

**CONSOLIDATED ANNUAL  
REPORT**

**NORDIC HEAVY LIFT GROUP**

**2008**

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**NORDIC HEAVY LIFT ASA**  
Enterprise no. 990 919 321

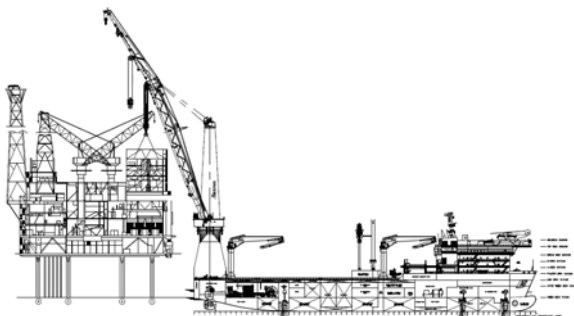
**BOARD OF DIRECTORS' REPORT FOR THE YEAR 2008**

**Background**

Nordic Heavy Lift ASA ("the Company") was established in January 2007 with the purpose to order a state-of-the-art 5,000 tonne heavy lift crane construction vessel for future offshore installation and construction work. The order was placed with the Sembawang Shipyard in Singapore. Sembawang has sub-contracted the hull fabrication with the Nantong Yahua Shipyard in China. The order for the 5,000 tonne mast crane was placed with Huisman in the Netherlands. The contractual delivery date was agreed to be 31<sup>st</sup> March 2010, however, due to slow progress at the hull builder, the estimated delivery date of the Vessel is more realistically end of the 3<sup>rd</sup> quarter 2010.



Among the unique features of the Vessel, to be named Borealis, are DP3 class, a high transit speed of 13-14 knots and the largest revolving mast crane of its kind with a capacity of 5,000 tonnes. The Huisman crane and associated equipment are specifically designed for deepwater lowering activities, which also includes active heave compensation. In the event that future use should require pipelaying capability, the Vessel can be modified for either S-lay or J-lay operations.



**Safety, health, environmental and quality**

Our strategic objectives on corporate responsibility are to guide our operations in such a way that social, environmental and ethical considerations are embedded into our business.

The business segment in which the Company will be operating in the future can be subject to a significant level of risk. To this end the operations are being planned to be carried out in the safest manner possible. The Company recognizes that the safety of personnel, equipment, and the environment shall always be the predominant factor. We ensure that safety and quality are an integral part of our business operations. Our guiding principle is 'zero harm'.

A healthy workplace and a close follow up on our employees well being is another factor in the Company's values. The working environment throughout the Group's companies is considered satisfactory.

The Company recognizes the responsibility to treat the environment with the utmost respect. This is as well embedded in business processes and conceptual design of the Vessel.

In the business segment of operations the common quality certification is ISO 9001. The operations are set-up within this framework and the Company is aiming to accomplish the certification during the course of 2010.

**Finance**

The Company's stock is traded at the OTC market in Oslo. As for most OTC listed companies, the trade liquidity is limited.

*Highlights in 2008*

In 2008 the Company maintained full focus on the Vessel construction, building the organization in Rotterdam, business development and commercial activities. In 2008 and continuing in 2009, the Company has worked intensively to make all possible efforts to achieve conventional debt financing to complete the Vessel, in an increasingly difficult financial market. Further details are elaborated in the Notes of the Financial Statements. Despite the current challenges, Management and Board of Directors believe that there are reasons to remain confident about the general feasibility of the Company's business model.

As in line with the contractual positions for the Vessel construction as specified in this report, the Company is committed to build the Vessel with an expected capitalized value of approximately USD 425 million with a total financing requirement of USD 500 million including bond redemption, working capital assumptions, upfront financing expenses and other pre-delivery expenses.

In 2007, the Company raised USD 223 million in financing, consisting of an equity installment of NOK 648 million (USD 108 million) and a bond loan of USD 115 million, secured by a first priority mortgage to be registered against the Vessel.

In early 2009 the Company retained Arctic Securities ASA, of Oslo, Norway as its financial advisor to assist in the restructuring and raising new capital.

#### *Going concern assumption*

The financial statements are presented based on going concern assumption.

Due to the turmoil in the global financial markets, which gradually manifested in the 4<sup>th</sup> quarter 2008 and exacerbated in the 1<sup>st</sup> quarter 2009, the financial position of Nordic Heavy Lift came increasingly under pressure. This situation was contrary to initial expectations, i.e. to get the Company financed on a standalone basis. So far, the financial market has not recovered to enable a recapture to the originally planned financing scheme. In order to meet these challenges, the Company has initiated a comprehensive restructuring plan, which hopefully will result in the successful completion of the construction of the Vessel, and subsequently preparations to operate the Vessel after completion. The plan includes 1) redemption of the bond loan, 2) discussions with suppliers and 3) discussions with strategic industrial players and contractors, with the target to achieve a satisfactory level of equity and debt financing. Redemption of the bond loan was accomplished in June 2009.

The Company is in an active dialog with its main suppliers in an effort to defer pre-delivery installments until a financing solution for the Company has been accomplished. There are also ongoing discussions with the suppliers to take part in post delivery financing.

Further, the Company is engaged in discussions with industrial players and contractors as potential long term participants in the project, which, together with planned additional equity, is likely to facilitate additional bank financing. There have also been discussions with major current shareholders concerning their possible participation in such refinancing. Given the current progress, Nordic Heavy Lift is of the opinion that there is a reasonable chance for a successful refinancing of the Company.

This assessment is also based on the following considerations:

- The Vessel construction activity is continuing, though with delay, and in line with the approved budget.
- The current time-schedule of the delivery of the Vessel is the 3<sup>rd</sup> quarter 2010. No contractual order backlog is built up as yet.
- The Company is actively bidding on a several projects. Based on market studies and contacts, the views of a positive return on investment remains realistic.

In case the refinancing plan will not succeed, the cash-flow will reach a zero position at the end of the 3<sup>rd</sup> quarter 2009.

Reaching a zero cash position will most likely result in a multiple-jurisdiction insolvency situation under Norwegian, Cyprus and Dutch law.

#### *Financial results for the year 2008*

The net result in 2008 amounted to USD -10,1 million (year 2007 USD 1,1 million), representing predominantly results from re-valuation of fair values of financial instruments in accordance with IFRS accounting guidelines (USD -6,6 million), and pre-delivery SG&A expenses (USD -2,9 million). The tax position incurred amounting USD 0.6 million relates to the impact of currency results on cash instruments, taking into account the net loss position.

The Company's 2008 Financial Statements are enclosed hereto.

Operating revenues will start upon the completion of the Vessel construction and the Vessel is available for contracting to the Company's clients. The Company's operating result in 2008 amounted to USD -2,9 million. (Year 2007, USD -1,3 million). The Company's long-term interest bearing borrowings per 31<sup>st</sup> December 2008, with a nominal value of USD 115 million and a balance sheet (amortized cost) value of USD 112,5 million represents a bond loan which the Company raised in May 2007. The current financing is considered to be sufficient funding until the end of the 3<sup>rd</sup> quarter 2009. Result after tax for the parent company is negative in the amount of USD 6,2 million and is proposed covered by other equity. The company has no free equity available for dividend payments.

The impairment analysis of the Vessel shows that in a going concern scenario, there is no impairment as at 31<sup>st</sup> December 2008. As basis for this assessment lays estimated cash flows based on externally confirmed estimated day-rates, estimated operating expenses and financing costs, a tax rate of 10%, discounted using a Weighted Average Capital Cost of 15%.

Related party transactions amounted to USD 1,5 million in 2008. For further details, please refer to the Notes of the Financial Statements.

### Subsequent events in 2009

Early 2009, as an initial step in the overall refinancing plan, the Company's Cyprus subsidiary; Nordic H.L. Shipowning Limited., (being the Vessel owner) purchased Company's bonds from bond holders.

In the 1<sup>st</sup> quarter 2009, through a series of separate transactions, bonds with a nominal value USD 60,9 million were acquired at a total purchase price of USD 16,3 million. This represented approximately 53% of the total bond loan.

In a bondholders' meeting on 25<sup>th</sup> May 2009, the remaining bondholders agreed to a redemption based on an offer from the Company of 40% cash and an 18.5% convertible note. The bond loan has been fully redeemed early June 2009.

The resulting financing gain related to these transactions on group level of USD 64,3 million will be recognized in the 2009 results.

At the time of completing the Financial Statements 2008 the required financing is not in place to meet the contractual obligations related to the Vessel construction and other related activities.



Hull section construction at Nantong Yahua Shipyard

### Construction Project Development

Sembawang Shipyard is progressing with the detailed construction and outfitting engineering which at the end of 2008 was approximately 60% complete (as of May 2009; 82%). The overall progress at the end of 2008 was lagging about 10% behind compared to plan (as of May 2009; 12%). This is mainly due to the delay in construction work of the hull at Nantong Yahua Shipyard, China, which is lagging approximately six months behind schedule. The keel-laying of the Vessel took place in November 2008. The Company assesses that it is unlikely that Sembawang will be able to fully recover the schedule to the contractual delivery date. On this basis the Company is currently taking into account a revised estimated delivery date of end 3<sup>rd</sup> quarter 2010.



Piping assembly at Nantong Yahua Shipyard

In parallel, as to the 5,000 tonne Huisman crane, the engineering, procurement and steel cutting is progressing satisfactory and is currently according to schedule.



Huisman China, Transition section on pedestal

The overall vessel construction Capex remains within the Company approved / revised budgets as earlier communicated to the market.



Huisman, pre-machined bearing parts

## Corporate structure and organization

The manning of the Company's wholly owned subsidiary Nordic Heavy Lift Management B.V. ("NHLM"), in Rotterdam progressed as planned, however gradually temporized during the course of 2009. NHLM is rendering, among others, commercial, technical, engineering and financial services. It is the intention that Nordic H.L. Shipowning Limited will manage and control the operations of the Vessel, while the construction supervision is performed by Dyvi in the role of technical construction manager.

