FINANCIAL REPORT 2007

Fairstar

Heavy Transport N.V.

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Supervisory Board report

We are pleased to present the Report by the Management Board and the Financial Statements for the year ended 31 December 2007.

Adoption of the Financial Statements

The Supervisory Board has taken note of the report issued by KPMG Accountants N.V. The Supervisory Board authorises the Financial Statements as compiled by the Management Board. We recommend that the Annual General Meeting of Shareholders approves 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

At the Annual General Meeting in March 2007, the Meeting accepted the resignation of and re-appointment of Mr Willem Dirkzwager and Mr Hans Verhagen as Supervisory Board members. In October 2007, Mr Bjørn Henriksen resigned as a Member of the Supervisory Board. Mr Henriksen was a board member since mid 2006. Mr Henriksen's appointment as Chief Operating Officer of Prosafe and his subsequent relocation to Singapore, made it very difficult to dedicate the time and attention required as a Supervisory Board Director of Fairstar. The Supervisory Board is grateful for the contribution of Mr Bjørn Henriksen to Fairstar.

In October, the Extraordinary Meeting of Shareholders, elected Mr Frits van Riet to the Supervisory Board. Mr Van Riet has 32 years of experience in the marine transportation and offshore industries with companies like Nedlloyd Lines, Noble Drilling and Mammoet. With his experience and broad network in the industry as well as his experience in operational management, Mr Van Riet, is a valuable asset to Fairstar.

The Supervisory Board consists of Mr Willem Dirkzwager (Chairman), Mr Leif O. Aaker, Mr Frits van Riet and Mr Hans Verhagen. The Supervisory Board members represent a broad range of professional experience and skill which are of great value to Fairstar. All members of the Supervisory Board are independent of Fairstar. Under strict application of provision III.2.2.a of the Dutch Corporate Governance Code, Mr Hans Verhagen is not considered independent as he was a member of the Management Board for a short period from July through October 2005, prior to becoming a Supervisory Board member.

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 formally four times with the Management Board and held regular conference calls in order to be fully informed of the situation in Malta. In addition members of the Supervisory Board individually travelled to Malta frequently to review progress and monitor Management. Almost all Supervisory Board meetings were 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 its own and the Management Board's performance and its relationship with the Management Board.

At all of the meetings, Fairstar'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 Fairstar's corporate strategy, conversion of the vessels and risk management. Different strategic options for Fairstar were addressed and evaluated during several meetings. Fairstar's external auditor was present during the Board's discussions of Fairstar'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 Fairstar. 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. In March 2007, the Supervisory Board contracted Mr Adkins and Mr Du Marchie Sarvaas for an additional three-year period on the Management Board. On 26 March 2007, the General Meeting resolved to re-appoint Mr Adkins and Mr Du Marchie Sarvaas. At the same Meeting, the Chairman of the Supervisory Board was granted the power of authority by the General Meeting to negotiate and finalize the contracts. In the October 2007 General Meeting the remuneration of Mr Adkins was approved by the shareholders. Please refer to the Notes to the Consolidated Income Statement in the Financial Statements for details on the remuneration currently in place.

In March 2007 the General Meeting resolved to increase the remuneration of the Supervisory Board chairman and members. Please refer to the Notes to the Consolidated Income Statement in the Financial Statements for details on the remuneration 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

Willem Dirkzwager, Chairman of the Supervisory Board

(Dutch, Appointed in 2005, re-appointed 2007, scheduled to resign in 2011)
Willem Dirkzwager (1948) is 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 previously held various management positions with Nedlloyd Lines and the Dutch Ship Mortgage bank and has been on the Supervisory boards of Mulder & Rijke, a shipyard specialized in lifeboats and real estate company Interscaldis.

Hans Verhagen, Member of the Supervisory Board

(Dutch, Appointed in 2005, re-appointed 2007, scheduled to resign in 2011)
Hans Verhagen (1946) was CFO of Kahn Scheepvaart B.V. and was responsible for the world-wide financial administration of the Kahn Group (Jumbo Shipping) until his retirement after having worked for the group for 41 years. Mr Verhagen held the position of CFO of Kahn Scheepvaart B.V. from 1991 to 2005. From 1984 he also held the position of Vice-President. Mr Verhagen has over 40 years of experience in the shipping business. Mr Verhagen retired from Kahn-Jumbo Shipping in June 2005.

Leif O. Aaker, Member of the Supervisory Board

(Norwegian, Appointed in 2006, scheduled to resign in 2010)
Leif O. Aaker (1951) is Vice President Business Development with FPS Ocean AS in Oslo. Mr Aaker has 29 years of experience within the offshore and shipping industry; in contracts negotiations, commercial and technical/operational disciplines, large multidisciplinary projects and within marketing and business development. Mr Aaker has previously held positions of 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 Aaker studied at the Norwegian Institute of Technology (M.Sc.), Trondheim and the Norwegian Business School (NHHK), Bergen.

Frits van Riet, Member of the Supervisory Board

(Dutch, Appointed in 2007, scheduled to resign in 2011)
Frits van Riet (1943) has 32 years of experience in the marine transportation and offshore industries. He spent 29 years with Royal Nedlloyd of which 22 years in overseas positions for Nedlloyd Lines in Australia, Far East, South Africa and U.S.A. (President Nedlloyd Lines U.S.A. based in Atlanta) and as Managing Director of Neddrill. Mr Van Riet was also CEO of Mammoet Transport and Vice President Eastern Hemisphere with Noble Drilling in Houston. In Houston he was also Chairman of the International Association of Drilling Contractors. Mr Van Riet has experience and a broad network in the industry as well as extensive experience in operational management of offshore service companies. Mr Van Riet is also on the Supervisory Board of Directors of several other companies.

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 Fairstar.

Rotterdam, 18 March 2008
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 the second half of 2007 we began to notice a number of significant developments in the market. It was clear that the global shortage of qualified skilled personnel as well as high value material is beginning to impact the scheduling of many offshore energy related projects. The cascading effect of these delays significantly increases scheduling risks. At the same time it creates valuable opportunities in the spot market. Fairstar Heavy Transport N.V. (Fairstar) is extremely mindful of these risks and opportunities because the limited size of our fleet presents Management with our greatest challenge. The instability in global capital markets that began towards the end of 2007 will only add to the complexity of the marketplace. A number of offshore rig projects that were started on speculation may never be completed. There have been a number of postponed moves by rig operators that has had a slight reduction in transport demand. Fairstar intends to pursue a customer focused strategy that will allow us to match the versatility of our vessels with a broad selection of valuable cargoes, not limited to any specific dependence on rig projects.

Strategy

Fairstar 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, Fairstar will position itself 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 Fairstar and its clients.

Fairstar 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 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 Company service. Fairstar is well-suited to take advantage of the market opportunity:

- High-end vessels capable of transporting the majority of cargoes: Fairstar 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. Fairstar 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.
- Experienced management and heavy transport crews: Fairstar has hired experienced former Dockwise crews for its vessels, who are currently supervising the conversion and will form the backbone of vessels' crew. With an average 17 years of experience in the industry, these crews will be able to meet the highest customer expectations. Further-

more, Fairstar's shore-based team has many years of experience in the industry, managing entrepreneurial and larger listed companies.

While new capacity will be added to the market in the form of converted single hull tankers, Fairstar'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. Fairstar 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. Fairstar vessels have full redundancy (2 engines, 2 propellers).
- 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/de-ballasting more time consuming) and therefore require longer loading and discharging time.

Fairstar 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.

Health, Safety and Environment

Safety, health, the environment (HSE) and quality are an integral element in Fairstar's business practice. Fairstar has stringent HSE 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. Fairstar had no serious incidents in the past year.

Conversion

Fjord

The conversion of the Fjord has been the absolute priority of Management in 2007. The Fjord was not re-delivered to Fairstar on 1 December 2006, as undertaken in the original Conversion Contract negotiated with Malta Shipyards Ltd. by Fairmount Marine B.V. Fairstar Management examined the situation carefully in December of 2006 and concluded that Fairmount Marine B.V. had not only failed to properly plan and manage the conversion process in Malta, they were making significant design changes to the vessel without the consent of Fairstar. These changes resulted in significant delays in construction, scheduling and commissioning of the Fjord. Fairmount Marine B.V. was relieved of its duties to supervise the conversion process. Since the beginning of 2007, Fairstar's Management has been in Malta on a near permanent basis to supervise the conversion. Fairstar is currently considering legal action against Fairmount Marine B.V. to recover the loss of use of the Fjord since December 1st 2006, as well as recover the additional conversion costs Fairstar incurred as a result of Fairmount Marine's mismanagement.

