change in shareholders of the Group. Consequently the loans were presented under current liabilities as at 31 December, 2006. In the meantime other replacing long term financing has been obtained from various banks in 2007. See also note 23 Events after balance sheet date.

### Terms

The bank loans are secured over heavy transport vessels with a carrying amount of USD 251.1 million (31 December 2005: USD 261.7 million) (see note 6, "Property, plant and equipment").

### 14. Provisions

<i>(x USD 1,000)</i>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January, 2006</b>	<b>300</b>	<b>300</b>
Transfer to current liabilities	(300)	(300)
<b>Balance at 31 December, 2006</b>	<b>0</b>	<b>0</b>

## Notes to the Consolidated Financial Statements

### *Other*

Other provision relates to the performance bonus of the ship manager. As this bonus is payable in January 2007, the liability is recognized under Trade and other payables.

### **15. Trade and other payables**

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Payables to related parties	15	13,612
Other trade payables	4,546	2,355
Fair value derivatives	390	884
Invoiced installments exceeding cost of work in progress	2,072	15,161
Advances on contracts	18,065	12,215
Non-trade payables and accrued expenses	39,150	19,200
<b>Due within 1 year</b>	<b>64,238</b>	<b>63,427</b>

### **16. Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

### *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, although usually freight income is invoiced and paid before discharging. The Group does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

## Notes to the Consolidated Financial Statements

As of 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, including derivative financial instruments, in the balance sheet.

### *Interest rate risk*

#### *Hedging*

The Group adopts a policy of ensuring that part of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in USD, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The notional amounts and fair values of the outstanding two swaps can be specified as follows:

(x USD 1,000)	31 December 2006		31 December 2005	
	Notional amount	Fair value	Notional amount	Fair value
Floating to fixed swaps:				
Maturing 28 March 2008, fixed at 5.31%	19,500	7	32,500	(208)
Maturing 31 December, 2009, fixed at 3.87%	15,000	479	15,000	472
	<b>34,500</b>	<b>486</b>	<b>47,500</b>	<b>264</b>

The fair value of the swaps at 31 December 2006, is USD 486, included in Trade and other receivables (note 10). At 31 December 2005, the fair value was presented as an asset of USD 264 (Trade and other receivables).

#### *Effective interest rates*

In respect of income-earning financial assets and interest-bearing financial liabilities the effective interest rate in 2006 was 6.0% (2005: 5.5%).

### *Foreign currency risk*

#### *Forecasted transactions*

The Group classifies its currency options and forward exchange contracts as cash flow hedges and states them at fair value.

## Notes to the Consolidated Financial Statements

The notional amounts and fair values of the contracts outstanding as per 31 December, 2006 are as follows:

(x USD 1,000)	31 December, 2006		31 December, 2005	
	Notional amount	Fair value	Notional amount	Fair value
Purchased call option EUR against USD	32,701	0	12,400	0
Sold put option EUR against USD	16,351	(390)	7,985	(884)

The remaining time to maturity does not exceed one year. The maturity dates of the individual call option contracts match the estimated underlying cash flow pattern. The maturity dates are equally divided over the year.

### *Sensitivity analysis*

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

At 31 December 2006, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before tax by approximately USD 1,000.

### *Fair values*

The fair values included in the balance sheet do not differ from the carrying amounts.

### *Estimation of fair values*

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

### *Derivatives*

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. Currency options are fair valued using spot rate, current interest rates and market volatility. For interest rate swaps broker quotes are used. Those quotes are back tested using the Black-Scholes valuation model.

## Notes to the Consolidated Financial Statements

### *Interest-bearing borrowings*

Fair value is calculated based on discounted expected future principal and interest cash flows.

### *Trade and other receivables and payables*

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

## **17. Operating leases**

### *Leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
Less than one year	1,382	811
Between one and five years	3,754	2,852
More than five years	132	-
	<b>5,268</b>	<b>3,663</b>

The Group leases offices in Breda (The Netherlands), Houston (USA), Shanghai (China), Busan (Korea) and Fort Lauderdale (USA) and a warehouse in Breda (The Netherlands). Furthermore the company has entered into lease agreements for company cars. All lease commitments are categorized as operating leases. The office leases typically run for a period of five to ten years, with an option to renew the lease after that date. Car leases run for a period of four years. Lease payments are increased every year to reflect market rentals. None of the leases includes contingent rentals.

