Fairmount Heavy Transport N.V.

Financial report 2006

Fairmount Heavy Transport N.V.

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Financial report

03-04-2007

Supervisory Board Report

We are pleased to present the Report by the Management Board and the Financial Statements for the year ended 31 December 2006.

Adoption of the Financial Statements

The Supervisory Board has taken note of the report issued by KPMG Accountants N.V. The Supervisory Board approves the Financial Statements as compiled by the Management Board. We recommend that the Annual General Meeting of Shareholders adopt these Financial Statements. The Supervisory Board also recommends that the profits be allocated in accordance with the Management Board's proposal.

Composition of the Supervisory Board

In the first half of this year, a number of changes occurred to the Supervisory Board. At the request of the Company's shareholders the Supervisory Board was expanded with new independent Supervisory Board members: Mr Leif O. Aaker, Mr Philip Adkins and Mr Bjørn Henriksen. Messrs. Aaker and Adkins were elected at the Annual General Meeting of Shareholders on 27 March 2006 and Mr Henriksen was elected at an Extraordinary General Meeting of Shareholders on 31 July 2006. In April 2006, the Chairman of the Supervisory Board, Mr Sjef van Dooremalen, resigned for personal reasons. Mr Willem Dirkzwager took over as Chairman. The Supervisory Board is grateful for the contribution of Mr Sjef van Dooremalen to the Company. In May 2006, Mr Philip Adkins laid down his position on the Supervisory Board to become CEO of the Company and a member of the Management Board, replaced Mr Frederik Steenbuch.

The Supervisory Board consists of Mr Willem Dirkzwager (Chairman), Mr Leif O. Aaker, Mr Bjørn Henriksen and Mr Hans Verhagen. The Board members represent a broad range of professional experience and skill which are of great value to the Company. All members of the Supervisory Board are independent of the Company.

Activities of the Board

The Supervisory Board is aware of the fact that the duties of supervising and advising the Management Board are becoming increasingly important. In the year under review, the Supervisory Board met seven times with the Management Board and held two conference calls. All meetings were almost always attended by the entire Supervisory Board. For the most part, these meetings were also attended by the members of the Management Board. The Supervisory Board also met without the Management Board to discuss the Supervisory Board's performance and its relationship with the Management Board.

At all of the meetings, the Company's general state of affairs was discussed and, where required, proposals by the Management Board were submitted to the Supervisory Board for approval. Key subjects regularly discussed included the Company's strategy, conversion of the vessels and risk management. Different strategic options for the Company were addressed and evaluated during several meetings. The Company's external auditor was present during the Board's discussions of the Company's annual figures. Outside of the meetings, there was regular contact between the Management Board and the Chairman and individual members of the Supervisory Board regarding important company matters. The external auditor advised the Supervisory Board with regards to Corporate Governance. Other matters examined included the external auditor's fees for the audit, activities related to the audit and other activities. The external auditor also confirmed that it is independent from the company. This is in accordance with the prevailing code of professional conduct.

Remuneration policy

In the area of remuneration, the topics discussed by the Supervisory Board included the remuneration of the Management Board members and the share option scheme. In May 2006, the Supervisory Board contracted Mr Adkins for a period of one year and Mr du Marchie Sarvaas for a period of three years. On 31 July 2006, the General Meeting resolved to approve a share option scheme for key individuals. Please refer to the Notes to the Consolidated Income Statement in the Financial Statements for details on the option scheme currently in place.

None of the members of the Supervisory Board hold any (option rights for) Registered Shares or Depository Receipts.

Biographical details of the Supervisory Board

Mr Willem Dirkzwager, Rotterdam, The Netherlands (1948)
(Dutch, Appointed in 2005, Scheduled to resign in 2007)
Mr Dirkzwager is since 1987 owner and managing director of Independent Marine Adviser, a company which assists ship owners and shipyards with commercial and financial advice, mergers and acquisitions in the transportation field, and maritime projects. Mr Dirkzwager has been on the supervisory board of Mulder & Rijke B.V., a shipyard specialised in lifeboats, for 10 years and with Interscaldis B.V., a real estate company, for over 5 years. Mr Dirkzwager worked for Nedlloyd Lines in various managerial positions in The Netherlands and overseas and worked for the Dutch Shipmortgagebank until 1987.

Mr Hans J.H. Verhagen, Kalmhout, Belgium (1946)
(Dutch, Appointed in 2005, Scheduled to resign in 2007)
Mr Verhagen was CFO of Kahn Scheepvaart B.V. and was responsible for the world wide financial administration for the Kahn Group (Jumbo Shipping) until his retirement after working for the group for 41 years. Mr Verhagen has held the position as CFO of Kahn Scheepvaart B.V. since 1991. Since 1984 he has also hold the position of Vice-President. Mr Verhagen has over 40 years experience from the shipping business. Mr Verhagen retired from Kahn-Jumbo Shipping in June 2005.

Mr Leif O. Aaker, Trondheim, Norway (1951)
(Norwegian, Appointed in 2006, Scheduled to resign in 2010)
Leif O. Aaker became Vice President, Business Development with FPS Ocean AS, Oslo in June 2006. Mr Aaker is educated from the Norwegian Institute of Technology (M.Sc.), Trondheim and additional studies at the Norwegian Business School (NHHK), Bergen. Mr. Aaker has 29 years of experience within the offshore and shipping industry; contracts negotiations, commercial and technical/operational disciplines, large multidisciplinary projects and within marketing and business development. Mr Aaker has previously held positions as project manager JL Heavyweight Transport AS, Copenhagen; project manager Consafe Offshore AS, Gothenburg; Vice President, Technical and Vice President, Business Development Golar-Nor Offshore AS (Petrojarl), Trondheim; Sr. Vice President Fred. Olsen Energy ASA, Oslo and Business Development Manager Boa Offshore AS, Trondheim.

Mr Bjørn Henriksen, Sandnes, Norway (1961)
(Norwegian, Appointed in 2006, Scheduled to resign in 2010)
Mr Bjørn Henriksen has been Executive Vice President & CFO of Prosafe since March 2005. Mr Henriksen graduated as a state-authorised accountant from the Norwegian School of Economics and Business Administration in Bergen, Norway. Mr Henriksen joined Transocean in 1992 and has held a number of positions there and in Prosafe, including president of Prosafe Offshore Ltd. and of Prosafe Production. Mr Henriksen is a Norwegian citizen and resides in Sandnes, Norway.

