

SIGNED

BIBBY OFFSHORE LIMITED

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



BIBBY OFFSHORE LIMITED

PARENT UNDERTAKING

Bibby Line Limited

ULTIMATE PARENT UNDERTAKING

Bibby Line Group Limited

DIRECTORS

Cyril Joseph Green
Howard Dennis Woodcock
Sean Thomas Golding
Simon Jeremy Kitchen
John Howard Hughes
Peter Hughes
Fraser John Moonie

SECRETARY

Bibby Bros & Co (Management) Limited

REGISTERED OFFICE

105 Duke Street
Liverpool
L1 5JQ
www.bibbyline.co.uk

Incorporated in England and Wales
Registered No 4851172

AUDITORS

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

BIBBY OFFSHORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

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

Business Review and Principal Activities

Bibby Offshore Limited is a wholly-owned subsidiary of Bibby Line Limited

The company's principal activities continue to be the ownership and management of assets and provision of management services in the offshore industry across the world. There have not been any significant changes in the company's principal activities in the year under review. During the year the company commenced with the conversion of the Bibby Sapphire into a diving support vessel. This has resulted in a significant investment, which is reflected in the increase in fixed assets. The conversion project has been completed in 2007, and the Bibby Sapphire is operational. In addition, the company has entered into an agreement for a time charter of the Bibby Topaz, which is expected to be delivered in late 2007.

As shown in the profit and loss account on page 6, the company's turnover has increased by 44% over the prior year and profit after tax has increased by 39%. The major factors resulting in the increase in profit after tax were directly related to the increased utilisation achieved by Bibby Aquamarine. ROCE as measured by Profit After Tax over Opening Shareholders Funds is 100% (261% 2005).

The balance sheet on page 7 of the financial statements shows the company's financial position at the year-end and significant movements have been the increase in fixed assets and intercompany creditors, driven by capitalisation of the Bibby Sapphire conversion work and the method of funding for the conversion.

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 and the company is part of the Offshore division. The non-financial Key Performance Indicators used to measure the performance of the division are safety related with Lost Time Injury Frequency (Actual 1.52, Target 1.70) and First Aid Case Frequency (Actual 16.72, Target 6.08).

Principal risks and uncertainties

Competitive pressure in international markets is a continuing risk for the company. To manage this risk, the company strives to provide well maintained and safe assets, added value services, prompt responses to customer queries, and preserve strong relationships with customers. The company provides assets and services in international markets and is therefore exposed to currency movements on sales made in foreign currencies. This exposure is mitigated by matching costs in the same currencies.

The company is financed by a floating rate bank loan and support from the parent company and is therefore exposed to interest rate movement which is reduced by the parent company through the use of swap arrangements to reduce this exposure. The company does not hold or issue derivatives and other financial instruments for speculative purposes.

It is the policy of the company to ensure that all sections of the community have an equal opportunity in matters related to employment. The company participates in a defined benefit scheme and a money purchase scheme operated by Bibby Line Group Ltd. The company also makes contributions to private money purchase schemes.

The company 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 covers the activities of the company.

Environment

The company 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 company's impact on the environment include recycling and reducing energy consumption.

Employees

The company is committed to the continuing development of effective employee communication, continuation and involvement. It is the company's policy to promote the understanding and involvement of all employees in its business aims and performance. The policy of the company 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 dividend (2005 - \$Nil)

Directors and their Interests

The directors during the year were

Cyril Joseph Green

Howard Dennis Woodcock

Sean Thomas Golding - appointed 1 January 2006

Simon Jeremy Kitchen

John Howard Hughes - appointed 1 January 2006

Peter Hughes - appointed 1 January 2006

Fraser John Moonie - appointed 1 January 2006

None of the Directors held any interests in either the shares of the company or of the Bibby Line Group Limited group of companies.

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.