During the year ending 31 December, 2006, USD 981 was recognized as an expense in the income statement in respect of operating leases.

## **18. Capital commitments**

The Group has entered into a contract to purchase a new Yacht Carrier. As at 31 December, 2006, the Group has remaining investment commitments for a total value of USD 24.9 million.

## Notes to the Consolidated Financial Statements

### 19. Contingencies

#### 19.1 Bank guarantees

At 31 December, 2006, the Group issued bank guarantees for a total amount of USD 5,205.

It has received bank guarantees amounting to USD 10,602.

#### 19.2 Litigation

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on the information presently available and management's best estimate, the financial position of the Group is not likely to be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted.

#### 19.3 Taxation

Dockwise Transport N.V. and the Dutch operating companies form a fiscal unity for the Dutch corporate tax. Each of the operating companies is severally liable for tax to be paid by all companies that belong to the fiscal unity.

### 20. Related parties

At 31 December, 2006 the Group is owned by The Heerema Group (76% shareholder) and Wilhelm Wilhelmsen ASA (24% shareholder).

The Group has a related party relationship with subsidiaries, Heerema-group companies, its Board of Directors and key management, and its Supervisory Board.

#### 20.1 Related party transactions

The following transactions were carried out with related parties:

(x USD 1,000)	2006	2005
Revenue from Heerema-group entities	9,437	16,735
	<b>9,437</b>	<b>16,735</b>

## Notes to the Consolidated Financial Statements

During the year 2006 the Group received charges from related parties, as did the Group recharge certain amounts to related parties (all Heerema-group companies). These charges are specified as follows:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Charges from related parties	282	388
Charges to related parties	(31)	(186)
	<b>251</b>	<b>202</b>

These expenses are all included in administrative expenses.

### *20.2 Remuneration of Board of Management*

The compensations of Board of Management are as follows:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Salaries and other short-term employee benefits	1,427	1,052
Post-employment benefits	101	80
	<b>1,528</b>	<b>1,132</b>

### *20.3 Remuneration of key management personnel, including Board of Management*

The compensations of key management personnel, including Board of Management, are as follows:

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Salaries and other short-term employee benefits	2,225	1,807
Post-employment benefits	226	365
	<b>2,451</b>	<b>2,172</b>

### *20.4 Remuneration of Supervisory Board*

The remuneration of the Supervisory Board members for the year 2006 amounted to USD 84 (2005: USD 94).

## Notes to the Consolidated Financial Statements

### 21. Group entities

#### *Control of the Group*

As at 31 December, 2006 the Company's shares were held by the Heerema Group (76% shareholder) and Wilhelm Wilhelmsen ASA (24% shareholder).

On 12 January 2007, all shares of the Company were sold by the above mentioned parties to Delphi Acquisition Holding I B.V., a company established by 3i Investments plc. See also note 23 Events after balance sheet date.

#### *List of group companies (legal entities)*

The following group companies are included in the consolidation:

<b>Name and location</b>	<b>Share in equity</b>
▶ Dockwise Transport B.V., Breda, The Netherlands	100 %
▶ Dockwise B.V., Breda, The Netherlands	100 %
▶ Dockwise Shipping B.V., Breda, The Netherlands	100 %
▶ Dockwise U.S.A. Inc., Houston, United States of America	100 %
▶ Dockwise Korea YH, Busan, Korea	100 %
▶ Dockwise Nigeria Ltd., Lagos, Nigeria	100 %
▶ Super Servant 3 B.V., Breda, The Netherlands	100 %
▶ Super Servant 4 B.V., Breda, The Netherlands	100 %
▶ Transshelf B.V., Breda, The Netherlands	100 %
▶ Mighty Servant 1 B.V., Breda, The Netherlands	100 %
▶ Mighty Servant 3 B.V., Breda, The Netherlands	100 %
▶ Dock Express 10 B.V., Breda, The Netherlands	100 %
▶ Dock Express 12 B.V., Breda, The Netherlands	100 %
▶ Swan B.V., Breda, The Netherlands	100 %
▶ Swift B.V., Breda, The Netherlands	100 %
▶ Teal B.V., Breda, The Netherlands	100 %
▶ Tern B.V., Breda, The Netherlands	100 %
▶ Black Marlin B.V., Breda, The Netherlands	100 %
▶ Blue Marlin B.V., Breda, The Netherlands	100 %
▶ Dockwise Enterprise B.V., Breda, The Netherlands	100 %
▶ Dockwise Explorer B.V., Breda, The Netherlands	100 %
▶ Dockwise Yacht Transport LLC, Ft Lauderdale, United States of America	100 %

