

**SIGNED**

**BIBBY LINE LIMITED  
(Consolidated)**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006**

**TUESDAY**



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COMPANIES HOUSE

ULTIMATE PARENT COMPANY

Bibby Line Group Limited

DIRECTORS

Sir Michael Bibby, Bt - Chairman  
Cyril Joseph Green - Chief Executive  
Jonathan Haymer  
Peter Guy Walton Vickers  
Jonathan Osborne  
Simon Jeremy Kitchen  
Howard Dennis Woodcock  
Sean Thomas Golding

SECRETARY

Bibby Bros & Co (Management) Limited

REGISTERED OFFICE

105 Duke Street  
Liverpool  
L1 5JQ  
[www.bibbyline.co.uk](http://www.bibbyline.co.uk)

Incorporated in England and Wales  
Registered Number 989531

AUDITORS

KPMG LLP  
8 Princes Parade  
Liverpool  
L3 1QH

**BIBBY LINE LIMITED**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given, that the Annual General Meeting of Bibby Line Limited will be held at 10 a m on 11 June 2007 at 105 Duke Street, Liverpool for the following purposes

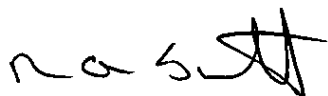
To consider the attached directors' report and financial statements for the year ended 31 December 2006

To re-elect directors

To re-appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration

To transact any other ordinary business

By order of the Board



Bibby Bros & Co (Management) Limited  
Secretary  
105 Duke Street  
Liverpool  
L1 5JQ

30 March 2007

## **BIRBY LINE LIMITED**

### **Business Review & Directors Report**

The directors present their report together with the audited financial statements for the year ended 31<sup>st</sup> December 2006

### **Business Review and Principal Activities**

Bibby Line Limited (the group) is a wholly-owned subsidiary of Bibby Line Group Limited and acts as the holding company for Bibby Line Group's Marine division

The group's principal activities continue to be the ownership and management of assets and provision of management services in the shipping and offshore industries across the world. There have not been any significant changes in the group's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the group's activities in the next year.

The group seeks investment opportunities in existing and new business areas with a view to implementing its policy of expansion.

As shown in the profit and loss account on page 7, the group's turnover has increased by 24.6% over the prior year and group operating profit has increased by 29.4%. The major factors resulting in the increase in operating profit were the successful re-structuring of our Accommodation Services fleet, undertaken in previous years, giving better utilisation and returns than in previous years. Our traditional Marine Services offering remained stable, but our Offshore services offering returned record utilisation and rates, supporting the strategy of converting a North Sea construction support vessel into a new diving support vessel, a project completed in the first quarter of 2007.

The balance sheet on page 8 of the financial statements shows that the group's financial position at the year-end and is consistent with the prior year. The increase in the tangible fixed assets is the investment referred to above in the conversion of a vessel into a diving support boat, which is being funded through cash reserves, explaining the reduction in the cash in hand year on year.

The Bibby Line Group elected to enter tonnage tax in December 2006. The election is for 10 years and the group pays tax based on the gross tonnage of its qualifying vessels, rather than on ship profitability. Not all marine assets are qualifying assets for tonnage tax. The group also met its obligations to train cadets.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

The group manages its operations on a divisional basis. For this reason, the group's directors believe that further key performance indicators for the group are not necessary or appropriate for an understanding of the development, performance or position of the group. The performance of the Marine Services, Accommodation Services and Offshore divisions of the group are discussed in the Business Reviews and Directors' Reports of the companies making up those divisions.

### **Principal risks and uncertainties**

Competitive pressure in international markets is a continuing risk for the group. To manage this risk, the group strives to provide well maintained and safe assets, added value services, prompt responses to customer queries, and through the continuation of strong relationships with customers.

The group provides assets and services into international markets and is therefore exposed to currency movements on such sales, which it manages through matching costs in the same currencies.

## **BIBBY LINE LIMITED**

### **Principal risks and uncertainties (Continued)**

The group is financed by a collection of floating rate bank loans and is therefore exposed to interest rate movement which it manages through the use of swap arrangements to reduce this exposure. The group does not hold or issue derivatives and other financial instruments for speculative purposes.

### **Corporate Governance**

The group strives to maintain the highest standards in corporate governance and bases its actions on the principles of openness, integrity and accountability. Audit and Remuneration committees exist within Bibby Line Group Limited which also cover the activities of the group.

### **Environment**

The group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the group's impact on the environment include recycling, reducing energy consumption and the introduction of a carbon neutral company car policy from the start of 2007.

### **Employees**

The group is committed to the continuing development of effective employee communication, including regular publication of company magazines. It is the policy of the group to ensure that all sections of the community have an equal opportunity in matters related to employment. The group operates no pension schemes, but is a member of its parent company's schemes.

