

BUE MARINE TURKMENISTAN LIMITED

Report and Financial Statements

31 December 2003



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BUE MARINE TURKMENISTAN LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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BUE MARINE TURKMENISTAN LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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 2003.

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 £113,580 (2002 – profit £165,275). A dividend of £113,580 (2002 – £154,376) was paid during the year. The retained profit of £nil (2002 – £10,899) has been transferred to reserves.

In 2002, the vessel held by the Company, the Swan, had contracts in Turkmenistan which came to a natural conclusion. Since mid 2003 the Swan has been bareboated to BUE Kazakhstan and has only achieved utilisation in the summer season. The directors are actively looking at the viability of keeping this vessel in the fleet.

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 2003 or 31 December 2003.

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 on behalf of the Board



J Adams

Director

20 Aug 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 2003 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 2003 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

21 August 2004

BUE MARINE TURKMENISTAN LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	2	105,891	499,807
Cost of sales		-	(234,433)
Gross profit		105,891	265,374
Administrative expenses		(64,705)	(62,969)
OPERATING PROFIT	5	41,186	202,405
Interest receivable and similar income	4	114	370
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		41,300	202,775
Tax on profit on ordinary activities	6	72,280	(37,500)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		113,580	165,275
Dividends	7	(113,580)	(154,376)
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	-	10,899

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

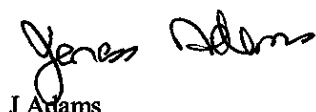
BALANCE SHEET

As at 31 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	50,000	50,000
CURRENT ASSETS			
Stock	9	-	4,686
Debtors	10	410,450	232,232
Cash at bank and in hand		422,717	521,921
		833,167	758,839
CREDITORS: amounts falling due within one year	11	(883,067)	(808,739)
NET CURRENT LIABILITIES		(49,900)	(49,900)
TOTAL ASSETS LESS CURRENT LIABILITIES		100	100
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	-	-
EQUITY SHAREHOLDERS' FUNDS	15	100	100

These financial statements were approved by the Board of Directors on 20th Aug 2004.

Signed on behalf of the Board of Directors



J Adams

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

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

	2003	2002
	£	£
Staff costs during the year		
Wages and salaries	40,564	51,764
Social security costs	8,113	10,353
	<u>48,677</u>	<u>62,117</u>

The Directors received no emoluments during the year in respect of their services to the Company (2002 - £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>16</u>	<u>17</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£	£
Bank interest receivable	114	370
	<u>114</u>	<u>370</u>

5. OPERATING PROFIT

	2003	2002
	£	£
Operating profit is after charging:		
Auditors' remuneration	1,000	1,600
Depreciation – owned assets	-	80,008
Loss on foreign exchange	40,940	6,889
	<u>40,940</u>	<u>88,497</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£	£
<i>Current Taxation</i>		
Overseas taxation	-	37,500
<i>Deferred taxation</i>		
Timing differences, origination and reversal (see note 12)	(72,280)	-
	<u>(72,280)</u>	<u>37,500</u>

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:

	2003	2002
	£	£
Profit on ordinary activities before tax	41,300	202,775
Tax on profit on ordinary activities at standard rate	12,390	60,833
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	56	83
Depreciation in excess of capital allowances	-	24,003
Group relief not paid for	(12,446)	(84,919)
Unrelieved foreign taxes	-	37,500
Total actual amount of current tax	<u>-</u>	<u>37,500</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

7. DIVIDENDS

	2003	2002
	£	£
Equity dividends		
Paid - £1,136 per ordinary share (2003 - £1,544)	113,580	154,376
	<u>113,580</u>	<u>154,376</u>

8. TANGIBLE FIXED ASSETS

	Vessels	Motor Vehicles	Total
	£	£	£
Cost			
At 1 January 2003 and 31 December 2003	367,171	7,990	375,161
	<u>367,171</u>	<u>7,990</u>	<u>375,161</u>
Depreciation			
At 1 January 2003	317,171	7,990	325,161
Charge for year	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2003	317,171	7,990	50,000
	<u>317,171</u>	<u>7,990</u>	<u>50,000</u>
Net book value			
At 31 December 2003	50,000	-	50,000
	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net book value			
At 31 December 2002	50,000	-	50,000
	<u>50,000</u>	<u>-</u>	<u>50,000</u>

9. STOCK

	2003	2002
	£	£
Consumables	-	4,686
	<u>-</u>	<u>4,686</u>

10. DEBTORS

	2003	2002
	£	£
Amount due from parent	453	-
Trade debtors	-	14
Amounts due from group undertakings	180,558	201,485
Other debtors	157,159	30,733
Deferred tax asset (see note 12)	72,280	-
	<u>410,450</u>	<u>232,232</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Trade creditors	250	1,288
Amounts due to parent undertakings	117,429	-
Amounts due to group undertakings	722,387	713,222
Accruals	43,001	56,729
Other creditors	-	37,500
	<u>883,067</u>	<u>808,739</u>

12. DEFERRED TAX

	Deferred tax asset £
At 1 January 2003	-
Credited to Profit and Loss Account – current year (note 6)	<u>72,280</u>
At 31 December 2003	<u>72,280</u>

A deferred tax asset exists at 31 December 2003. The asset is presented within debtors (see note 10). The deferred tax balance represents fixed assets timing differences computed at the expected long term rate of 30%.

13. CALLED UP SHARE CAPITAL

	2003	2002
	£	£
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 2003	-
Retained profit for the financial year	<u>-</u>
At 31 December 2003	<u>-</u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year	113,580	165,275
Dividends	(113,580)	(154,376)
	<hr/>	<hr/>
Net movement in shareholders' funds	-	10,899
Opening shareholders' funds/(deficit)	100	(10,799)
	<hr/>	<hr/>
Closing shareholders' funds	100	100
	<hr/> <hr/>	<hr/> <hr/>

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 2003 the total contingent liability in respect of these guarantees was £56,499,390 (2002 - £35,520,048) 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.

ADDITIONAL INFORMATION

The additional financial information on page 13 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 11 and the independent auditors' report thereon.

BUE MARINE TURKMENISTAN LIMITED

TRADING PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

	2003 £	2002 £
TURNOVER		
Vessel charters	105,891	499,807
COST OF SALES		
Vessel charter costs, including crew costs	-	234,433
GROSS PROFIT (100%, 53%)	<u>105,891</u>	<u>265,374</u>
ADMINISTRATIVE EXPENSES		
Management fees	3,849	21,793
Bank charges	379	882
Legal and professional fees	3,330	10,198
Loss/(gain) on exchange	40,940	6,889
Salary costs	14,399	13,637
Travel & motor expenses	2,768	7,251
Entertaining	-	(2,333)
Communications	1,238	(1,077)
Rent	4,670	4,961
Miscellaneous	(6,868)	768
	<u>64,705</u>	<u>62,969</u>
OPERATING PROFIT	41,186	202,405
INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank interest	<u>114</u>	<u>370</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>41,300</u>	<u>202,775</u>