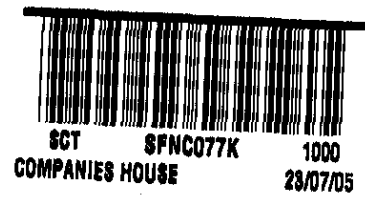


**BUE MARINE TURKMENISTAN LIMITED**

**Report and Financial Statements**

**31 December 2004**



# **BUE MARINE TURKMENISTAN LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

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# **BUE MARINE TURKMENISTAN LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

### **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

#### **INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Edinburgh

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### **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 £97,958 (2003 – £113,580). A dividend of £nil (2003 - £113,580) was proposed during the year. The retained profit of £97,958 (2003 – £nil) has been transferred to reserves.*

The Directors are satisfied with the results for the period and will continue to seek appropriate trading opportunities to enhance profitability in the forthcoming year.

### **DIRECTORS AND THEIR INTERESTS**

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

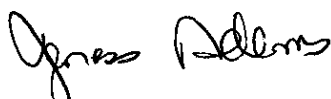
The Directors held no interests in the shares of the Company at 1 January 2004 or 31 December 2004.

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**

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 on behalf of the Board



J Adams  
Director

10 May 2005

**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;
- state whether applicable accounting standards have been followed; 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 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 or material inconsistencies with the financial statements.

### **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.

### *Uncertainty regarding going concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the negotiation of additional finance to fund, in particular, the group's commitments in respect of new vessel acquisitions which are due to be incurred over the period to 31 December 2005 to a value of approximately \$45.4 million and the implications of such funding under the group cross guarantees disclosed in Note 16. The financial statements have been prepared on a going concern basis, the validity of which depends upon this future funding being available or adequate alternative funding arrangements being available if the vessel acquisition program does not go ahead as planned. The financial statements do not include any adjustments that would result from a failure to obtain such funding.

We have also considered the adequacy of the disclosures made in note 16 to the financial statements concerning the ongoing enquiries by the UK tax authorities into certain payments made by the group in prior periods, as well as specific matters in relation to income and cost recognition, and provisional assessments for tax totalling £2.2 million. The financial statements do not include any adjustments that might arise as a result of the completion of these enquiries.

Given the significance of these matters, we consider that they should be brought to your attention but our opinion is not qualified in respect of these matters.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BUE MARINE TURKMENISTAN LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Deloitte & Touche LLP', is written above the printed name of the firm.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

10 May 2005

# BUE MARINE TURKMENISTAN LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	Note	2004 £	2003 £
<b>TURNOVER</b>	2	221,779	105,891
Cost of sales		12,920	-
Gross profit		234,699	105,891
Administrative expenses		(77,621)	(64,705)
<b>OPERATING PROFIT</b>	5	157,078	41,186
Interest receivable and similar income	4	284	114
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		157,362	41,300
Tax on profit on ordinary activities	6	(59,404)	72,280
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		97,958	113,580
Equity dividends	7	-	(113,580)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	13	97,958	-

All turnover and profit relates to continuing operations.

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



# BUE MARINE TURKMENISTAN LIMITED

## BALANCE SHEET As at 31 December 2004

	Note	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	<u>50,000</u>	<u>50,000</u>
<b>CURRENT ASSETS</b>			
Debtors	9	551,606	410,450
Cash at bank and in hand		<u>20,595</u>	<u>422,717</u>
		572,201	833,167
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(524,143)</u>	<u>(883,067)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>48,058</u>	<u>(49,900)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>98,058</u>	<u>100</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	100	100
Profit and loss account	13	<u>97,958</u>	<u>-</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>98,058</u>	<u>100</u>

These financial statements were approved by the Board of Directors on 10 May 2005.

Signed on behalf of the Board of Directors



J Adams  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

**Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

**Going Concern**

As part of its ongoing strategy to expand its operations where contract opportunities can be secured, the Group has committed to an extensive program of vessel acquisition and construction over the period to 31 December 2005. The total value of this program is expected to be approximately \$45.4 million. The funding of such expenditure is under ongoing negotiation with the Group's bankers as well as third parties and is expected to be confirmed shortly. The Group is dependent upon such future funding in order to meet its obligations under the vessel acquisition program, or adequate alternative funding if the vessel program does not go ahead as planned, in order to continue to meet its financial obligations as they fall due over the period of twelve months from the date of these accounts. The company is a member of a guarantor group for the group's obligations to its bank and other providers of finance as set out in note 16. The directors are confident that the required level of funding will be secured and consequently have prepared the accounts on a going concern basis.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost less any residual value in equal annual instalments over the estimated useful lives of the assets as follows:

Vessels	7 – 10 years
---------	--------------

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year</b>		
Wages and salaries	30,893	40,564
Social security costs	6,178	8,113
	<u>37,071</u>	<u>48,677</u>

The Directors received no emoluments during the year in respect of their services to the Company (2003 - £Nil). All emoluments paid to Directors in respect of their services to the group are disclosed in the financial statements of BUE Marine Limited.