The mechanical completion of the Fjord was finished in the first quarter 2008. The Fjord is a unique ship and the first of its kind in the semi-submersible heavy transport fleet. DNV approached the class approval requirements with great thoroughness. The preliminary sea trials in December were an excellent test of the ship's seaworthiness with respect to propulsion, control and navigation. In January 2008, a more extensive series of trials were successfully executed over a period of several days at sea under DNV supervision. The Fjord then successfully executed a submersion test of the entire hull in the shelter of Valetta Harbour. The precision and control of the Fjord during the submersion test was excellent. The ship will have a strong competitive advantage when seeking to carry the most challenging and therefore valuable cargoes of the industry's most demanding clients. Safety and reliability are hallmarks of the offshore world, and we believe the Fjord will emerge as the vessel of choice for the most demanding cargoes and float over operations. Fjord is expected to sail in March after completion of the final paperwork by DNV.

On 22 February 2008, Fairstar agreed with Malta Shipyards Ltd on all outstanding commercial points regarding the conversion of the Fjord. Instead of about EUR 4 million payments required to be paid by Fairstar as per the original contract (10% of yard contract upon delivery plus 5% 12 months after delivery) as well as foregoing its liquidated damages (EUR 2.6 million), Fairstar will make a single final payment of EUR 2.5 million on redelivery. This payment will achieve a full and final resolution of all commercial points of the Fjord Conversion Contract between Malta Shipyards and Fairstar but facilitates the possibility of Fairstar pursuing third parties for financial damages.

Fjell

The Fjell arrived in Malta in late May 2007 and entered the dry-dock in October thus commencing the conversion. Fairstar has made a number of changes with respect to the organisation and management of the Fjell conversion project. The two principal subcontractors, namely Babcock Design & Technology and Imtech Marine and Offshore have become direct subcontractors of Fairstar. In our view, this will give Fairstar a higher degree of control and accountability of subcontractor performance as well as shortening lines of communication. Fairstar has invested a significant amount of time in pre-planning with the yard. Lack of adequate planning on the Fjord plagued progress from the beginning. A significant amount of steel-work fabrication has already been completed by the yard. Long lead items such as high voltage cable and custom switchboards have been ordered and are now finished. Significant improvements have been made in the organisation of critical procurement. The Fjell is expected to be re-delivered in the fourth quarter 2008.

While this approach to the Fjell conversion is intended to reduce the risks associated with the conversion that may impact the schedule and cost of the project, there remain real risks to the project that are well beyond the control of Fairstar to predict and manage in a way that allows Fairstar to make any reliable predictions of the final delivery date of the Fjell. Malta Shipyards remains a challenging work environment, the efficiency of the labour pool is poor, the depth of qualified supervisory management is inadequate and the financial condition of the yard weak. Without ongoing subsidies from the Maltese government, it is arguable if the business can survive. Without a strong Fairstar site team in place, Malta Shipyards will not be capable of completing the conversion contract.

Based on current estimates, Management believes that the total cost for both vessels will be USD 150-160 million. The total costs 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.

At an average USD 75 to 80 million per vessel, Fjord and Fjell are very competitively priced vis-à-vis competitors' vessels.

Operations

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

The Fjell was fully occupied from December 2006 until the last week in April 2007 for the temporary dry-docking for the Transocean Trident 14 jack-up off the coast of Cameroon. On 21 April 2007, the joint team comprising the client and Fairstar's operations team, successfully off-loaded the rig. The total project revenue amounted to USD 8.4 million, of which USD 7.3 million in 2007.

After the completion of this contract the Fjell proceeded to Malta for conversion.

Organisation

In 2007, Fairstar's Management Board consisted of Philip Adkins (CEO) and Cristijn du Marchie Sarvaas (CFO). In the Supervisory Board meeting of February 2008, it was decided to put forward Willem Out for appointment to the Management Board at the next General Meeting.

In October 2007, Bjørn Henriksen resigned as a Member of the Supervisory Board and Frits van Riet was elected to the Supervisory Board by the General Meeting of Shareholders. The Supervisory Board currently consists of Willem Dirkzwager (Chairman), Leif O. Aaker, Frits van Riet and Hans Verhagen. The Board members represent a broad range of professional experience and skill which are of great value to Fairstar.

In July 2007, Fairstar terminated its Management Agreement with its Manager, Fairmount Marine B.V. After a careful analysis of their performance, the Supervisory Board and Management Board concluded that Fairstar would be better placed to compete in an increasingly competitive market place for heavy transport services by establishing its own internal organisation. The Management Agreement provided for a wind-down period of a few months. All functions performed by Fairmount Marine B.V. were successfully transferred to Fairstar's own organisation by 23 January 2008. Fairstar has built up its own shore-based organisation with experienced maritime professionals. All key positions have been filled (see organisational chart below). Contrary to the situation under the previous Management Agreement, Fairstar is in full control of all aspects of the organisation. In January 2008, Fairstar received its interim Document of Compliance certificate from DNV. This certificate allows Fairstar to operate as an independent ship manager for its vessels.

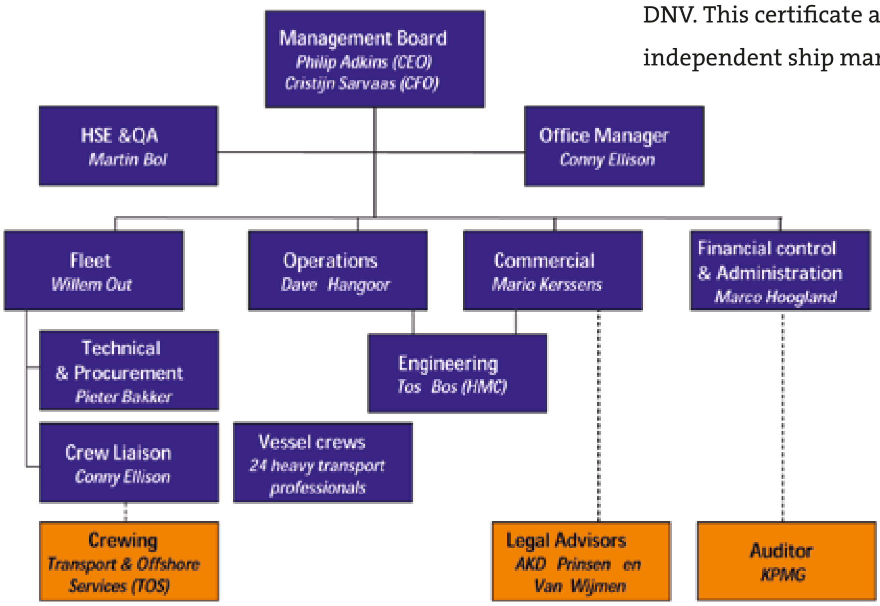


Figure: Fairstar's shore-based organisation

In addition to the shore-based team, Fairstar has, through its fully-owned subsidiary Fairstar Maritime Services B.V., hired 24 of the most experienced heavy transport officers and crew in the industry to sail its vessels. With an average of 17 years heavy transport experience, they are amongst the most experienced crew in the industry. Most of these professionals have spent significant time in Malta during the conversion process in order to ensure their familiarity with the engineering features of Fairstar's vessels prior to actually being tested in offshore environments.

To further strengthen its crew management organisation, Fairstar also appointed Rotterdam based Transport & Offshore Services (TOS) as its crewing manager. TOS is a worldwide supplier of nautical and technical personnel, active in the areas of shipping, offshore, dredging, marine contracting and inland shipping. TOS will support Fairstar with various services including crew management, recruiting, training and administrative management. TOS will also provide additional crew members, to supplement the core team of Fairstar's own crew where necessary.

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, Fairstar 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 2007, Fairstar had gross revenues of USD 8.3 million (2006: USD 16.3 million), time-charter equivalent revenues of almost USD 6.0 million (2006: USD 6.0 million) and EBITDA of USD -1.5 million (2006: USD 1.9 million). Net profit was USD 0.2 million (2006: USD 0.9 million).