## Market Conditions

The recent changes in oil prices and other global events such as a reduction in overall demand and declined economic growth, make the oil services market difficult to interpret and predict. The supply of energy will however continue to largely depend on oil and gas production and also increasingly on the development of offshore fields in deeper waters and in remote areas. Although, the International Energy Agency recently indicated to expect world oil demand to resume growth from next year, it is currently largely depending on when global economic growth will resume.

A February 2009 study by one of the leading energy analysts Infield Systems Limited, suggests a robust future demand for offshore installation services. Whilst the supply side is increasing as well, albeit with limited additions, the study predicts a significantly higher demand compared to anticipated available supply. In light of this, the Company is well positioned to secure work for the Vessel during 2009 for execution in 2010 - 2011 and beyond.

## Responsibility Statement

The Board of Directors confirms, to the best of its knowledge, that the set of Financial Statements for the period 1<sup>st</sup> January – 31<sup>st</sup> December 2008 have been prepared in accordance with IAS Financial Reporting standards, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. The Board of Directors also confirms, to the best of its knowledge, that the year 2008 Board of Directors' Report includes a fair review of important events that have occurred during the financial year and their impact on the condensed set of Financial Statements, a description of the principle risks and uncertainties and relevant related parties' transactions.

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Oslo, 12th June 2009  
The Board of Directors of Nordic Heavy Lift ASA

Jan Frederik Dyvi  
Chairman

Christine Rødsæther  
Board Member

Endre O. Sund  
Board Member

Tove Raanes  
Board Member

Frederik Steenbuech  
Board Member

Rob Boer  
CEO

## 1. CONSOLIDATED INCOME STATEMENT

(In USD 1,000 unless otherwise noted)

	Note	1 January - 31 December 2008	5 January - 31 December 2007
Revenues		-	-
Project related cost		-	-
<b>Gross margin</b>		<b>-</b>	<b>-</b>
Salaries, social securities and pensions	5	-1,147	-280
Other sales, general & administrative costs		-1,707	-990
Depreciation		-	-
Other gains / losses - net		-	-
<b>Operating result</b>		<b>-2,854</b>	<b>-1,270</b>
Interest income		1,156	2,248
Interest expense		-119	-64
Results on derivative instruments	13	-6,567	484
Foreign exchange gains/losses		-1,054	-233
Other financial items		-57	-48
<b>Net financial items</b>		<b>-6,641</b>	<b>2,387</b>
<b>Result before income tax</b>		<b>-9,495</b>	<b>1,117</b>
Income tax expense	17	-570	-
<b>Net result for the period</b>		<b>-10,065</b>	<b>1,117</b>
Net result attributable to the Shareholders of the Company	14	<b>-10,065</b>	<b>1,117</b>
Net result per share (basic and diluted)	14	<b>-0.18</b>	<b>0.02</b>

## 2. CONSOLIDATED BALANCE SHEET

(In USD 1,000 unless otherwise noted)

	Note	31 December 2008	31 December 2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6	1,106	1,106
Vessel and other assets	7	134,362	53,041
Derivative financial instruments	12	172	2,087
Non-current restricted cash	8, 9	-	34,387
<b>Total non-current assets</b>		<b>135,640</b>	<b>90,621</b>
<b>Current assets</b>			
Derivative financial instruments	12	158	478
Other current assets		572	3
Current restricted cash	8, 9	39,243	63,600
Cash and cash equivalents	8	48,767	65,044
<b>Total current assets</b>		<b>88,740</b>	<b>129,125</b>
<b>Total assets</b>		<b>224,380</b>	<b>219,746</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share capital	10	4,655	4,655
Share premium reserve	10	99,461	99,461
Other equity	10	-12,536	-2,471
<b>Total Shareholders' Equity</b>		<b>91,580</b>	<b>101,645</b>
<b>Non-current liabilities</b>			
Long-term borrowings	11, 12	112,547	111,651
Other non-interest bearing debt and provisions	12	7,931	3,285
<b>Total non-current liabilities</b>		<b>120,478</b>	<b>114,936</b>
<b>Current liabilities</b>			
Trade and other payables	12	10,606	32
Current income tax liabilities	17	570	-
Other non-interest bearing debt		-	1,540
Provisions for other charges and liabilities	16	1,146	1,593
<b>Total current liabilities</b>		<b>12,322</b>	<b>3,165</b>
<b>Total liabilities</b>		<b>132,800</b>	<b>118,101</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>224,380</b>	<b>219,746</b>

Oslo, 12 June 2009

Jan Frederik Dyvi  
*Chairman*

Christine Rødsæther  
*Board member*

Endre O. Sund  
*Board member*

Tove Raanes  
*Board member*

Frederik Steenbuch  
*Board member*

Rob Boer  
*CEO*

### 3. CONSOLIDATED CASH FLOW STATEMENT

(In USD 1,000 unless otherwise noted)

	<b>1 January - 31 December 2008</b>	<b>5 January - 31 December 2007</b>
Net result before tax	-9,495	1,117
Changes in fair value of financial assets	2,235	-2,565
Changes in fair value of financial liabilities	3,106	4,825
Change in other current assets	-569	-3
Changes in other current liabilities and accruals	10,127	3,058
<b>Net cash flow from operations</b>	<b>5,404</b>	<b>6,432</b>
Changes in restricted cash	58,744	-97,987
Investment in operating fixed assets	-71,491	-48,549
Investment in intangible assets	-	-1,106
<b>Net cash flow from investing activities</b>	<b>-12,747</b>	<b>-147,642</b>
Deemed dividend	-	-2,299
Long-term borrowings	896	115,000
Paid interest	-11,925	-7,584
Interest allocated to Profit & Loss account	2,095	-
Transaction cost - borrowings	-	-2,978
Paid in equity	-	107,853
Transaction cost - issuing of share capital	-	-3,738
<b>Net cash flow from financing activities</b>	<b>-8,934</b>	<b>206,254</b>
<b>Net changes in cash during the period</b>	<b>-16,277</b>	<b>65,044</b>
Cash at beginning of period (1 January)	65,044	-
Cash at end of period (31 December)	48,767	65,044
<b>Change</b>	<b>-16,277</b>	<b>65,044</b>

#### 4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In USD 1,000 unless otherwise noted)

	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
Proceeds from shares issued 5 January 2007	100	1,000.00	16			16
Proceeds from shares issued 2 May 2007	900	1,000.00	151			151
Share split 7 May 2007	1,999,000	0.50				
Proceed from shares issued 16 May 2007 (Private placement)	54,000,000	0.50	4,488	103,199		107,687
Transaction cost related to the issuance of share capital				-3,738		-3,738
Deemed dividend					-2,299	-2,299
Issuance of warrants to the founding shareholders					-1,289	-1,289
Net result for the year 2007					1,117	1,117
<b>Equity at 31 December 2007</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-2,471</b>	<b>101,645</b>
Net result for the year 2008					-10,065	-10,065
<b>Equity at 31 December 2008</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-12,536</b>	<b>91,580</b>

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 – General information

Nordic Heavy Lift ASA (“the Company” or “NHL”) is a public limited company, incorporated and domiciled in Norway. The address of the registered office is c/o Dyvi AS Munkedamsveien 45C, 0250 Oslo, Norway.

The Company was incorporated at 5 January 2007.

The Company constitutes a group with the following fully owned subsidiaries:

- Nordic H.L. Shipowning Limited, Cyprus, incorporated at 17 March 2007.
- Nordic Heavy Lift Management B.V., The Netherlands, incorporated at 31 March 2008.

The Group consolidated financial statements were authorized for issuing by the Board of Directors at 12 June 2009.

The principal activity of the Company and its subsidiaries (together “the Group”) is to construct and subsequently operate a 5,000 tonne heavy lift crane vessel for worldwide operations mainly aimed at the offshore oil and gas industry.

The Company shares are registered for trading on the OTC list in Oslo, Norway.

### NOTE 2 – Summary of significant accounting policies

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied through the year, unless otherwise stated.

#### (a) Accounting framework

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost basis except for derivative instruments that are measured at fair value.

The consolidated financial statements are presented in USD 1,000, except when otherwise indicated.

#### *Interpretations of IFRS standards effective in 2008*

The Group has, as far as applicable, adopted the following new IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group.

**IFRIC 11 – Group and Treasury Share Transactions.** IFRIC addresses how to apply IFRS 2 – Share-based Payment to share based payment arrangements involving an entity’s own equity instruments or equity instruments of another entity in the same group. The Group does not currently have share-based payment arrangements in force.

**IFRIC 12 – Service Concession Arrangements.** IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. No member of the Group is an operator and hence this IFRIC is not applicable to the Group.

**IFRIC 13 – Customer Loyalty Programs.** This interpretation becomes effective for annual periods beginning on or after 1 July 2008, and provides requirement for the accounting of customer loyalty credits. The Group does not currently have such schemes.

**IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction.** IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The application of IFRIC 14 has not had any material impact on the Group’s financial statements.

#### *IFRS standards issued but not yet effective*

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2009 or later periods, but have not been early adopted by the Group.

**IAS 1 (Revised) – Presentation of financial statements.** The revised standard becomes effective 1 January 2009. It will prohibit the presentation of other comprehensive income (non owner changes in equity), defined as those items of income and expense that are not recognized in profit or loss as required or permitted by other IFRSs, in the statement of changes in equity. The revised standard requires that all items of income and expense, including such “non-owner changes in equity” be presented either in a single statement (a statement of comprehensive income) or in two statements (a “separate income statement” and “statement of comprehensive income”).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative.

The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that the Group will present a single statement of comprehensive income.

**IAS 16 – Property, Plant and Equipment (Amendment).** The amendment becomes effective 1 January 2009. It states that entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue. In addition, the carrying amount of the asset should be transferred to inventories when the asset becomes held for sale. This amendment will not have an impact on the Group’s financial statements.