BIBBY OFFSHORE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements (continued)

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

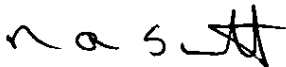
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with the Companies Act 1985, the directors have passed an elective resolution to dispense with the annual appointment of auditors, the holding of Annual General Meetings and the laying of accounts at the Annual General Meeting KPMG LLP have expressed their willingness to remain in office

By order of the Board


Bibby Bros & Co (Management) Limited
25 May 2007

KPMG LLP

8 Princes Parade
Liverpool
United Kingdom

Independent auditors' report to the members of Bibby Offshore Limited

We have audited the financial statements of Bibby Offshore Limited for the year ended 31st December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 3 and 4.

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 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 company's affairs as at 31st December 2006 and of its 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
Chartered Accountants
Registered Auditor

25 May 2007

BIBBY OFFSHORE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 31 DECEMBER 2006

	Note	2006 US\$	2005 US\$
Turnover	1	79,568,828	55,371,317
Cost of sales		(69,912,279)	(52,935,643)
Operating profit		9,656,549	2,435,674
Administration expenses		(4,394,075)	-
Interest receivable		-	130,170
Profit on ordinary activities before taxation	2	5,262,474	2,565,844
Tax on profit on ordinary activities	3	(2,696,753)	(716,790)
Profit for the financial year	9	<u>2,565,721</u>	<u>1,849,054</u>

The turnover and result 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

The notes on pages 8 to 12 form part of these financial statements

BIBBY OFFSHORE LIMITED

BALANCE SHEET AS AT
31 DECEMBER 2006

	Note	2006 US\$	2005 US\$
Fixed assets:			
Tangible assets	4	<u>42,164,174</u>	<u>3,988,382</u>
Current assets:			
Stock		754,941	629,408
Debtors	5	<u>23,256,489</u>	<u>15,780,774</u>
		<u>24,011,430</u>	<u>16,410,182</u>
Creditors (amounts falling due within one year)	6	<u>(57,055,140)</u>	<u>(17,543,021)</u>
Net current liabilities		<u>(33,043,710)</u>	<u>(1,132,839)</u>
Total assets less current liabilities		<u>9,120,464</u>	<u>2,855,543</u>
Provision for liabilities and charges	7	<u>3,998,329</u>	<u>299,129</u>
Capital and reserves:			
Called up share capital	8	100	100
Profit and loss account	9	<u>5,122,035</u>	<u>2,556,314</u>
Equity shareholders' funds	10	<u>5,122,135</u>	<u>2,556,414</u>
		<u>9,120,464</u>	<u>2,855,543</u>

Approved by the Board on 25 May 2007



S T Golding
Director

The notes on pages 8 to 12 form part of these financial statements

BIBBY OFFSHORE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are stated in US Dollars. They have been prepared as a going concern under the historical cost accounting convention.

Cash flows

A statement of Group cash flows has been included in the consolidated accounts presented by the parent undertaking. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

Stock

Stock is stated at the lower of average cost for the year and net realisable value.

Related party transactions

Under Financial Reporting Standard 8, the Company is exempt from disclosing related party transactions with other group companies, 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.

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.

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.

Tangible fixed assets and depreciation

Fixed assets are included at cost, less depreciation. Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets over their expected useful economic lives. 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 company. Depreciation rates for plant and equipment are between three and ten years.

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.

Turnover

Turnover is the freight and charter hire earned and is recognised at the time the relevant service is provided to customers.

BIBBY OFFSHORE LIMITED

NOTES TO THE ACCOUNTS 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

Fleet insurance

All vessels are fully insured outside of the Group

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after charging / (crediting)

	2006 US\$	2005 US\$
Operating lease costs		
- hire of plant and machinery	10,478,000	1,800,000
Foreign exchange differences	=	(21,878)

There were no emoluments paid to the directors for the year (2005 – US\$Nil) Auditors' remuneration is borne by the parent company, as in the previous year

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 US\$	2005 US\$
The taxation charge comprises:		
Amount payable in respect of group relief	-	(417,661)
Foreign tax	(2,696,753)	-
Current tax charge	(2,696,753)	(417,661)
Deferred tax charge	-	(299,129)
	(2,696,753)	(716,790)

Factors affecting the tax charge for the year:

The current tax charge is higher than the anticipated charge, (2005 Lower) The anticipated current tax charge is based on the average rate of tax for the company