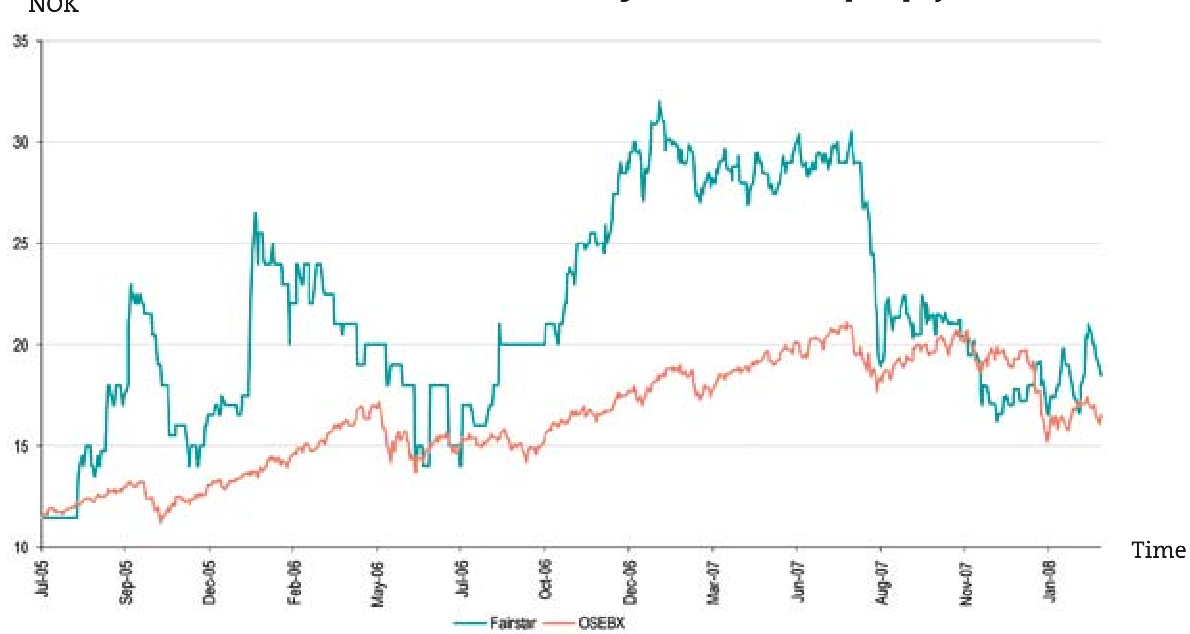
Fairstar's 2007 revenues were generated by using the Fjell as barge prior to conversion, and do not in any way represent future earnings after the vessels have been converted.

Listing at the Oslo Stock Exchange

On 17 November 2006, Fairstar was listed on the Oslo Stock Exchange under the ticker FAIR. Fairstar has a Market Making Agreement with Kaupthing ASA for Fairstar'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 private placement and subsequent listing on the Oslo OTC market in August 2005, Fairstar's share price has developed from NOK 11.46 per share to around NOK 18.50 today. At the end of 2006, the share price was NOK 29.50. At year-end 2007 the share price was NOK 17.20.

Figure: Fairstar's share price performance versus OSEBX index



Shareholder Information

Fairstar currently has some 260 shareholders. Fairstar aims to communicate actively, openly and transparently with its shareholders through regular investor presentations in Norway, The Netherlands and London as well as directly through its email alert system and website www.fairstar.com).

Fairstar held its Annual General Meeting (AGM) on 26 March 2007 and two Extraordinary General Meetings (EGM) on 24 April and 17 October 2007. The main agenda points of the AGM were the (re)appointment of Management Board and Supervisory Board of Directors and approval of the Financial Statement 2006. The main agenda points of the first EGM were three items that were withdrawn from the AGM agenda because there was insufficient quorum at the meeting to vote on these items, including the approval of Fairstar's share issue on 29 December 2006 and minor changes to Fairstar's Articles of Association. The main agenda points of the second EGM were appointment of a new Supervisory Board of Director, changing of Fairstar's name to Fairstar and the approval of the compensation of the Management Board.

Fairstar's Annual General Meeting will be held 14 April 2008.

In December, Henk van den Berg, a 1.82% shareholder in Fairstar, through his company Oude Maas Beheer B.V. filed a complaint with the Enterprise Chamber of the Court of Appeals in Amsterdam seeking a judicial inquiry into the affairs of Fairstar as well as petitioning the Court to suspend all of the members of the Management Board and Supervisory Board. At the hearing the petition was changed to only seek the suspension of Fairstar's CEO. Henk van den Berg was supported by the former CEO of the Company, Frederik Steenbuch. The Court has not ruled. The recent action by Van den Berg and Steenbuch is viewed by Fairstar as an ongoing battle for the control of Fairstar. The Management Board can now affirm to our shareholders, employees, bankers and clients that the conflicts of interest associated with these two individuals are no longer risks that can harm Fairstar. Nevertheless further legal action against these individuals and their corporate interests cannot be ruled out to protect Fairstar from further damage as well as to recoup damages already suffered.

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 aimed at the long-term sustainable management of its business activities and to minimize the principal risks to which Fairstar 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 Fairstar.

Procedures have been put in place in key areas to manage risks:

- Project risks: As part of Fairstar'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. The HSE department identifies safety and environmental risks and defines risk control measures. The effects are regularly assessed using audits. Financial risks arising from Fairstar's operations are managed by drawing up budgets and regular forecasts of the expected project results.
- Insurance: Fairstar is insured against a number of risks. Risks related to occupational liability and general liability are covered. Tangible assets are insured at an appropriate level.
- Financial risks: Exposure to credit, interest rate and currency risks arises in the normal course of Fairstar's business. Derivative financial instruments are used to hedge the vast majority of exposure to fluctuations in foreign exchange and interest rates.

The Management Board is confident that the internal risk management and internal control systems are in place to identify and mitigate material risks and that these systems provide a reasonable level of assurance that the financial statements do not contain any material misstatements and that these systems operated properly during the year under review. The Management Board has no indication that these systems will not operate properly during the current year.

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

Corporate Governance

Fairstar is very mindful of the increasing importance of Corporate Governance policy to the public. Fairstar has reviewed the Corporate Governance Code published by the financial regulatory authorities in The Netherlands. Fairstar applies a significant part of the best practice provisions from the Code. Please refer to the Corporate Governance section of this report for a detailed report, including the best practice provisions that are not adopted.

Prospects

It is increasingly clear that the market for offshore heavy transport is robust. Day rates continue to remain stable at attractive rates between USD 70,000 and 100,000 and appear to be correlative with drilling rates being achieved by our primary customer base. In the next two years there is a large number of 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. Fairstar's vessels will enter the market as two of the newest and most versatile heavy transport vessels. Fairstar's sophisticated vessels and highly experienced crews will put it 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

Fairstar intends to distribute the 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, 18 March 2008
Management Board,

Mr Philip Adkins, CEO

Mr Cristijn du Marchie Sarvaas, CFO

Corporate Governance report

Introduction

Proper corporate governance is an important concept for Fairstar Heavy Transport N.V. (Fairstar). Fairstar feels that it is important that the Dutch Corporate Governance Code ("the Code") be properly embedded within the company's rules and regulations. The chapter on corporate governance is available on the company's website and summarizes our corporate governance policy and the relevant regulations and documents, in accordance with the Code.

Fairstar applies all provisions from the Code, with the following exceptions:

- Given the size of the company, no list shall be held with board members' holdings in securities other than securities issued by Fairstar (best practice provisions II.2.6 and III.7.3);
- In view of the transparent remuneration structure, no remuneration report has been compiled (best practice provision II.2.9). However, the remuneration policy is expanded upon in the Supervisory report;
- In view the size of the company, no Remuneration or Selection committee will be established. These roles will be fulfilled by the Supervisory Board (best practice provisions III.5.10 and III.5.13);
- Sections not applicable to Fairstar (best practice provisions IV.2 and IV.4);
- Shareholders are not offered any possibilities for following presentations to analysts or investors by webcasting or similar methods (best practice provision IV.3.1).

The Company's Compliance Officer is Cristijn du Marchie Sarvaas.

Supervisory board

The Supervisory Board's principal tasks are supervising the Management Board's policies, monitoring the company's general state of affairs and advising the Management Board. The members of the Supervisory Board are guided by Fairstar's corporate interests in carrying out these duties.