**IAS 19 – Employee Benefits (Amendment).** The amendment becomes effective 1 January 2009. It clarifies that a plan amendment that results in a change to the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. This amendment will not have a material impact on the Group’s financial statements.

**IAS 23 – Borrowing Costs.** A revised IAS 23 was issued in March 2007, and becomes effective 1 January 2009. It requires the capitalization of borrowing costs when such costs relate to a qualifying asset. This will not have an impact on the Group’s accounts, as this is the policy that is currently followed.

**IAS 27 – Consolidated and Separate Financial Statements (Revised).** The revised standard becomes effective 1 July 2009. It requires the effects of all transactions with non-controlling interest to be recorded in equity if there is not change in control and these transactions will not longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. It is not expected to have a material impact on the Group’s financial statement.

**IAS 28 – Investment in Associates (Amendment).** The amendment becomes effective 1 January 2009. It states that an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance. It is not expected to have a material impact on the Group’s financial statement.

**IAS 36 – Impairment of Assets (Amendment).** The amendment becomes effective 1 January 2009. It states that when discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”. It is not expected to have a material impact on the Group’s financial statement.

**IAS 38 – Intangible Assets (Amendment).** The amendment becomes effective 1 January 2009. It states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. It is not expected to have a material impact on the Group’s financial statement.

**IAS 39 – Financial Instruments: Recognition and Measurement (Amendment).** The amendment becomes effective 1 January 2009. It clarifies, among other things that it is possible to move a derivative into and out of the fair value through profit or loss category, when it commences or ceases to qualify as a hedging instrument in a cash flow or net investment hedge. It also clarifies that when re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate is used. It is not expected to have a material impact on the Group’s financial statement.

**IFRS 2 - Share-based Payment (Amendment).** The amendment becomes effective 1 January 2009. It clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It is not expected to have a material impact on the Group's financial statement.

**IFRS 3 - Business Combinations (Revised).** The revised standard is effective for business combinations on or after 1 July 2009. It requires, among others, that all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition related costs should be expensed. The Group will apply this amendment prospectively.

**IFRS 5 – Non-current Assets Held-for-sale and Discontinued Operations (Amendment).** The amendment becomes effective 1 July 2009. It clarifies that all of a subsidiary's assets and liabilities are classified as held for a sale if a partial disposal sale plan results in a loss of control. The Group will apply this amendment prospectively.

**IFRIC 15 – Agreements for Construction of Real Estate.** The interpretation becomes effective 1 January 2009. It clarifies whether IAS 18 – Revenue or IAS 11 – Construction Contracts, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. However, it is not expected to have a material impact on the Group's financial statement.

**IFRIC 16 –Hedges of a Net Investment in a Foreign Operation.** The interpretation becomes effective 1 October 2009. It clarifies the accounting treatment in respect of net investment hedging. This include the fact that net investment hedging relates to differences in functional currency and not presentation currency, and hedging instruments may be held anywhere in the Group. It is not expected to have a material impact on the Group's financial statement.

#### **(b) Consolidation principles**

The consolidated financial information for the year 2008 comprises the financial statements of NHL ASA and its subsidiaries Nordic H.L. Shipowning Limited ("NHLS") and Nordic Heavy Lift Management BV ("NHLM") as at 31 December 2008.

#### **(c) Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control. Subsidiaries continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized as assets, are eliminated in full.

#### **(d) Segment information**

A business segment is a distinguishable component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group are not yet operating in different business and/ or geographical segments, hence no segment information has been included in the Notes.

#### **(e) Foreign currency**

##### *Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entities in the Group operate ('the functional currency'). The consolidated financial statements are presented in USD, which is the Groups' functional and presentation currency.

##### *Foreign currency translation*

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date. All translation differences are taken to profit or loss. Financial derivatives are described in a separate section.

**(f) Intangible assets**

Acquired intangible assets are stated at historical cost less any accumulated amortization and any accumulated impairment losses. The Group's intangible assets have a finite useful life and amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful life.

**(g) Tangible Fixed assets***General accounting rules*

Fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. For the Vessel under construction these costs are installments paid on the building contracts plus direct costs incurred during the construction period including capitalized borrowing costs. For fixed assets purchased these costs include expenditures that are directly attributable to the acquisition.

Depreciation is calculated on a straight-line basis, taking residual values into consideration. A significant component, with an economic useful life different from that of the Vessel, is depreciated on a straight-line basis over the component's useful life.

The cost of any major renovations to and periodic maintenance ("dry-docking") of the Vessel is capitalized and depreciated over the useful life of the parts replaced. Dry-docking costs for the Vessel are capitalized and charged to the income statement over the period to the next occasion when periodic maintenance is carried out. The dry-docking expenses are classified in other operating expenses in the income statement. When vessels are acquired or constructed, a portion of the acquisition cost is capitalized as periodic maintenance and amortized over the period through the next scheduled major periodic maintenance. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they occur.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at every year-end balance sheet date. Adjustments, when applicable, are made on a prospective basis.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are presented net, in the income statement.

*Impairment testing*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the assets recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the greater of an asset's fair value less costs to sell and its value in use. An impairment charge recognized in prior years is reversed if the current recoverable amount in use is higher than at the time the impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

*Borrowing costs*

Borrowing costs are capitalized to an asset if such cost is directly attributable to the acquisition, construction or production of the qualifying asset. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Other borrowing costs are recognized as an expense when incurred.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset are determined as the amortized borrowing costs incurred relating to such funding during the period, less any income recognized from temporary investments made by utilizing the proceeds from those borrowings.

**(h) Financial assets***Investments and other financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are categorized as held for trading unless they are designated as hedges.

### Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any impairment.

#### *Impairment of financial assets*

### Receivables

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit and loss.

#### *Derivatives and hedging*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values.

#### *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging currency risk on construction contracts (firm commitments) denominated in a foreign currency. The gain or loss on forward currency contracts used to hedge the currency risk is recognized in the income statement. The subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The hedge accounting ceased during the fourth quarter 2008, during which the Company came in the position of an imperfect hedging position.

#### *Embedded derivatives*

Certain derivatives are embedded in other financial instruments. These derivatives, such as a prepayment options for a loan, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

#### **(i) Cash, cash equivalents and cash flow statement**

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Cash or cash equivalents, to which the Group has restricted access, are disclosed in Note 8. They are classified as either current or long-term, depending on the nature of restriction. Restricted cash or cash equivalents are disclosed under "Investing activities" in the cash flow statement.

The cash flow statement is prepared using the indirect method.

#### **(j) Share capital**

Ordinary shares are classified as equity.

Incremental costs associated to the issue of new shares or options are shown in equity as a deduction from the proceeds.

**(k) Trade payables**

Trade payables are recognized initially at fair value and are if required subsequently measured at amortized cost using the effective interest method.

**(l) Provisions**

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that there is an outflow of resources embodying economic benefits.

**(m) Borrowings**

Borrowings are stated at amortized cost; any difference between the proceeds (Borrowings net of transaction costs and arrangement fees) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Embedded derivatives in borrowing contracts are separated from the host contract and accounted for as financial assets at fair value through profit and loss (see section on derivatives above). The financial asset is classified as a reduction of the bond loan.

**(n) Taxes**

Income tax payable for the current and prior periods is measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method which considers the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Taxes related to operations in geographic areas if and when applicable will be treated as project related costs.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset the current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**NOTE 3 – Financial risk management****Financial risk factors**

The Group's activities expose it to certain financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group is currently in the process of constructing a dynamically positioned crane vessel having entered into a building contract with Sembawang in Singapore and a crane contract with Huisman in the Netherlands, respectively. The crane contract is partially denominated in EUR. 75% of the crane price is to be paid in EUR while 25% is to be paid in USD, calculated on the basis of a EUR/USD exchange rate of 1.36. The contracts require the Group to make specified payments upon reaching different milestones of the construction process (see Note 14 for capital commitments). The Group's activities under the construction program expose it to currency risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by Management under policies approved by the Board of Directors. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk as well as the use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## Market risk

### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from a limited number of currency exposures, primarily with respect to the EUR and NOK. Foreign exchange risk arises from future committed commercial transactions related to the Vessel construction program (see above) and recognized assets and liabilities.

The Group manages its foreign exchange risk by using forward currency contracts. These contracts have been designated as fair value hedges. Foreign exchange risk arises when future firm committed transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group's risk management policy is to hedge installments on the Vessel under construction in each major foreign currency from the time the Group is obligated to the firm commitment until anticipated payment date of the installments.

Revenues and costs are primarily in USD. Long term financing is in USD. The Company's shares are traded in NOK. The NOK trading price is affected by the underlying activities of the Group which are primarily denominated in USD.

The fair value of the warrants to founding shareholders is determined using a model which incorporates the NOK share price, and, as a result, changes in the NOK/USD market exchange rate will impact the Group's profit. As the share price within the warrant is substantially higher than the marked share price at 31 December 2008, the profit and loss effect going forward related to the warrants is basically related to the time value and changes in USD/NOK marked exchange rates.

### (ii) Price risk

The Group is exposed to its own equity securities price risk because the fair value of the warrants to founding shareholders is determined using a model which incorporates the Group's share price. The Group is not exposed to commodity price risk.

### (iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The interest related to the Group's borrowings is denominated in the functional currency, USD.

The interest rate risk is mitigated by taking out interest rate swaps related to 100% of the interest bearing debt. The Group has not used hedge accounting on the interest rate swap hence changes in interest rates will impact profit and loss. Changes in the variable interest rates with +/- 1 % will have an impact on the profit and loss in the amount of +/- USD 2,5 million before tax.

## Credit risk

Credit risk is managed on a group basis. Credit risk arises from the Group's ownership of cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as receivables and committed transactions.

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining sufficient cash necessary to meet future obligations. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. The Group policy is to keep sufficient cash balances to meet operational and contractual obligation

The table below classifies the Group's financial liabilities into relevant maturity groupings based on their contractual and effective maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

In case the refinancing plan will not succeed, the cash-flow will reach a zero position at the end of the 3<sup>rd</sup> quarter 2009.

