STEVEDORING SERVICES LIMITED

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

March 31, 2008

KPMG
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Stevedoring Services Limited as at March 31, 2008 and the consolidated statements of operations, retained earnings, comprehensive income 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, 2008 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
May 30, 2008

STEVEDORING SERVICES LIMITED

Consolidated Balance Sheet

March 31, 2008
(Expressed in Bermuda Dollars)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Note 3)	$ 1,943,375	$ 1,872,168
Short-term deposits (Notes 3 and 4)	2,171,810	1,103,162
Accounts receivable (Note 3)	1,093,765	1,265,769
Inventory	1,017,409	992,039
Prepaid expenses	220,479	209,933
Total current assets	6,446,838	5,443,071
Investments (Notes 2(d) and 5)	874,743	743,542
Property, plant and equipment (Note 7)	4,081,821	4,636,989
Total assets	$ 11,403,402	$ 10,823,602
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 945,181	$ 1,181,170
Long-term debt - current portion (Note 9)	200,282	186,316
Capital lease - current portion (Note 8)	69,383	64,705
Dividends payable (Note 11)	–	124,460
Total current liabilities	1,214,846	1,556,651
Accrued benefit liability (Note 10)	337,838	492,293
Capital lease - long-term portion (Note 8)	80,835	150,219
Long-term debt (Note 9)	532,860	733,207
Total liabilities	2,166,379	2,932,370
Shareholders' equity		
Share capital (Note 11)	1,244,600	1,244,600
Share premium (Note 13)	122,650	122,650
General reserve	1,250,000	1,250,000
Retained earnings	6,040,489	5,273,982
Accumulated other comprehensive income (Note 2(d))	579,284	–
Total shareholders' equity	9,237,023	7,891,232
Total liabilities and shareholders' equity	$ 11,403,402	$ 10,823,602

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, 2008
(Expressed in Bermuda Dollars)

	2008	2007
Revenue		
Stevedoring revenue	$ 11,780,609	$ 11,550,454
Stevedoring expenses	(6,295,743)	(5,932,284)
Stevedoring gross profit	5,484,866	5,618,170
Investment income (Note 6)	242,523	128,986
Total income	5,727,389	5,747,156
Expenses		
Salaries and wages	1,626,939	1,795,873
Other general and administrative expenses	968,020	949,985
Employee benefits (Note 10)	915,867	966,594
Amortization (Note 7)	720,005	691,107
Professional fees	464,498	419,779
Interest expense	73,742	64,789
Restructuring (Note 14)	(119,267)	531,483
Total expenses	4,649,804	5,419,610
Net income	$ 1,077,585	$ 327,546
Earnings per share (Note 15)	$ 0.87	$ 0.26

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Retained Earnings

Year ended March 31, 2008
(Expressed in Bermuda Dollars)

	2008	2007
Retained earnings at beginning of year	$ 5,273,982	$ 5,444,276
Net income	1,077,585	327,546
Dividends (Note 11)	(311,078)	(497,840)
Retained earnings at end of year	$ 6,040,489	$ 5,273,982

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Comprehensive Income

Year ended March 31, 2008
(Expressed in Bermuda Dollars)

		2008
Comprehensive income		
Net income	$	1,077,585
Other comprehensive loss		
Change in unrealized gain on available-for-sale investments arising during the year		(153,124)
Total comprehensive income	$	924,461
Accumulated other comprehensive income at beginning of year	$	–
Cumulative effect of adopting new accounting policies (Note 2 (d))		732,408
Other comprehensive loss		(153,124)
Accumulated other comprehensive income at end of year	$	579,284

See accompanying notes to consolidated financial statements

STEVEDORING SERVICES LIMITED

Consolidated Statement of Cash Flows

Year ended March 31, 2008
(Expressed in Bermuda Dollars)

	2008	2007
Operating activities		
Net income	$ 1,077,585	$ 327,546
Items not affecting cash:		
Amortization	720,005	691,107
Gain on disposal of fixed assets	(31,000)	–
Net changes in non-cash working capital balances:		
Decrease in accounts receivable	172,004	104,429
Increase in prepaid expenses	(10,546)	(9,783)
(Increase) decrease in inventory	(25,370)	4,732
(Decrease) increase in accounts payable and accrued expenses	(235,989)	501,240
Decrease in accrued defined benefit liability	(154,455)	(54,407)
Net cash provided by operations	1,512,234	1,564,864
Investing activities		
Purchase of property, plant and equipment	(133,837)	(1,440,568)
(Increase) decrease in short-term deposits, net	(1,068,648)	44,006
Sale (purchase) of quoted investments, net	448,083	(43,119)
Net cash used in investing activities	(754,402)	(1,439,681)
Financing activities		
Dividends paid	(435,538)	(373,380)
Increase in long-term debt	–	1,040,000
Long-term debt principal repayments	(186,381)	(120,477)
Capital lease principal repayments	(64,706)	(60,342)
Net cash (used in) provided by financing activities	(686,625)	485,801
Increase in cash and cash equivalents	71,207	610,984
Cash and cash equivalents at beginning of year	1,872,168	1,261,184
Cash and cash equivalents at end of year	$ 1,943,375	$ 1,872,168
Cash flows in relation to:		
Interest paid	$ 73,742	$ 64,789