The Supervisory Board consists of four members, three of whom are independent from the company. Under strict application of provision III.2.2.a, Hans Verhagen is not considered independent as he was a member of the Management Board for a short period from July through October 2005, prior to becoming a Supervisory Board member. The members of the Supervisory Board do not offer any paid advisory services to the company beyond their work as members of the Supervisory Board. The remuneration of the Supervisory Board is not linked to the company's profits. The remuneration was most recently approved by the Annual General Meeting of Shareholders on 26 March 2007. As required under the system for two-tier companies, the members of the Supervisory Board are appointed and re-appointed by the Annual General Meeting of Shareholders, based on nominations put forward by the Supervisory Board.

The Supervisory Board is subject to the Company's Regulations on Insider Trading, which include rules concerning possession of and transactions in securities in the company by the members of the Supervisory Board. The Company has not adopted the Code's best practice governing the possession of and transactions in securities of other entities than Fairstar (best practice provisions III.7.3).

The profile for the composition of the Supervisory Board, the Retirement Schedule and the Supervisory Board Regulations are available on the company's website. The Regulations on Insider Trading are also available there.

The Supervisory Board will be assisted by the Company Secretary. The Company Secretary ensures that the correct procedures are followed and that any actions undertaken are in accordance with the statutory obligations and with those obligations laid down in the Articles of Association. In 2007 Cristijn du Marchie Sarvaas has assumed the role of Company Secretary.

Management board

The Management Board is responsible for managing the company. The company's strategy and objectives, which are submitted to the Supervisory Board for approval, are set down in the annual report. The strategy presentations are published on the company's website. Fairstar's Management Board currently comprises two members. The Chief Executive Officer and Chief Financial Officer are the company's directors under the Articles of Association. The Chief Executive Officer is the Chairman of the Management Board. The Supervisory Board proposes appointment and dismissal of the members of the Management Board to the Annual General Meeting of Shareholders, lays down the conditions for appointments and their remuneration.

Remuneration policy

Mr P. Adkins was re-appointed by the General Meeting of Shareholders on 15 May 2007 for a period of three years. He is employed by the company through a management agreement with his holding company Cadenza Management Limited. His remuneration consists of a fixed component and a performance-related component, as explained in the Annual Accounts. The management agreement does not stipulate any arrangements for compensation in the event of involuntary dismissal or the continuation of pension right accrual in such an event. Adkins has not been granted share options and has no pension rights granted by the company.

Mr C. du Marchie Sarvaas was re-appointed by the General Meeting of Shareholders on 15 May 2007 for a period of three years. He is employed by the company through a management agreement with his holding company Centipede B.V. His remuneration consists of a fixed component and a performance-related component in the form of participation in the share option scheme, as explained in the Annual Accounts. The management agreement does not stipulate any arrangements for compensation in the event of involuntary dismissal or the continuation of pension right accrual in such an event. Sarvaas has no pension rights granted by the company.

The other employment conditions are based on market standards. Director's liability insurance is provided. The members of the Management Board are not granted any loans, advances or guarantees. The Company has not adopted the Code's best practice governing the possession of and transactions in securities of other entities than Fairstar (best practice provisions II.2.6).

In accordance with the Dutch Corporate Governance Code, the company has a restrictive policy with regard to positions outside the company. The members of the Management Board require the explicit approval of the Supervisory Board before they may accept any other positions.

Code of conduct and code for perceived irregularities

Fairstar demands that all its companies, their management and their staff conduct themselves in an ethical manner at all times. The Company has a Code of Conduct for the Management Board and Supervisory Board as well as Rules of Conduct Related to Suspected Irregularities ("whistle-blower's regulations"). Both are available on the Company's website.

Risk management

The proper functioning of the company's internal risk management and control systems is a continual area of attention for the Management Board, and a topic of the meetings between the Management Board and the Supervisory Board. For further details, please refer to the annual report. The code for internal risk management and control systems can be found in the Company's annual report.

The Fairstar Heavy Transport N.V. listing

Fairstar Heavy Transport N.V. is a public limited liability company incorporated under the laws of the Netherlands. The Fairstar share has been listed on the Oslo Stock Exchange since November 2006.

Annual general meeting of shareholders

The Annual General Meeting of Shareholders is convened at least once every year. The Company's shareholders are entitled to attend, speak at and vote at the Annual General Meeting of Shareholders. Each share entitles the relevant party to cast a single vote. Shareholders' rights to assemble may be exercised by a person authorized in writing. The power of attorney permitting the exercising of the rights to assemble must be filed with the Management Board at the latest on the day stated in the notice convening a meeting.

The principal areas in which the Annual General Meeting of Shareholders has authority are the following:

- Appointing and dismissing the members of the Management Board.
- Appointing the members of the Supervisory Board and dismissing the entire membership of the Supervisory Board.
- Determining the remuneration policy of the Management Board.
- Determining the remuneration of the Supervisory Board.
- Adopting the company's Annual Accounts.
- Determining the dividend to be paid.
- Approving management decisions concerning important changes to the company, including acquisitions, partnerships and disposals.
- Discharging the Management Board for its management activities.
- Discharging the Supervisory Board for its supervisory activities.
- Placing items on the agenda of the Annual General Meeting of Shareholders.
- Appointing the external auditor charged with the task of auditing the company's Annual Accounts.
- Resolving to issue shares or authorizing the Management Board to issue shares, subject to the Supervisory Board's prior approval.
- Deciding to exclude or limit preferential subscription rights or to authorize the Management Board to exclude or limit preferential subscription rights subject to the prior approval of the Supervisory Board.
- Authorizing the Management Board to buy back own shares in the company subject to the prior approval of the Supervisory Board.
- Resolving that the company's capital be reduced, if proposed by the Management Board and also approved by the Supervisory Board.
- Resolving to amend the Articles of Association or dissolve the company.
- Resolving to effect statutory mergers and statutory de-mergers of the company.

Provision of operation

Fairstar maintains open and transparent communications with its capital providers and the financial community, by regularly communicating with analysts, investors and the financial media. Furthermore, the communication and contacts are evaluated on a regular basis. Once published, the presentation reports that Fairstar hands out to analysts and (institutional) investors and at press conferences can be accessed on the company's website and through the Oslo Stock Exchange information system.

Financial reports, annual accounts, profit appropriation and the role of the auditor

The way in which financial announcements are compiled and the supervision on that compilation are the responsibilities and working methods of the persons involved, the Management Board, the Supervisory Board and the company's external auditor. The procedures are evaluated on a regular basis and adapted where necessary. The company's Annual Accounts are compiled by the Management Board and signed by the Management Board and the Supervisory Board. The Annual Accounts are adopted by the Annual General Meeting of Shareholders. The external auditor attends the Supervisory Board meeting at which the Annual Accounts are discussed.

The policy on reserves and dividends is dealt with and accounted for as a separate agenda item at the Annual General Meeting of Shareholders. One of Fairstar's primary objectives is to create shareholder value, both by realizing growth and by distributing dividends to shareholders. Fairstar's reserves policy is aimed at realizing and maintaining the financial balance sheet ratios needed to achieve the Company's growth targets. At the same time, Fairstar advocates stable distribution of profits to its capital providers. The dividend is distributed in a form that suits the company's financial structure and as far as possible the interests of the shareholders.

The external auditor is appointed by the Annual General Meeting of Shareholders after a recommendation by the Supervisory Board. The appointment of the external auditor is discussed every year. Once every four years, the external auditor's performance is the subject of an in-depth review by the Supervisory Board and the Management Board. The Management Board reports to the Supervisory Board on any changes in the relationship with the external auditor, or in the external auditor's independence from the company. In line with the applicable professional rules, the external auditor will report to the Management Board and the Supervisory Board about his or her independence vis-à-vis Fairstar. The company's external auditor also attends the Annual General Meeting of Shareholders. This presents an opportunity for asking the external auditor questions concerning the opinion on the true and fair picture presented by the Annual Accounts.

Anti-takeover measures

Fairstar has no anti-takeover measures in place.