At 31 December 2008	Less than 1 year	Between 1-2 years	Between 2-5 years
Bond loan	115,000		
Trade and other payables	11,752		

1: As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings and trade and other payables.

2: The specific time buckets presented are not mandated by the standard but are based on a choice made by management.

3: The Group has in 2009 initially acquired a part of the bonds amounting USD 60,900 at par value, for an amount of USD 16,300. Subsequently, a full redemption of the bond loan has taken place, in June 2009. Reference is made to Note 18 - subsequent events.

## Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has issued a callable bond loan and obtained equity financing from shareholders to finance its vessel construction program and operating activities.

Consistent with others in the industry, the Group monitors capital on the basis of the equity ratio. This ratio is calculated as "equity" (as shown in the consolidated balance sheet) divided by total capital.

Following the current development stage, the Group's strategy is to maintain a long term equity ratio of about 40%. The equity ratio at 31 December 2008 was the following:

	<b>31/12/2008</b>
Total equity	91,580
Total capital	224,380
Equity ratio	41%

The Group has no externally imposed capital requirements. Covenants related to the bond loan are outlined in Note 11.

## NOTE 4 – Critical accounting estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A "critical accounting estimate" is one which is both important to the portrayal of the Group's financial conditions and results, and requires management's most difficult, subjective or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as forecasts as to how these might change in the future.

The following is a summary of which estimates and judgments could have a material effect on the consolidated financial statements.

### (a) Impairment

The Group reviews long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets are assessed for possible impairment upon the occurrence of a triggering event. Events that can trigger assessments for possible impairments include, but are not limited to (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, and (c) a physical change in the asset.

Impairment testing is performed for 2008 related to the Vessel. See Note 7.

### (b) Fair value of derivatives

The fair value of financial instruments traded in active markets (such as forward contracts) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the EUR/USD and NOK/USD mid rate obtained from Nordea Bank (Oslo, Norway), adjusted for interest rate on the respective currencies. The fair value of financial instruments that are not traded in an active market (for example, early redemption option on the bond loan) is determined using valuation techniques. The Group obtains valuations of the forward currency contracts, interest rate swaps and early redemption option from independent valuation specialists.

Derivatives are carried at fair value and includes;

- Forward currency contracts
- Interest rate swaps
- Redemption option on the bond loan
- Fair value of the currency part of the crane contract (firm commitment which is designated as a fair value hedge with the forward currency contracts designated as hedging instruments).
- Warrants issued to founding shareholders

Assumptions used in the calculations of fair value of the derivatives are the following;

- Foreign exchange rates; spot mid rate EUR/USD and forward rates (forward currency contracts)
- Interest swaps, related to bond loan, has been swapped to fixed rate interest until 2011
- Interests on EUR and USD currencies (forward currency contracts)
- Credit rating (redemption option)
- The market price of the Group's shares (warrants)
- The volatility of the share price (warrants)

#### **(c) Forward currency contracts**

The Group has entered into various forward currency contracts to mitigate currency risks in EUR and NOK on firm commitments to pay installments according to the crane contracts (see section about foreign currency). Forward currency contracts are traded in quoted markets, and hence the fair value is based on market prices received from banks and financial institutions. The fair value is revised at each balance sheet date.

#### **(d) Interest rate swap**

In 2007, the Group entered into an interest swap on the bond loan to reduce uncertainties within fluctuation within interest rates and has ensured a fixed interest of 4.03% until 2011. The fair value is revised at each balance sheet date.

#### **(e) Redemption option on the bond loan**

In 2007, the Group issued a USD 115 million senior secured bond loan where the Group has an option to redeem the bond loan at prices (varying between 102.5% and 105% depending on the time of the redemption). The fair value is revised at each balance sheet date.

The fair value of the redemption option is not related to market interest rates. The main incentive to call the redemption option is to improve the credit rating or to enter into new long term borrowings.

#### **(f) Warrants**

In 2007, the Group issued 3,319,000 warrants where the strike price is NOK 15.60 per share. The warrants are classified as short term liability on the balance sheet. As the founding shareholders were granted these warrants free of charge, the debit is to equity ("other equity"), as a deemed dividend.

The Company needs to measure the warrants at fair value at every balance sheet date. Any subsequent changes to the fair value of the warrants will be recognized in the consolidated income statement as "changes in fair value of financial instruments – net" and as an increase or decrease the recorded value of the liability.

As at 31 December 2008, the value of the warrants was calculated to be USD 0 applying a 35 % volatility and a share price of USD 0.18 (NOK 1.25 at USD exchange rate 7.059) (see Note 10)

### **Critical judgments in applying the entity's accounting policies**

#### **Functional currency**

Management has considered the requirements of IAS 21 in determining the functional currency of each of the entities in the Group. In determining the functional currency of each entity, Management has exercised its judgment and have concluded that USD is the appropriate functional currency. This is mainly because the Company's future revenues (when operations commence) are expected to be denominated in USD. The competitive forces of the industry are mainly linked to USD. The Group's financing has been obtained in USD and the Group plans to retain future operating receipts in USD.

#### **Borrowing costs**

Management has considered the requirements of IAS 23 and IAS 39 with respect to the capitalization of borrowing costs. Borrowing costs related to the bond loan will be capitalized at the cost of the Vessel.

The Group keeps separate records for money received from equity issuances and money received from borrowings. Interest earned on money received from equity is credited to the income statement while interest earned on deposits in relation to the borrowings is netted off against other borrowing costs capitalized in accordance with the Group accounting policy for funds borrowed specifically for the purpose of obtaining a qualifying asset.

#### **Hedge accounting**

Management has decided to designate forward currency contracts as hedging instruments to hedge a future firm to pay installments on the Huisman crane in EUR (see section on fair value hedge and derivative financial instruments in Note 2).

The hedging relationship between the firm commitment to pay installments (hedged items) and forward currency contracts (hedging instruments), is being documented at inception. In addition, risk management objectives and the hedging strategy for undertaking the hedging transactions are documented. The Group also documents its assessment of the hedge effectiveness at the time of inception and on an ongoing basis. The hedging relationship is generally designated as a fair value hedge and assessed to be highly effective using the principal terms method.

The fair value of the hedging instrument is obtained from Nordea Bank (Oslo, Norway), and accounted for as a financial asset on the balance sheet. Based on the maturity of the forward contracts, the fair value is split between long-term and short-term financial assets. When applying fair value hedge accounting of firm commitments, a portion of the future firm commitment shall be valued and accounted for as a liability on the balance sheet. The value of the firm commitment is calculated by management based on the forward rates and spot mid rates used in determining the fair value of the forward contracts. For the principal terms in the forward contracts which equal the terms of the firm commitment, the hedging relationship is assessed to be highly effective. As a result, the fair value of these firm commitments is valued to equal the fair value of the forward contracts or if installments are delayed the foreign exchange gains or losses related to EUR bank accounts. The fair value of the financial liability of the firm commitment offsets the fair value of the financial asset. At each reporting date, a change in the fair value of the hedging instrument and the hedged item is recognized in the income statement offsetting each other on the same line item, for these commitments.

During 2008, a number of commitments were not qualified as effective. The change in fair value of the underlying instruments related to these instruments is recognized in the profit and loss statement.

#### **NOTE 5 – Remunerations, salaries, shares, options and pensions**

The Group has nine employees at year end 2008 (average for the year 2008: three). Remunerations through payroll amounts to USD 719 thousand (2007: nil) . Board remuneration amounts to USD 217 thousand (2007: nil).

The ownership of shares by senior management, direct or indirect, is as follows. An amount of 616,667 shares is owned by a member of the board. The CEO of the Company is owning 16,667 shares and CFO of the Company is owning 16,666 shares.

The amount of USD 67 thousand (2007: USD 25 thousand) has been recorded in the profit and loss accounts as ordinary audit fee.

In accordance with the regulations in § 6-16a in the Norwegian Joint Stock Public Company Laws, the Board of Directors has prepared a statement regarding the guidelines for determining salaries and other compensation for employees in leading positions.

The Board of Directors initiated a compensation package for leading employees consisting of a fixed salary and a bonus element. The Company's CEO and CFO have been granted option rights for in total 840,000 company share options with an exercise price of NOK 12 and a vesting period of three years.

The Group has implemented in 2008 a pension plan based on a defined contribution scheme. The Company contribution amounts to USD 52 thousand (2007: nil). No further pension liabilities are applicable except for the contribution amounts indicated.

#### **NOTE 6 – Intangible assets**

	<b>Vessel design rights</b>
<b>Position as of 1 January, 2008</b>	1,106
Additions	-
Accumulated amortization and impairment	-
<b>Position as of 31 December 2008</b>	<b>1,106</b>

Intangible assets consist of acquired design rights to the Vessel under construction, see Note 7. The useful life of the asset is considered to be finite, and the cost will be amortized over the estimated useful life (25 years) of the Vessel once it is delivered and ready for its intended use.

## NOTE 7 – Fixed assets

### Vessel under construction

Contract price	USD	EUR	NOK
Sembawang shipyard contractual delivery 31 March 2010	247.7 million		
Huisman Crane		97.4 million	
Dreggen Cranes			25.6 million

As of 31 December	2008	2007
<b>Opening balance</b>	53,041	-
Installments capitalized	67,966	47,773
Capitalized expenses	3,525	756
Capitalized interests (net)	9,830	4,512
<b>Net carrying amount at 31 December</b>	<b>134,362</b>	<b>53,041</b>

	2008
Installments capitalized	115,739
Capitalized expenses	4,281
Capitalized interests (net)	14,342
<b>Net carrying amount at 31 December</b>	<b>134,362</b>

The costs noted in Note 1 are based on the initial agreements with the yard and the crane manufacturers. The contracts allow for the rights of the parties thereto to request variation orders, which would increase the costs from the initial contract amounts. As of 31 December 2008, the Group has agreed to improve the main crane featuring dual hoist capability, deepwater lowering and active heave compensation, including associated cost, added steel, increased test barge cost, as well as increase in pre-opex, site team and SG&A cost ( including cost reduction elements); all amounting to a net increase USD 50 million, of which the increase in pre-opex, site team and SG&A cost altogether represent about USD 10.9 million.

