STEVEDORING SERVICES LIMITED

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

March 31, 2007

KPMG
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295 5063
Fax 441 295 9132
www.kpmg.bm

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Stevedoring Services Limited as at March 31, 2007 and the consolidated statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

KPMG

Chartered Accountants
Hamilton, Bermuda
July 18, 2007

STEVEDORING SERVICES LIMITED

Consolidated Balance Sheet

March 31, 2007
(Expressed in Bermuda Dollars)

	2007	2006 (Notes 14 and 15)
Assets		
Current assets		
Cash and cash equivalents (Note 4)	$ 1,872,168	$ 1,261,184
Short-term deposits (Notes 3 and 4)	1,103,162	1,147,168
Accounts receivable (Note 4)	1,265,769	1,370,198
Inventory	992,039	996,771
Prepaid expenses	209,933	200,150
Total current assets	5,443,071	4,975,471
Investments (Note 3)	743,542	700,423
Property, plant and equipment (Note 5)	4,636,989	3,887,528
Total assets	$ 10,823,602	$ 9,563,422
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 1,181,170	$ 679,930
Dividends payable (Note 9)	124,460	–
Current portion of long-term debt (Note 8)	186,316	–
Current portion of capital lease (Note 7)	64,705	60,343
Total current liabilities	1,556,651	740,273
Accrued benefit liability (Note 6)	492,293	546,700
Long-term debt (Note 8)	733,207	–
Capital lease (Note 7)	150,219	214,923
Total liabilities	2,932,370	1,501,896
Shareholders' equity		
Share capital (Note 9)	1,244,600	1,244,600
Share premium (Note 10)	122,650	122,650
General reserve	1,250,000	1,250,000
Retained earnings	5,273,982	5,444,276
Total shareholders' equity	7,891,232	8,061,526
Total liabilities and shareholders' equity	$ 10,823,602	$ 9,563,422

See accompanying notes to consolidated financial statements

Signed on behalf of the Board by:

J. Henry Hayward
Chairman

Geoffrey Frith
Deputy Chairman

STEVEDORING SERVICES LIMITED

Consolidated Statement of Operations

Year ended March 31, 2007
(Expressed in Bermuda Dollars)

	2007	2006 (Notes 14 and 15)
Revenue		
Stevedoring revenue	$ 11,550,454	$ 11,508,559
Stevedoring expenses	(5,932,284)	(5,794,760)
Stevedoring income	5,618,170	5,713,799
Investment income	128,986	50,250
Total income	5,747,156	5,764,049
Expenses		
Salaries and wages	1,795,873	2,005,301
Employee benefits (Note 6)	966,594	803,777
Other general and administrative expenses (Note 7)	949,985	883,887
Amortization (Note 5)	691,107	665,878
Restructuring costs (Note11)	531,483	–
Professional fees	419,779	197,756
Interest expense	64,789	19,491
Total expenses	5,419,610	4,576,090
Net income	$ 327,546	$ 1,187,959
Earnings per share (Note 12)	$ 0.26	$ 0.95

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Retained Earnings

Year ended March 31, 2007
(Expressed in Bermuda Dollars)

	2007	2006
Retained earnings at beginning of year – as previously reported	$ 5,483,638	$ 4,754,157
Prior year adjustment (Note 14)	(39,362)	–
Retained earnings at beginning of year – as restated	5,444,276	4,754,157
Net income	327,546	1,187,959
Dividends (Note 9)	(497,840)	(497,840)
Retained earnings at end of year	$ 5,273,982	$ 5,444,276

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2007
(Expressed in Bermuda Dollars)