Conclusion

The Board wishes to express its gratitude to the Management Board and to all its employees for their efforts over the past year on behalf of the Company.

Rotterdam, 27 February 2007

For the Supervisory Board,

Willem Dirkzwager
Chairman

Directors' report

Market Opportunity

The demand for heavy lift transportation services in the next decade is high. Initially, we see a large market with the transportation of new building drilling rigs and regeneration of cold stacked rigs for exploration purposes, followed by an increase in interregional rig movements to transport equipment from one field to another. Subsequently, the transportation of production modules will require significant heavy transportation capacity. Towards the end of the decade the transportation need for decommissioning equipment will increase. Our vessels are well positioned to enter this market as the newest and most versatile ship to be built in the last 10 years.

In 2007 and 2008 alone, there are some 55 new building jack-up rigs and semi-submersibles to be completed requiring transportation, as well as an additional 390 individual rigs whose current contract expires. A number of these contracts will be extended but others will not be extended and require rigs to be moved to other fields. Approximately 70% of the jack-ups are owned by only six companies. The same figure applies to the semi-submersibles. The existing capacity available to transport these rigs cannot meet demand.

Strategy

FHT aims to become the leading heavy transport partner for customers seeking to secure reliable ocean transportation services for their "high tech / high value" cargoes.

To achieve this, FHT will position the Company as the premium offshore transportation company in the energy industry, proactively building relationship with the clients representing the majority of rig movements, offering superior services and focusing on creating value for both FHT and its clients.

The Company intends to focus on a small group of customers with the greatest need for secure and reliable transport services. The escalation of drilling rates exposes rig operators to significant losses in the event they fail to arrive at the drill sites on time. The increasing value of the rigs being transported as well as the more stringent requirements of insurers has raised the operational hurdles on transport vessels as well. The Fairmount Fjord and FJELL will be state-of-the-art heavy lift vessels crewed by officers and ratings with many years of heavy transport experience. Reliability and safety will be hallmarks of the FHT service. FHT is well-suited to take advantage of the market opportunity:

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- **High-end vessels capable of transporting a the majority of cargoes:** FHT vessels can transport almost all jack up drilling rigs designs, as well as some 80-90% of all semi-submersible drilling rigs all except the very largest units and a few geometrically odd shaped units that may not be suitable for dry transportation. FHT vessels will also be very suitable to perform transport of other types of cargoes, such as dredgers, docks, land-based modules, barges, container cranes, submarines, military vessels, docking of rigs, etc.

- **Extensive industry expertise:** The Company's manager, Fairmount Marine, is a leading global provider of ocean towage and transportation services with large ocean going tugs and barges. Focusing on providing turnkey services for towages of "high value" units like FPSOs, GBS platforms, drilling rigs, topsides modules, etc.

- **Experienced management and heavy transport crews:** The Company has hired experienced Dockwise crews for its vessels, who are currently supervising the conversion and will later form the backbone of vessels' crew. Furthermore, the Company's Management team has many years of experience in managing entrepreneurial and larger listed companies.

While new capacity will be added to the market in the form of converted single hull tankers, the Company's vessels will be the most modern, sophisticated, purpose-built vessels on the market. The vessels will have several operational and design advantages which, in the view of management, give it distinct competitive advantages:

- **Age**: Propulsion and other key systems on converted tankers are 20+ years old. Condition of tank coating is critical on older tankers. FHT vessels have brand new equipment and its tanks have never been used for transporting corrosive materials.

- **Reliability**: Tankers have a single propulsion system, providing no redundancy in case of engine failure. FHT vessels have full redundancy (2 engines, 2 propellors).

- **Size**: The overall size of tankers makes them more difficult to operate in the field.

- **Operational limitations**: Tankers are less suitable for higher value transports (modules, spars) due to limited deck length (max 125m), loading limitations (no longitudinal loading), and lower deck load capacity. Tankers are also not suitable for float-over operations in the field due to bow and stern build up. Furthermore, the ballast tank arrangement of tankers is not optimal (larger tanks make ballasting/deballasting more time consuming) and therefore require longer loading and discharging time.

The Company is well positioned to take a leading position in the heavy transport industry. Its superior, new and purpose-built vessels offer it a sustainable competitive advantage over its competitors. The ongoing transportation projects support its capabilities and the clients' acceptance of these strengths.

Conversion

Following completion of the conceptual engineering, a dedicated project team commenced the basic engineering on which interested conversion yards were able to submit their offers for the conversion of the barges to self-propelled semi-submersible heavy transportation vessels. In 2005, the basic engineering was completed and by June 2006 the main detailed engineering was done. In the fourth quarter 2005, the yard selection process was initiated. The Company received the bids from the yards at the end of January 2006. After evaluating the bids the Company entered into detail negotiations with three shipyards, during which it obtained further information and clarifications from the yards and discussed contract details.

These negotiations enabled the Company to achieve the most favourable contract. On 9 March 2006, the conversion contract was signed with Malta Shipyards Ltd.

Malta Shipyards Ltd. was awarded the contract because of their experience and willingness to provide an EPC (Engineering Procurement Contract) with fixed price and delivery date, as well as a penalty clause for late delivery. As certain high cost items are considered long lead items (i.e. equipment required for the conversion with long delivery periods relative to the entire conversion period, such as the power package, thrusters, propulsion systems and bridge equipment), the Company entered into a firm agreement in September 2005 with a major provider of this equipment (Wärtsilä/Imtech) on a fixed price basis.

In June 2006, the Fairmount Fjord entered the shipyard in Malta. The conversion of the Fairmount Fjord is now well underway. With the majority of steelwork completed (95%), the focus of the conversion is now on integrating the many systems, predominantly supplied by sub-contractors, into the vessel. The Fairmount Fjord is expected to be re-delivered early April followed by a commissioning period.

In June 2006, the Company exercised its option to also convert the Fairmount Fjell at Malta Shipyards Ltd. The contract terms are the same as those of the Fairmount Fjord with the exception of the price, which is lower due largely to the fact that the Fairmount Fjell will not be lengthened. The Fairmount Fjell is expected to arrive in Malta to begin conversion upon completion of the present Transocean Trident 14 dry-docking project. The conversion period of Fairmount Fjell is expected to be five months.