	<b>No</b>	<b>No</b>
<b>Average number of persons employed</b>		
Administration and operations	<u>8</u>	<u>16</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	<u>284</u>	<u>114</u>

**5. OPERATING PROFIT**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is after charging:</b>		
Auditors' remuneration – audit services	1,000	1,000
Loss on foreign exchange	<u>46,552</u>	<u>40,940</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2004**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Overseas taxation	26,024	-
<i>Current Taxation</i>	26,024	-
Timing differences, origination and reversal	13,356	(72,280)
Adjustment in respect of prior periods	20,024	-
<i>Deferred taxation (see note 11)</i>	33,380	(72,280)
Tax on profit on ordinary activities	59,404	(72,280)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2003 - 30%). The actual tax charge for the year differs from the standard rate for the reason set out in the following reconciliation:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	157,362	41,300
Tax on profit on ordinary activities at standard rate	47,209	12,390
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	466	56
Group relief not paid for	(8,294)	(12,446)
Capital allowances in excess of depreciation	(13,357)	-
Total actual amount of current tax	26,024	-

**7. DIVIDENDS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Equity dividends</b>		
Proposed - £ nil per ordinary share (2003 - £1,136)	-	113,580

**8. TANGIBLE FIXED ASSETS**

	<b>Vessels</b>	<b>Motor</b>	<b>Total</b>
	<b>£</b>	<b>vehicles</b>	<b>£</b>
		<b>£</b>	
<b>Cost</b>			
At 1 January 2004 and 31 December 2004	367,171	7,990	375,161
<b>Depreciation</b>			
At 1 January 2004 and 31 December 2004	317,171	7,990	325,161
<b>Net book value</b>			
At 31 December 2004 and 31 December 2003	50,000	-	50,000

# BUE MARINE TURKMENISTAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2004

### 9. DEBTORS

	2004 £	2003 £
Amount due from parent undertakings	-	453
Amounts due from group undertakings	473,674	180,558
Other debtors	-	157,159
Deferred tax asset (see note 11)	38,900	72,280
Corporation tax recoverable	39,032	-
	<u>551,606</u>	<u>410,450</u>

### 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank overdraft	486,487	-
Trade creditors	-	250
Amounts due to parent undertakings	4,048	117,429
Amounts due to group undertakings	19,441	722,387
Accruals	11,051	43,001
Corporation tax	3,116	-
	<u>524,143</u>	<u>883,067</u>

The bank overdraft is secured by a bond and floating charge over all the assets of the BUE Marine Limited group.

### 11. DEFERRED TAX

	Deferred tax asset £
At 1 January 2004	72,280
Charged to profit and loss account – current year (note 6)	(33,380)
At 31 December 2004	<u>38,900</u>

A deferred tax asset exists at 31 December 2004. The asset is presented within debtors (see note 9). The deferred tax balance represents fixed assets timing differences computed at the expected long term rate of 30%.

### 12. CALLED UP SHARE CAPITAL

	2004 £	2003 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Called up, allotted and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2004**

**13. PROFIT AND LOSS ACCOUNT**

	£
At 1 January 2004	-
Retained profit for the financial year	97,958
	<hr/>
At 31 December 2004	97,958
	<hr/>

**14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Profit for the financial year	97,958	113,580
Dividends	-	(113,580)
	<hr/>	<hr/>
Net movement in shareholders' funds	97,958	-
Opening shareholders' funds	100	100
	<hr/>	<hr/>
Closing shareholders' funds	98,058	100
	<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.

**16. CONTINGENT LIABILITIES**

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 2004 the total contingent liability in respect of these guarantees was £46,746,558 (2003 - £56,499,390) secured by a bond and floating charge over the assets of the Group.

The directors have been notified that the UK tax authorities are enquiring into certain payments made by the Group in prior periods and a number of other specific matters in relation to income and cost recognition. Additional tax has been paid by the group subsequent to the year end of £367,000 on account of potential additional liabilities and this has been accrued within the 2004 financial statements. In relation to the other matters under enquiry, the UK tax authorities have issued provisional assessments for additional tax totalling £2.2 million although they are not seeking payment of any such tax pending completion of their enquiries.

While recognising that the enquiries by the UK tax authorities are ongoing and as a result the outcome remains uncertain, the directors consider that the assessments raised are unfounded and that, having made the payments on account of £367,000, no further material liability should accrue to the Group. Consequently, no adjustment has been made in the financial statements for any tax payable or other adjustments that might arise as a result of the completion of the enquiries by the UK tax authorities.

**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.