

BUE VIKING HOLDINGS LIMITED

Report and Financial Statements

31 December 2003





REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Adams
C Rolaston
P Hingston
G Udnæs
A Korsvold
M Dear

SECRETARY

M Dear

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AB11 5PB

BANKERS

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St George's House
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SOLICITORS

Paul & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

AUDITORS

Deloitte & Touche LLP
Aberdeen

DIRECTORS' REPORT

The Directors submit their report and the consolidated accounts of the company and its subsidiary undertakings for the year ended 31 December 2003.

ACTIVITY

The principal activity of the company and the group is the provision of emergency response and recovery vessel (ERRV) services to the offshore oil and gas industry.

REVIEW OF DEVELOPMENTS, RESULTS AND FUTURE PROSPECTS

The group was established through the merger of the undertakings of Viking Standby (Holdings) Limited and BUE North Sea Limited on 23 September 2002.

The group is established as the largest operator of ERRV's in the UK North Sea. The group is well placed to capitalise on its market position.

The group has appointed Graham Philip as Chief Executive Officer with effect from 1 July 2003.

The group profit after tax for the year amounted to £2,845,000 (2002: period £329,000). The directors do not propose payment of a dividend and recommend that the retained profit of £2,845,000 (2002: £329,000) is transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The present membership of the board is set out on page 1. No director had a direct interest in the share capital of the company at 31 December 2003. The interests of directors who are also directors of Kistefos AS and BUE Marine Limited are disclosed in the financial statements of those companies.

D Hekelaar resigned as a director on 31 October 2003 and M Dear was appointed as director and company secretary on 24 February 2004.

DONATIONS

No charitable donations were made during the year or preceeding period.

EMPLOYEE INVOLVEMENT

The group places value on the involvement of its employees and keeps them fully informed on matters affecting them as employees. This is achieved through formal and informal meetings and staff bulletins.

DISABLED EMPLOYEES

Disabled persons are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain the employee in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitation of their disability.

SUPPLIER PAYMENT POLICY

It is the policy of the group that payments are made to suppliers on a regular basis in accordance with normal commercial terms and conditions.



DIRECTORS' REPORT (Continued)

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 24 February 2004
and signed by order of the Board

A handwritten signature in black ink, appearing to read "M Dear".

M Dear

Secretary

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 group and company as at the end of the financial year and of the profit or loss of the group for that year. 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUE VIKING HOLDINGS LIMITED

We have audited the financial statements of BUE Viking Holdings Limited for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 29. 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 the financial statements, which are required to be prepared 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 and other members of the group is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements of 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 circumstances of the company and the group, 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 affairs of the company and the group at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Aberdeen

8 March 2004



CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2003

	Note	2003 £'000	10 months to 31 December 2002 £'000
TURNOVER: continuing operations	3	40,990	10,869
Cost of sales		(33,587)	(9,002)
Gross profit		<u>7,403</u>	<u>1,867</u>
Administrative expenses		(2,345)	(649)
OPERATING PROFIT: continuing operations	4	5,058	1,218
Interest payable and similar charges	6	(2,640)	(684)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,418</u>	<u>534</u>
Tax on profit on ordinary activities	7	427	(205)
RETAINED PROFIT FOR THE PERIOD	20	<u>2,845</u>	<u>329</u>

There are no recognised gains and losses attributable to the shareholders other than as included in the profit and loss account for the current year and preceding financial period and, accordingly, no statement of total recognised gains and losses is shown.

BALANCE SHEETS At 31 December 2003

	Note	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
FIXED ASSETS					
Goodwill	9	460	-	512	-
Negative goodwill	9	(460)	-	(512)	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tangible assets	10	45,237	-	46,940	-
Investments	11	-	10,369	-	10,369
		<u>45,237</u>	<u>10,369</u>	<u>46,940</u>	<u>10,369</u>
CURRENT ASSETS					
Stocks	12	526	-	651	-
Debtors	13	6,199	32,667	7,354	36,763
Cash at bank and in hand		36	-	353	-
		<u>6,761</u>	<u>32,667</u>	<u>8,358</u>	<u>36,763</u>
CREDITORS: amounts falling due within one year	14	<u>(9,018)</u>	<u>(4,846)</u>	<u>(8,938)</u>	<u>(4,148)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,257)</u>	<u>27,821</u>	<u>(580)</u>	<u>32,615</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>42,980</u>	<u>38,190</u>	<u>46,360</u>	<u>42,984</u>
CREDITORS: amounts falling due after more than one year	15	<u>(28,633)</u>	<u>(28,633)</u>	<u>(33,427)</u>	<u>(33,427)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(894)</u>	<u>-</u>	<u>(2,325)</u>	<u>-</u>
NET ASSETS		<u>13,453</u>	<u>9,557</u>	<u>10,608</u>	<u>9,557</u>
CAPITAL AND RESERVES					
Called up share capital	18	4,000	4,000	4,000	4,000
Share premium account	19	6,279	6,279	6,279	6,279
Profit and loss account	19	3,174	(722)	329	(722)
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	<u>13,453</u>	<u>9,557</u>	<u>10,608</u>	<u>9,557</u>

These financial statements were approved by the Board of Directors on 24 February 2004.