The anticipated total cost of the vessels is USD 136 million for both vessels. This includes the purchase of the barges, the cost of converting them to self-propelled vessels as well as the costs associated with important changes made to the vessels to further improve the safety levels and operational effectiveness. The Management Board is confident this total cost is sufficient for both vessels.

Health, Safety and Environment

Health, safety environment (HSE) and quality are an integral element in FHT's business practice. The Company's manager, Fairmount Marine, has stringent HSE and quality management systems in place. All employees are deemed to take their individual responsibilities seriously and to contribute to safe working methods, healthy working conditions, an environmental awareness and a higher level of service to customers. The Company had no serious incidents in the past year.

Operations

Whereas the Company expected that the barges would be in lay up until start of conversion, demand was such that the Company was able to secured three barge-transportation contracts for execution in 2006 and 2007.

In 2005, the Company entered into a contract with a leading offshore drilling contractor, Transocean, to transport one of its jack-up drilling rigs, Trident IV, from Zadar, Croatia to Malabo, Equatorial Guinea. Fairmount Fjell mobilised from its lay-up location at Stavanger to Rotterdam. After preparations in Rotterdam, the barge left under tow to Zadar where the Trident IV was loaded. The Fairmount Fjell - loaded with Trident IV - arrived offshore Malabo in early February 2006 where it was successfully discharged.

The Fairmount Fjell subsequently mobilised to Malaysia for its next project, the transportation and float-over of the 11,000 tons AMP2 topside for Saibos Akogep SNC on behalf of Total. The module was loaded in a 22-hour skidding operation. In spite of some difficult weather off the southern coast of Africa, the topside was successfully delivered to the Amenan field, offshore Nigeria where it was safely installed in a complicated float-over manoeuvre.

Immediately after completion of the float-over operation, the Company was presented with an opportunity to provide transportation and temporary dry docking for the Transocean Trident XIV jack-up. The Trident XIV was due to be loaded on the Fairmount Fjell off the coast of Cameroon in early December. However, due to complications with the rig, the loading was delayed. The Fairmount Fjell has been under hire throughout the project which is currently expected to be completed end April 2007.

At the completion of this contract the Fairmount Fjell will proceed to Malta for conversion.

Organisation

In the first half of this year, a number of changes occurred at both the Management Board and Supervisory Board level. At the request of the Company's shareholders the Supervisory Board was expanded with new independent directors: Mr Leif O. Aker, Mr Philip Adkins and Mr Bjørn Henriksen. In April 2006, the Chairman of the Supervisory Board, Mr Sjef van Dooremalen, resigned for personal reasons. Mr Willem Dirkzwager took over as Chairman.

The Management Board was also reconstituted to eliminate any possible appearance of conflict of interest with the Company's manager, Fairmount Marine. In this process, Mr Henk van den Berg and Mr Albert de Heer resigned from the Management Board. Mr Frederik Steenbuch was suspended by the Company's Supervisory Board for gross misconduct as a member of the Management Board and CEO of the Company. Mr Steenbuch was replaced by Mr Philip Adkins.

The Company's Management Board currently consists of Mr Philip Adkins (CEO) and Mr Cristijn du Marchie Sarvaas (CFO). The Supervisory Board consists of Mr Willem Dirkzwager (Chairman), Mr Leif O. Aker, Mr Bjørn Henriksen and Mr Hans Verhagen. The Board members represent a broad range of professional experience and skill which are of great value to the Company.

In addition to the personnel changes, the Management Agreement was also renegotiated in such a way as to clarify and fix the G&A expenses annually as well as to eliminate any future payments to third parties that had not been disclosed or approved by shareholders when the Company was established. The Management Board is now firmly of the view that the Company's interests are being managed in a transparent and professional fashion.

FHT has formed a wholly owned subsidiary, Fairmount Maritime Services BV, for the purpose of hiring expert heavy transport officers and crews. By year-end, the Company had employed ten full time officers and crew members as well as a crewing manager. Most of these professionals will be spending significant time in Malta during the conversion process in order to ensure their familiarity with the engineering features of the two vessels prior to actually being tested in offshore environments. The safety of both crews and cargoes is of paramount importance to our company. Management is certain that our customers expect us to provide experienced and knowledgeable heavy transport professionals on the vessels. In spite of a worldwide shortage of experienced offshore energy personnel, FHT is pleased to report our success in securing some of the best in the industry as new members of our team.

Financial Results

In the financial year 2006, the Company had gross revenues of USD 16 million (2005: USD 1.9m), time-charter equivalent revenues of almost USD 6 million (2005: USD -0.5m) and EBITDA of USD 1.9 million (2005: USD -1.8m).

The Company's 2006 revenues were generated by using the Fairmount Fjell as barge prior to conversion, and do not in any way represent future earnings after the vessels have been converted.

Listing at the Oslo Stock Exchange

On 25 October 2006 the Board of the Oslo Børs resolved to admit the shares of FHT for trading on the SMB-list of the Oslo Stock Exchange. In spite of the many challenges "over the counter" (OTC) companies now face in order to be listed on the proper Oslo Stock Exchange, FHT is now well positioned to use its listing to increase liquidity and broaden its base of international shareholders. On 17 November 2006, was the Company's first day of listing on the Oslo Stock Exchange under the ticker FAIR.

The Company has entered into a Market Making Agreement with Kaupthing ASA for the Company's shares. The purpose of the agreement is to increase the liquidity of the share and satisfy the requirement for listing on the OSE Match segment of the Oslo Stock Exchange.

Since its listing on the Oslo OTC market in August 2005, the Company's share price has developed favourably, starting from NOK 11.46 per share from the first listing date, 4 August 2005. At the start of 2006, the share price was NOK 16.50. The first listing on the OSE was at a share price of NOK 24.70. Since listing, the share price continued to increase, trading at NOK 29.00 at year-end. Overall, Shareholders have seen the share price increase by over 250% since the launch of the Company and 75% since the start of the year 2006.

General Meetings of Shareholders

The Company held its Annual General Meeting (AGM) on 27 March 2006 and two Extraordinary General Meetings (EGM) on 15 May and 31 July 2006. The main agenda points of the AGM were the appointment of new Supervisory Board of Directors and approval of the Financial Statement 2005. The main agenda points of the first EGM were the changes to the Management Board of Directors and the authorisation for the OSE listing. The main agenda points of the second EGM were appointment of new Supervisory Board of Directors and the implementation of a share option scheme for key employees.

The Company's Annual General Meeting will be held 26 March 2007.