It is the group's policy to promote the understanding and involvement of all employees in its business aims and performance.

The policy of the group is to give full and fair considerations to applications for employment made by disabled persons. If any employee becomes disabled whilst employed by a group company, every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities available for training, career development and promotion.

### **Dividends**

The directors do not propose a final dividend. An interim dividend of \$1,996,000, equating to \$0.40 per £1 Ordinary Share (2005 - \$Nil) was paid on 9 June 2006.

### **Directors and their Interests**

The directors during the year were

Cyril Joseph Green  
John Stewart Whewell Hogarth – resigned 6<sup>th</sup> January 2006  
Sir Michael James Bibby, Bt  
Jonathan Haymer  
Peter Guy Walton Vickers  
Jonathan Osborne  
Simon Jeremy Kitchen  
Howard Dennis Woodcock  
Sean Thomas Golding

## **BIBBY LINE LIMITED**

### **Directors and their Interests (cont.)**

The only interests of the directors in shares of the Bibby Line Group companies were in shares of Bibby Line Group Limited and the interests of M J Bibby and J Haymer in the shares of Bibby Line Group Limited are disclosed in the directors' report of that company

### **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

### **Information Provided to Auditors**

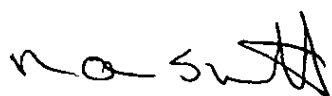
The directors confirm at the time when this report is approved

- so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and
- the directors have taken all steps that ought to have been taken as directors, including making appropriate enquiries of the group's auditors in connection with preparing their report and to establish that the group's auditors are aware of that information

### **Auditors**

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the group is to be proposed at the forthcoming Annual General Meeting

By order of the Board



Bibby Bros & Co (Management) Limited

Secretary  
30 March 2007

## KPMG LLP

8 Princes Parade  
Liverpool  
United Kingdom

### Independent auditors' report to the members of Bibby Line Limited

We have audited the group and parent company financial statements (the "financial statements") of Bibby Line Limited for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor

30 March 2007

# BIBBY LINE LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 US\$000	2005 US\$000
Turnover, group and share of joint ventures turnover	2	169,028	138,609
Less share of joint ventures turnover	8	(18,169)	(17,505)
Group turnover		150,859	121,104
Cost of sales		(132,764)	(106,086)
Gross profit		18,095	15,018
Administration expenses		(11,333)	(9,792)
Group operating profit		6,762	5,226
Share of operating profit of joint ventures	8	<u>7,827</u>	<u>7,171</u>
Total operating profit		14,589	12,397
Profit on disposal of fixed assets		—	<u>36,234</u>
Profit on ordinary activities before interest		14,589	48,631
Interest receivable and similar income	3	3,582	2,607
Interest payable and similar charges	4	(7,489)	(8,632)
Profit on ordinary activities before taxation	5	10,682	42,606
Tax on profit on ordinary activities	6	(6,154)	(10,834)
Profit for the financial year		<u>4,528</u>	<u>31,772</u>

The parent company has not presented its own profit and loss account as permitted by Schedule 4, Section 230 of the Companies Act 1985. The Parent Company made a profit for the financial year of \$29,863,000 (2005 - \$18,859,000)

The turnover and profit on ordinary activities all derive from continuing activities

There are no recognised gains or losses in 2006 or 2005 other than those dealt with in the profit and loss account

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31 DECEMBER 2006

	2006 \$000	2005 \$000
<b>Profit for the financial year</b>	4,528	31,772
Currency translation difference on foreign currency net investment	<u>1,947</u>	(1,313)
<b>Total gains recognised since last annual report</b>	<u>6,475</u>	<u>30,459</u>