Figure: Fjord during sea trails in December 2007

Figure: Fjord during submersion tests in February 2008

Financial statements 2007

Consolidated income statement for the year 2007

	Note	2007	2007	2006	2006
		USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Revenue		**8,280**		16,341	
Voyage related costs		**-2,269**		-10,363	
Time-charter equivalent revenue	1		**6,011**		5,978
Other income	2		**155**		129
			6,166		6,107
Vessel operating expenses		**-4,193**		-1,268	
General and administrative expenses	3-5	**-3,493**		-2,968	
Operating expenses, other than depreciation and amortisation			**-7,686**		-4,236
Earnings before interest, taxes, depreciation and amortisation (EBITDA)			**-1,520**		1,871
Depreciation			**-388**		-1,255
Operating profit (loss) before financing costs			**-1,908**		616
Financial income	6	**2,193**		341	
Financial expenses	7	**-54**		-98	
Net financing costs			**2,139**		243
Profit (loss) before tax			**231**		859
Income tax expenses	8		**–**		–
Profit (loss)			**231**		859
Weighted average number of ordinary shares			**32,990,000**		30,015,890
Basic earnings per share			**USD 0.01**		USD 0.03
Diluted earnings per share			**USD 0.01**		USD 0.03

Consolidated balance sheet as at 31 December 2007

	Note	2007	2006 *)
		USD 1,000	USD 1,000
Assets			
Property, plant and equipment	9	**133,281**	95,592
Total non current assets		**133,281**	95,592
Current assets			
Trade and other receivables	10	**594**	2,689
Derivative financial instruments	11	**860**	2,016
Cash and cash equivalents	12	**4,912**	12,930
Total current assets		**6,366**	17,635
Total assets		**139,647**	113,227
Equity and liabilities			
Current liabilities			
Trade and other payables	13	**8,289**	3,368
Short term part of long term loan	14	**5,250**	–
Derivative financial instruments	11	**3,187**	1,269
		16,726	4,637
Non-current liabilities			
Long term loan	14	**65,364**	48,034
Total liabilities		**82,090**	52,671
Equity	**15**		
Issued share capital		**56,242**	56,242
Share premium		**5,042**	5,042
Retained earnings		**-1,299**	-1,530
Hedging reserve		**-2,740**	747
Share-based payments reserve		**312**	55
Total equity		**57,557**	60,556
Total equity and liabilities		**139,647**	113,227

*) Restated for comparison purposes. See note 15.

Consolidated statement of recognised income and expense

	Note	2007	2006
		USD 1,000	USD 1,000
Profit (loss) for the period		**231**	859
Change in valuation of derivate financial instruments	11	**-3,487**	747
Net expenses recognised directly in equity	15	**–**	-618
Total recognised income and expense for the period		**-3,256**	988
Attributable to:			
Equity holders		**-3,256**	988

Consolidated cash flow statement

	2007	2007	2006	2006
	USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Cash flows from operating activities				
Profit (loss) after taxation	**231**		859	
Change in valuation of derivative financial instruments	**-413**		–	
Depreciation/amortisation	**388**		1,255	
Share-based payments	**257**		55	
		463		2,169
Changes in working capital (excluding cash and cash equivalents, derivative financial instruments and long term loan)		**7,016**		-4,083
Net cash from operating activities		**7,479**		-1,914
Cash flow from investing activities				
Investments in:				
Property, plant and equipment	**-38,077**		-42,103	
Net cash from investing activities		**-38,077**		-42,103
Cash flow from financing activities				
Proceeds from the issue of share capital	**–**		13,636	
Less: External costs directly attributable to the issue of shares	**–**		-618	
Draw down long term loan	**22,580**		42,480	
Net cash from financing activities		**22,580**		55,498
Net increase in cash and cash equivalents		**-8,018**		11,481
Cash and cash equivalents at the beginning of the period		**12,930**		1,449
Cash and cash equivalents at 31 December		**4,912**		12,930

Financial report 2007

Notes to the consolidated financial statements

General

Background

Fairmount Heavy Transport N.V. ('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 12 December 2007, the Company was renamed to Fairstar Heavy Transport N.V.

Business description

On 10 August 2005, the Company purchased and took delivery of two barges from BOA Offshore AS in Trondheim, Norway. The barges were renamed Fjord and Fjell (initially Fairmount Fjord and Fjell). 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.

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.

In June 2006, the Fjord entered the shipyard in Malta. The conversion of the Fjord was finalized in February 2008 and is expected to receive final DNV approval in March. In June 2006, the Company exercised its option to also convert the Fjell at Malta Shipyards Ltd. The Fjell has arrived in Malta to begin conversion May 2007. The Fjell is expected to be re-delivered from the shipyard in the fourth quarter 2008.

The anticipated total cost of the vessels is USD 150-160 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.

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.

Basis of preparation

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).

The financial statements were authorised for issue by the Supervisory Board on 18 March 2008.

Basis of measurement

The consolidated financial statements have been prepared on the 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.

Functional and presentation currency

These financial statements are presented in USD, which is the functional currency of the Company. All financial information presented in USD has been rounded to the nearest thousand.

At year-end 2007 the most important exchange rate was the Euro at USD 1.47185 (opening 2007: USD 1.31860; opening 2006: USD 1.18390).

Use of estimates and judgements

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.

Management has made no judgements 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.

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.

Significant accounting principles

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by subsidiaries.

Certain comparative amounts have been reclassified to conform to the current year's presentation (see note 15 to Equity).

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.

Foreign currency

Transactions in foreign currencies are translated into USD using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to USD at the applicable exchange rate ruling at that date.Exchange differences arising on translations are recognised in the income statement. 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.

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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.

Hedge accounting

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 revenue

The time-charter equivalent revenue 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 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.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of defined 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the term of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised assets is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss 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 recognised immediately in profit or loss.

The Company recognises all actuarial gains and losses arising form defined benefit plans directly in equity.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

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. Any subsequent costs (such as 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 and others: 2-5 years.

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

Useful lives, residual values and depreciation methods are, if not insignificant, 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). 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.

Segment reporting

The Company has not included segment information. Management is of the opinion that segment information adds no reporting value for 2007 because the Company is in pre-operations phase with both vessels are under conversion. The Company will present segment information as soon as the vessels are in operation.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Executive Officer in order to assess each segment's performance and to allocate resources to them. The Company will present segment information from the moment that the Company's converted vessels will work under contract.
- IFRIC 11/IFRS 2 Group and Treasury Share Transactions require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.
- IFRIC 12 Service Concession Arrangements provide guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any effect on the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 14/IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

It should be noted that not all above new IFRS standards and interpretations have been endorsed by the EU.

Financial risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Supervisory Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit evaluations are performed on all customers. The Company does not require collateral in respect of financial assets.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has secured a USD 5 million overdraft facility for working capital.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss. 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.

Interest rate risk

The Company adopts a policy of ensuring that between 80 and 100% 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.

Foreign 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 repairs and maintenance and insurance. Most of the crew and general and administrative expenses are 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 foreign currencies at spot rates where necessary to address short-term imbalances. When necessary, forward exchange contracts are rolled over at maturity.

The principal amounts of the Company's EUR liabilities with regard to the conversion of the barges have been hedged to a certain amount using forward contracts that mature on the payment date of these liabilities. When necessary, forward exchange contracts are rolled over at maturity. Further quantitative disclosures are included throughout annual accounts.

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business. The Board aims for an optimal solvency ratio.
The Company's dividend policy is to disburse excess cash flow to shareholders unless there are strategic value-creating opportunities.

There were no changes in the Company's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the consolidated income statement

1 Time-charter equivalent revenue

Revenue

Gross revenue consists of project income amounting to USD 7.33 million and income in relation to a settlement of a dispute amounting to USD 0.95 million.

Project income

Although the original plan was to lay-up the barges prior to conversion, the Company managed to perform projects during 2006 and 2007 using the Fjell. The projects generate gross revenues of USD 7.33 million and time-charter equivalent revenues of USD 5.06 million in 2007.

Dispute

The Company was involved in a 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 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 was governed by English law, the Company instructed its English legal counsel to pursue arbitration for the Company's claim of USD 1.75 million. In 2007 the Company negotiated a settlement of the outstanding dispute, resulting in an income of USD 0.95 million. As per 31 December 2006, the claim was valued at USD 1.

The Mexican company has filed an appeal in the New York court. Fairstar is confident that the position of the Company is of no merit and there is no material liability involved in this dispute.

2 Other income

The other income consists of fees generated through the use of personnel of the Company's crewing subsidiary, Fairstar Maritime Services B.V., by its manager Fairmount Marine B.V. and its related parties.