Risks and Risk Management

The Management Board is responsible for the organisation and operation of the internal risk management and control systems. The purpose of these systems is to minimise the principal risks to which the company is exposed and to ensure compliance with legislation and regulations. The risk management and control system has the continuous attention of the Management Board and forms an essential part of the management of the company. The Management Board is confident that the necessary internal control procedures are in place to identify and mitigate material risks. The Management Board will deliver a formal in-control statement in 2007.

During the past year, procedures have been put in place in key areas to manage risks:

- **Project risks**: As part of FHT's business it regularly carries out high-risk projects. There are various risk areas, such as safety, environment and finance. Proper project management is essential in managing these risks. FHT's manager, Fairmount Marine, has extensive control systems in place to identify, mitigate and manage these project risks. Their SHE-Q department identifies safety and environmental risks and defines risk control measures. The effects are regularly assessed using audits. Financial risks arising from the Company's operations are managed by drawing up budgets and regular forecasts of the expected project results.

- **Insurance**: The Company has taken out sufficient insurance for its tangible fixed assets and for liability.

- **Financial risks**: Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to hedge the vast majority of exposure to fluctuations in foreign exchange rates and interest rates.

For further information about the financial instruments and currency risk management, please refer to policy notes in the Financial Statements.

Corporate Governance

The Company is very mindful of the increasing importance Corporate Governance policy to the public. The Company has reviewed the Corporate Governance Code published by the financial regulatory authorities in the Netherlands. The Company already applies or will apply all the principles and a significant part of the best practice provisions from the Code. The best practice provisions that will not be adopted are considered not relevant or appropriate in view of the Company's size. We refer to the Company's website for more details about the exceptions.

Prospects

It is increasingly clear that the market for offshore heavy transport is robust. Day rates continue to increase and appear to be correlative with drilling rates being achieved by our primary customer base. In the next two years there are approximately 200 jack-up and semi-submersible rigs requiring transportation. In addition, the spars and topsides required by many offshore development projects will place further demands on the limited capacity of offshore heavy transport supply. The Fairmount Fjord and the Fjell will enter the market as two of the newest and most versatile heavy transport vessels. The Company will be in a strong position to target that segment of the market demanding the most rigorous transportation services. We believe this will allow us to focus on premium customers in order to capture the highest gross margin and subsequently highest value for our shareholders.

Dividends

The Company intends to distribute he maximum amount of free cash from operations to its

Shareholders on an annual basis, consistent with any bank or bond covenants that may address the size and frequency of dividends in the future.

Rotterdam, 27 February 2007

The Management Board:

Ph. J. Adkins

C.J.C. du Marchie Sarvaas

Fairmount Heavy Transport N.V.

Consolidated income statement for the year 2006

	2006		8 July 2005 – 31 December 2005	
	USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Revenue	**16,341**		1,905	
Voyage related costs	**-10,363**		-2,385	
Time-charter equivalent		**5,978**		-480
Other income		**129**		–
		6,107		-480
Vessel operating expenses	**-1,268**		-664	
General and administrative expenses	**-2,968**		-657	
Operating expenses, other than depreciation and amortisation		**-4,236**		-1,321
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**1,871**		-1,801
Depreciation		**-1,255**		-711
Operating profit (loss) before financing costs		**616**		-2,512
Financial income	**341**		124	
Financial expenses	**-98**		-1	
Net financing costs		**243**		123
Profit (loss) before tax		**859**		-2,389
Income tax expenses		–		–
Profit (loss)		**859**		-2,389

Weighted average number of ordinary shares	**30,015,890**		26,154,545
Basic earnings per share	**USD 0.03**	USD	-0.09
Diluted earnings per share	**USD 0.03**	USD	-0.09

Fairmount Heavy Transport N.V.

Consolidated balance sheet as at 31 December 2006

	31 December 2006 USD 1,000	31 December 2005 *) USD 1,000
Assets		
Property, plant and equipment	**95,592**	54,744
Total non current assets	**95,592**	54,744
Current assets		
Trade and other receivables	**2,689**	1,382
Derivative financial instruments	**2,016**	–
Cash and cash equivalents	**12,930**	1,449
Total current assets	**17,635**	2,831
Total assets	**113,227**	57,575
Equity and liabilities		
Current liabilities		
Trade and other payables	**3,368**	6,144
Derivative financial instruments	**1,269**	–
	4,637	6,144
Non-current liabilities		
Long term loan	**48,034**	5,554
Total liabilities	**52,671**	11,698
Equity		
Issued share capital	**59,596**	50,841
Share premium	**1,688**	-2,575
Retained earnings	**-1,530**	-2,389
Hedging reserve	**747**	–
Share-based payments reserve	**55**	–
Total equity	**60,556**	45,877
Total equity and liabilities	**113,227**	57,575

*) restated for comparison purposes.

Consolidated Statement of recognised income and expense

	2006	8 July 2005 – 31 December 2005
	USD 1,000	USD 1,000
Profit (loss) for the period	**859**	-2,389
Change in valuation of derivate financial instruments	**747**	–
Net expenses recognised directly in equity	**-618**	-2,686
Total recognised income and expense for the period	**988**	-5,075
Attributable to:		
Equity holders	**988**	-5,075

Consolidated cash flow statement

	2006		8 July 2005 – 31 December 2005 *)	
	USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Cash flows from operating activities				
Profit (loss) after taxation	**859**		-2,389	
Depreciation/amortisation	**1,255**		711	
Share-based payments	**55**		–	
		2,169		-1,678
Changes in working capital (excluding cash and cash equivalents and derivative financial instruments)		**-4,083**		4,762
Net cash from operating activities		**-1,914**		3,084
Cash flow from investing activities				
Investments in:				
Property, plant and equipment	**-42,103**		-55,455	
Net cash from investing activities		**-42,103**		-55,455
Cash flow from financing activities				
Proceeds from the issue of share capital	**13,636**		50,930	
Less: External costs directly attributable to the issue of shares	**-618**		-2,686	
Draw down long term loan	**42,480**		5,554	
Net cash from financing activities		**55,498**		53,798
Net increase in cash and cash equivalents		**11,481**		1,427
Cash and cash equivalents at the beginning of the period		**1,449**		22
Cash and cash equivalents at 31 December		**12,930**		1,449

*) restated for comparison purposes.