## Notes to the Consolidated Financial Statements

### 22. Accounting estimates and judgments

Management discussed the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates with the Supervisory Board.

#### *Valuation of the company's heavy transport vessels*

In accordance with IAS 16 (Property, Plant & Equipment), the Group has adopted the component approach for the valuation of the heavy transport vessels. The useful lives of the various components, estimated on the projected lifecycles, are estimated as follows:

▶ Hull	30 years
▶ Accommodation	30 years
▶ Electrical machinery	20 years
▶ Engines	30 years
▶ Ballast tank / systems	30 years
▶ Navigations	5 years
▶ Auxiliary machines	20 years
▶ Safety equipment	20 years
▶ Survey & docking	5 years

The estimation could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. In case it appears that actual useful lives are less than previously estimated lives, management will increase the depreciation charge. Moreover, management will write off or write down technically obsolete or non-strategic (components of) assets that have been sold or put out of service.

In calculating the book values of the vessels, management has also taken into account certain residual values, which are based on the scrap value.

#### *Defined benefit pension obligations*

The present value of the Group's pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in the assumptions will impact the carrying amount of pension obligations. The calculation of the pension obligations is performed by a qualified actuary.

Management determines the appropriate discount rate at the end of each year. This is the interest rate that

## Notes to the Consolidated Financial Statements

should be used to determine the present value of estimated future cash outflows, which are expected to be necessary to settle the pension obligations. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 13.

### **23. Events after balance sheet date**

On 12 January 2007 all shares of Dockwise Transport N.V., the parent company of the Group, were sold to Delphi Acquisition Holding I B.V., a company established by 3i Investments plc.

### **24. Explanation of transition to IFRSs**

As stated in note A in the Significant Accounting Policies, these are the Group's first Consolidated Financial Statements prepared in accordance with IFRSs.

The accounting policies set out in the Significant Accounting Policies have been applied in preparing the financial statements for the year ending 31 December, 2006 and in the preparation of an opening IFRS balance sheet on 1 January 2005 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Dutch GAAP). An explanation of how the transition from Dutch GAAP to IFRSs has affected the Group's financial position is set out in the following tables and the notes that accompany the tables.

## Notes to the Consolidated Financial Statements

### Reconciliation of Equity 2005 (Dutch GAAP to IFRS)

(x USD 1,000)	Note	Dutch GAAP	Effect of Transition to IFRS 1 Jan 2005	IFRS	Dutch GAAP	Effect of Transition to IFRS 31 Dec 2005	IFRS
<b>ASSETS</b>							
<b>Non-current assets</b>							
Tangible fixed assets	A	280,077	(1,178)	278,899	281,940	3,395	285,335
Intangible assets	B	-	-	-	652	-	652
Employee benefits	C	-	(646)	(646)	229	-	229
Deferred tax assets		-	78	78	-	-	-
		<b>280,077</b>	<b>(1,746)</b>	<b>278,331</b>	<b>282,821</b>	<b>3,395</b>	<b>286,216</b>
<b>Current assets</b>							
Inventories	D	6,382	454	6,836	7,615	113	7,728
Trade and other receivables	E	39,583	(1,581)	38,002	41,753	(2,190)	39,563
Cash and cash equivalents		27,987	-	27,987	36,916	-	36,916
		<b>73,952</b>	<b>(1,127)</b>	<b>72,825</b>	<b>86,284</b>	<b>(2,077)</b>	<b>84,207</b>
<b>Total assets</b>		<b>354,029</b>	<b>(2,873)</b>	<b>351,156</b>	<b>369,105</b>	<b>1,318</b>	<b>370,423</b>
<b>EQUITY</b>							
Shareholder's equity		174,970	(3,135)	171,835	187,731	906	188,637
		<b>174,970</b>	<b>(3,135)</b>	<b>171,835</b>	<b>187,731</b>	<b>906</b>	<b>188,637</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
Non-current interest-bearing borrowings	F	110,900	(920)	109,980	97,625	(721)	96,904
		<b>110,900</b>	<b>(920)</b>	<b>109,980</b>	<b>97,625</b>	<b>(721)</b>	<b>96,904</b>
<b>Current liabilities</b>							
Current maturities of long-term debt		21,100	-	21,100	21,100	-	21,100
Trade and other payables	G	46,604	1,182	47,786	62,349	1,133	63,482
Provisions		455	-	455	300	-	300
<b>Total current liabilities</b>		<b>68,159</b>	<b>1,182</b>	<b>69,341</b>	<b>83,749</b>	<b>1,133</b>	<b>84,882</b>
<b>Total liabilities</b>		<b>179,059</b>	<b>262</b>	<b>179,321</b>	<b>181,374</b>	<b>412</b>	<b>181,786</b>
<b>Total equity and liabilities</b>		<b>354,029</b>	<b>(2,873)</b>	<b>351,156</b>	<b>369,105</b>	<b>1,318</b>	<b>370,423</b>

