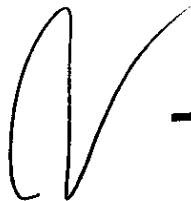


BUE MARITIME SERVICES LIMITED

Report and Financial Statements

31 December 2000

**Deloitte & Touche
39 George Street
Edinburgh
EH2 2HZ**



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REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P G W Gill
J Adams
C G Rolaston
E B Cunningham

SECRETARY

HBJ Secretarial Limited

REGISTERED OFFICE

19 Ainslie Place
Edinburgh
EH3 6AU

SOLICITORS

Henderson Boyd Jackson
19 Ainslie Place
Edinburgh
EH3 6AU

BANKERS

Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

AUDITORS

Deloitte & Touche
39 George Street
Edinburgh
EH2 2HZ

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITY

The Company's principal activity during the year was the management of vessels for the support of underwater engineering services and support to the offshore oil industry on the Caspian Sea.

RESULTS, DEVELOPMENTS AND FUTURE PROSPECTS

The loss for the year after taxation was £115,120 (1999 – loss £150,579). A dividend of £Nil (1999 - £Nil) was paid during the year. The remaining loss of £115,120 (1999 – loss £150,579) has been transferred against reserves.

The Directors will continue to seek appropriate trading opportunities to enhance profitability.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

The Directors held no interests in the shares of the company at 31 December 1999 or 31 December 2000.

The interests of the Directors in the shares of the Company's immediate parent undertaking, BUE Caspian Limited, and its ultimate parent undertaking, BUE Marine Limited, are disclosed in the financial statements of those companies.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed by order of the Board

Director

HBJ Secretarial Limited

Secretary

_____ 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

BUE MARITIME SERVICES LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

2 July 2001.

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 £
TURNOVER: continuing operations	2	65,818	490,289
Cost of sales		(171,064)	(610,626)
Gross loss		(105,246)	(120,337)
Administrative expenses		17,728	(7,325)
OPERATING LOSS: continuing operations	5	(87,518)	(127,662)
Interest receivable and similar income	4	4,341	7,011
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(83,177)	(120,651)
Tax on loss on ordinary activities	6	(31,943)	(29,928)
RETAINED LOSS FOR THE FINANCIAL YEAR	12	(115,120)	(150,579)

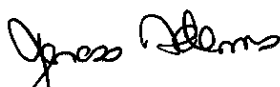
There have been no recognised gains and losses attributable to the shareholders other than the loss for the current and preceding financial year and accordingly, no Statement of Total Recognised Gains and Losses is shown.

BALANCE SHEET
As at 31 December 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible assets	7	6,259	9,896
CURRENT ASSETS			
Stock	8	24,995	23,635
Debtors	9	120,201	1,057,795
Cash at bank and in hand		30,956	228,012
		176,152	1,309,442
CREDITORS: amounts falling due within one year	10	443,617	1,465,424
NET CURRENT LIABILITIES		(267,465)	(155,982)
TOTAL ASSETS LESS CURRENT LIABILITIES		(261,206)	(146,086)
EQUITY CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	(261,306)	(146,186)
SHAREHOLDERS' FUNDS	13	(261,206)	(146,086)

These financial statements were approved by the Board of Directors on 21st May 2001.

Signed on behalf of the Board of Directors


Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

1. ACCOUNTING POLICIES

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going Concern

As at 31 December 2000, the Company had surplus liabilities over assets of £261,206.

The accounts are prepared on a going concern basis as the ultimate parent company has undertaken to provide financial support to the company to enable it to meet its future liabilities.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign currency transactions

Foreign currency transactions are translated at the rate prevailing at the date of the transaction. Foreign currency balances at the year end are translated into sterling at the rate of exchange ruling at the balance sheet date. Gains and losses on translation are taken to the profit and loss account in the period in which they arise.

Tangible fixed assets

Depreciation is provided on a straight line basis on all tangible fixed assets at rates calculated to write off their cost over their expected useful lives as follows:

Equipment	20% - 33 1/3%
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2. TURNOVER

Turnover arises wholly from the principal activity of the company in the Caspian Sea and is stated net of value added tax.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no wages and salaries costs incurred during the year (1999 - £Nil).

The directors received no emoluments during the year in respect of their services to the company (1999 - £Nil).