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 license 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 has consolidated the results of its wholly-owned subsidiary, Equipment Sales and Rentals Limited, a Company incorporated in Bermuda.

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 7). 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.

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

(d) *Financial instruments – change in accounting policy*

Effective April 1, 2007, the Company adopted the new provisions of the Canadian Institute of Chartered Accountants Handbook relating to financial instruments being Section 3855 – *Financial Instruments – Recognition and Measurement,* Section 3861 – *Financial Instruments – Disclosure and Presentation* and Section 1530 – *Comprehensive Income*. The standards are required to be applied prospectively. Under Section 3855, all financial instruments are to be classified by management as held for trading, available-for sale, held-to-maturity, loans and receivables or other financial liabilities. Short-term deposits and cash and cash equivalents are classified as held for trading and are measured at fair value with changes therein recognized in the consolidated statement of operations.

The Company has classified its investments in equity securities as available-for-sale and other financial assets, being accounts receivable and loans receivable, as loans and receivables. All financial liabilities are classified as other financial liabilities.

Available-for-sale investments are valued at fair value as of the reporting date based on the last quoted market price as reported on the primary securities exchange on which it is traded on the reporting date. Changes in fair value are included as a separate component of shareholders' equity (other comprehensive income) until they are realized. Net earnings together with other comprehensive income provide the comprehensive income for the reporting period. Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method adjusted for any impairment.

As a result of adopting the new provisions as described above, a transitional adjustment was made on April 1, 2007 to increase the carrying value of investments to fair value as at that date. This adjustment resulted in an increase in opening accumulated other comprehensive income of $732,408. Unrealized gains and losses on these investments since April 1, 2007 have been included in the statement of comprehensive income.

(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 asset 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 5 years (2007 – 6 years).

The costs 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.

(Expressed in Bermuda Dollars)

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

(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.

3. **Concentration of credit risk**

At March 31, 2008 78% (2007 – 84%) of the Company's cash and cash equivalents are held with a single Bermuda bank. In addition, at March 31, 2008 100% (2007 – 100%) of the Company's short-term deposits are held at the same Bermuda bank.

At March 31, 2008, 90% (2007 – 72%) of the Company's accounts receivable balance is due from two customers.

4. **Short-term deposits**

Short-term deposits represent fixed deposit balances which carry interest rates of between 2.25% and 3.44% per annum as at March 31, 2008 (2007 – 2.47% and 4.56%). Short-term deposits mature within six months of the balance sheet date.

5. **Available-for-sale investments**

Available-for-sale investments comprise the following:

	2008		2007	
	Fair value	Cost	Fair value	Cost
Equity securities	$ 874,743	$ 295,459	$ 1,475,950	$ 743,542

At March 31, 2008, the Company's holdings in equity securities consist of two securities of companies incorporated or operating from Bermuda. The investee companies comprise of a company with diversified operations in Bermuda (33%) and an insurance company with global operations (67%).

At March 31, 2007, 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.

(Expressed in Bermuda Dollars)

6. Investment income

Investment income comprises of the following:

	2008	2007
Realized gain on disposal of available-for-sale investments	$ 122,608	$ –
Interest income	119,915	128,986
	$ 242,523	$ 128,986

7. Property, plant and equipment

		2008			2007
	Estimated life	Cost	Accumulated amortization	Net book value	Net book value
Land	–	$ 61,992	$ –	$ 61,992	$ 61,992
Buildings	10 years	288,959	209,404	79,555	95,878
Cranes and heavy equipment	10 years	8,238,254	4,731,713	3,506,541	3,910,282
Miscellaneous equipment	3-5 years	729,755	678,483	51,272	53,108
Furniture and fixtures	3-4 years	283,139	244,314	38,825	29,209
Computer hardware and software	3-5 years	1,711,638	1,368,002	343,636	486,520
		$ 11,313,737	$ 7,231,916	4,081,821	$ 4,636,989

The cost and accumulated amortization of property, plant and equipment at March 31, 2007 were $11,763,526 and $7,126,537 respectively.