The differences are explained as follows	2006 US\$	2005 US\$
Profit on ordinary activities before taxation	<u>5,262,474</u>	<u>2,565,844</u>
Profit on ordinary activities multiplied by the rate of tax of 30% (2005 - 30%)	(1,578,742)	(769,753)
Effects of.		
Surrender of group relief at less than full value	-	46,407
Effects of foreign exchange	-	6,557
Effect of foreign tax	(1,118,011)	-
Difference between capital allowances and depreciation	-	<u>299,128</u>
Current tax charge for the year	(2,696,753)	(417,661)

BIBBY OFFSHORE LIMITED

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

4 TANGIBLE ASSETS

	Plant & Equipment US\$
Cost	
At 1 January 2006	3,988,382
Additions	<u>38,175,792</u>
At 31 December 2006	<u>42,164,174</u>
Accumulated Depreciation:	
At 1 January 2006 and 31 st December 2006	<u>-</u>
Net book amount at 31 December 2006	<u>42,164,174</u>
Net book amount at 31 December 2005	<u>3,988,382</u>

5 DEBTORS

	2006 US\$	2005 US\$
Trade debtors	19,319,647	15,474,980
Other debtors	26,498	305,794
Prepayment and earned income	<u>3,910,344</u>	<u>-</u>
	<u>23,256,489</u>	<u>15,780,774</u>

6 CREDITORS
(Amounts falling due within one year)

	2006 US\$	2005 US\$
Trade creditors	12,879,956	-
Corporation tax payable	828,000	-
Amounts owed to group undertaking	34,594,418	16,694,406
Accruals and deferred income	<u>8,752,766</u>	<u>848,615</u>
	<u>57,055,140</u>	<u>17,543,021</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

BIBBY OFFSHORE LIMITED

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

7 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation US\$	Reinstatement Provision US\$	Total US\$
At 1 January 2006	299,129	-	299,129
Charged to fixed assets in the year	<u>-</u>	<u>3,699,200</u>	<u>3,699,200</u>
At 31 December 2006	<u>299,129</u>	<u>3,699,200</u>	<u>3,998,329</u>

The deferred taxation liability is in respect of accelerated capital allowances

8 CALLED UP SHARE CAPITAL

	2006 US\$	2005 US\$
Allotted and fully paid:		
100 ordinary equity shares of \$1 each	<u>100</u>	<u>100</u>
Authorised:		
1,000 ordinary equity shares of \$1 each	<u>1,000</u>	<u>1,000</u>

9 RESERVES

	Profit & Loss Account US\$
At 1 January 2006	2,556,314
Profit for the financial year	<u>2,565,721</u>
At 31 December 2006	<u>5,122,035</u>

10 RECONCILIATION OF MOVEMENTS IN
EQUITY SHAREHOLDERS' FUNDS

	2006 US\$	2005 US\$
Opening equity shareholders' funds at 1 January	2,556,414	707,360
Profit for the financial year	<u>2,565,721</u>	<u>1,849,054</u>
Closing equity shareholders' funds at 31 December	<u>5,122,135</u>	<u>2,556,414</u>

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

11 OPERATING LEASE COMMITMENTS

	2006 US\$	2005 US\$
The Company has the following annual commitments under operating leases which expire		
Within one year	-	-
Between two and five years	22,077,856	-
After five years	<u>-</u>	<u>11,140,229</u>

12 CAPITAL COMMITMENTS

	2006 US\$	2005 US\$
Capital expenditure for which contracts have been placed but which are not otherwise provided for in these Financial Statements	<u>4,000,000</u>	<u>5,765,790</u>

13 POST BALANCE SHEET EVENTS

In March 2007 the Chancellor of the Exchequer announced proposals to change the U K rate of Corporation Tax from 30% to 28%, and to reduce the rate for claiming capital allowances on plant and machinery from 25% to 20 % with effect from April 2008

14 PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of Bibby Line Limited, which itself is a wholly owned subsidiary undertaking of Bibby Line Group Limited both of which are registered in England Bibby Line Group Limited is the parent undertaking of the largest group which consolidates these accounts and of which the Company is a member Bibby Line Limited is the parent undertaking of the smallest group which consolidates these accounts 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)