Notes to the consolidated financial statements

General

Background

The Company was incorporated on 8 July 2005. Shortly thereafter the Company successfully raised approximately USD 50 million in equity through a private placement and the Depository Receipts became tradable on the over the counter (OTC) market in Oslo, Norway. Since 17 November 2006, the Company is quoted on the official Oslo Stock Exchange (OSE) under the ticker FAIR.

On 27 December 2006, the Company successfully raised another USD 13 million in equity.

On 10 August 2005, the Company purchased and took delivery of the Barges from BOA Offshore AS in Trondheim, Norway. The Barges have been renamed FAIRMOUNT FJORD and FAIRMOUNT FJELL, respectively. In 2006 and 2007, the Barges will be converted to self propelled semi-submersible heavy transport vessels able to transport valuable floating and non-floating cargoes with complex specifications, over long ocean distances, worldwide. In June 2006, the FAIRMOUNT FJORD entered the shipyard in Malta. The FAIRMOUNT FJORD is expected to be delivered from the shipyard and working under contract in the second quarter 2007. In June 2006, the Company exercised its option to also convert the FAIRMOUNT FJELL at Malta Shipyards Ltd. The FAIRMOUNT FJELL is expected to arrive in Malta to begin conversion upon completion of the present Transocean Trident 14 dry-docking project, currently estimated to be mid April 2007. The conversion period of FAIRMOUNT FJELL is expected to take five months.

Business description

The anticipated total cost of the vessels is USD 136 million for both vessels. This includes the purchase of the barges, the cost of converting them to self-propelled vessels as well as the costs associated with important changes made to the vessels to further improve the safety levels and operational effectiveness. The Management Board is confident this total cost is sufficient for both vessels. By the end of 2005, the Company finished the basic engineering of the conversion. Interested yards received a prequalification document in November 2005, and the Company received the bids end January 2006. On 9 March 2006, the conversion contract was signed with Malta Shipyards Ltd. Malta Shipyards Ltd. was awarded the contract because of their experience and willingness to provide an EPC (engineering procurement contract) with fixed price and delivery date, as well as a penalty clause for late delivery.

As certain high cost items are considered long lead items (i.e. equipment required for the conversion with long delivery periods relative to the entire conversion period), the Company entered into a firm agreement in September 2005 with a major provider of this equipment on a fixed price basis.

Once the barges have been fully converted to semi-submersible transportation vessels they will trade in the world markets to transport large floating- and non-floating cargoes mainly used in the offshore oil and gas industry, such as drilling rigs, floating production platforms, modules, etc. The vessels will typically perform work on a contract-to-contract basis, rather than being time-chartered to clients. Such contracts are performed on a lump sum basis where the owner of the vessel (the Company) takes risk connected to ballast journeys, harbour cost, cribbing and sea-fastening cost, etc. The contract normally includes provisions protecting the owner for increase in fuel cost, canal transits and weather risk.

Authorisation final statements

The financial statements were authorised for issue by the Supervisory Board on 27 February 2007.

Accounting principles

Statement of compliance

The financial statements of the Company have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code using International Financial Reporting Standards (IFRS) as endorsed in the EU and its interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

These financial statements are presented in USD rounded to the nearest thousand. They are prepared on historical cost basis and the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate.

The preparation of the accounts of the Company in conformity with IFRS requires management to make judgements, 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 considered to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 recognised 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.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes.

Although the main elements of IFRS have been approved by the IASB, there are still areas of IFRS that have to be finally clarified. It is therefore likely that there will be continuous updating, adjustments and interpretations that may affect the Company's accounting principles in the future.

Basis of consolidation

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 figures of the subsidiaries are included in the financial statements from the date that control commences until such control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-USD currency

Non-USD currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in non-USD currencies at the balance sheet date are translated to USD at the applicable exchange rate ruling at that date. Non-USD exchange differences arising on translations are recognised in the income statement. Non-USD exchange differences arising in respect of operating business items are included in the operating result in the appropriate income statement account, and those arising in respect of financial assets and liabilities are recorded net as a financial item.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to non-USD exchange and interest rate risks arising from financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting principle regarding hedging).

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. When 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 recognised 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 (for example, when interest income or expense is recognised). 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 recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Company 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 recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge financially the non-USD exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Summary of significant accounting policies

Time-charter equivalent

The time-charter equivalent is calculated as revenues minus voyage related costs. The time-charter equivalent of a voyage is estimated and recognised on a straight-line basis over the duration of the voyage. Probable losses on voyages are provided for in full at the time such losses can be estimated.

Prepaid expenses and accrued expenses are recorded under trade and other receivables, and trade and other payables, respectively.

Revenues

Revenues are lump-sum freights plus any demurrage payments generated by transportation projects.

Voyage related costs

Voyage related costs are costs directly related to lump-sum freights encountered by transportation projects.

Vessel operating expenses

Vessel operating expenses comprise the operating costs of the vessels as crew and crew related costs, repairs and maintenance, insurance, damage accruals and miscellaneous operating expenses directly attributable to the vessels.

Income tax

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

Income tax on the income from ocean shipping activities after conversion of the barges will be levied in accordance with the Dutch tonnage tax regime.

Income tax on other income and income from transportation activities prior to conversion of the barges to vessels are levied in accordance with Dutch corporate income tax regulations, taking into account fiscal facilities and non-deductible expenses. Income tax is calculated at the nominal tax rates.

Deferred tax is recognised at the nominal tax rate 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Property, plant and equipment (PP&E)

General

PP&E consist mainly of vessels and other equipment acquired by the Company. PP&E are stated at cost less accumulated depreciation and impairment losses, if any.

Interest costs on borrowings to finance the conversion of the barges to vessels and external management costs relating to the conversion are capitalised during the period required to complete and prepare the vessels for their intended use. Other borrowing costs are expensed as they incur.

Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they incur. The costs of any major renovations are included in the vessels' carrying amount when it is probable that the Company will derive future economic benefits in excess of the originally assessed standard of performance. Any major renovations are depreciated over the useful lives of such renovations.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the item and are included in operating profit. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less selling costs.

Dry-docking

After conversion the vessels will undergo a survey typically every 2.5 years. The costs incurred for dry-docking of vessels are capitalised and depreciated over the period to the next dry-docking.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life. The barges are depreciated from the moment of acquisition. No depreciation is accounted for during the conversion of the barges. When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

The estimated remaining useful life is as follows:

- Barges/vessels 25 years (from 10 August 2005)
- Conversion of barges 25 years (from the date of delivery of the vessels after conversion)
- Transportation equipment 2-5 years.