	2007	2006 (Notes 14 and 15)
Operating activities		
Net income	$ 327,546	$ 1,187,959
Items not affecting cash:		
Amortization	691,107	665,878
Net changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable	104,429	(396,264)
Increase in prepaid expenses	(9,783)	(130,109)
Decrease in inventory	4,732	85,844
Increase (decrease) in accounts payable and accrued expenses	501,240	(63,668)
Decrease in accrued benefit liability	(54,407)	(242,637)
Net cash provided by operations	1,564,864	1,107,003
Investing activities		
Purchase of property, plant and equipment	(1,440,568)	(562,148)
Proceeds from maturities of short-term deposits, net	44,006	148,118
Purchase of quoted investments, net	(43,119)	(170,496)
Net cash used in investing activities	(1,439,681)	(584,526)
Financing activities		
Dividends paid	(373,380)	(497,840)
Increase in long-term debt	1,040,000	–
Long-term debt principal repayments	(120,477)	–
Proceeds from capital lease	–	327,000
Capital lease principal repayments	(60,342)	(51,734)
Net cash provided by (used in) financing activities	485,801	(222,574)
Increase in cash and cash equivalents	610,984	299,903
Cash and cash equivalents at beginning of year	1,261,184	961,281
Cash and cash equivalents at end of year	$ 1,872,168	$ 1,261,184
Cash flows in relation to:		
Interest paid	$ 64,789	$ 19,491

See accompanying notes to consolidated financial statements

1. General

Stevedoring Services Limited (the "Company") is incorporated under the laws of Bermuda and carries on business as a stevedoring company. In January 2006 the Company was awarded a 5 year license by the Corporation of Hamilton, with provision for a further period of 5 years subject to satisfactory performance. Management believes that the Company will continue to meet performance criteria and will therefore achieve renewal of the license.

The Company's wholly-owned subsidiary, Equipment Sales and Rentals Limited, has not traded since March 31, 1989.

2. Summary of significant accounting policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the Company:

(a) Basis of consolidation

The consolidated financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiary. All significant inter-company transactions are eliminated on consolidation.

(b) Revenue recognition

Stevedoring revenues, include stevedoring, deconsolidation and dock handling revenues, are recognized in the accounting period in which the services are rendered.

Investment income comprises dividend income from equity investments and interest on short-term and bank deposits. Dividend income is recognized when the right to receive payment is established.

Interest income is recognized on the accruals basis.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is charged on a straight-line basis over the estimated useful lives of the assets, with the exception of cranes, which are amortized on a declining balance basis (Note 5). Improvements to leased premises are capitalized and amortized over the related lease period. Land is not amortized.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized.

(d) Short-term deposits and investments available-for-sale

Investments are carried at cost less a provision for any impairment, on an individual investment basis, that is other than temporary. Realized gains and losses on the sale of investments are recorded on the trade date and are determined using the specific identification basis.

Short-term deposits are stated at cost.

2. **Summary of significant accounting policies** (continued)

(e) Cash and cash equivalents

For the purposes of the statement of cash flows the Company considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty and short-term deposits with a maturity of three months or less as equivalent to cash.

(f) Employee benefits

The Company accrues its obligations and the related costs under its employee defined benefits pension plan, net of plan assets.

The cost of pension benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, rate of compensation increase and retirement ages of employees.

For the purpose of calculating the expected return of plan assets, those assets are valued at fair value.

The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 6 years (2006 - 7 years).

The cost of employee benefits payable in respect of the Company's defined contribution pension plan are charged to the consolidated statement of operations in the year they are incurred.

(g) Inventory

Inventory represents spare parts and is recorded at cost less any provision for obsolete or slow-moving items. Cost is determined on a specific item basis.

(h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Bermuda dollars at the rates of exchange prevailing at the balance sheet date, while associated revenues and expenses are translated into Bermuda dollars at the actual rates prevailing at the date of the transaction. Resulting gains or losses are recorded in the consolidated statement of operations.

(i) Future changes in accounting policy

In accordance with accounting principles generally accepted in Bermuda and Canada, the Company will adopt new accounting requirements that will impact its accounting policies for investments beginning April 1, 2007. Under the new requirements, the Company will classify its investment as held-for-trading, held-to-maturity or available-for-sale. Held-for-trading securities will be measured at fair value with gains and losses immediately recognized in net income. Held-to-maturity securities will be recorded at amortized cost using the effective interest method with premiums or discounts and any losses due to other than temporary impairment included in the determination of net income. Available-for-sale securities will be measured at fair value with gains and losses recorded in a new section of shareholder's equity entitled Other Comprehensive Income.