The notes on pages 10 to 26 form part of these financial statements




**BIBBY LINE LIMITED**

**BALANCE SHEETS AS AT  
31 DECEMBER 2006**

	Note	Parent Company		Group	
		2006 US\$000	2005 US\$000	2006 US\$000	2005 US\$000
<b>Fixed assets</b>					
Tangible assets	9	157	79	131,177	97,512
Investments	7	1,546	1,546	-	-
Interest in joint ventures					
- share of gross assets	8			90,604	87,968
- share of gross liabilities	8			(84,393)	(83,888)
- share of net assets		-	-	6,211	4,080
		<u>1,703</u>	<u>1,625</u>	<u>137,388</u>	<u>101,592</u>
<b>Current assets</b>					
Stock	10	-	-	753	629
Debtors	11	129,696	114,493	65,566	40,644
Cash at bank and in hand		<u>5,660</u>	<u>24,058</u>	<u>13,814</u>	<u>37,785</u>
		<u>135,356</u>	<u>138,551</u>	<u>80,133</u>	<u>79,058</u>
<b>Creditors</b> (amounts falling due within one year)	12	(32,023)	(65,974)	(60,312)	(21,675)
<b>Net current assets</b>		<u>103,333</u>	<u>72,577</u>	<u>19,821</u>	<u>57,383</u>
<b>Total assets less current liabilities</b>		<u>105,036</u>	<u>74,202</u>	<u>157,209</u>	<u>158,975</u>
<b>Creditors</b> (amounts falling due after more than one year)	13	-	-	26,410	36,160
Convertible intergroup loan	14	30,982	30,982	30,982	30,982
Provisions for liabilities and charges	15	<u>2,967</u>	-	<u>61,587</u>	<u>58,082</u>
		<u>33,949</u>	<u>30,982</u>	<u>118,979</u>	<u>125,224</u>
<b>Capital and reserves</b>					
Called up share capital	16	7,763	7,763	7,763	7,763
Profit and loss account	17	<u>63,324</u>	<u>35,457</u>	<u>30,467</u>	<u>25,988</u>
<b>Shareholders' funds (including non-equity interests)</b>	18	<u>71,087</u>	<u>43,220</u>	<u>38,230</u>	<u>33,751</u>
		<u>105,036</u>	<u>74,202</u>	<u>157,209</u>	<u>158,975</u>

Approved by the Board on 30 March 2007

S T Golding  
Director



The notes on pages 10 to 26 form part of these financial statements

BIBBY LINE LIMITED

CONSOLIDATED CASH FLOW STATEMENT  
YEAR ENDED 31 DECEMBER 2006

	Note	2006 US\$000	2006 US\$000	2005 US\$000	2005 US\$000
<b>Net cash inflow / (outflow) from operating activities</b>	19		30,304		(9,983)
<b>Returns on investment and servicing of finance:</b>					
Interest received		3,023		1,476	
Interest paid		(2,632)		(5,021)	
Dividends received from joint ventures		<u>2,254</u>		<u>1,841</u>	
			2,645		(1,704)
<b>Taxation:</b>					
Group relief (repaid) / surrendered		(2,083)		1,052	
Foreign tax paid		<u>(3,086)</u>		<u>(417)</u>	
			(5,169)		635
<b>Capital expenditure and financial investment:</b>					
Purchase of tangible fixed assets		(49,825)		(17,130)	
Sale of tangible fixed assets		<u>-</u>		<u>153,647</u>	
			(49,825)		<u>136,517</u>
Dividends paid on equity shares			<u>(1,996)</u>		<u>-</u>
Cash (outflow) / inflow before financing			(24,041)		125,465
<b>Financing:</b>					
New loans advanced		10,499		-	
Repayment of amounts borrowed		<u>(11,433)</u>		<u>(106,385)</u>	
			(934)		<u>(106,385)</u>
<b>(Decrease) / Increase in cash</b>	20		<u>(24,975)</u>		<u>19,080</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

**Basis of preparation**

The following accounting policies have been applied consistently in dealing with items considered to be material to the company's financial statements

The financial statements are drawn up in US Dollars. They have been prepared under the historical cost convention, as modified by the method used to translate the issued share capital to US Dollars, and in accordance with applicable Accounting Standards

The US Dollar value of the issued share capital is arrived at by converting from Sterling at the exchange rate ruling at the date the accounts were first presented in US\$

Compliance with SSAP 20 "Foreign Exchange Translation" requires a departure from the requirements of the Companies Act 1985 relating to unrealised gains on long term monetary items and an explanation is given in the Foreign Currencies policy below

**Basis of consolidation**

The group financial statements consolidate the financial statements of the Parent Company and all its subsidiaries by the acquisition method of accounting

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long term interest and over which it exercises joint control. The consolidated profit and loss account includes the group's share of the results of associated undertakings and joint ventures as shown by their audited statements or unaudited management accounts. The group's interest in their net assets is included in the consolidated balance sheet

**Tangible fixed assets and depreciation**

Fixed assets are included at cost, less depreciation. Pre-delivery interest and financing expenses are included in cost. The US Dollar value of a vessel is arrived at by converting from sterling at the exchange rate ruling at the date the accounts were first presented in US dollars. Subsequent additions are stated at cost

Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their expected useful economic lives. The rates of depreciation are as follows

- |                      |  |
|----------------------|--|
| - office equipment   | - varying rates between three and four years |
| - computer equipment | - three years                                |
| - fleet              | - between ten and twenty seven years         |

Fleet assets in the course of construction are not depreciated until it is deemed that the asset has commenced its useful economic life and contributes economic benefits to the group

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

**Drydock costs**

For all owned vessels revenue costs associated with the periodic drydocking of vessels are written off in the year in which the drydock takes place

For vessels held under operating leases a provision is made for any estimated drydocking commitments that are required under the terms of the lease agreement. An annual allowance is made for a pro rata proportion of the estimated drydocking costs.