Transportation equipment includes cribbing, sea fastening, guide posts, etc.

The residual value, if not insignificant, is reassessed annually.

Impairment of assets

The carrying amount of the Company's vessels and any other non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable, mainly independent, cash flows (cash-generating units). An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an extent higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Borrowings (Long term loan)

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

Provisions

A provision is recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligations, determined using the estimated risk free interest rate as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as interest expense.

Equity

Share capital

Share capital is classified as equity. The Company has not issued preference shares.

Costs in connection with share issuance

External costs directly attributable to the issuance of new shares are recognised directly in equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Cash flow statement

The cash flow statement has been prepared applying the indirect method.

Notes to the consolidated income statement

Time-charter equivalent

Revenue

Although the original plan was to lay-up the barges prior to conversion, the Company managed to perform three projects during 2006 using the FAIRMOUNT FJELL, generating gross revenues of USD 16 million and a time-charter equivalent revenues of almost USD 6 million.

Dispute

The Company is involved in one law suit related to the early termination of a transportation contract which the Company entered into in September 2005 with a Mexican client to transport its derrick vessel from Mumbai to the Gulf of Mexico. Although the client has paid the Company the first instalments as contractually obliged, prior to FAIRMOUNT FJORD's entry of the Suez Canal for the scheduled transit, the client failed to pay the agreed freight instalment. As several reminders to the client proved unsuccessful, it became evident that the client did not have any intention to be bound by the terms of the transportation contract, and in particular as to making further payments to the Company. As the transportation contract is governed by English law, the Company has instructed its English legal counsel to pursue arbitration for the Company's claim. The amount in question is USD 1.75 million. The Mexican client has issued a counterclaim. The Company has been advised by its legal counsels that the counterclaim does not expose the Company to a material liability

Although the Management Board is positive about the outcome of the arbitration procedures, collecting the money may be difficult. Consequently, the claim is valued at USD 1.

Other income

The other income consists of fees generated through the use of personnel of the Company's crewing subsidiary, Fairmount Maritime Services B.V., by its manager Fairmount Marine B.V. (USD 129,000).

Wages, salaries and social security charges

Since 1 August 2006, the Group has started to employ experienced vessel crews. Per 31 December 2006, the Company employs 10 staff.

Wages amounting to USD 172,000 were capitalised during the year relating to the conversion of the barges.

General and administrative expenses

	2006 USD 1,000	8 July – 31 December 2005 USD 1,000
Remuneration of the Board	**370**	132
Travel expenses of the Board	**118**	10
Manager's staff	**401**	61
Office and marketing expenses	**210**	–
Costs relating to the listing on the Oslo Stock Exchange	**935**	287
Travel expenses	**189**	15
Advisory costs	**682**	133
Miscellaneous	**63**	19
	2,968	657

Details of the remuneration of the Board are:

Management Board remuneration	**Management fee** **USD 1,000**	**Equity compensation** **USD 1,000**	**Total** **USD 1,000**
F. Steenbuch	**25**	–	**25**
Ph. J. Adkins (CEO)	**99**	–	**99**
C.J.C. du Marchie Sarvaas (CFO)	**137**	**55**	**192**
	261	**55**	**316**
Supervisory Board remuneration	**Remuneration**		
W. Dirkzwager (15 months)	**24**		**24**
J.J.H. Verhagen	**12**		**12**
L.O. Aaker	**12**		**12**
B.E. Henriksen	**6**		**6**
	54		**54**
Total	**315**		**370**

All members of the Supervisory Board are considered independent from management, major shareholders or significant business relations under the applicable Norwegian Stock Exchange Regulations and the Dutch corporate governance code.

On 13 October 2006, the Company filed a law suit against former CEO, Mr. Steenbuch, in order to recover fees surreptitiously paid to Mr. Steenbuch's wholly owned company Capricorn Offshore AS pursuant to side agreements that were not disclosed to the Company and the Shareholders.

Employee benefits

In 2006, the Company established a share option programme that entitles key employees to purchase shares in The Company. In October 2006, 300,000 options were granted to the personal holding of the CFO of the Company, Mr C. du Marchie Sarvaas. The options will vest and become exercisable in three equal instalments of 100,000 options. The first two tranches of 100,000 options will vest and become exercisable two months after the conversion of FAIRMOUNT FJORD and FAIRMOUNT FJELL respectively. The vesting date of the third tranche of 100,000 options is three years after the grant date. The exercise price of the options is NOK 22.

If the Option Holder's management agreement is terminated by the Company as a result of a reorganisation in connection with merger, takeover, sale etc the Option Holder may immediately exercise all the granted options.

The share option programme qualifies as an equity settled programme. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. Fair value is calculated using the Black & Scholes valuation model. The fair value of the options granted is USD 250,000, of which USD 55,000 is recognized in 2006.

Financial income

Financial income includes a one off amount received for the transfer of locked shares from one shareholder to another. The lock up remains in place.

Financial expenses

Interest amounting to USD 1,477,000 (2005: USD 74,000) was capitalised during the year relating to the construction of property, plant and equipment.

Income tax

No income tax is recognised on the profit for the reporting period as it is expected that accumulated taxable results will be negative in the foreseeable future due to the fact that start-up losses in the period until conversion of the barges are expected to be tax-deductible, whereas results in the years after conversion of the barges will be taxed in accordance with the Dutch tonnage tax regime.

Notes to the consolidated balance sheet

Non current assets

Property, plant and equipment

The movements can be shown as follows:

	Barges	Conversion of the barges	Transportation equipment	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 January 2006	44,477	10,267	–	54,744
Investments	-300	42,340	63	42,103
Depreciation	-1,249	–	-6	-1,255
Balance as at 31 December 2006	42,928	52,607	57	95,592
Composed as follows:				
Purchase price	44,888	52,607	63	97,558
Accumulated deprecations	-1,960	–	-6	-1,966
Balance as at 31 December 2006	42,928	52,607	57	95,592

At 31 December 2006, the Company's two barges, with a carrying amount of USD 95,592,000, are subject to a registered mortgage to secure bank loans.