The Group has capitalized USD 9.830 million of its recognized interest costs in the year 2008 related to the financing of the newbuilding. The interest cost is calculated using the effective interest method (see 11 and principles about borrowing costs). An effective quarterly interest rate of 2.42% has been used to determine the capitalized amount.

#### *Estimated useful lives of the assets*

Vessel	25 years
Main crane	25 years
Crane wire	5 years
Dry-docking	5 years

#### *Impairment testing*

An impairment analysis of the Vessel shows that in a going concern scenario, there is no impairment as at 31 December 2008. As basis for this assessment lies estimated cash flows based on externally confirmed estimated day-rates, estimated operating expenses and financing costs, a tax rate of 10% discounted using a Weighted Average Capital Cost of 15 %.

## NOTE 8 – Cash and cash equivalents

The Group's cash and cash equivalents are denominated in the following currencies at 31 December:

	2008	2007
USD	85,802	149,918
EUR	2,183	12,552
NOK	25	561
Total cash and cash equivalents	<b>88,010</b>	<b>163,031</b>

Of USD 85.8 million NOK 5.0 million has been mortgaged to ensure settlement of derivatives.

## NOTE 9 – Restricted Cash

The Group's restricted cash and cash equivalents are denominated in the following currencies at 31 December:

Restricted bank deposits:	2008	2007
<i>current:</i>		
Escrow account – Bond Loan – current	39,243	63,600
<i>non-current:</i>		
Escrow account – Bond Loan – non-current	-	34,387
	<u>39,243</u>	<u>97,987</u>

Proceeds of the senior bond loan are to be secured in an USD Escrow account and will be released for the purpose of making certain installments under the building contracts as referred to under Note 7 only.

The release is conditional upon having met certain conditions under the bond loan. The most significant conditions are:

- (a) The Bond Loan Security is duly executed (see Note 11 for details regarding securitization)
- (b) Establishment of Assignment of Contracts
- (c) Establishment of Share Pledge

## NOTE 10 – Shareholders' Equity

	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
Shares issued 5 Jan 2007	100	1,000.00	16			16
Shares issued 2 May 2007	900	1,000.00	151			151
Share split 7 May 2007	1,999,000	0.50				
Shares issued 16 May 2007 (Private placement)	54,000,000	0.50	4,488	103,199		107,687
Transaction cost related to the issuance of share capital				-3,738		-3,738
Deemed dividend					-2,299	-2,299
Issuance of warrants to the founding shareholders					-1,289	-1,289
Net result for the year 2007					1,117	1,117
<b>Equity at 31 December 2007</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-2,471</b>	<b>101,645</b>
Net result for the year 2008					-10,065	-10,065
<b>Equity at 31 December 2008</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-12,536</b>	<b>91,580</b>

### Deemed dividend

Relates to an agreement in which the Company entered into in 2007 with one of its shareholders; Dyvi AS to acquire the development stage crane vessel business. According to the agreement, the Company would enter into certain agreements to purchase and finance a crane vessel as those agreements were concluded at a later point in time. The acquisition cost represented a cash consideration in the amount of USD 3,390 million.

The transaction is considered to be at transaction with a controlling shareholder, and as such the assets and liabilities assumed in the transaction have been accounted for at carry-over values. The difference between the carry-over values (USD 1,106 million representing intangible assets assumed) and the acquisition cost according to the agreement has been classified as a deemed dividend.

### Warrants

In connection with the share issuance in 2007, the Group issued in 2007, 3,319,000 warrants to the founding shareholders, each giving right to subscribe for one new share of ordinary class. The warrants can be exercised within 21 May 2010 at an exercise price per share of NOK 15.60. The warrants may be exercised at any time at the discretion of the warrant holders.

As of 31 December 2008, no warrants have been exercised. The warrants have been determined to be a liability because they fail to meet the requirements of fixed amount of cash for fixed amount of its own shares as required by IAS 32. Consequently, the initial fair value of the warrants amounting to USD 1,3 million at the issue date has been recorded as issuance of warrants to the founding shareholders. Subsequent to issuance, the liability is marked to market at each balance sheet date and the resulting change in fair value is recognized in the income statement within changes in fair value of financial instruments – net.

During 2008, a gain of USD 0.9 million has been recorded. The fair value is determined using the Black-Scholes valuation model. The significant input to the model are share price of USD 0.18 (NOK 1.25 at USD exchange rate 7.059), a volatility of 35%, a dividend yield of USD 0, an expected warrant life of three years, and an annual risk-free interest rate of 3.81%. The volatility measured at the standard deviation of continuously compounded share returns is based on peer group Companies that are listed on a stock exchange.

## Shares

<b>20 largest shareholders at 31 December 2008</b>	<b>No. of shares</b>	<b>Participation Percentage</b>
UBS AG, London Branch (Nominee)	16,546,000	29.5%
Dyvi Maritime Invest AS	6,373,000	11.4%
Morgan Stanley & Co Intl PLC (Nominee)	4,790,000	8.6%
Orkla ASA	4,166,000	7.4%
JP Morgan Chase Bank (Nominee)	3,905,400	7.0%
Goldman Sachs Int. - Equity - (Nominee)	3,214,500	5.7%
Verdipapirfondet KLP Aksjennorge	2,869,500	5.1%
Skagen Vekst	2,000,000	3.6%
Convexa Capital VIII AS	1,700,000	3.0%
Odin Offshore	1,250,000	2.2%
Deutsche Bank AG London (Nominee)	1,148,693	2.1%
Furuholmeninvest	833,000	1.5%
RBC Dexia Investor Services Bank	833,000	1.5%
KLP Aksje Norge	800,000	1.4%
ABN AMRO Global Custody N.V. (Nominee)	750,000	1.3%
Capricorn Investment AS	616,667	1.1%
Pactum AS	500,000	0.9%
Skips AS Tudor	300,000	0.5%
BSN AS	250,000	0.4%
Nortura Konsernpensjonkasse	250,000	0.4%
	53,095,760	94.8%
	2,904,240	5.2%
	56,000,000	100.0%

## Note 11 – Interest bearing loans

### Senior secured bond loan

The bond loan consists of USD 100,000 floating rate 3 month LIBOR+ margin 6% senior secured bonds at a par value of USD 115 million. The bonds mature five years from the issue date at their nominal value of USD 115 million. Interest is paid quarterly in arrears.

The debt is secured by a mortgage over the Vessel, including the cranes and equipment installed. Additionally, assignments of the Building Contract and of the relevant insurances related to the Vessel have been established, in favor of the Bond Loan Trustee, Norsk Tillitsmann ASA (on behalf of the Bondholders). The senior secured bonds are pledged by all of the shares of the subsidiary NHLS and an escrow account of USD 39,243 million (see Note 9).

The Loan Agreement for the senior secured bonds includes provisions for a future Preferred Senior Debt of maximum USD 185 million secured with a Preferred Senior Mortgage. The security for the senior secured bonds shall rank behind to any Preferred Senior Mortgage for the amount of Preferred Senior Debt.

Contractually, the senior secured bonds can be redeemed by the Group at the following defined dates at the following premiums:

<b>Date</b>	<b>Premium</b>
At the Interest Payment Date in June 2010	105%
At the Interest Payment Date in June 2011	102,5%

Upon a change in control according to the Loan Agreement, the bondholders can demand the repayment of the bonds at a premium of 101%.

After removing the fair value of the redemption option upon issuance of the bond loan from the bond proceeds, the remaining is recognized as the bond liability, net of debt issuance costs and is being amortized on an effective interest rate method over the Bond loan contract period.

The bond loan is redeemed in full by the Company, in June 2009.

The senior secured bonds recognized in the balance sheet are calculated as follows, at 31 December:

<i>Liability</i>	2008	2007
Fair value of the secured senior bonds at issuance (net redemption option)	115,000	115,000
Less : transaction costs allocated to the bond	-2,913	-2,913
Amortized costs of bonds at issuance date	112,087	112,087
Fair value of issuer callable optionality	-	-398
Adjustment amortization	460	-38
Liability at 31 December	112,547	111,651

<i>Duration</i>	2008	2007
6 months or less	112,547	-
6 - 12 months	-	-
1 - 5 years	-	111,651
over 5 years	-	-
	112,547	111,651

During the term of the senior secured bonds, the Company must comply with certain covenants. The most restrictive covenants are that the Company shall:

- Not, and ensure that the Subsidiary neither shall, cease to carry on business
- Not, and ensure that the Subsidiary neither shall;
  - Sell or dispose of all or a substantial part of its assets or operations,
  - Change the nature of its business, or
  - Merge, demerge or in any other way restructure its business
  - In a manner which might jeopardize the Company's fulfillment of its obligations under the Loan Agreement.
- not, and ensure that the Subsidiary neither shall, de-merge, merge or in any other way restructure its business, in a manner which might jeopardize the Company's fulfillment of its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, agree to any material changes to the Construction Contract or the Crane Contract which, in the reasonable opinion of the Loan Trustee, is likely to have a material adverse effect on the Company's ability to perform its obligations under the Loan Agreement
- not, and ensure that the Subsidiary neither shall, make any financial or other arrangements concerning the Vessel and its employment, other than the Preferred Senior Debt, which is likely to have a material adverse effect on the Company's ability to perform its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, grant any loans, guarantees or other financial assistance to any third party not being a member of the Group, except for guarantees issued in the ordinary course of business and relating to the employment of the Vessel, or as related to the Preferred Senior Debt,
- not, and ensure that the Subsidiary neither shall, make any arrangements which may jeopardize the Loan Security,
- always be the owner, directly or indirectly, of 100% of the shares in the Subsidiary,
- procure that the Equity Amount is used for financing of the Vessel (including all related costs)
- procure that the yard, under the terms of the Construction Contract, provides for reasonable and satisfactory maintenance and insurance of the Vessel (the value of the Vessel will gradually increase during the construction process and the insurance value shall be increased gradually),
- not, prior to the Delivery Date make any dividend payment, repurchase of shares or make other distributions to its shareholders.

