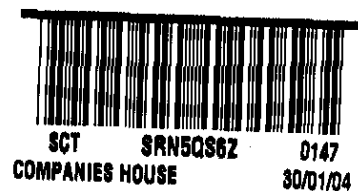


BUE MARINE TURKMENISTAN LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche LLP
Edinburgh**



BUE MARINE TURKMENISTAN LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7
Additional information	12

BUE MARINE TURKMENISTAN LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

HBJ Secretarial Limited

REGISTERED OFFICE

Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

SOLICITORS

Henderson Boyd Jackson WS
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

BANKERS

Bank of Scotland
38 St Andrew Square
Edinburgh
EH2 2YR

AUDITORS

Deloitte & Touche LLP
Edinburgh

BUE MARINE TURKMENISTAN LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 in the Caspian Sea.

RESULTS, DEVELOPMENTS AND FUTURE PROSPECTS

The profit for the year after taxation was £165,275 (2001 – loss £45,464). A dividend of £154,376 (2001 - £Nil) was paid during the year. The retained profit of £10,899 (2000 – loss £45,464) has been transferred to reserves.

The Directors are satisfied with the results for the year and look forward to continued profitability in the coming years.

DIRECTORS AND THEIR INTERESTS

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

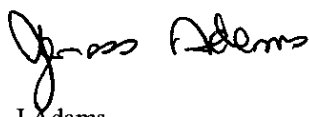
The Directors held no interests in the shares of the Company at 1 January 2002 or 31 December 2002.

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

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as auditors of the Company will be proposed at the next Annual General Meeting.

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



J Adams

Director

12th January 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

BUE MARINE TURKMENISTAN LIMITED

We have audited the financial statements of BUE Marine Turkmenistan Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's Directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Edinburgh

16/1/2004

BUE MARINE TURKMENISTAN LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £	2001 £
TURNOVER: continuing operations	2	499,807	322,922
Cost of sales		(234,433)	(307,182)
Gross profit		265,374	15,740
Administrative expenses		(62,969)	(62,598)
OPERATING PROFIT/(LOSS): continuing operations	5	202,405	(46,858)
Interest receivable and similar income	4	370	1,394
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		202,775	(45,464)
Tax on (profit)/loss on ordinary activities	6	(37,500)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		165,275	(45,464)
Dividends	7	(154,376)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR	14	10,899	(45,464)

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

BUE MARINE TURKMENISTAN LIMITED

BALANCE SHEET

As at 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	50,000	130,008
CURRENT ASSETS			
Stock	9	4,686	19,028
Debtors	10	232,232	27,396
Cash at bank and in hand		521,921	629,252
		758,839	675,676
CREDITORS: amounts falling due within one year	11	(808,739)	(816,483)
NET CURRENT LIABILITIES		(49,900)	(140,807)
TOTAL ASSETS LESS CURRENT LIABILITIES		100	(10,799)
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	-	(10,899)
EQUITY SHAREHOLDERS' FUNDS	15	100	(10,799)

These financial statements were approved by the Board of Directors on ^{12th} January 2004.

Signed on behalf of the Board of Directors

J Adams

J Adams

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

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

Vessels	Up to 30 years (end of remaining useful working life)
Motor vehicles	3 years

Stock

Stock has been valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

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.

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

	2002 £	2001 £
Staff costs during the year		
Wages and salaries	51,764	28,591
Social security costs	10,353	5,718
	<u>62,117</u>	<u>34,309</u>

The Directors received no emoluments during the year in respect of their services to the Company (2001 - £Nil). All emoluments paid to Directors in respect of their services to the group are disclosed in the financial statements of BUE Marine Limited.

	No	No
Average number of persons employed		
Administration and operations	<u>17</u>	<u>11</u>

BUE MARINE TURKMENISTAN LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Bank interest receivable	370	1,394

5. OPERATING PROFIT/(LOSS)

	2002 £	2001 £
Operating profit/(loss) is after charging/(crediting):		
Auditors' remuneration	1,600	1,600
Depreciation – owned assets	80,008	114,126
Loss/(gain) on foreign exchange	6,889	(8,794)

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

	2002 £	2001 £
<i>Current Taxation</i>		
Overseas taxation	37,500	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the period differs from the standard rate for the reason set out in the following reconciliation:

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	202,775	(45,464)
Tax on profit/(loss) on ordinary activities at standard rate	60,833	(13,639)
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	83	2,946
Depreciation in excess of capital allowances	24,003	26,537
Group relief	(84,919)	(15,844)
Unrelieved foreign taxes	37,500	-
Total actual amount of current tax	(37,500)	-

BUE MARINE TURKMENISTAN LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

7. DIVIDENDS

	2002 £	2001 £
Equity dividends		
Paid - £1,544 per ordinary share (2001 - £Nil)	154,376	-

8. TANGIBLE FIXED ASSETS

	Vessels £	Motor Vehicles £	Total £
Cost			
At 1 January 2002 and 31 December 2002	367,171	7,990	375,161
Depreciation			
At 1 January 2002	240,077	5,076	245,153
Charge for year	77,094	2,914	80,008
At 31 December 2002	317,171	7,990	325,161
Net book value			
At 31 December 2002	50,000	-	50,000
Net book value			
At 31 December 2001	127,094	2,914	130,008

9. STOCK

	2002 £	2001 £
Consumables	4,686	19,028

10. DEBTORS

	2002 £	2001 £
Trade debtors	14	21,396
Amounts due from group undertakings	201,485	-
Other debtors	30,733	6,000
	232,232	27,396

BUE MARINE TURKMENISTAN LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Trade creditors	1,288	17,426
Amounts due to parent undertakings	-	236,591
Amounts due to group undertakings	713,222	507,134
Accruals	56,729	48,349
Other creditors	37,500	6,983
	<u>808,739</u>	<u>816,483</u>

12. DEFERRED TAX

The amounts of deferred tax unprovided are as follows:

	2002 £	2001 £
Depreciation in excess of capital allowances	(50,460)	(48,277)
Other timing differences	-	(595)
	<u>(50,460)</u>	<u>(48,872)</u>

The above deferred tax assets are not recognised as there is no certainty of when they will be recovered.

13. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2002	(10,899)
Retained profit for the financial year	<u>10,899</u>
At 31 December 2002	<u>-</u>

BUE MARINE TURKMENISTAN LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit/(loss) for the financial year	165,275	(45,464)
Dividends	(154,376)	-
Net movement in shareholders' funds	10,899	(45,464)
Opening shareholders' funds	(10,799)	34,665
Closing shareholders' funds	100	(10,799)

16. 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.

17. 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 2002 the total contingent liability in respect of these guarantees was £35,520,048 (2001 - £10,798,155) secured by a bond and floating charge over the assets of the Group.

18. TRANSACTIONS WITH RELATED PARTIES

As stated in Note 16 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.