## Notes to the Consolidated Financial Statements

### Reconciliation of profit 2005 (Dutch GAAP to IFRS)

<i>(x USD 1,000)</i>	Note	Dutch GAAP	Effect of Transition to IFRS 31 Dec 2005	IFRS
Revenue		208,356	-	208,356
Direct costs	H	(134,574)	4,278	(130,296)
<b>Gross profit</b>		<b>73,782</b>	<b>4,278</b>	<b>78,060</b>
Administrative expenses		(20,799)	-	(20,799)
<b>Profit from operations</b>		<b>52,983</b>	<b>4,278</b>	<b>57,261</b>
Financial income		691	-	691
Financial expenses		(7,138)	-	(7,138)
<b>Net financing costs</b>		<b>(6,447)</b>	<b>-</b>	<b>(6,447)</b>
<b>Profit before tax</b>		<b>46,536</b>	<b>4,278</b>	<b>50,814</b>
Income tax expense	I	(55)	(78)	(133)
<b>Net profit (loss) for the year</b>		<b>46,481</b>	<b>4,200</b>	<b>50,681</b>

### Notes to the reconciliation of equity

- A. Adjustments to property, plant & equipment relate to adjustments as a result of the component approach, offset by the capitalization of Survey & Docking expenses, reclassification of seafastening equipment from other receivables and reclassification of capitalized costs for ERP system to intangible fixed assets.
- B. The IFRS adjustment with regard to intangible fixed assets relates to capitalized costs for an ERP system.

## Notes to the Consolidated Financial Statements

- C.** In accordance with IAS 19 (employee benefits) the pension obligation has been calculated by an independent actuary. A positive balance is recognized as a non-current asset.
- D.** Inventory heavy fuel oil and lubricants are valued at average cost instead of historic cost. Furthermore sea fastening inventory to be used within 1 year is reclassified from other receivables.
- E.** The fair value of financial derivatives (assets) is included in Trade and Other Receivables. In the Dutch GAAP annual accounts these items are not recognized.
- F.** Capitalized loan fees are reclassified from other receivables to Non-current interest-bearing borrowings.
- G.** The fair value of financial derivatives (liabilities) is included in Trade and Other Payables. In the Dutch GAAP annual accounts these items are not recognized.

### Notes to the reconciliation of profit

- H.** Adjustments to direct expenses reflect:
  - a. the adjustments to property, plant & equipment relating to the application of the component approach and the capitalization of survey & docking expenses; and
  - b. the adjustment to inventory heavy fuel oil and lubricants as a result of the application of the valuation against average cost instead of historic cost.
- I.** The adjustment to income tax expense reflects the use of the deferred tax asset, that was capitalized as a result of the transition to IFRS.