## NOTE 12 – Financial instruments and derivatives

The values of the Financial instruments and derivatives are, as of 31 December:

	carrying amount 2008	fair value 2008	carrying amount 2007	fair value 2007
<b>Fair value through profit and loss</b>				
<i>Financial derivatives assets</i>				
Forward currency contracts				
- long term	172	172	2,087	2,087
- short term	158	158	478	478
Redemption option bond loan	0	0	398	398
<i>Financial derivatives liabilities / firm commitments</i>				
Firm commitments				
- long term	-172	-172	-2,087	-2,087
- short term	-1,267	-1,267	-1,540	-1,540
Interest rate swap				
- long term	-6,821	-6,821	-322	-322
Warrant				
- long term	0	0	-875	-875
<b>Amortized cost</b>				
Interest bearing loans */	-112,547	-112,547	-112,049	-112,049

\*/ redemption option has been classified as a reduction of interest bearing loans

The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months. As the Interest bearing loan is a floating rate interest loan the book value will resemble fair value.

### (a) Forward currency contracts

The hedged highly probable forecast transactions in the firm commitment denominated in foreign currencies are expected to occur at various dates during the next 15 months (until March 2010). Gains and losses are recognized in the income statement at the date when the installments in the firm commitment are paid. In addition, change in fair value of the forward currency contracts and change in fair value of the recognized portion of the firm commitment, are recognized in the income statement at each reporting date. The fair value of the firm commitment is valued to equal the fair value of the forward contracts or if installments are delayed the foreign exchange gains or losses related to EUR bank accounts. For the gains and losses of those commitments which are assessed to be 100% effectively hedged, the changes in fair values offset each other.

### (b) Interest rate swap contract

In December 2007, the Group entered into an interest rate swap related to the USD 115 million senior secured bond loan where a variable 3 month LIBOR rate was fixed at a rate 4.03%. The swap began at 21 December 2007 and matures in June 2011. The critical term of the swap has been negotiated to match the interest payments of the bond loan, and as such the swap is expected to be highly effective. As hedge accounting is not used for this swap all changes in fair value are recognized into earnings, currently.

### (c) Warrants

The Group has issued 3,319,000 warrants where the strike price is NOK 15.60 per share. The warrants are classified as short term liability in the balance sheet. The founding shareholders were granted these warrants free of charge and the fair value at grant date is recorded as a reduction in "other equity".

### NOTE 13 - Changes in derivatives and fair commitments

The change in fair value is comprised of the following:

	Year 2008	Period 5 January through 31 December 2007
Change in fair value of forward currency contracts :		
- Fair value gains	1,062	2,565
Change in firm commitments :		
- Fair value losses	-1,109	-3,625
Foreign exchange results in EUR account :		
- Fair value gains	0	1,060
Change in fair value of interest rate contracts :		
- Fair value losses	-6,499	-323
Change in option value bond loan (Note 10)	-398	398
Change in fair value of warrants	875	409
Change in amortized of bonds	-498	0
Other (losses)/gains - net	-6,567	484

### NOTE 14 – Earnings per Share

#### *Basic and Diluted*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year.

	Year 2008	Period 5 January through 31 December 2007
Result attributable to shareholders of the Company	-10,065	1,117
Weighted average number of ordinary shares in issue (thousands)	56,000	56,000
<b>Basic result per share (USD per share)</b>	<b>-0.18</b>	<b>0.02</b>

Warrants issued to the founding shareholders, see Note 10, have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the warrants (the warrants are “in the money”). As of and during the period ended 31 December 2008 the warrants have not been in the money, and as such the Group has not calculated diluted earning per share.

### NOTE 15 – Commitments

Capital expenditures contracted for at the balance sheet date, but not recognized in the consolidated financial statements are as follows at 31 December 2008:

Vessel under construction (Vessel and installments only)

	USD million
No later than 1 year	64
Later than 1 year and no later than 5 years	227
Later than 5 years	-

## NOTE 16 – Related-party transactions

The following transactions were carried out with related parties:

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

As in line with 2007, the parties Dyvi AS and Capricorn Offshore AS are assessed to be related parties to the Group, with whom transactions were carried out

<i>Purchases of services</i>	Year 2008	Year 2007
– Dyvi AS (Corporate and Technical management services)	3,893	4,267

Purchases of services are negotiated with related parties on a cost-plus basis, allowing a margin of 5 %

<i>Key management compensation</i>	Year 2008	Year 2007
Compensation to Capricorn Offshore AS providing the CEO until 28 March 2008.	120	280

<i>Period end balances arising from aforementioned purchases</i>	Year 2008	Year 2007
Payables to related parties:		
– Dyvi AS	813	288
– Capricorn Offshore AS	25	2

<i>Purchases of bonds</i>	Year 2008	Year 2007
– Sector Asset Management AS (acquisition of NHL bonds with a nominal value of USD 11.3 million)	3,401	-

## NOTE 17 – Taxes

The Group has generated a loss before tax of USD 9,495 million in 2008. The taxable income for the entities are stated in NOK and EUR respectively. The Company incurred foreign exchange gains in 2008 (2007 : losses) measured in NOK as long term receivables, cash and interest bearing loans are denominated in USD.

	2008	2007
Taxes payable	570	-
<b>Income taxes</b>	<b>570</b>	<b>-</b>

## Effective tax rates

	2008	2007
<b>Profit (loss) before taxes</b>	<b>-9,495</b>	<b>1,117</b>
Expected income tax according to nominal tax rate (28%)	-2,659	313
Tax effect on permanent differences	7,603	-3,981
Changes in temporary differences (foreign exchanges bond loan)	826	4,294
Losses to carry forward	-6,690	-6,690
Foreign exchanges on losses to carry forward	1,489	-
<b>Total income taxes</b>	<b>570</b>	<b>-</b>
<b>Effective tax rate (including change in deferred taxes)</b>	<b>0%</b>	<b>0%</b>

**The tax effect of temporary differences and losses carried forward:**

	2008	2007
Other current items	-	-
Property, plant & equipment	-	-
Temporary differences ( financial instruments)	-2,220	-
Foreign exchange result bond loan/ Long term IC receivables	702	2,486
Losses to carry forward	-	-6,690
<b>Total, basis for deferred taxes/(tax assets)</b>	<b>-1,518</b>	<b>-4,204</b>
Deferred tax asset allowance	-	-
<b>Total deferred taxes/(tax assets)</b>	<b>-1,518</b>	<b>-4,204</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>	<b>-</b>	<b>-</b>

Norway	2008	2007
Tax asset related to net loss carry forwards:	-	23,894
Taxable (-) /deductable temporary differences:		
- Net long term receivables / loan	-2,507	-8,877
- Net financial instruments	7,930	322
Deferred tax assets not recognized	-5,423	-15,339
Net deferred taxes	-	-

*Norway*

The current corporate tax rate in Norway is 28%.

Any net loss carry forwards in Norway have unlimited duration. The Company is not recognizing any deferred tax assets due to uncertainty of whether any of the loss carry forwards can be utilized.

*Cyprus*

NHLS will become the owner of the Vessel that will be registered in the Cyprus Ship Register upon delivery. It is the intention of the Group that the Vessel will be made subject to Cyprus tonnage tax. No income tax is currently payable on the profits earned or dividends paid by Cyprus shipping companies (earned on shipping activities) which own vessels flying the Cyprus flag and operate in international waters (including chartering), or on the salaries of officers and crew of such ships.

*The Netherlands*

The current corporate tax rate in The Netherlands is maximum 25.5%.

The Company is in start-up phase, no corporate income taxes are accounted for in 2008.

**NOTE 18 – Subsequent Events**

The post closing events are related to Financing aspects.

Early 2009, as an initial step in the overall finance restructuring program, the Company's Cyprus subsidiary; Nordic HL Shipowning Ltd., (being the Vessel owner) purchased Company's bonds from bond holders.

In the 1<sup>st</sup> quarter 2009, through a series of separate transactions, bonds with a nominal value USD 60.9 million were acquired at a total purchase price of USD 16.3 million. This represented approximately 53% of the total bond loan.

In a bondholders' meeting on 25 May 2009, the remaining bondholders agreed to a redemption based on an offer from the Company of 40% cash and an 18.5% convertible note. The bond loan has been fully redeemed early June 2009.

The resulting gains related to these transactions on group level of USD 64.4 million will be recognized in the 2009 results.

The Full Financing is not in place yet at the time of completion of the audited Financial Statements 2008.

This Financing is required to meet the short and longer term Financing needs to meet the contractual obligations related to the Vessel construction and other related activities.