**Floating accommodation vessels' relocation and refurbishment costs**

After a floating accommodation vessel completes a contract, the costs of relocation and refurbishment are normally written off over the life of that vessel's next contract. However, if the next contract is of a short term nature, the costs are written off to the profit and loss account in the year of expenditure

**Stock**

Stock is stated at the lower of cost and net realisable value

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. The deferred tax assets and liabilities are not discounted. Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted

**Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account

A number of subsidiary undertakings prepare their financial statements in foreign currencies. The net assets of these companies are converted into dollars at the rates of exchange ruling at the balance sheet date and the resulting net differences on exchange are taken directly to reserves

**Pension costs**

Bibby Line Limited is a member of the Bibby Line Group Limited Pension Scheme and the Merchant Navy Officers Pension Fund but is unable to identify its share of the underlying assets and liabilities of the Schemes on a consistent and reasonable basis therefore, as required by FRS 17 "Retirement Benefits", Bibby Line Limited continues to account for the Schemes as if they were defined contribution schemes. As a result, the amount charged to the profit and loss account represents the contributions payable to the Schemes in respect of the accounting period. Differences between the amounts charged in the profit and loss account and payments made to the Schemes are treated as liabilities. The disclosures required by FRS 17 have been incorporated in note 29

## BIBBY LINE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

#### 1 ACCOUNTING POLICIES (continued)

##### **Operating leases**

Lease rentals are charged to the profit and loss account on a straight line basis over the lease terms

##### **Fixed asset investments**

Fixed asset investments are shown at cost less provision for impairment

##### **Related party transactions**

Under Financial Reporting Standard 8, the Company is exempt from disclosing related party transactions with fellow group undertakings, as more than 90% of the voting rights are controlled by the ultimate parent undertaking, Bibby Line Group Limited

Transactions between Bibby Line Group Limited and its related parties and a statement of substantial shareholdings in Bibby Line Group Limited are included in that company's consolidated financial statements

##### **Long term contracts**

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

#### 2 TURNOVER

Turnover, which is derived from international business, is the freight and charter hire earned plus service revenues and is recognised at the time the relevant service is provided to customers Joint venture turnover includes interest receivable under finance leases Turnover in respect to long term contracts is discussed in the Accounting policy note above

#### 3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 US\$000	2005 US\$000
Interest receivable in joint ventures (note 8)	434	549
Bank interest receivable	<u>3,148</u>	<u>2,058</u>
	<u>3,582</u>	<u>2,607</u>

BIRBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 US\$000	2005 US\$000
On bank loans and overdrafts	2,576	4,482
On bank loans and overdrafts of joint ventures (note 8)	4,758	4,965
To group undertakings	-	67
Foreign exchange loss / (profit) on loans	<u>155</u>	<u>(882)</u>
	<u>7,489</u>	<u>8,632</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION  
is stated after charging/(crediting) the following amounts -

	Group	
	2006 US\$000	2005 US\$000
Staff costs		
- wages and salaries	30,669	30,218
- social security costs	766	627
- other pension costs	1,357	1,239
Depreciation of owned assets (note 9)	11,811	11,359
Exchange losses / (gains)	707	(521)
Operating lease costs		
- hire of plant and machinery	14,675	7,564
- other	636	456
Amounts receivable by auditors and their associates in respect of These financial statements	73	57
Audit of financial statements of subsidiaries pursuant to legislation	48	32
Other services relating to taxation	<u>5</u>	<u>5</u>

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 US\$000	2005 US\$000
<b>The taxation charge comprises:</b>		
Corporation tax payable	(1,388)	(358)
Amount paid in respect of prior year group relief	(2,083)	-
Share of joint ventures' taxation credit / (charge)	219	(218)
Current year provision for foreign taxes	(3,409)	(958)
<b>Current tax charge</b>	(6,661)	(1,534)
Deferred tax credit/(charge)(note 15)	507	(9,300)
	<u>(6,154)</u>	<u>(10,834)</u>

**Factors affecting the tax charge for the year:**

The current tax charge is higher / (lower) than the anticipated charge The anticipated tax charge is based on the average rate of tax across the group

The differences are explained as follows

	2006 US\$000	2005 US\$000
Profit on ordinary activities before taxation	<u>10,682</u>	<u>42,606</u>
Profit on ordinary activities multiplied by the rate of tax of 30% (2005 - 30%)	(3,204)	(12,782)
<b>Effects of:</b>		
Prior year group relief adjustments	(2,083)	-
Difference between capital allowances and depreciation	(1,841)	(2,434)
Foreign taxation	(614)	750
Non taxable expenses	(166)	(35)
Joint venture results	-	26
Tax allowable costs included in capital additions	-	81
Tax deferred on sale of fixed assets	-	12,235
Non taxable exchange differences	-	45
Tonnage tax	<u>1,247</u>	<u>580</u>
<b>Current tax charge</b>	<u>(6,661)</u>	<u>(1,534)</u>