Breda, 28 March, 2007

#### Board of Management

A. Goedée  
S.A. Malfliet

#### Supervisory Board

M. Dickinson  
M. Antal

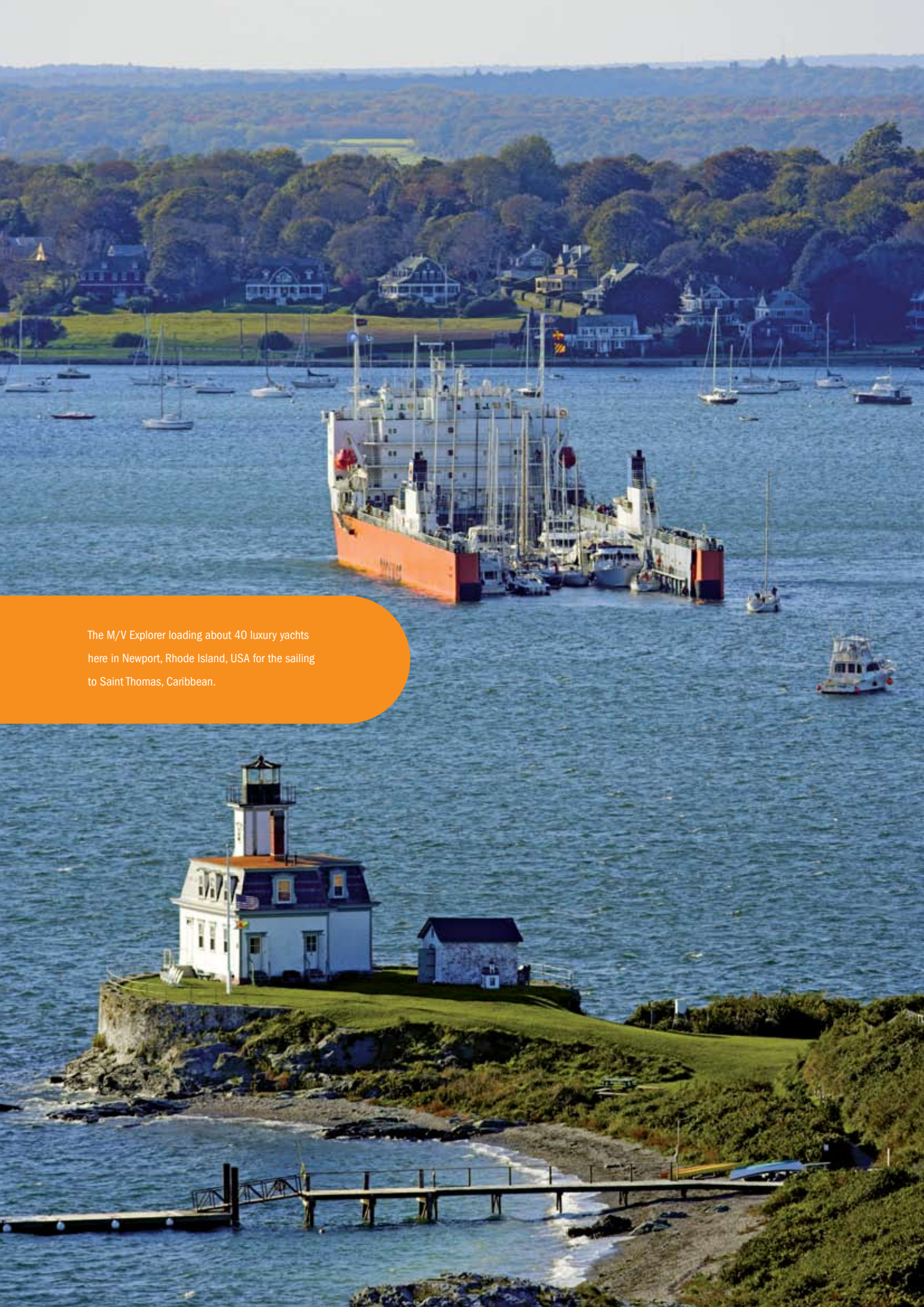


Departure of the Tern in Mokpo (Korea) for a 8,050-miles voyage with three fully erected container cranes for the port of Balboa (Panama).