	No	No
Average number of persons employed		
Administration and operations	-	-
	<hr/>	<hr/>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2000 £	1999 £
Bank interest receivable	4,341	7,011
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

5. OPERATING LOSS

	2000 £	1999 £
Operating loss is after charging:		
Auditors' remuneration	2,100	3,000
Depreciation – owned assets	3,637	3,637
	<u> </u>	<u> </u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2000 £	1999 £
Overseas withholding tax	31,943	29,928
	<u> </u>	<u> </u>

There is no United Kingdom Corporation Tax charge or credit as no payment is received from other group companies in respect of group relief.

7. TANGIBLE FIXED ASSETS

	Equipment £
Cost	
At 1 January 2000	13,533
Additions in year	-
	<u> </u>
At 31 December 2000	13,533
Depreciation	
At 1 January 2000	3,637
Charge for year	3,637
	<u> </u>
At 31 December 2000	7,274
Net book value	
At 31 December 2000	6,259
	<u> </u>
Net book value	
At 31 December 1999	9,896
	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

8. STOCK

	2000 £	1999 £
Consumables	24,995	5,576
Tools and equipment	-	18,059
	<u>24,995</u>	<u>23,635</u>

9. DEBTORS

	2000 £	1999 £
Trade debtors	114,531	318,614
Other debtors	4,122	10,705
Prepayments and accrued income	1,548	17,652
Amounts due by group companies	-	710,824
	<u>120,201</u>	<u>1,057,795</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdraft	264,681	322,807
Trade creditors	8,916	51,962
Amounts owed to group undertakings	153,566	1,012,836
Accruals	2,250	40,719
Other creditors	14,204	37,100
	<u>443,617</u>	<u>1,465,424</u>

The bank overdraft is secured by a bond and floating charge over all the assets of the Group.

11. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

12. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2000	(146,186)
Retained loss for the financial year	(115,120)
	<hr/>
At 31 December 2000	(261,306)
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(115,120)	(150,579)
Dividends	-	-
	<hr/>	<hr/>
Net reduction in shareholders' funds	(115,120)	(150,579)
Opening shareholders' funds	(146,086)	4,493
	<hr/>	<hr/>
Closing shareholders' funds	(261,206)	(146,086)
	<hr/>	<hr/>

14. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is BUE Caspian Limited, a company registered in Scotland. The Company's ultimate parent undertaking is BUE Marine Limited, a company registered in Scotland, for which consolidated financial statements are prepared. Copies of the Group financial statements are available from BUE Marine Limited, Imperial House, Albert Dock, Edinburgh, EH6 7DN.

The ultimate parent company has guaranteed that funds will be made available as required to enable the Company to continue trading for a period of at least until twelve months from the date of these accounts.

15. CONTINGENT LIABILITY

The Company has entered into cross guarantees with the Group's bank and other providers of loan finance in respect of the borrowings of BUE Marine Limited. At 31 December 2000 the total contingent liability in respect of these guarantees was £29,278,744 (1999 - £26,182,941) secured by a bond and floating charge over the assets of the Group.

16. TRANSACTIONS WITH RELATED PARTIES

As stated in Note 14 the Company is a wholly owned subsidiary of BUE Caspian Limited, which is itself a wholly owned subsidiary of BUE Marine Limited. The Company has therefore taken advantage of the exemptions available under Financial Reporting Standard Number 8 with regard to the non-disclosure of transactions between Group companies.

ADDITIONAL INFORMATION

The additional financial information on page 12 is prepared from the accounting records of the company. It should be read in conjunction with the statutory financial statements set out on pages 5 to 10 and the auditors' report thereon.

TRADING PROFIT AND LOSS ACCOUNT
Year ended 31 December 2000

	2000 £	1999 £
TURNOVER		
Vessel charters	-	204,578
Manning fees	-	-
Liferaft station	42,519	25,644
Miscellaneous	23,299	13,898
Engineering projects	-	246,169
	<u>65,818</u>	<u>490,289</u>
COST OF SALES		
Vessel charters	-	246,446
Liferaft station	73,147	47,602
Miscellaneous	21,264	15,207
Engineering projects	76,653	301,371
	<u>171,064</u>	<u>610,626</u>
GROSS LOSS (160.0%, 24.5%)	<u>(105,246)</u>	<u>(120,337)</u>
ADMINISTRATIVE EXPENSES		
Management fees	4,000	5,000
Miscellaneous	-	-
Bank charges	1,059	(890)
Audit fees	2,100	3,000
Taxation fees	-	215
Gain on foreign currency	(24,887)	-
	<u>(17,728)</u>	<u>7,325</u>
OPERATING LOSS	<u>(87,518)</u>	<u>(127,662)</u>
INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank interest	<u>4,341</u>	<u>7,011</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>(83,177)</u>	<u>(120,651)</u>