# BIBBY LINE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

### 7 INVESTMENTS

	MMM Joint Venture US\$000	Foreland Joint Venture US\$000	Subsidiary Undertakings US\$000	Total US\$000
<b>Parent company</b>				
At 1 January 2006 and				
31 December 2006	<u>18</u>	<u>38</u>	<u>1,490</u>	<u>1,546</u>

Details of shares held in subsidiary and associated undertakings are given in note 28

### 8 INCOME FROM INTERESTS IN JOINT VENTURES

The Group's share is set out below

	MMM 2006 US\$000	Foreland 2006 US\$000	Total 2006 US\$000	Total 2005 US\$000
Turnover	<u>2,325</u>	<u>15,844</u>	<u>18,169</u>	<u>17,505</u>
Operating profit	149	7,678	7,827	7,171
Interest receivable	-	434	434	549
Interest payable	<u>-</u>	<u>(4,758)</u>	<u>(4,758)</u>	<u>(4,965)</u>
Group's share of profit on ordinary activities before taxation	<u>149</u>	<u>3,354</u>	<u>3,503</u>	<u>2,755</u>
Group's share of tax on profit on ordinary activities	<u>(45)</u>	<u>264</u>	<u>219</u>	<u>(218)</u>

The Group's interest in joint ventures is represented as follows

	MMM 2006 US\$000	Foreland 2006 US\$000	Total 2006 US\$000	Total 2005 US\$000
Tangible fixed assets	133	23,850	23,983	22,606
Non current assets	-	61,060	61,060	53,005
Current assets	701	4,860	5,561	12,357
Creditors (amounts falling due within one year)	<u>(286)</u>	<u>(3,980)</u>	<u>(4,266)</u>	<u>(4,437)</u>
Net current assets	<u>415</u>	<u>880</u>	<u>1,295</u>	<u>7,920</u>
Total assets less current liabilities	548	85,790	86,338	83,531
Other borrowings	<u>-</u>	<u>(80,127)</u>	<u>(80,127)</u>	<u>(79,451)</u>
Group share of net assets	<u>548</u>	<u>5,663</u>	<u>6,211</u>	<u>4,080</u>



BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

9 TANGIBLE ASSETS

	Parent Company Equipment US\$000
<b>Cost</b>	
At 1 January 2006	612
Additions	<u>232</u>
At 31 December 2006	<u>844</u>
<b>Depreciation</b>	
At 1 January 2006	533
Charge for the year	<u>154</u>
At 31 December 2006	<u>687</u>
<b>Net book amount</b>	
At 31 December 2006	<u>157</u>
At 31 December 2005	<u>79</u>

	Group				
	Leasehold improvements US\$000	Equipment US\$000	Fleet assets in course of construction US\$000	Fleet US\$000	Total US\$000
<b>Cost</b>					
At 1 January 2006	48	1,727	10,374	168,979	181,128
Additions	-	527	38,176	13,157	51,860
Transfer to assets for resale	-	-	(6,384)	-	(6,384)
At 31 December 2006	<u>48</u>	<u>2,254</u>	<u>42,166</u>	<u>182,136</u>	<u>226,604</u>
<b>Depreciation</b>					
At 1 January 2006	48	1,550	-	82,018	83,616
Charge for the year	-	253	-	11,558	11,811
Transfer to assets for resale	-	-	-	-	-
At 31 December 2006	<u>48</u>	<u>1,803</u>	<u>-</u>	<u>93,576</u>	<u>95,427</u>
<b>Net book amount</b>					
At 31 December 2006	<u>-</u>	<u>451</u>	<u>42,166</u>	<u>88,560</u>	<u>131,177</u>
At 31 December 2005	<u>-</u>	<u>177</u>	<u>10,374</u>	<u>86,961</u>	<u>97,512</u>

Included in the cost of the fleet is pre-delivery interest at 3.3% of US\$7,573,459 (2005 - US\$7,573,459) US\$Nil was capitalised in 2006 (2005 - US\$Nil)

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

10 STOCK

	Parent Company		Group	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
Consumables	<u>-</u>	<u>-</u>	<u>753</u>	<u>629</u>

11 DEBTORS

	Parent Company		Group	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
Trade debtors	-	4	26,659	18,916
Amounts owed by group undertakings	126,535	113,479	7,967	10,020
Amounts owed by joint ventures	3,134	526	3,134	526
Assets held for resale	-	-	9,457	-
Finance lease income recoverable	-	-	1,521	-
Other debtors	2	-	8,411	9,017
Taxation and social security	-	-	813	-
Deferred tax asset (note 15)	-	24	-	-
Prepayments and accrued income	<u>25</u>	<u>460</u>	<u>7,604</u>	<u>2,165</u>
	<u>129,696</u>	<u>114,493</u>	<u>65,566</u>	<u>40,644</u>