Management expects to continue to classify the Company's investments in equity securities as available-for-sale. The impact of re-measuring any available-for-sale investments at fair value on April 1, 2007 will be recognized in opening retained earnings. Results for prior periods will not be restated. The Company estimates that the impact of this change in accounting policy on the consolidated financial statements, once adopted, will be an increase in the carrying value of securities, total assets and retained earnings as at April 1, 2007 of $732,848.

(Expressed in Bermuda Dollars)

3. Short-term deposits and investments available-for-sale

(a) Short-term deposits represent fixed deposit balances which carry interest rates of between 2.47% and 4.56% (2006 - 1.85% and 3.60%) per annum. Short-term deposits mature within six months of the balance sheet date.

(b) Investments comprise the following:

	2007		2006	
	Fair value	Cost	Fair value	Cost
Equity securities	$ 1,476,390	$ 743,542	$ 1,357,716	$ 700,423

The Company's holdings in equity securities are diversified, with no significant concentration by industry type or geographic region.

Management has the ability and intention to hold investments over the long-term but may dispose of individual investments in response to liquidity needs or adverse market conditions.

4. Concentration of credit risk

At March 31, 2007, 84% of the Company's cash and cash equivalents were held with a single Bermuda bank (2006 - 77%). In addition, at March 31, 2007 100% of the Company's short-term deposits were held at the same Bermuda bank (2006 - 100%).

At March 31, 2007, 72% of the Company's accounts receivable balance is due from two customers (2006 - 73%).

5. Property, plant and equipment

		2007			2006
	Estimated life	Cost	Accumulated amortization	Net book value	Net book value
Land	–	$ 61,992	$ –	$ 61,992	$ 61,992
Buildings	10 years	390,363	294,485	95,878	110,619
Cranes and heavy equipment	10 years	8,204,498	4,294,216	3,910,282	3,124,431
Miscellaneous equipment	3-5 years	870,638	817,530	53,108	54,505
Furniture and fixtures	3-4 years	436,015	406,806	29,209	41,104
Computer hardware and software	3-5 years	1,800,020	1,313,500	486,520	494,877
		$ 11,763,526	$ 7,126,537	$ 4,636,989	$ 3,887,528

The cost and accumulated amortization of property, plant and equipment at March 31, 2006 were $10,323,710 and $6,436,182 respectively.

Included within computer hardware and software are items costing $327,000 which are held under capital leases and are being amortized over a period of 5 years (Note 7). The accumulated amortization in respect of leased assets at March 31, 2007 is $125,356 (2006 - $59,992), and amortization expense for the year then ended totalled $65,364 (2006 - $59,992).

(Expressed in Bermuda Dollars)

6. Employee pension benefits

The Company's employees participate in a defined benefit pension plan. The pension plan provides pension benefit based on the length of service and career earnings. Information about the Company's defined benefit plan is as follows:

	2007	2006
Accrued benefit obligation		
Balance at beginning of year	$ 5,062,146	$ 4,617,880
Current service cost	125,809	113,997
Interest cost	243,455	245,417
Benefits paid	(579,112)	(504,340)
Employee contributions	67,200	78,836
Actuarial loss	785,255	510,356
Balance at end of year	5,704,753	5,062,146
Plan assets		
Fair value at beginning of year	2,117,928	1,703,756
Actual return on plan assets	479,305	123,444
Employer contributions	581,568	716,232
Employee contributions	67,200	78,836
Benefits paid	(579,112)	(504,340)
Fair value at end of year	2,666,889	2,117,928
Funded status – plan deficit	(3,037,864)	(2,944,218)
Unamortized net actuarial loss	2,195,531	1,959,968
Unamortized transitional obligation	350,040	437,550
Accrued benefit liability	$ (492,293)	$ (546,700)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2007	2006
Discount rate	5.00%	5.50%
Expected long-term rate of return on plan assets	6.25%	6.25%
Rate of compensation increase	4.00%	3.00%

The Company's net defined benefit plan expense is as follows:

	2007	2006
Current service cost	$ 125,809	$ 113,997
Interest cost	243,455	245,417
Expected return on plan assets	(134,547)	(115,570)
Amortization of net actuarial loss	204,934	142,242
Amortization of transitional obligation	87,510	87,510
Net defined benefit plan expense	$ 527,161	$ 473,596

(Expressed in Bermuda Dollars)

6. **Employee pension benefits** (continued)

The assumptions used above are based on an actuarial study performed at April 1, 2007.