# Company Balance Sheet

as at 31 December, 2006 (before appropriation of net profit for the year)

<i>(x USD 1,000)</i>	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
<b>Fixed assets</b>		
Financial fixed assets	<b>302,722</b>	<b>249,134</b>
<b>Current assets</b>		
Current receivables and prepaid expenses	613	104
Cash and cash equivalents	7,065	325
	<b>7,678</b>	<b>429</b>
<b>Current liabilities</b>	<b>100,565</b>	<b>60,926</b>
<b>Current assets less current liabilities</b>	<b>(92,887)</b>	<b>(60,497)</b>
<b>Total assets less current liabilities</b>	<b>209,835</b>	<b>188,637</b>
Financed as follows:		
<b>Shareholders' equity</b>		
Issued and fully paid share capital	59	59
Share premium	161,097	161,097
Other reserves	96	(620)
Retained earnings	28,101	10,494
Unappropriated profit for the year	20,482	17,607
	<b>209,835</b>	<b>188,637</b>
	<b>209,835</b>	<b>188,637</b>



The M/V Explorer loading about 40 luxury yachts here in Newport, Rhode Island, USA for the sailing to Saint Thomas, Caribbean.

## Company Income Statement 2006

<i>(x USD 1,000)</i>	<b>2006</b>	<b>2005</b>
Net income from subsidiaries after taxation	53,588	44,187
Other income (expenses) after taxation	6,907	6,494
<b>Net profit</b>	<b>60,495</b>	<b>50,681</b>

# Notes to the Company Financial Statements 2006

## Accounting principles

### A. General

In the context of the Company Financial Statements, “the Company” refers to Dockwise Transport N.V.

The Company Financial Statements are part of the 2006 Financial Statements of the Dockwise Group. With reference to the Company Income Statement, the exemption pursuant to Section 402 of Book 2 of the Dutch Civil Code has been applied.

### B. Principles for recognition and measurement of assets and liabilities and determination of the profit

Regarding the principles for recognition and measurement of assets and liabilities and determination of the profit (hereinafter referred to as principles for recognition and measurement) in the Company Financial Statements, Dockwise Transport N.V. uses the option provided in Section 362, sub 8 of Book 2 of the Dutch Civil Code. This means that the principles for recognition and measurement are the same as those applied for the Consolidated Financial Statements of the Dockwise Group. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). For a detailed description of the accounting principles applied reference is made to the Consolidated Financial Statements.

### C. Financial fixed assets

The financial fixed assets comprise the participating interests in subsidiaries and a loan receivable. Investments in subsidiaries of Dockwise Transport N.V. are valued at net equity value. Loans receivable are included at nominal value less provisions, if considered necessary.

### D. Current assets and liabilities

With regard to the accounting principles for current assets and liabilities reference is made to the notes to the Consolidated Financial Statements.

## Notes to the Company Financial Statements 2006

### Disclosures to items of the Company Financial Statements 2006

#### 1. Financial fixed assets

<i>(x USD 1,000)</i>	<b>Investments in subsidiaries</b>	<b>Loan receivable</b>	<b>Total</b>
<b>Balance as at 1 January, 2005</b>	<b>34,947</b>	<b>170,000</b>	<b>204,947</b>
Net income from subsidiaries	44,187	-	44,187
<b>Balance as at 31 December, 2005</b>	<b>79,134</b>	<b>170,000</b>	<b>249,134</b>
Net income from subsidiaries	53,588	-	53,588
<b>Balance as at 31 December, 2006</b>	<b>132,722</b>	<b>170,000</b>	<b>302,722</b>

#### *Loan receivable*

This item represents a loan to the wholly owned subsidiary Dockwise Transport B.V. The terms of the loan are as follows:

- The final maturity date is 28 November, 2013 and repayment will take place in full on the expiration date, together with accrued interest, if any, and all other monies then outstanding in connection with the intercompany loan agreement.
- The applicable interest rate is 12-months LIBOR plus a margin of 2%.
- The rights of the Lender (Dockwise Transport N.V.) are subordinate to the rights of Danish Ship Finance and Fortis Bank (Nederland) N.V. concerning the reducing revolving credit facility agreement dated 20 January, 2003.