3 General and administrative expenses

A breakdown of the general and administrative expenses is as follows:

	2007	2006
	USD 1,000	USD 1,000
Office and staff expenses manager (Fairmount Marine B.V.)	**852**	401
Remuneration of the board (reference is made to note 17, related parties)	**678**	370
Employee benefit expenses (reference is made to note 4)	**263**	–
Costs relating to the listing on the Oslo Stock Exchange	**110**	935
Other general and administrative expenses	**1,590**	1,262
	3,493	2,968

4 Employee benefit expenses

A breakdown of the employee benefit expenses is as follows:

	2007	2006
	USD 1,000	USD 1,000
Wages and salaries	**1,521**	205
Social security contributions	**132**	31
Retirement benefits	**164**	35
Share-based compensation	**129**	–
	1,946	271

During 2007, no wages and salaries were capitalised relating to the conversion of the barges (2006: USD 172,000). The remainder of the employee benefit expenses is included in the following items of the consolidated income statement:

	2007	2006
	USD 1,000	USD 1,000
Vessel operating expenses	**1,683**	75
General and administrative expenses	**263**	24
	1,946	99

A breakdown of the retirement benefits is as follows:

	2007	2006
	USD 1,000	USD 1,000
Contributions to the defined benefit plan (Maritime crews)	**153**	35
Contributions to the defined contribution plan (Shore-based staff)	**11**	–
	164	35

The contributions to the defined benefit plan relate to the multi-employer plan "Pensioenfonds voor de Koopvaardij". The Company accounts for this multi-employer plan as if the plan is a defined contribution plan because the Company does not have access to information about this plan in order to account for this plan as a defined benefit plan. The expected contribution to the defined benefit plan amounts USD 250,000 for 2008.

The average number of employees in 2007 was 18 (2006: 5), which can be divided as follows:

	2007	2006
Maritime crews	**17**	5
Shore-based staff	**1**	–
	18	5

The company employed all employees inside the Netherlands.

5 Share-based compensation

In 2006, the Company established a share option programme that entitles (key) employees to purchase shares in the Company.

If the Option Holder's employment or 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.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares.

Grant date / employees entitled	Number of options	Vesting conditions	Contractual life of options
October 2006 / C. du Marchie Sarvaas	300,000	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 Fjord and 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.	Three years and thirty business days after date of grant
March 2007 / personnel of Fairstar Maritime Services B.V.	139,000	The options will vest and become exercisable in two equal instalments of 69,500 options. The tranches will vest and become exercisable two months after the conversion of Fjord and Fjell respectively. The exercise price of the options is NOK 30.	Three years after the date of grant
August 2007 / M.J.P. Kerssens	50,000	The options will vest and become exercisable in three equal instalments of 16,667 options. The tranches will vest and become exercisable after one year, two years and three years after the date of grant respectively. The exercise price of the options is NOK 30.	Five years after the date of grant

The number and weighted average exercise prices of share options are as follows:

	2007	2006
	Number of options	Number of options
Outstanding at 1 January	**300,000**	–
Forfeited during the period	**–**	–
Exercised during the period	**–**	–
Granted during the period	**189,000**	300,000
Outstanding at 31 December	**489,000**	300,000
Exercisable at 31 December	**–**	–
Average exercise price at	**NOK 25.09**	NOK 22.00

No options were exercised in 2007 and 2006.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black & Scholes model, with the following inputs:

	2007	2007	2006
	M.J.P. Kerssens	**Personnel of Fairstar Maritime Services B.V.**	C. du Marchie Sarvaas
Fair value at grant date	**93,000**	**129,000**	250,000
Share price	**28.70**	**25.00**	21.00
Exercise price	**30.00**	**30.00**	22.00
Expected volatility	**35%**	**35%**	35%
Option life	**5**	**3**	3.1
Expected dividends	**0%**	**0%**	0%
Risk-free interest rate	**5.765%**	**5.095%**	4.420%

The breakdown of the share-based compensation is as follows:

	2007	2006
	USD 1,000	USD 1,000
Share options granted in 2006	**128**	55
Share options granted in 2007	**129**	–
Total expense recognised	**257**	55

The share-based compensation is included in the following items of the consolidated income statement:

	2007	2006
	USD 1,000	USD 1,000
Remuneration of the board	**128**	55
Employee benefits	**129**	–
	257	55

6 Financial income

Financial income in 2007 consists of interest received on short term deposits (USD 463,000), exchange differences arising in respect of financial assets (USD 758,000) and the ineffective part of currency forward contracts (USD 972,000).

7 Financial expenses

All interest expenses on the long term loan amounting to USD 3,514,000 (2006: USD 1,477,000) were capitalised during the year relating to the construction of property, plant and equipment.

8 Income tax expenses

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

9 Property, plant and equipment

The movements can be shown as follows:

	Barges	Conversion of the barges	Transportation equipment	Other	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 January 2007	42,928	52,607	57	–	95,592
Investments	–	37,890	-5	192	38,077
Depreciation	-348	–	-17	-23	-388
Balance as at 31 December 2007	42,580	90,497	35	169	133,281
Composed as follows:					
Purchase price	44,888	90,497	55	192	135,632
Accumulated depreciation	-2,308	–	-20	-23	-2,351
Balance as at 31 December 2007	42,580	90,497	35	169	133,281

At 31 December 2007, the Company's two barges, with a carrying amount of USD 133,077,000 are subject to registered mortgages to secure bank loans and guarantees.

Current assets

10 Trade and other receivables

Details are:

	31 December 2007	31 December 2006
	USD 1,000	USD 1,000
Trade receivables	**142**	996
Tax receivable	**228**	94
Prepaid expenses and accrued income	**224**	1,482
Other	**–**	117
	594	2,689

11 Derivative financial instruments

At 31 December 2007, 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 summarised as follows:

	31 December 2007	31 December 2007	31 December 2006	31 December 2006
	Asset	**Liability**	Asset	Liability
	USD 1,000	**USD 1,000**	USD 1,000	USD 1,000
Interest rate swaps	**109**	**3,187**	131	1,269
Forward currency contracts	**751**	**–**	1,885	–
	860	**3,187**	2,016	1,269

12 Cash and cash equivalents

Cash and cash equivalents are at the free disposal of the Company.

Liabilities

13 Trade and other payables

Details are:

	31 December 2007	31 December 2006
	USD 1,000	USD 1,000
Trade creditors	**7,374**	2,465
Related parties	**–**	177
Tax payable	**74**	52
Accruals and accrued income	**841**	674
	8,289	3,368

14 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 the USD 16 million facility 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 due three months after the redelivery date of the second vessel, but no later than 30 June 2008. The expected loan repayments for the year 2008 amounting to USD 5,250,000 are included in the balance sheet as current liabilities.

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 original term of the swaps is seven years. The fixed swap rates range from 6.4% to 7.35% (including the margin of the bank).

15 Equity

Statement of changes in equity

	Issued share capital*)	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
2006	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	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
Result for the period	–	–	859	–	–	859
Balance as at 31 December	56,242	5,042	-1,530	747	55	60,556

	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
2007	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**
Balance as at 1 January	**56,242**	**5,042**	**-1,530**	**747**	**55**	**60,556**
Share based payments	**–**	**–**	**–**	**–**	**257**	**257**
Cash flow hedges	**–**	**–**	**–**	**-3,487**	**–**	**-3,487**
Result for the period	**–**	**–**	**231**	**–**	**–**	**231**
Balance as at 31 December	**56,242**	**5,042**	**-1,299**	**-2,740**	**312**	**57,557**

Issued share capital

The authorised share capital of the Company amounts to EUR 205,500,000, divided into 150,000,000 shares of EUR 1.37, of which 32,990,000 (2006: 32,990,000) 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.

*) In accordance with IAS 21 the issued share capital qualifies as a non-monetary item and has been translated from EUR to USD using historical rates. The comparatives have been adjusted accordingly.

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.

16 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2007	**2006**
	USD 1,000	USD 1,000
Trade receivables	**142**	996
Interest rate swaps used for hedging	**109**	131
Forward contracts used for hedging	**751**	1,885
Cash and cash equivalents	**4,912**	12,930
	5,914	15,942

At the balance sheet date there were no significant concentrations of credit risk.

As at 31 December 2007, trade receivables amounting to USD 25,000 (2006: USD 25,000) are past in due.