Included in finance lease income recoverable and in other debtors are amounts totaling US\$9,520,817 (2005 - US\$9,017,536) which are due after more than one year

12 CREDITORS

(Amounts falling due within one year)

	Parent Company		Group	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
Bank loans (note 13)	-	-	16,415	7,046
Trade creditors	338	6,575	19,295	9,297
Corporation tax payable	272	-	1,392	-
Overseas tax payable	-	-	828	-
Amounts owed to group undertakings	29,993	57,719	7,456	204
Amounts owed to joint ventures	-	205	-	205
Taxation and social security	364	375	1,093	2,226
Accruals and deferred income	<u>1,056</u>	<u>1,100</u>	<u>13,833</u>	<u>2,697</u>
	<u>32,023</u>	<u>65,974</u>	<u>60,312</u>	<u>21,675</u>

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

13. CREDITORS  
(amounts falling due after more than one year)

	Parent Company		Group	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
Bank loans (see below)	<u>-</u>	<u>-</u>	<u>26,410</u>	<u>36,160</u>

US Dollar and Euro fleet finance loans, secured by statutory mortgages on certain vessels of the fleet and carrying interest at up to 1 5016 per cent above US Dollar LIBOR/EURIBOR, are repayable by installments over periods to 2010 as follows -

	Parent Company		Group	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
<b>Bank Loans Repayable:</b>				
Within one year	-	-	16,415	7,046
Between one and two years	-	-	6,211	7,046
Between two and five years	<u>-</u>	<u>-</u>	<u>20,199</u>	<u>29,114</u>
	<u>-</u>	<u>-</u>	<u>42,825</u>	<u>43,206</u>

14. CONVERTIBLE INTERGROUP LOAN

	Parent Company and Group	
	2006	2005
	US\$000	US\$000
Convertible unsecured loan from Bibby Line Group Limited	<u>30,982</u>	<u>30,982</u>

Bibby Line Group Limited have the right to convert the whole or any part of the loan into fully paid US Dollar Ordinary Shares of US\$1 each, at the rate of US\$1 of US Dollar Ordinary Share Capital for every US\$1 5526 of the loan, at any time until 2 January 2021

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation US\$000
<b>Parent Company</b>	
At 1 January 2006	(24)
Charged to the profit and loss account in the year	<u>2,991</u>
At 31 December 2006	<u>2,967</u>

	Reinstatement Provision US\$000	Deferred Taxation US\$000	Drydock US\$000	Total US\$000
<b>Group</b>				
At 1 January 2006	-	57,607	475	58,082
Charged in the year (note 6)	<u>3,699</u>	<u>(507)</u>	<u>313</u>	<u>3,505</u>
At 31 December 2006	<u>3,699</u>	<u>57,100</u>	<u>788</u>	<u>61,587</u>

Deferred tax allowances relate to accelerated capital allowances and balancing charges on the sale of vessels. The balancing charges of US\$33.1m have been rolled over for re-investment within the next six years. The drydock provision is expected to be utilized in the first quarter of 2007. The re-instatement provision has been created under the terms of the lease of the vessel which has been converted to a dive support vessel. If this is re-delivered at the end of the lease it will be required to remove our conversion. Should this be necessary the provision would be utilised in 2012.

16 CALLED UP SHARE CAPITAL

	Authorised		Allotted & Fully Paid	
	2006	2005	2006	2005
	US\$000	US\$000	US\$000	US\$000
5,000,000 ordinary equity shares of £1 each	7,763	7,763	7,763	7,763
20,000,000 ordinary equity shares of US\$1 each	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
	<u>27,763</u>	<u>27,763</u>	<u>7,763</u>	<u>7,763</u>

**BIBBY LINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

**17 PROFIT AND LOSS ACCOUNT**

	<b>Parent Company US\$000</b>	<b>Group US\$000</b>
At 1 January 2006	35,457	25,988
Profit for the financial year	29,863	4,528
Dividends paid	(1,996)	(1,996)
Exchange differences arising on consolidation	<u>-</u>	<u>1,947</u>
At 31 December 2006	<u>63,324</u>	<u>30,467</u>

**18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Parent Company</b>		<b>Group</b>	
	<b>2006 US\$000</b>	<b>2005 US\$000</b>	<b>2006 US\$000</b>	<b>2005 US\$000</b>
Profit for the financial year	29,863	18,859	4,528	31,772
Dividends paid	(1,996)	-	(1,996)	-
Exchange differences arising on consolidation	<u>-</u>	<u>-</u>	<u>1,947</u>	<u>(1,313)</u>
Net addition to shareholders' funds	27,867	18,859	4,479	30,459
Opening shareholders' funds	<u>43,220</u>	<u>24,361</u>	<u>33,751</u>	<u>3,292</u>
Closing shareholders' funds	<u>71,087</u>	<u>43,220</u>	<u>38,230</u>	<u>33,751</u>