On April 1, 1997, the Company established a defined contribution plan for all new employees. Effective with the inception of the new plan, no new members are admitted to the defined benefit plan described above. Existing members of the defined benefits plan were given the option to transfer their accrued benefits into the defined contribution plan. There have been no changes to the defined contribution plan in the year to March 31, 2007.

The total expense incurred for the defined contribution plan was $134,604 (2006 - $189,013).

Employee benefits included in the consolidated statement of operations also includes the expense of providing health insurance benefits to employees during the term of their employment.

7. **Obligation under capital lease**

The Company leases computer software under a capital lease with lease payments due over a 5 year period up to April 2010. The effective interest rate imputed under the lease is 7% per annum. The expected future minimum lease payments, are as follows:

2008	$ 77,700
2009	77,700
2010	77,700
2011	6,475
	239,575
Less: interest	(24,651)
Total obligations under capital lease	214,924
Less: current portion	(64,705)
Long-term portion of obligations under capital lease	$ 150,219

During the year ended March 31, 2007 the Company made payments of $77,700 (2006 - $71,225) in relation to the above lease, including an interest expense of $17,358 (2006 - $19,491). The capital lease is secured against the underlying leased assets.

8. **Long-term debt**

In April 2006 the Company secured a loan of $1,040,000 from a Bermuda bank for the purchase of two Liebherr Reachstacker cranes. The loan consists of a variable rate promissory note with monthly payments of $20,594 and is due on August 31, 2011. The interest rate is set at 2.25% above the bank's Bermuda dollar base rate. The effective interest rate for 2007 was 7.25%. The loan is secured against the Liebherr Reachstacker cranes.

The expected loan principal payments due are as follows:

2008	$ 186,316
2009	184,139
2010	197,942
2011	212,779
2012	138,347
	$ 919,523

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9. **Share capital**

The Company's authorized share capital is $2,000,000 represented by 2,000,000 common shares of par value $1 each. At the balance sheet date 1,244,600 (2006 - 1,244,600) shares were issued and fully paid.

As at March 31, 2007, the total directors' and officers' shareholdings were 61,211 (2006 - 61,211) shares. No rights to subscribe for shares in the Company have been granted to or exercised by any director or officer.

During the year the Company declared dividends of $0.40 (2006 - $0.40) per share resulting in a total dividend of $497,840 (2006 - $497,840) for the year. At the balance sheet date dividends of $124,460 (2006 - $nil) had been declared but not paid and are included as dividends payable on the consolidated balance sheet.

10. **Share premium**

Share premium represents amounts received on subscription for share capital in excess of the stated par value.

11. **Restructuring costs**

The Company has made an accrual for restructuring costs of $531,483 (2006 - $nil) arising following a decision made by the Corporation of Hamilton during the year to close the No. 7 Shed at the Port of Hamilton, Bermuda. The full amount of the estimated restructuring costs to be incurred has been recognized in the consolidated restatement of operations for the year ended March 31, 2007.

12. **Earnings per share**

Earnings per share are computed by dividing net income by the monthly weighted average number of shares outstanding during the year.

13. **Fair value of financial instruments**

The fair value of short-term deposits, accounts receivable and accounts payable and accrued expenses approximates their carrying value due to their short-term maturity. The fair value of investments is based on quoted market prices and is presented in Note 3.

The fair values of the capital lease obligation and long-term debt approximate their carrying values as they attract interest rates that approximate market rates.

14. **Prior year adjustment**

Accounts payable at March 31, 2006, and salaries and wages expense and net income for the year then ended were understated by $39,362 relating to an amount due to a former employee in settlement of legal proceedings. Accordingly, the comparative figures for the year ended March 31, 2006 and retained earnings as at March 31, 2006 have been amended to reflect this prior year adjustment. The effect of this adjustment is to increase salaries and wages expense and decrease net income by $39,362 for the year ended March 31, 2006, and increase accounts payable and accrued expenses as at March 31, 2006 by the same amount.

15. **Comparative figures**

Certain comparative figures have been reclassified to conform with the current year presentation.