As at 31 December 2007, trade receivables with a total amount of USD 25,000 (2006: USD 25,000) were impaired. The impairment allowance is based on an individual assessment of the recoverable amounts of the receivables. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the allowance directly.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payment and excluding the impact of netting agreements:

2007	Carrying amount	Month 1-6	Month 7-12	Year 1-2	Year 3-4	More than 5 years
	USD 1,000	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**
Trade creditors	**7,374**	**-7,374**	**–**	**–**	**–**	**–**
Related parties	**–**	**–**	**–**	**–**	**–**	**–**
Tax payable	**74**	**-74**	**–**	**–**	**–**	**–**
Accruals and accrued income	**841**	**-841**	**–**	**–**	**–**	**–**
Long term loan	**70,614**	**826**	**-6,004**	**-22,821**	**-20,909**	**-49,902**
Commitments, not accounted for in the balance sheet	**28,000**	**-16,500**	**-10,500**	**-1,000**	**–**	**–**
Interest rate swaps used for hedging	**3,078**	**–**	**–**	**–**	**–**	**–**
Forward exchange contracts used for hedging						
- outflow	**–**	**-16,920**	**–**	**–**	**–**	**–**
- inflow	**-751**	**17,662**	**–**	**–**	**–**	**–**
Total	**109,230**	**-23,221**	**-16,504**	**-23,821**	**-20,909**	**-49,902**

2006	Carrying amount	Month 1-6	Month 7-12	Year 1-2	Year 3-4	More than 5 years
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Trade creditors	2,465	-2,465	–	–	–	–
Related parties	177	-177	–	–	–	–
Tax payable	52	-52	–	–	–	–
Accruals and accrued income	674	-674	–	–	–	–
Long term loan	48,034	11,308	11,250	-21,937	-21,865	-60,118
Commitments, not accounted for in the balance sheet	30,000	-15,000	-15,000	–	–	–
Interest rate swaps used for hedging	1,138	–	–	–	–	–
Forward exchange contracts used for hedging						
- outflow	–	-37,824	–	–	–	–
- inflow	-1,885	39,652	–	–	–	–
Total	80,655	-5,232	-3,750	-21,937	-21,865	-60,118

The future cash flow needs will be financed through new long term loans and future vessel income. Since 31 December 2007, the Company has agreed with HSH bank to increase the overdraft facility with USD 15 million for the period up to 1 July 2008 at LIBOR plus a margin and to postpone the loan repayments for the year 2008 in line with the principles of the existing loan agreement (i.e. first repayment three months after conversion of the Fjell). On 1 July 2008 the overdraft facility will automatically be replaced by a new Mezzanine facility of USD 20 million at LIBOR plus a margin. The securities for these new facilities consist of a 3rd lien pledge of the vessels of the Company, assignment of the conversion contract for the Fjell with Malta Shipyards, the refund of the related guarantee of HSBC Malta (EUR 2.75 million) and pledges of the earnings, retention and cash sweep accounts / term deposits.

The long term loan cash flows include the cash flow from remaining draw downs (2007: USD 5.1 million and 2006: USD 27.7 million) and the outstanding interest rate swaps. The interest rate swaps have an average remaining duration of six years.

The forward exchange contracts will be used for the hedging of the expected conversion investments.

Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts. Balance sheet items not shown below are in USD. The other accruals are excluding the accrued income (2007 and 2006: USD 0.2 million).

	Carrying amount	Of which:		
2007	**USD 1,000**	**EUR 1,000**	**GBP 1,000**	**NOK 1,000**
Tax receivable	228	155	–	–
Cash	4,912	2,248	–	65
Trade creditors	-7,374	-4,414	-329	-906
Tax payable	-74	-50	–	–
Accruals	-482	-327	–	–
Commitments, not accounted for in the balance sheet	-28,000	-19,310	–	–
Forward exchange contracts	-16,920	12,000	–	–
Exposure		-9,698	-329	-841

Management will, in line with the hedging policy of the Company, hedge above shown EUR-exposure in the near future.

	Carrying amount	Of which:		
2006	USD 1,000	EUR 1,000	GBP 1,000	NOK 1,000
Tax receivable	94	71	–	–
Cash	12,930	–	–	85,215
Trade creditors	-2,465	-1,869	–	–
Related parties	-177	-134	–	–
Tax payable	-52	-39	–	–
Accruals	-465	-353	–	–
Commitments, not accounted for in the balance sheet	-30,000	-24,000	–	–
Forward exchange contracts	-37,307	29,680	–	–
Exposure		3,356	–	85,215

The following significant exchange rate applied during the year:

	Reporting spot rate		Average rate	
	31 December 2007	31 December 2006	2007	2006
EUR	**1.47185**	1.31860	**1.37074**	1.25622
GBP	**1.99631**	1.95910	**2.00181**	1.84295
NOK	**0.18454**	0.16060	**0.17123**	0.15623

Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

	Equity	Income statement
2007	**USD 1,000**	**USD 1,000**
EUR	**-1,286**	**320**
GBP	**60**	**60**
NOK	**14**	**14**

	Equity	Income statement
2006	USD 1,000	USD 1,000
EUR	-3,279	279
GBP	–	–
NOK	-1,244	-1,244

A 10 percent weakening of the USD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	31 December 2007	31 December 2006
	USD 1,000	USD 1,000
Fixed rate instruments		
The company has no fixed rate interest-bearing financial instruments		
Variable rate instruments		
Financial liabilities	**-70,617**	-48,034

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates at 31 December 2007 would have increased equity with USD 2.5 million (31 December 2006: USD 2.5 million). A decrease of 100 basis points in interest at 31 December would have had the equal but opposite effect.

A change in interest rates at the reporting date would have no impact on the income statement for 2007, because the interest paid on the loan is capitalised as part of the investment in the conversion of the barges.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

Fair values

The carrying amounts of the financial instruments shown in the balance sheet approximate the fair values in the balance sheet. The interest rates used for to discount estimated cash flows, where applicable, are based on the interbank interest rate at the reporting date plus an adequate credit spread.

17 Related parties

Identity of related parties

During the year, the Company had a related party relationship with its subsidiaries, Supervisory Board, Management Board and Fairmount Marine B.V.

Transactions with related parties

The related parties of the Company and their immediate relatives control 2.055% (2006: 2.810%) of the voting shares of the Company either directly or indirectly. Details are:

	2007		2006	
	%	Number of shares	%	Number of shares
P.J. Adkins (CEO)	**0.061**	**20,000**	–	–
C.J.C. du Marchie Sarvaas (CFO)	**0.145**	**48,000**	0.080	28,000
Oude Maas Beheer B.V. (H. van de Berg)	**1.819**	**600,000**	2.700	882,000
A.J. de Heer (employee Fairmount Marine B.V.)	**0.030**	**10,000**	0.030	10,000

Mr H. van de Berg and Mr A.J. de Heer resigned from the Management Board in 2006. They are however included in the above table as they are considered related parties through their involvement in Fairmount Marine B.V.

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

Transactions with Fairmount Marine B.V.

Management Agreement

The Company entered into a Management Agreement with Fairmount Marine B.V. in 2005. Under the terms of the Management Agreement Fairmount Marine B.V. was responsible for the risk assessment, yard selection and design of the Fjord and Fjell into self-propelled semi-submersible heavy transport vessels, as well as providing ongoing technical and commercial management during both the conversion phase and the subsequent operational phase of Fjord and Fjell.

On 1 December 2006 the Fjord was not redelivered to Fairstar under the terms of the Conversion Agreement arranged by Fairmount Marine B.V. acting as Manager. On 23 July 2007 notice of termination of this Management Agreement was given to Fairmount Marine B.V. On 23 January 2008 the last activities being executed by Fairmount Marine B.V. as manager were transferred to Fairstar's own organisation. Fairstar is currently considering a number of legal options available to it to recover significant financial damages from Fairmount Marine B.V., while Fairmount Marine B.V. was acting on behalf of Fairstar under the terms of the Management Agreement.
In 2007, USD 1,380,000 was invoiced by Fairmount Marine B.V. under the Management Agreement.

Other related party transactions

Other transactions with Fairmount Marine B.V. included the chartering of a tugboat (USD 850,000). The transaction is priced at arm's length.

At 31 December 2007, the Company owed related parties USD nil (2006: USD 252,000).