The share of shareholders' funds attributable to non-equity shareholders is US\$Nil (2005 - US\$Nil)

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

19 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW / (OUTFLOW)  
FROM OPERATING ACTIVITIES

	2006 US\$000	2005 US\$000
Operating profit	6,762	5,226
Depreciation and impairment	11,811	11,359
Increase in debtors	(18,282)	(14,987)
Increase / (Decrease) in creditors	26,125	(11,274)
Increase in stock	(124)	(484)
Increase in provisions	<u>4,012</u>	<u>177</u>
	<u>30,304</u>	<u>(9,983)</u>

20 RECONCILIATION OF NET DEBT

	2006 US\$000	2005 US\$000
(Decrease) / Increase in cash in the year	(24,975)	19,080
Decrease in loans	934	106,385
Exchange movements	<u>451</u>	<u>19</u>
Change in net debt from cash flows	(23,590)	125,484
Net debt at 1 January	<u>(5,421)</u>	<u>(130,905)</u>
Net debt at 31 December	<u>(29,011)</u>	<u>(5,421)</u>

21 ANALYSIS OF NET DEBT

	1 January 2006 US\$000	Cash Flow US\$000	Exchange Movements US\$000	31 December 2006 US\$000
Cash at bank and in hand	37,785	(24,975)	1,004	13,814
Debt due after one year	(36,160)	10,121	(371)	(26,410)
Debt due within one year	<u>(7,046)</u>	<u>(9,187)</u>	<u>(182)</u>	<u>(16,415)</u>
	<u>(5,421)</u>	<u>(24,041)</u>	<u>451</u>	<u>(29,011)</u>

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

22 DIVIDENDS PAID

	2006 US\$	2005 US\$
On Ordinary shares of £1 each		
- Interim - US\$ 1,996,000 (2005 - £Nil)	<u>1,996,000</u>	<u>-</u>

23 EMOLUMENTS OF DIRECTORS

	2006 US\$000	2005 US\$000
Aggregate emoluments	<u>1,512</u>	<u>1,460</u>

Retirement benefits are accruing to four (2005 - five) directors under a defined benefit scheme. Two (2005- one) of the directors are in a money purchase pension scheme and contributions in the year were US\$61,380 (2005 - US\$33,127). The highest paid director is a member of the money purchase pension scheme and not a member of the defined benefit scheme.

Highest paid director

	2006 US\$000	2005 US\$000
Total amount of emoluments (excluding pension contributions)	<u>304</u>	<u>300</u>

BIBBY LINE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

24 PARTICULARS OF EMPLOYEES

	2006 Number	2005 Number
The average number of employees during the year was		
Administration	104	105
Marine staff	<u>505</u>	<u>679</u>
	<u>609</u>	<u>784</u>

25 OPERATING LEASE COMMITMENTS

	2006		2005	
	Property US\$000	Other US\$000	Property US\$000	Other US\$000
The Group has the following annual commitments under operating leases which expire				
Between two and five years	-	11,128	-	-
After five years	<u>687</u>	<u>15,148</u>	<u>636</u>	<u>15,148</u>
	<u>687</u>	<u>26,276</u>	<u>636</u>	<u>15,148</u>

26 CONTINGENT LIABILITIES

At the year end the Company had contingent liabilities of US\$5,475,384 (2005 - US\$5,959,964) in respect of guarantees given to the Group's bankers

27 CAPITAL COMMITMENTS

	Parent Company		Group	
	2006 US\$000	2005 US\$000	2006 US\$000	2005 US\$000
Capital expenditure for which contracts have been placed but which are not otherwise provided for in these financial statements	<u>-</u>	<u>-</u>	<u>16,393</u>	<u>23,441</u>



