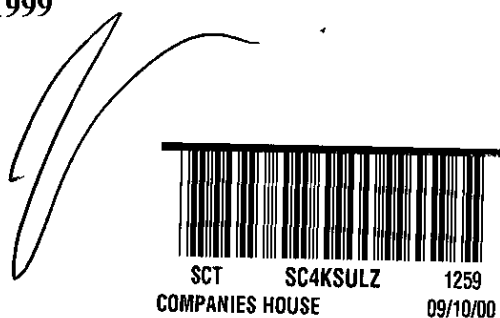


**BUE MARITIME SERVICES LIMITED**

**Report and Financial Statements**

**31 December 1999**



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

**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**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 1999.

### **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 £150,579 (1998 – profit £34,848). A dividend of £Nil (1998 - £20,000) was paid during the year. The remaining loss of £150,579 (1998 - £14,848 profit) has been transferred to reserves.

The Directors are satisfied with the results for the year and will continue to seek appropriate trading opportunities to further 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 1998 or 31 December 1999.

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**

Rutherford Manson Dowds merged their practice with Deloitte & Touche on 1 July 1999 and now carry on business under the name of Deloitte & Touche. The directors consented to the appointment of Rutherford Manson Dowds as auditors of the company being treated as extending to Deloitte & Touche.

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 on behalf of the Board

Director .....  
HBJ Secretarial Limited

Secretary

## **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;
- 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. 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 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.

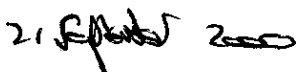
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 1999 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



**PROFIT AND LOSS ACCOUNT****Year ended 31 December 1999**

	Note	1999 £	1998 £
<b>TURNOVER: continuing operations</b>	2	490,289	501,813
Cost of sales		(610,626)	(410,429)
Gross (loss)/profit		(120,337)	91,384
Administrative expenses		(7,325)	(53,771)
<b>OPERATING (LOSS)/PROFIT: continuing operations</b>	5	(127,662)	37,613
Interest receivable and similar income	4	7,011	780
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(120,651)	38,393
Tax on (loss)/profit on ordinary activities	6	(29,928)	(3,545)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		(150,579)	34,848
Dividends	7	-	(20,000)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(150,579)	14,848

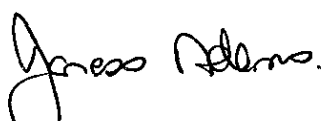
There have been no recognised gains and losses attributable to the shareholders other than the (loss)/profit for the current and preceding financial year and accordingly, no Statement of Total Recognised Gains and Losses is shown.

**BALANCE SHEET**  
**As at 31 December 1999**

	Note	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	8	9,896	-
<b>CURRENT ASSETS</b>			
Stock	9	23,635	-
Debtors	10	1,057,795	153,754
Cash at bank and in hand		228,012	70,075
		1,309,442	223,829
<b>CREDITORS: amounts falling due within one year</b>	11	(1,465,424)	(219,336)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(155,982)	4,493
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(146,086)	4,493
<b>EQUITY CAPITAL AND RESERVES</b>			
Called up share capital	12	100	100
Profit and loss account	13	(146,186)	4,393
<b>SHAREHOLDERS' FUNDS</b>	14	(146,086)	4,493

These financial statements were approved by the Board of Directors on 21 September 2000.

Signed on behalf of the Board of Directors

  
Director



**NOTES TO THE ACCOUNTS****Year ended 31 December 1999****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 1999, the Company had surplus liabilities over assets of £146,086.

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%
-----------	---------------

**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 (1998 - £Nil).

The directors received no emoluments during the year in respect of their services to the company (1998 - £Nil).

	No £	No £
<b>Average number of persons employed</b>		
Administration and operations	-	3

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1999 £	1998 £
Bank interest receivable	7,011	780

## NOTES TO THE ACCOUNTS

Year ended 31 December 1999

## 5. OPERATING (LOSS)/PROFIT

	1999 £	1998 £
<i>Operating (loss)/profit is after charging:</i>		
Auditors' remuneration	3,000	2,000
Depreciation – owned assets	3,637	-
	<u>          </u>	<u>          </u>

## 6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
Overseas withholding tax	29,928	3,545
	<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. DIVIDENDS

	1999 £	1998 £
<b>Equity dividends</b>		
Paid - £Nil per ordinary share (1998 - £200)	-	20,000
	<u>          </u>	<u>          </u>

## 8. TANGIBLE FIXED ASSETS

	Equipment £
<b>Cost</b>	
Additions in year	13,533
At 31 December 1999	<u>13,533</u>
<b>Depreciation</b>	
Charge for year	3,637
At 31 December 1999	<u>3,637</u>
<b>Net book value</b>	
At 31 December 1999	<u>9,896</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999****9. STOCK**

	1999 £	1998 £
Consumables	5,576	-
Tools and equipment	18,059	-
	<u>23,635</u>	<u>-</u>

**10. DEBTORS**

	1999 £	1998 £
Trade debtors	318,614	143,293
Other debtors	10,705	10,461
Prepayments and accrued income	17,652	-
Amounts due by group companies	710,824	-
	<u>1,057,795</u>	<u>153,754</u>

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1999 £	1998 £
Bank overdraft	322,807	-
Trade creditors	51,962	862
Amounts owed to group undertakings	1,012,836	218,474
Accruals	40,719	-
Other creditors	37,100	-
	<u>1,465,424</u>	<u>219,336</u>

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

**12. CALLED UP SHARE CAPITAL**

	1999 £	1998 £
<b>Authorised</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 1999

## 13. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1999	4,393
Retained loss for the financial year	(150,579)
	<hr/>
At 31 December 1999	(146,186)
	<hr/>

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
(Loss)/profit for the financial year	(150,579)	34,848
Dividends	-	(20,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	(150,579)	14,848
Opening shareholders' funds	4,493	(10,355)
	<hr/>	<hr/>
Closing shareholders' funds	(146,086)	4,493
	<hr/>	<hr/>

## 15. 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 at least until September 2001.

## 16. 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 1999 the total contingent liability in respect of these guarantees was £26,182,941 (1998 - £1,001,682) secured by a bond and floating charge over the assets of the Group.

## 17. TRANSACTIONS WITH RELATED PARTIES

As stated in Note 15 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.