## Notes to the Company Financial Statements 2006

### 2. Shareholders' equity

Movements in shareholders' equity during 2006, before appropriation of the net profit, are as follows:

<i>(x USD 1,000)</i>	<b>Issued share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Unappro- priated profit</b>	<b>Total</b>
<b>Balance as at 1 January, 2005</b>	<b>59</b>	<b>161,097</b>	<b>185</b>	<b>10,494</b>	<b>-</b>	<b>171,835</b>
Total recognized income and expense	-	-	(805)	-	50,681	49,876
Dividend	-	-	-	-	(33,074)	(33,074)
<b>Balance as at 31 December, 2005</b>	<b>59</b>	<b>161,097</b>	<b>(620)</b>	<b>10,494</b>	<b>17,607</b>	<b>188,637</b>
Total recognized income and expense	-	-	716	-	60,495	61,211
Appropriation of result 2005	-	-	-	17,607	(17,607)	-
Dividend	-	-	-	-	(40,013)	(40,013)
<b>Balance as at 31 December, 2006</b>	<b>59</b>	<b>161,097</b>	<b>96</b>	<b>28,101</b>	<b>20,482</b>	<b>209,835</b>

Per 31 December, 2006 the authorized share capital comprises 9,000,000 ordinary shares of EUR 0.01 each, amounting to a total nominal value of EUR 90 (USD 108). 4,921,698 shares were issued and fully paid up.

### 3. Current liabilities

Current liabilities relate largely to short term payables to subsidiaries (USD 98,248).

### 4. Personnel

Throughout 2006 the Company employed one employee.

## Notes to the Company Financial Statements 2006

### **5. Guarantees, commitments and contingencies**

The Company is the parent in a Dutch fiscal unity, which includes all other Dockwise Group companies in The Netherlands. As parent, the Company is liable for the payment of the corporate income taxes and VAT of the companies included in the fiscal unity, in addition to its own corporate income taxes and VAT.

Breda, 28 March 2007

#### **Board of Management**

A. Goedée

S.A. Malfliet

#### **Supervisory Board**

M. Dickinson

M. Antal



Divers are putting boatstands in place prior to docking the yacht for a safe trip on board Super Servant 3 from Martinique to Palma de Mallorca.



# Other information

## ARTICLES OF ASSOCIATION GOVERNING PROFIT APPROPRIATION

Article 24 of the statutory provisions concerning the appropriation of profit state the following:

1. The amount of distributable profits shall be at the unrestricted disposal of the general meeting of shareholders, to be used for distribution of dividends, to be carried to reserves or to be used for such other ends fitting the Company's objects as that meeting may resolve. In calculating the amount of profits to be distributed on each share, only the amount of compulsory payments on the nominal price of the shares shall be regarded.
2. The Company shall only be capable of making distributions to shareholders and other persons who are entitled to profits that qualify for distribution if the Company's equity is in excess of the paid and called-up portion of the share capital increased by the reserves that must be set aside under the provisions of the law. In the calculation of the distribution of profits the shares, which the Company holds in its own share capital, shall be disregarded.
3. Distribution of profits shall take place after confirmation and adoption of the Financial Statements showing this is allowed.
4. The general meeting of shareholders shall have power, with due observance of what has been provided for in the second paragraph hereof, to make one or more interim dividends payable.
5. Unless the general meeting of shareholders decides on a different date, dividends shall be made payable immediately after they have been declared.
6. The claim for payment of dividends shall lapse on the expiration date of a period of five years.

## APPROPRIATION OF NET RESULT

The Board of Management proposes to pay a total cash dividend of USD 40,013 (USD 8.13 per share), which has already been declared as interim dividend 2006. This results in an addition to the retained earnings of the remaining net profit of USD 20,482.

# Auditor's Report



To: the shareholder of Dockwise Transport N.V.

## **Auditor's report**

### **Report on the financial statements**

We have audited the accompanying 2006 financial statements of Dockwise Transport N.V., Curaçao, as set out on pages 14 to 53, which comprise the consolidated and company balance sheet as at 31 December 2006, the profit and loss account, statement of recognized income and expense and statement of cash flows for the year then ended, and the notes.

### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the board of management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG Accountants N.V., registered with the trade register in the Netherlands under number 30303602 and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Dockwise Transport N.V. as at 31 December 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the board of management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 5 April 2007

KPMG ACCOUNTANTS N.V.

H. Heijnraets RA

## Colophon

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The KEY Agency, Amsterdam

### Photography

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Page 8, Mark Gellen

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Page 64, Sybren de Jong

Page 66, Onne van der Wal

Page 72, Onne van der Wal

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