# **BIBBY LINE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

### **28 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS**

All of the following companies are included in this consolidation

	Percentage of Equity Share Capital Held	Country of Incorporation	Type of Business
<b>Subsidiary Undertakings</b>			
Bibby Bulk Carriers Limited	100	United Kingdom	Shipping
Bibby Freighters Limited	100	United Kingdom	Shipping
Bibby Gas Carrier Limited	100	United Kingdom	Shipping
Bibby International Services Group Limited	100	United Kingdom	Crew Supply
Bibby International Services (Cayman Islands) Limited *	100	Cayman Islands	Crew Supply
Bibby International Services (IOM) Limited *	100	Isle of Man	Ship Management
Bibby International Services (Guernsey) Limited*	100	Guernsey	Crew Supply
Bibby Offshore (Guernsey) Limited*	100	Guernsey	Crew Supply
Foreland Shipping (Guernsey) Limited*	100	Guernsey	Crew Supply
Bibby International Services (India) Private Limited*	100	India	Crew Supply
Bibby International Services Philippines, Inc *	100	Manila	Crew Supply
Bibby Marine Services Limited	100	United Kingdom	Shipping
Bibby Maritime Limited	100	United Kingdom	Shipping
Bibby Navigation Limited	100	United Kingdom	Shipping
Bibby Offshore Limited	100	United Kingdom	Shipping
Bibby Pool Partner Limited	100	United Kingdom	Shipping
Bibby Transport Limited	100	United Kingdom	Shipping
Bibby Travel Limited	100	United Kingdom	Dormant
Britain Steamship Company Limited	100	United Kingdom	Shipping
Canning Shipping Limited	100	United Kingdom	Shipping
Herculanum Shipping Limited	100	United Kingdom	Shipping
Huskisson Shipping Limited	100	United Kingdom	Shipping
Lamport Investments Limited *	50	Isle of Man	Shipping
Langton Shipping Limited	100	United Kingdom	Shipping
Rumford Tankers Limited	100	United Kingdom	Shipping
Sandon Shipping Limited	100	United Kingdom	Shipping
<b>Joint Venture Undertakings</b>			
Foreland Holdings Limited	25	United Kingdom	Shipping
Meridian Marine Management Limited	50	United Kingdom	Ship Management

\* Denotes interest not held directly by Bibby Line Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

29 PENSION COSTS

The Company participates in the Bibby Line Group Pension Scheme (the “Scheme”), a defined benefit pension scheme. The assets of the Scheme are held separately from those of the sponsoring and participating employers and are invested with an insurance company. The Scheme was closed to new entrants from 1 April 2000. The latest actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 6 April 2005 using the projected unit method and showed the Scheme to be 88% funded. Further actuarial information is given in the accounts of Bibby Line Group Limited. The contributions made by the Company over the financial year to this Scheme have been US\$183,489 (2005 - US\$141,900), equivalent to 18.1% of pensionable pay.

Since 1st April 2000, the Company has participated in the Bibby Line Group Money Purchase Pension Plan (the “Plan”), which is a defined contribution scheme for new employees. The contributions made by the Company over the financial year to the Plan have been US\$ 64,029 (2005 - US\$29,627).

The Company has also made contributions of US\$ 129,389 (2005 - US\$141,662) to private money purchase pension schemes.

Outstanding contributions at the balance sheet date to all pension arrangements amounted to £Nil (2005 - £Nil).

**FRS17 Disclosures**

The Scheme is a multi-employer scheme and the Company and its subsidiaries are unable to identify their share of the assets and liabilities of the Scheme. As part of the information disclosed under FRS17 in the ultimate holding company's accounts, a net deficit of £10,716,000 (2005 - £11,304,000) is noted. Further information can be found in the financial statements of the ultimate holding company.

The Company is also a member of the Merchant Navy Officers' Pension Fund which is a multi-employer defined benefit scheme, however, the Company is unable to identify its share of the underlying assets and liabilities of the Merchant Navy Officers' Pension Fund. At the last actuarial valuation in March 2003, the Merchant Navy Officers' Pension Fund had a deficit of £194m. The actuaries have estimated that this deficit will have risen to £243m at September 2005. The Company has agreed to pay additional contributions of £1.63m in ten equal annual instalments towards this deficit which will be accounted for in the profit and loss account as the contributions are paid, the first of which was paid in September 2005.

• **BIBBY LINE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2006 (CONTINUED)**

**30 RELATED PARTY TRANSACTIONS**

The Group's material related party transactions are detailed below

**Transactions with joint ventures**

Meridian Marine Management Limited charged US\$1,658,000 (2005 - US\$2,218,000) for services it provided and was charged US\$205,000 (2005 - US\$73,000) for services provided by the Company

Meridian Marine Management Limited was owed US\$1,067,000 (2005 - US\$53,000) at the year end for services it provided and owed US\$ 3,149,000 (2005 - US\$10,000) for services provided by the Company

**31 POST BALANCE SHEET EVENTS**

In March 2007 the Chancellor of the Exchequer announced proposals to change the UK rate of Corporation Tax from 30% to 28% with effect from April 2008

**32 ULTIMATE PARENT UNDERTAKING**

The Company is a wholly owned subsidiary undertaking of Bibby Line Group Limited, the ultimate parent company, a company registered in England. Bibby Line Group Limited is the parent undertaking of the largest and smallest group which consolidates these financial statements and of which the Company is a member

Copies of the Group financial statements may be obtained from Bibby Line Group Limited, 105 Duke Street, Liverpool L1 5JQ ([www.bibbygroup.co.uk](http://www.bibbygroup.co.uk))