## 6. COMPANY INCOME STATEMENT

(In USD 1,000 unless otherwise noted)

	Note	1 January - 31 December 2008	5 January - 31 December 2007
Revenues		-	30
<b>Gross margin</b>		<b>-</b>	<b>30</b>
Salaries, social securities and pensions	3	-316	-280
Sales, general and administrative expenses	4	-609	-859
<b>Operating expenses</b>		<b>-925</b>	<b>-1,139</b>
Interest income		3,335	5,320
Interest income - Group		3,499	2,837
Interest expense		-11,922	-7,820
Net foreign exchange gain/- loss		1,125	1,041
Other financial items		-52	-42
<b>Net financial items</b>		<b>-4,015</b>	<b>1,335</b>
<b>Result before income tax</b>		<b>-4,940</b>	<b>226</b>
Income tax expense	12	-1,272	-
<b>Net result for the period</b>		<b>-6,212</b>	<b>226</b>
Net result attributable to the Shareholders of the Company	7	<b>-6,212</b>	<b>226</b>
Net result per share (basic and diluted)	9	<b>-0.11</b>	<b>0.20</b>

## 7. COMPANY BALANCE SHEET

(In USD 1,000 unless otherwise noted)

	Note	<u>31 December 2008</u>	<u>31 December 2007</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Shares in subsidiaries	5	42	14
Long term receivables - subsidiaries		118,607	52,178
Non-current restricted cash	6	-	34,387
<b>Total non-current assets</b>		<b>118,649</b>	<b>86,579</b>
<b>Current assets</b>			
Other current assets		4,012	55
Current restricted cash	6	39,243	63,600
Cash and cash equivalents	6	48,552	65,248
<b>Total current assets</b>		<b>91,807</b>	<b>128,903</b>
<b>Total assets</b>		<b>210,456</b>	<b>215,482</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	4,655	4,655
Share premium reserve	7	99,461	99,461
Other equity	7	-8,285	-2,073
<b>Total equity</b>		<b>95,831</b>	<b>102,043</b>
<b>Non-current liabilities</b>			
Interest bearing debt	8	112,186	112,186
Deferred tax	12	702	-
<b>Total non-current liabilities</b>		<b>112,888</b>	<b>112,186</b>
<b>Current liabilities</b>			
Trade and other payables	12	-	-
Payable tax		570	-
Provisions for other charges and liabilities	16	1,166	1,253
<b>Total current liabilities</b>		<b>1,736</b>	<b>1,253</b>
<b>Total liabilities</b>		<b>114,625</b>	<b>113,439</b>
<b>Total equity and liabilities</b>		<b>210,456</b>	<b>215,482</b>

Oslo, 12 June 2009

Jan Frederik Dyvi  
*Chairman*

Christine Rødsæther  
*Board member*

Endre O. Sund  
*Board member*

Tove Raanes  
*Board member*

Frederik Steenbuch  
*Board member*

Rob Boer  
*CEO*

## 8. COMPANY CASH FLOW STATEMENT

(In USD 1,000 unless otherwise noted)

	<b>1 January - 31 December 2008</b>	<b>5 January - 31 December 2007</b>
Net result before tax	-4,940	226
Foreign exchange results	1,125	-1,040
Changes in other receivables	3,957	-55
Changes in provisions for other charges and liabilities	-87	293
<b>Net cash flow from operations</b>	<b>55</b>	<b>-576</b>
Investments in subsidiaries	-28	-14
Changes in long term receivables	-66,429	-52,178
<b>Net cash flow from investing activities</b>	<b>-7,713</b>	<b>-150,179</b>
Long-term borrowings	-	115,000
Paid interest	-11,925	-6,530
Interest allocated to Profit & Loss account	2,517	7,655
Transaction cost - borrowings	-	-2,978
Paid in equity	-	107,853
Transaction cost - issuing of share capital	-	-3,738
<b>Net cash flow from financing activities</b>	<b>-9,408</b>	<b>214,963</b>
Cash at beginning of period (1 January)	65,044	-
Foreign exchange results	574	1,040
Net changes in cash flow during the year	-17,066	64,208
<b>Cash at end of period (31 December)</b>	<b>48,552</b>	<b>65,248</b>

## 9. COMPANY STATEMENT OF CHANGES IN EQUITY

(In USD 1,000 unless otherwise noted)

	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
Proceeds from shares issued 5 January 2007	100	1,000.00	16			16
Proceeds from shares issued 2 May 2007	900	1,000.00	151			151
Share split 7 May 2007	1,999,000	0.50				
Proceed from shares issued 16 May 2007	54,000,000	0.50	4,488	103,199		107,687
Transaction cost related to the issuance of share capital				-3,738		-3,738
Deemed dividend					-2,299	-2,299
Net result for the year 2007					226	226
<b>Equity at 31 December 2007</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-2,073</b>	<b>102,043</b>
Net result for the year 2008					-6,212	-6,212
<b>Equity at 31 December 2008</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-8,285</b>	<b>95,831</b>

## 10. NOTES TO COMPANIES' FINANCIAL STATEMENTS

### NOTE 1 – General information and significant accounting principles

#### (a) Corporate information

Nordic Heavy Lift ASA (“the Company” or “NHL”) is a public limited company, incorporated and domiciled in Norway.

The address of the registered office is c/o Dyvi AS Munkedamsveien 45C, 0250 Oslo, Norway.

The Company was incorporated at 5 January 2007.

The Company constitutes a group with the following fully owned subsidiaries:

- Nordic H.L. Shipowning Limited, Cyprus, incorporated at 17 March 2007.
- Nordic Heavy Lift Management B.V., The Netherlands, incorporated at 31 March 2008.

The principal activity of the Company and its subsidiaries (together “the Group”) is to construct and subsequently operate a 5,000 tonne heavy lift crane vessel for worldwide operations mainly aimed at the offshore oil and gas industry.

The Company shares are registered for trading on the OTC list in Oslo, Norway.

The financial statements are presented in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles. The accompanying Notes are an integrated part of the financial statements.

The financial statements are presented in USD, which is the Company's functional currency.

#### (b) The going concern assumption

The financial statements are presented based on the going concern assumption.

For additional information we refer to Note 1 in the consolidated accounts.

#### (c) Use of estimates

The preparation of the financial statements 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 balance sheet dates and the reported amounts of revenues and expense during the reported periods. Actual results could differ from those reported.

#### (d) Investments in subsidiaries

Investments in subsidiaries are recorded at historical cost, less impairment losses.

If expected discounted future cash flow from the investment is lower than the carrying value of the investment, an impairment charge is recorded and new cost basis of the investment is established. Impairment losses are reversed if the reason for the impairment disappears in a later period.

If dividends exceed withheld profits after acquisition, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet of the parent company.

#### (e) Valuation and classification of balance sheet items

Assets and liabilities are classified as current assets or current liabilities if they are short-term, that is normally due within one year.

Other assets and liabilities are classified as fixed assets and other liabilities as long-term liabilities.

#### (f) Long term receivables

Long term receivables are recorded at historical cost, less any impairment losses.

If expected discounted future cash flow is lower than the carrying value of the receivables, an impairment charge is recorded and a new cost basis of the receivable is established.

#### (g) Cash, cash equivalents and cash flow statement

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

The cash flow statement is prepared using the indirect method.

**(h) Share capital**

Ordinary shares are classified as equity.

Incremental costs associated to the issue of new shares or options are shown in equity as a deduction from the proceeds.

**(i) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between proceeds ( borrowing net of transaction costs and arrangements fees) is recognized in the income statement over the period of the borrowings using the effective interest method.

**(j) Taxes**

Tax expenses consists of payable tax and changes in deferred tax. Deferred tax/ tax assets are calculated on all differences between book value and tax value of assets and liabilities. Deferred tax is calculated at 28% of temporary differences and as well as tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

For additional information we refer to Note 1 in the consolidated notes.

**(k) Revenue recognition**

Revenue from services are recorded when the service has been performed.

**(l) Financial instruments etc.**

The company uses various financial instruments to manage its exposure to fluctuations in exchange rates and interest rates. Instruments meeting hedge criteria are valued together with the hedged item (unrealized gains/ - losses are not recognized). Instruments not meeting the hedging criteria, are valued in separate portfolios at the lower of their historical cost and marked value (unrealized losses are expensed). Unrealized gains are not taken to income.

**(m) Contingent gains / -losses**

According to Norwegian accounting standards related to contingent items, provisions are made for contingent losses that are probable and quantifiable, while contingent gains are not taken to income.

**(n) Cash Flow statement**

The cash flow statement is based on the indirect method. Restricted cash or cash equivalents are disclosed under "Investing activities" in the cash flow statement.

Cash equivalents include bank deposits and liquid funds maturing in less than three months.

**NOTE 2 – Financial instruments and risk management**

The company has no other operations than supporting and financing the subsidiaries, hence all risks are considered to be the same as in the Group accounts. For additional information we refer to the consolidated accounts.

See Notes 12 and 13 in the consolidated accounts for further information on financial instruments and risk management.

Due to different accounting principles used in the Group accounts and Parent accounts none of the financial derivative contracts have profit and loss impact in the Parent accounts.

In accordance with NGAAP, financial instruments meeting the hedging criteria are valued together with the hedged item ( unrealized losses are not recognized). Instruments not meeting the hedging criteria, are valued in separate portfolios at the lower of their historical cost and market value (unrealized losses are recognized), whereas gains are not taken into income.

The Company's risk management objective related to interest risk is to minimize exposure to variability of cash flow arising from changes in interest rate risk. Therefore an interest rate swap contract has been entered fixing the floating 3 month LIBOR to 4.03%. The interest rate swap has been accounted for as hedged hence no impact is recorded in the profit and loss accounts.

### NOTE 3 – Remunerations, salary, shares, options and pensions

The parent company has no employees, however the CFO and CEO' salary is partly recorded in the Parent company. Remunerations through payroll amounts is recorded to USD 316 thousand (2007: nil). This includes board fee for 2007 and accrual for 2008 amounts to USD 217 (2007: nil).

No shares are owned directly by any of the Board members. The ownership of shares by senior management, direct or indirect, is as follows. An amount of 616,667 shares is owned by a member of the board. The CEO of the Company owns 16,667 shares and CFO of the Company 16,666 shares.

The amount of USD 67 thousand (2007: USD 25 thousand) has been recorded in the profit and loss accounts as ordinary audit fee.

In accordance with the regulations in § 6-16a in the Norwegian Joint Stock Public Company Laws, the Board of Directors has prepared a statement regarding the guidelines for determining salaries and other compensation for employees in leading positions.

The Board of Directors initiated a compensation package for leading employees consisting of a fixed salary and a bonus element. The Company's CEO and CFO have been granted option rights for in total 840,000 company share options with an exercise price of NOK 12 and a vesting period of three years.

As the Company has no employees the obligation to have a defined benefit plan is considered unnecessary.