Current assets

Trade and other receivables

Details are:

	31 December 2006	31 December 2005
	USD 1,000	USD 1,000
Trade receivables	996	910
Tax receivable	94	162
Prepaid expenses and accrued income	1,482	310
Other	117	–
	2,689	1,382

Derivative financial instruments

At 31 December 2006, the Company held several forward exchange contracts designated as hedges of expected conversion investments for which the Company has firm commitments or forecasts. Furthermore, the Company held several interest rate swaps contracts designated as hedges of variable interest rate bearing debt. The fair value of the derivative financial instruments included in the balance sheet can be summarized as follows:

	Asset USD 1,000	Liability USD 1,000
Interest rate swaps	–	1,269
Forward currency contracts	2,016	–
	2,016	1,269

Cash and cash equivalents

As at 31 December 2006, the proceeds of the new share issue amounting to NOK 85,215,000 (MUSD 13.6) were held in an escrow account of the issuing Bank. The proceeds have been transferred to the Company's bank account on 3 January 2007. As the value date of the transaction is 29 December 2006, the Company recognized the proceeds as cash and cash equivalents at year end 2006. The currency exposure with respect to the outstanding amount is not significant.

Furthermore, cash and cash equivalents are at the free disposal of the Company.

Liabilities

Trade and other payables

Details are:

	31 December 2006 USD 1,000	31 December 2005 USD 1,000
Trade creditors	2,465	4,502
Related parties	177	290
Tax payable	52	-
Accruals and accrued income	674	1,352
	3,368	6,144

Long term loan

The Company entered into a USD 76 million loan facility with the German bank, HSH Nordbank AG. The loan consists of two parts:

- USD 60 million Term Loan with repayment schedule of eight years (12 year profile) at LIBOR plus a margin;
- USD 16 million Mezzanine Loan with repayment schedule of eight years at LIBOR plus a margin.

The loan agreement states that if the Company pays a dividend to its shareholders, it must repay tranche B (USD 16 million facility) loan in an amount equal to such dividend.

The Company shall repay the Term Loan in 31 consecutive quarterly instalments of USD 1,250,000 and one last instalment of USD 21,250,000. The Mezzanine Loan shall be repaid in 32 consecutive quarterly instalments of USD 500,000.

The first repayment date is falling three months after the redelivery date of the second Vessel, but no later than 30 June 2008.

In addition to the abovementioned facilities, the Company has secured a USD 5 million overdraft facility with HSH Nordbank AG for working capital purposes.

The Company entered into interest rate swap agreements for a total amount of USD 76,000,000. The term of the swaps is seven years. The fixed swap rates range from 6.4% to 7.35% (including the margin of the bank).

Equity

Statement of changes in equity

	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
2005	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Incorporation	22	–	–	–		22
Private placement of shares on 1 August	349	50,581	–	–		50,930
Change in nominal value of shares	50,470	-50,470	–	–		–
Expenses relating to issuance of shares	–	-2,686		–		-2,686
Result for the period	–	–	-2,389	–		-2,389
Balance as at 31 December	50,841	-2,575	-2,389	–	-	45,877

Fairmount Heavy Transport N.V.

2006	Issued share capital USD 1,000	Share premium USD 1,000	Retained earnings USD 1,000	Hedging reserve USD 1,000	Share-based payments reserve USD 1,000	Total USD 1,000
Balance as at 1 January	50,841	-2,575	-2,389	–	-	45,877
Private placement of shares on 29 December	5,401	8,235	–	–		13,636
Expenses relating to issuance of shares	–	-618				-618
Share based payments					55	55
Cash flow hedges				747		747
Translation difference on issued share capital	3,354	-3,354		–	–	–
Result for the period	–	–	859	–	–	859
Balance as at 31 December	59,596	1,688	-1,530	747	55	60,556

Issued share capital

The authorised share capital of the Company amounts to EUR 500,000, divided into 50,000,000 shares of EUR 1.37, of which 32,990,000 (2005: 30,000,000) shares have been placed.

Share premium

The share premium equals the proceeds of share placements insofar as these exceed the nominal amount of the shares (proceeds above par) less expenses attributable to the issuance of the shares.

Hedging reserve

The hedging reserve consists of the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The Company does not hold any Depository Receipts or Registered Shares in its own capital.

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to hedge the vast majority of 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 customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counter parties that have a credit rating equal to or better than the Company. Transactions involving derivative financial instruments are with counterparties with whom the Company has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

Hedging

The Company adopts a policy of ensuring that between 80 and 90% 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 Company's policy. The swaps mature over the next seven years following the maturity of the related loans.

The Company classifies interest rate swaps as cash flow hedges and states them at fair value.

Non-USD currency risk

The Company has its assets valued in USD and its debt in USD. Clients normally pay lump sum freights in USD, and the bulk of the Company cost will also be in USD, such as bunkers cost, harbour cost and other voyage related cost. The Company further expects to encounter most of its operating cost in USD, i.e. such as crew- and crew related cost, repairs and maintenance and insurance. Most of the general and administrative expenses will be in EUR. Compared to the Company's overall cost these expenses are relatively low. The Company has not entered into financial instruments that are not shown on the balance sheet.

In respect of other monetary assets and liabilities held in currencies other than the USD, the Company ensures that the net exposure is kept at an acceptable level, by buying or selling non-USD currencies at spot rates where necessary to address short-term imbalances.

The principal amounts of the Company's EUR liabilities with regard to the conversion of the barges have been fully hedged using forward contracts that mature on the payment date of these liabilities.

Forecasted transactions

The Company classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

Sensitivity analysis

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

At 31 December 2006, it is estimated that a general increase of 1% in interest rates would have decreased the Company's loss before tax by less than USD 10,000 for the year ended 31 December 2006. The interest paid on the loan is capitalised as part of the investment in the conversion of the barges.

It is estimated that a general increase of 1% in the value of the USD against other non-USD currencies would have increased the Company's loss before tax by less than USD 40,000 for the year ended 31 December 2006.

Fair values

The carrying amounts of the items shown in the balance sheet approximate the fair values in the balance sheet.

Related parties

Identity of related parties

The Company has a related party relationship with its subsidiaries, Supervisory Board, Management Board and Fairmount Marine B.V.

Transactions with related parties

Management Board of the Company and their immediate relatives control 2.81% of the voting shares of the Company either directly or indirectly. Details are:

	31 December 2006		31 December 2005	
	%	**Number of shares**	%	Number of shares
Fairmount Marine Investments B.V. (H.J. van den Berg)	**2.7%**	**882,000**	2.9%	882,000
A.J. de Heer (employee Fairmount Marine B.V.)	**0.03%**	**10,000**	0.03%	10,000
C.J.C. du Marchie Sarvaas	**0.08%**	**28,000**	0.09%	28,000

The Supervisory Board members do not own shares in the Company.