Included within computer hardware and software are items costing $327,000 (2007 – $327,000) which are held under capital leases and are being amortized over a period of 5 years (Note 8). The accumulated amortization in respect of leased assets at March 31, 2008 is $190,899 (2007 – $125,356) and amortization expense for the year then ended totalled $65,543 (2007 – $65,364).

(Expressed in Bermuda Dollars)

8. 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 by financial year, are as follows:

2009	$ 77,700
2010	77,700
2011	6,475
	161,875
Less: interest	(11,657)
Total obligations under capital lease	150,218
Less: current portion	(69,383)
Long-term portion of obligations under capital lease	$ 80,835

During the year ended March 31, 2008 the Company made payments of $77,700 (2007 – $77,700) in relation to the above lease, including an interest expense of $12,994 (2007 – $17,358). The capital lease is secured against the underlying leased assets.

9. 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 2008 was 7.25% (2007 – 7.25%). The loan is secured by the Liebherr Reachstacker cranes.

The expected loan principal payments due, by financial year, are as follows:

2009	$ 200,282
2010	215,295
2011	231,433
2012	86,132
	$ 733,142

(Expressed in Bermuda Dollars)

10. **Employee pension benefits**

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

	2008	2007
Accrued benefit obligation		
Balance at beginning of year	$ 5,704,753	$ 5,062,146
Current service cost	187,641	125,809
Interest cost	273,444	243,455
Benefits paid	(745,924)	(579,112)
Employee contributions	86,555	67,200
Actuarial loss	90,571	785,255
Balance at end of year	5,597,040	5,704,753
Plan assets		
Fair value at beginning of year	2,666,889	2,117,928
Actual (loss) return on plan assets	(116,150)	479,305
Employer contributions	804,726	581,568
Employee contributions	86,555	67,200
Benefits paid	(745,924)	(579,112)
Fair value at end of year	2,696,096	2,666,889
Funded status – plan deficit	(2,900,944)	(3,037,864)
Unamortized net actuarial loss	2,300,576	2,195,531
Unamortized transitional obligation	262,530	350,040
Accrued benefit liability	$ (337,838)	$ (492,293)

(Expressed in Bermuda Dollars)

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

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

	2008	2007
Discount rate	5.00%	5.00%
Expected long-term rate of return on plan assets	7.00%	6.25%
Rate of compensation increase	3.00%	4.00%

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

	2008	2007
Current service cost	$ 187,641	$ 125,809
Interest cost	273,444	243,455
Expected return on plan assets	(171,223)	(134,547)
Amortization of net actuarial loss	272,899	204,934
Amortization of transitional obligation	87,510	87,510
Net defined benefit plan expense	$ 650,271	$ 527,161

The assumptions used above are based on an actuarial study performed at April 1, 2008.

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 benefit 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, 2008.

The total expense incurred for the defined contribution plan was $140,730 (2007 – $134,604).

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.

11. **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 (2007 – 1,244,600) shares were issued and fully paid.

As at March 31, 2008, the total directors' and officers' shareholdings were 61,211 (2007 – 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 $0.25 (2007 – $0.40) per share resulting in a total dividend of $311,078 (2007 – $497,480) for the year.

(Expressed in Bermuda Dollars)

12. **Related party transactions**

Bermuda Container Line Ltd. and Meyer Agencies Ltd., are both companies which are related by virtue of common significant influence by directors of the Company.

During the year, the Company earned revenues from Bermuda Container Line Ltd., of $4,624,814 (2007 – $4,230,480). Included in accounts receivable at year end is $480,049 (2007 – $423,597) due from Bermuda Container Line Ltd.

Also included is $6,111,922 (2007 – $5,440,395) of revenue earned from Meyer Agencies Ltd. Included in accounts receivable as at March 31, 2008 is $620,411 (2007 – $562,410) due from Meyer Agencies Ltd.

13. **Share premium**

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

14. **Restructuring**

The Company has made an accrual for restructuring costs of $51,402 (2007 – $531,483) arising following a decision made by the Corporation of Hamilton during the year ended March 31, 2007 to close the No. 7 Shed at the Port of Hamilton, Bermuda. The movement in the restructuring accrual during the year is as follows:

	2008	2007
Balance at beginning of year	$ 531,483	$ –
Amount (credited) charged to income	(119,267)	531,483
Restructuring costs paid in year	(360,814)	–
Balance at end of year	$ 51,402	$ 531,483

The restructuring accrual is included in accounts payable and accrued liabilities in the consolidated balance sheet.

15. **Earnings per share**

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

16. **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 5.

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.

Certain items such as inventory, property, plant and equipment and prepaid expenses are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.