### NOTE 4 – Other operating expenses

(all amounts in thousands USD)	Period 5 January through 31	
	Year 2008	December 2007
Lease expense - buildings and equipment	61	14
IT - costs	1	12
Consultant fees	547	833
<b>Total operating expenses</b>	<b>609</b>	<b>859</b>

### NOTE 5 – Subsidiaries and other investments

	Company's residency	Ownership and voting interest	Company's share capital	Company's equity in	Company's profit/(loss) in	Book value in
Subsidiaries owned by NHL ASA	in	(in %)	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Nordic H.L. Shipowning Limited	Cyprus	100%	USD 2.8	-3,697	-3,711	14
Nordic Heavy Lift Management B.V.	Netherlands	100%	USD 27.2	-2,105	-2,132	27

### NOTE 6 – Cash and cash equivalents

The Group's cash and cash equivalents are denominated in the following currencies at 31 December:

	2008	2007
USD	85,792	149,913
EUR	1,977	12,761
NOK	25	561
Total cash and cash equivalents	<b>87,795</b>	<b>163,235</b>

Restricted bank deposits at 31 December:

		<b>2008</b>	<b>2007</b>
<i>current:</i>			
Escrow account – Senior Bond Loan – current	USD	-	63,600
<i>non-current:</i>			
Escrow account – Senior Bond Loan – non-current	USD	39,243	34,387
		<b>39,243</b>	<b>97,987</b>

Proceeds of the senior bond loan are to be secured in the USD Escrow account and will be released for the purpose of making certain installments under the vessel and crane building contracts ( see Group Note 6 respectively)

Of the USD 87.8 million in cash NOK 7.5 million has been mortgaged to ensure settlement of derivatives.

### NOTE 7 – Shareholders' Equity

	Number of shares	Par value NOK	Share capital	Share premium	Other equity	Total equity
Shares issued 5 Jan 2007	100	1,000.00	16			16
Shares issued 2 May 2007	900	1,000.00	151			151
Share split 7 May 2007	1,999,000	0.50				
Shares issued 16 May 2007 (Private placement)	54,000,000	0.50	4,488	103,199		107,687
Transaction cost related to the issuance of share capital				-3,738		-3,738
Deemed dividend					-2,299	-2,299
Net result for the year 2007					226	226
<b>Equity at 31 December 2007</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-2,073</b>	<b>102,043</b>
Net result for the year 2008					-6,212	-6,212
<b>Equity at 31 December 2008</b>	<b>56,000,000</b>		<b>4,655</b>	<b>99,461</b>	<b>-8,285</b>	<b>95,831</b>

The total authorized number of ordinary shares is 56,000,000 each with par value of NOK 0.5.

For further details we refer to Note 10 in the consolidated accounts.

### Note 8 – Interest bearing loans

#### Senior secured bond loan

The bond loan consists of USD 100,000 floating rate 3 month LIBOR+ margin 6% senior secured bonds at a par value of USD 115 million. The bonds mature five years from the issue date at their nominal value of USD 115 million. Interest is paid quarterly in arrears.

The debt is secured by a mortgage over the Vessel, including the cranes and equipment installed. Additionally, assignments of the Building Contract and of the relevant insurances related to the Vessel have been established, in favor of the Bond Loan Trustee, Norsk Tillitsmann ASA (on behalf of the Bondholders). The senior secured bonds are pledged by all of the shares of the subsidiary NHLS and an escrow account of USD 39.243 million (see Note 9).

The Loan Agreement for the senior secured bonds includes provisions for a future Preferred Senior Debt of maximum USD 185 million secured with a Preferred Senior Mortgage. The security for the senior secured bonds shall rank behind to any Preferred Senior Mortgage for the amount of Preferred Senior Debt.

The senior secured bonds can be redeemed by the Group at the following defined dates at the following premiums:

Date	Premium
At the Interest Payment Date in June 2010	105%
At the Interest Payment Date in June 2011	102,5%

Upon a change in control according to the Loan Agreement, the bondholders can demand the repayment of the bonds at a premium of 101%.

After removing the fair value of the redemption option upon issuance of the bond loan from the bond proceeds, the remaining is recognized as the bond liability, net of debt issuance costs and is being amortized on an effective interest rate method over the Bond loan contract period.

The senior secured bonds recognized in the balance sheet are calculated as follows, at 31 December:

<i>Liability</i>	<b>2008</b>	<b>2007</b>
Fair value of the secured senior bonds at issuance (net redemption option)	115,000	115,000
Less : transaction costs allocated to the bond	-2,814	-2,814
Amortized costs of bonds at issuance date	112,186	112,186
<hr/>		
<i>Duration</i>	<b>2008</b>	<b>2007</b>
6 months or less	112,186	-
6 - 12 months	-	-
1 - 5 years	-	112,186
over 5 years	-	-
	<hr/>	<hr/>
	112,186	112,186

During the term of the senior secured bonds, the Company must comply with certain covenants. The most restrictive covenants are that the Company shall:

- Not, and ensure that the Subsidiary neither shall, cease to carry on business
- Not, and ensure that the Subsidiary neither shall;
  - Sell or dispose of all or a substantial part of its assets or operations,
  - Change the nature of its business, or
  - Merge, demerge or in any other way restructure its business
  - In a manner which might jeopardize the Company's fulfillment of its obligations under the Loan Agreement.
- not, and ensure that the Subsidiary neither shall, de-merge, merge or in any other way restructure its business, in a
- manner which might jeopardize the Company's fulfillment of its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, agree to any material changes to the Construction Contract or the Crane Contract which, in the reasonable opinion of the Loan Trustee, is likely to have a material adverse effect on the Company's ability to perform its obligations under the Loan Agreement
- not, and ensure that the Subsidiary neither shall, make any financial or other arrangements concerning the Vessel and its employment, other than the Preferred Senior Debt, which is likely to have a material adverse effect on the Company's ability to perform its obligations under the Loan Agreement,
- not, and ensure that the Subsidiary neither shall, grant any loans, guarantees or other financial assistance to any third party not being a member of the Group, except for guarantees issued in the ordinary course of business and relating to the employment of the Vessel, or as related to the Preferred Senior Debt,
- not, and ensure that the Subsidiary neither shall, make any arrangements which may jeopardize the Loan Security,
- always be the owner, directly or indirectly, of 100% of the shares in the Subsidiary,
- procure that the Equity Amount is used for financing of the Vessel (including all related costs)
- procure that the yard, under the terms of the Construction Contract, provides for reasonable and satisfactory maintenance and insurance of the Vessel (the value of the Vessel will gradually increase during the construction process and the insurance value shall be increased gradually),
- not, prior to the Delivery Date make any dividend payment, repurchase of shares or make other distributions to its shareholders.

## NOTE 9 – Earnings per Share

For information regarding earnings per share, reference is made to Note 14 in the consolidated accounts.

## NOTE 10 – Commitments

NHL ASA has given a primary obligor on behalf of NHLs to the contractors Huisman and Sembawang to ensure punctual performance as well as to ensure all obligations under the Building contracts.

For additional information regarding commitments, reference is made to Note 15 in the consolidated accounts.

## NOTE 11 – Related-party transactions

For additional information regarding commitments, reference is made to Note 16 in the consolidated accounts.

## NOTE 12 – Taxes

The Group has generated a loss before tax of USD 9,495 million in 2008. The taxable income for the entities are stated in NOK and EUR respectively. The Company incurred foreign exchange gains in 2008 (2007 : losses) measured in NOK as long term receivables, cash and interest bearing loans are denominated in USD.

	2008	2007
Taxes payable	570	-
Change in deferred taxes	702	-
<b>Income taxes</b>	<b>1,272</b>	<b>-</b>

### Effective tax rates

	2008	2007
<b>Profit (loss) before taxes</b>	<b>-9,495</b>	<b>1,117</b>
Expected income tax according to nominal tax rate (28%)	-2,659	313
Tax effect on permanent differences	7,603	-3,981
Changes in temporary differences (foreign exchanges bond loan)	826	4,294
Losses to carry forward	-6,690	-6,690
Foreign exchanges on losses to carry forward	1,489	-
Changes in temporary differences	702	-
<b>Total income taxes</b>	<b>1,272</b>	<b>-</b>
<b>Effective tax rate (including change in deferred taxes)</b>	<b>0%</b>	<b>0%</b>

### The tax effect of temporary differences and losses carried forward:

	2008	2007
Other current items	-	-
Property, plant & equipment	-1,253	-
Other fixed items (receivables.)	-	-
Foreign exchange result bond loan/ Long term IC receivables	3,760	2,486
Losses to carry forward	0	-6,690
<b>Total, basis for deferred taxes/(tax assets)</b>	<b>2,507</b>	<b>-4,204</b>
Deferred tax asset allowance	-	-
<b>Total deferred taxes/(tax assets)</b>	<b>2,507</b>	<b>-4,204</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>	<b>702</b>	<b>-</b>

The company has generated a loss before tax in the amount of USD 4,940 thousand as at 31 December 2008. Due to permanent and temporary differences the taxable income for the period is positive for the Norwegian entity basically due to large FX gains measured in NOK as long term receivables, cash and interest bearing debt are denominated in USD.

The current corporate tax rate in Norway is 28%.

**NOTE 13 – Subsequent Events**

For additional information regarding subsequent events, reference is made to Note 18 in the consolidated accounts.

To the Annual Shareholders' Meeting of  
Nordic Heavy Lift ASA

## Auditor's report for 2008

We have audited the annual financial statements of Nordic Heavy Lift ASA as of 31 December 2008, showing a loss of USD 6 212 000 for the Parent Company and a loss of USD 10 065 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about 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. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with law and regulations.

Without qualifying our opinion, we emphasise that there is significant doubt about the Company's ability to continue as a going concern as the Company needs further financing to complete its heavy lift crane vessel (under construction). We refer to further description in the financial statements and the annual report. If the Company is unsuccessful in obtaining such financing this could result in significant impairments or significant losses related to realization of the Company's assets.

Oslo, 12 June 2009

ERNST & YOUNG AS

Finn Ole Edstrøm

State Authorised Public Accountant (Norway)

(sign)

Note: The translation to English has been prepared for information purposes only.