Transactions with Fairmount Marine B.V.

Management agreement

The Company has entered into a Management Agreement with Fairmount Marine B.V. to provide technical and commercial management during both the conversion phase and the subsequent operational phase.

The key commercial terms of this five year Management Agreement can be summarized as follows:

- Management fee applicable prior to the completion of conversion of each Barge - USD 565/Barge/day;
- Management fee applicable after the completion of conversion of each Barge - USD 900/Vessel/day, which will be reduced to USD 730/Vessel/day during periods of lay-up exceeding 30 days;
- Management fee escalation - USD 66/Vessel/day adjustable each 1 January;
- Bonus per transportation contract - 0.825% of gross freight;
- G&A costs are negotiated and fixed on an annual basis by the management of the Company depending upon the scope of services required from Fairmount Marine;
- If there is a change of control within the Company and the Management Agreement is subsequently terminated, the Company may be required to pay a termination fee.

In 2006, USD 1,452,000 was invoiced by Fairmount Marine B.V. under the Management Agreement.

Other related party transactions

Other transactions with Fairmount Marine B.V. included chartering of tugs (MUSD 7.4). At 31 December 2006, the Company owed related parties USD 252,000. The transactions are priced at arm's length.

Commitments and contingencies

Prior to 31 December 2006, there are firm commitments in place of MUSD 30 relating to the conversion of the barges. These commitments have not been included in the balance sheet as per 31 December 2006.
These capital commitments will be financed by means of the long term loan and equity.

At 31 December 2006, bank guarantees have been issued for USD 1.2 million.

Accounting estimates and judgements

The Management Board has discussed with the Supervisory Board the development, selection and disclosure of the Company's critical accounting policies and estimates as well as the application of these policies and estimates.

Key sources of estimation uncertainty

On page 21 under Non-USD currency risk a detailed analysis is given of the non-USD exchange exposure of the Company and risks in relation to foreign exchange movements.

Critical accounting judgements in applying the Company's accounting policies

Apart from the uncertainty regarding the outcome of the arbitration procedures mentioned in the notes to the income statement, there are no critical accounting judgements in applying the Company's accounting policies.

Company income statement for the year 2006

(after profit appropriation)

	2006	8 July 2005 – 31 December 2005
	USD 1,000	USD 1,000
Company result	809	-2,389
Result subsidiaries	50	–
Profit (loss)	859	-2,389

The Company income statement is abridged in accordance with Article 402, Part 9 of Book 2 of the Netherlands Civil Code.

Fairmount Heavy Transport N.V.

Company balance sheet as at 31 December 2006

	31 December 2006 USD 1,000	31 December 2005 USD 1,000
Assets		
Property, plant and equipment	**95,626**	54,744
Investments in subsidiaries	**95**	22
Total non current assets	**95,721**	54,766
Current assets		
Trade and other receivables	**2,671**	1,707
Financial instruments	**2,016**	–
Cash and cash equivalents	**12,840**	1,427
Total current assets	**17,527**	3,134
Total assets	**113,248**	57,900
Liabilities		
Current liabilities		
Trade and other payables	**3,389**	6,144
Financial instruments	**1,269**	–
Interest-bearing loan	**48,034**	5,879
Total liabilities	**52,692**	12,023
Equity		
Issued share capital	**59,596**	50,841
Share premium	**1,688**	111
Retained earnings	**-1,530**	-5,075
Hedging reserve	**747**	–
Share-based payments reserve	**55**	-
Total equity	**60,556**	45,877
Total equity and liabilities	**113,248**	57,900

03-04-2007

Notes to the company financial statements

General

The Company uses the option provided in section 2:362 (8) of the Netherlands Civil Code in that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements are the same as those applied for the consolidated financial statements. These consolidated financial statements are prepared according to standards laid down by the International Accounting Standards Board and adopted by the European Union (referred to as EU-IFRS). Reference is made to the consolidated financial statements for the principles used. Investments in subsidiaries over which significant influence is exercised, are stated at net asset value.

We refer to the notes to the consolidated financial statements as the difference between the consolidated and company financial statements are minimal.

Subsidiaries

This refers to a 100% participation in Fairmount Beheer B.V., Rotterdam, and a 100% participation in Fairmount Maritime Services B.V, Rotterdam.

Movements were as follows:

	USD 1,000
Balance as at 1 January 2006	22
Fairmount Maritime Services B.V.	23
Result subsidiaries	50
Balance as at 31 December 2006	95

Summary financial information on investments (100%)

	Assets USD 1,000	Liabilities USD 1,000	Equity USD 1,000	Revenues USD 1,000	Profit/(loss) USD 1,000
31 December 2006	183	90	95	422	50

03-04-2007

Fairmount Heavy Transport N.V.

Amendment of the Articles of Association

The articles of association were amended on 21 August 2006. Since the amendment the Supervisory Board of the Company is authorised to suspend each Director at any time. The suspension may be terminated at any time by the General Meeting of Shareholders with a majority vote of at least (2/3) of the votes casting the meeting in which at least 50% of the outstanding share capital is represented.

Rotterdam, 27 February 2007

The Management Board:

Ph. J. Adkins (CEO)

C.J.C. du Marchie Sarvaas (CFO)

The Supervisory Board:

W. Dirkzwager (chairman)

L.O. Aaker

J.J.H. Verhagen

B.E. Henriksen

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Appropriation of the result

The profit for 2006 of USD 859,000 is deducted from the negative retained earnings.

Auditor's report

The auditor's report is set forth on the next page.

To: Annual General Meeting of Shareholders of Fairmount Heavy Transport N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Fairmount Heavy Transport N.V., Rotterdam as set out on pages 11 to 37. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, income statement, statement of recognised income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company income statement 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 Directors' report 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.

03-04-2007

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fairmount Heavy Transport N.V. as at 31 December 2006, its result, its recognised income and expense and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Fairmount Heavy Transport N.V. as at 31 December 2006 and of the result for the year then ended in accordance 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 Directors' report as set out on pages 4 to 10 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 27 February 2007

KPMG ACCOUNTANTS N.V.

03-04-2007

P.J. van der Vorm RA