Remuneration of the Board

Details of the remuneration of the Board are:

	Remuneration	Equity compensation	Total 2007	Total 2006
	USD 1,000	**USD 1,000**	**USD 1,000**	USD 1,000
Management Board remuneration				
Ph. J. Adkins (CEO)	**229**	**–**	**229**	99
C.J.C. du Marchie Sarvaas (CFO)	**167**	**128**	**295**	192
F. Steenbuch	**–**	**–**	**–**	25
	396	**128**	**524**	316
Supervisory Board remuneration				
W. Dirkzwager (Chairman)	**49**	**–**	**49**	24
J.J.H. Verhagen	**35**	**–**	**35**	12
L.O. Aaker	**35**	**–**	**35**	12
B.E. Henriksen (2007: 9 months)	**26**	**–**	**26**	6
F.W. van Riet (2007: 3 months)	**9**	**–**	**9**	–
	154	**–**	**154**	54
Total	**550**	**128**	**678**	370

All members of the Supervisory Board are independent of management, major shareholders or significant business relations. Under the strictest interpretation of the Dutch corporate governance code, Mr H. Verhagen could be considered as not being independent as he was a member of the Company's Management Board from August to October 2005 prior to becoming a Supervisory Board member.

18 Commitments and contingencies

As per 31 December 2007, the Company entered into contracts relating to the conversion of the barges with total capital commitments amounting to USD 28 million. These commitments are not included in the balance sheet as per 31 December 2007. These capital commitments will be financed through long term loans, equity and future vessel income.

As per 31 December 2007, the Company has agreed with Kaupthing Bank to issue a performance guarantee on behalf of FHT to Malta Shipyard Ltd for an amount of EUR 10 million. The security provided for this guarantee consists of a 3rd lien pledge of the vessels of the Company. The guarantee is no longer required since the Company reached a final and full settlement with Malta Shipyard Ltd regarding the conversion of the Fjord in February 2008.

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

Under Currency risk (note 16) 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

There are no critical accounting judgements in applying the Company's accounting policies.

Company income statement for the year 2007

	2007	2006
	USD 1,000	USD 1,000
Company result	**-34**	809
Result subsidiaries	**265**	50
Profit (loss)	**231**	859

Company balance sheet as at 31 December 2007

	Note	2007	2006 *)
		USD 1,000	USD 1,000
Assets			
Non current assets			
Property, plant and equipment	1	**133,315**	95,626
Investments in subsidiaries	2	**412**	95
Total non current assets		**133,727**	95,721
Current assets			
Trade and other receivables	3	**594**	2,671
Derivative financial instruments		**860**	2,016
Cash and cash equivalents	4	**4,759**	12,840
Total current assets		**6,213**	17,527
Total assets		**139,940**	113,248
Liabilities			
Current liabilities			
Trade and other payables	5	**8,582**	3,389
Short term part of long term loan		**5,250**	–
Derivative financial instruments		**3,187**	1,269
		17,019	4,658
Non-current liabilities			
Long term loan		**65,364**	48,034
Total liabilities		**82,383**	52,692
Equity	6		
Issued share capital		**66,522**	59,596
Share premium		**5,042**	5,042
Retained earnings		**-11,579**	-4,884
Hedging reserve		**-2,740**	747
Share-based payments reserve		**312**	55
Total equity		**57,557**	60,556
Total equity and liabilities		**139,940**	113,248

*) Restated for comparison purposes, see note 6

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.

The company financial statements are part of the 2007 financial statements of Fairstar Heavy Transport N.V. With reference to the company income statement of Fairstar Heavy Transport N.V., the exemption pursuant to section 402 of Book 2 of the Netherlands Civil Code has been used.

For items where no differences between the company and consolidated financial statements are applicable, we refer to the notes to the consolidated financial statements.

Notes to the company balance sheet

Non current assets

1 Property, plant and equipment

The movements can be shown as follows:

	Barges	Conversion of the barges	Transportation equipment	Other	Total
	USD 1,000	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**
Balance as at 1 January 2007	**42,928**	**52,641**	**57**	**–**	**95,626**
Investments	**–**	**37,890**	**-5**	**192**	**38,077**
Depreciation	**-348**	**–**	**-17**	**-23**	**-388**
Balance as at 31 December 2007	**42,580**	**90,531**	**35**	**169**	**133,315**
Composed as follows:					
Purchase price	**44,888**	**90,531**	**55**	**192**	**135,666**
Accumulated depreciations	**-2,308**	**–**	**-20**	**-23**	**-2,351**
Balance as at 31 December 2007	**42,580**	**90,531**	**35**	**169**	**133,315**

At 31 December 2007, the Company's two barges, with a carrying amount of USD 133,077,000 are subject to registered mortgages to secure bank loans and guarantees.

2 Subsidiaries

This refers to 100% participations in Fairstar Beheer B.V. (Rotterdam), Fairstar Maritime Services B.V. (Rotterdam), Fairstar Fjord B.V. (Rotterdam) and Fairstar Fjell B.V. (Rotterdam).

Movements were as follows:

	2007
	USD 1,000
Balance as at 1 January	**95**
Incorporation of Fairstar Fjord B.V. (12 October 2007)	**26**
Incorporation of Fairstar Fjell B.V. (12 October 2007)	**26**
Result subsidiaries	**265**
Balance as at 31 December	**412**

Summary financial information on investments (100%)

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000
31 December 2007	856	411	445	2,105	265

Current assets

3 Trade and other receivables

Details are:

	31 December 2007	31 December 2006
	USD 1,000	USD 1,000
Trade receivables	142	978
Tax receivable	228	94
Prepaid expenses and accrued income	224	1,599
	594	2,671

4 Cash and cash equivalents

Cash and cash equivalents are at the free disposal of the Company.

Liabilities

5 Trade and other payables

Details are:

	31 December 2007	31 December 2006
	USD 1,000	USD 1,000
Trade creditors	7,368	2,555
Related parties	88	198
Tax payable	26	8
Accruals and accrued income	1,100	628
	8,582	3,389

6 Equity

Statement of changes in equity

	Issued share capital	Share premium *)	Retained earnings *)	Hedging reserve	Share-based payments reserve	Total
2006	USD 1,000	USD 1,000	USD 1,000	USD 1,000	USD 1,000	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	5,042	-4,884	747	55	60,556

	Issued share capital	Share premium	Retained earnings	Hedging reserve	Share-based payments reserve	Total
2007	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**	**USD 1,000**
Balance as at 1 January	**59,596**	**5,042**	**-4,884**	**747**	**55**	**60,556**
Share based payments	**–**	**–**	**–**	**–**	**257**	**257**
Cash flow hedges	**–**	**–**	**–**	**-3,487**	**–**	**-3,487**
Translation difference on issued share capital	**6,926**	**–**	**-6,926**	**–**	**–**	**–**
Result for the period	**–**	**–**	**231**	**–**	**–**	**231**
Balance as at 31 December	**66,522**	**5,042**	**-11,579**	**-2,740**	**312**	**57,557**

*) In the 2006 financial statements the translation difference on issued share capital was deducted from the share premium. In accordance with RJ 240.205 the comparatives have been adjusted and now show the translation difference as a deduction of the retained earnings.

Issued share capital

The authorised share capital of the Company amounts to EUR 205,500,000, divided into 150,000,000 shares of EUR 1.37, of which 32,990,000 (2006: 32,990,000) shares have been placed.

The issued share capital at 31 December 2007 has been translated into USD using a EUR/USD exchange rate of 1.47185 (31 December 2006: 1.31860). The translation difference has been deducted from the retained earnings.

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 and translation differences on issued share capital.

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.

Rotterdam, 18 March 2008

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
F.W. van Riet

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 2007 of USD 231,000 is added to the negative retained earnings.

Subsequent events

Since 31 December 2007, the Company has agreed additional financing. Reference is made to note 16 of the financial statements.

Auditor's report

To the Annual General Meeting of shareholders of Fairstar Heavy Transport N.V.

Report on the financial statements

We have audited the financial statements 2007 of Fairstar Heavy Transport N.V., Rotterdam as set out on pages 18 to 59. 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 2007, 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 2007, 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.

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 Fairstar Heavy Transport N.V. as at 31 December 2007 and of the result and the 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 Fairstar Heavy Transport N.V. as at 31 December 2007 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 is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 18 March 2008
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