Signed on behalf of the Board of Directors

P Hingston
Director



24.2.2004.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2003

		2003 £'000	10 months to 31 December 2002 £'000
Net cash inflow from operating activities	21	9,306	2,254
Returns on investments and servicing of finance	22(i)	(2,486)	(684)
Taxation		-	118
Capital expenditure	22(ii)	(2,876)	(417)
Acquisitions	22(iii)	-	484
Net cash inflow before financing		3,944	1,755
Financing	22(iv)	(4,250)	(1,925)
Decrease in cash	23	(306)	(170)

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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries using the acquisition method of accounting.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

Negative goodwill is similarly included on the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the expected period of benefit, which is 10 years.

Tangible fixed assets

Depreciation of tangible fixed assets is charged in equal annual instalments at rates estimated to write off the cost less residual value over their expected useful lives which are as follows:

Vessels	Up to 32 years (or end of remaining working life)
Plant and equipment	5 years
Motor vehicles	1-5 years

Chartered vessels

The costs of chartering vessels on standard bareboat charters are charged to the profit and loss account in the period they fall due. Provision is made for future obligations where the vessels are not expected to generate revenue.

Vessel refurbishment costs

Leased assets

Costs incurred in advance of charter to refurbish vessels leased over long term charter agreements are included within prepayments and released to the profit and loss account in line with the related charter payments and use of the refurbished vessel. Where there is an obligation to incur future restoration costs under charter agreements, the costs are accrued over the period to the next vessel refit to match the use of the vessel and the period over which the economic benefits of its use are realised.

Owned assets

Cost incurred to refurbish owned assets are amortised over the shorter of the estimated economic life of the related refurbishment or remaining life of the vessel.

Periodic survey costs

The costs of periodic vessel surveys are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****1. ACCOUNTING POLICIES (Continued)****Fixed Asset Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date 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 is not provided on timing differences arising from the revaluation of fixed assets, where there is no commitment to sell the asset. 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less provision for slow moving and obsolete stock.

Pensions

The group operates defined contribution schemes for eligible employees. Contributions are charged to the profit and loss account as they become payable under the rules of the scheme.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All exchange differences arising are dealt with through the profit and loss account.

2. ACQUISITIONS

BUE Viking Limited and subsidiary companies, and BUE North Sea Limited and its subsidiary company, were all acquired on 23 September 2002.

As permitted by FRS7 "Acquisition Accounting", the directors have taken the option available to revise fair values. This has resulted in an increase to the fair values of fixed assets of £50,000 and a reduction to the fair value of stock of £50,000.

3. TURNOVER

Turnover, all of which arises in the United Kingdom, comprises the value of goods and services supplied exclusive of VAT derived from the group's principal activity. Turnover and the profit on ordinary activities are attributable to continuing activities.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

4. OPERATING PROFIT

	2003	10 months to 31 December 2002
	£'000	£'000
Operating profit is after charging:		
Depreciation of tangible fixed assets		
Owned assets	4,629	1,049
Auditors' remuneration		
Audit fees	38	48
Other services	34	70
Rentals under operating leases		
Other	92	5
Provision for repair of charter vessels	130	-
	<u>4,893</u>	<u>1,124</u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	10 months to 31 December 2002
	£'000	£'000
Directors' remuneration		
Emoluments	280	96
Pension	10	9
	<u>290</u>	<u>105</u>
Attributable to the highest paid director		
Emoluments	224	-
Pension contributions	4	-
	<u>228</u>	<u>-</u>
Included in the above figures is £175,000 paid by way of compensation for loss of office to D Hekelaar		
	No	No
One director is accruing benefits in respect of money purchase schemes	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2003	10 months to 31 December 2002
	£'000	£'000
Staff costs during the period (including directors)		
Wages and salaries	1,122	226
Social security costs	119	24
Pension costs	46	12
	<u>1,287</u>	<u>262</u>

The average number of employees (including directors) during the period was as follows:

	No	No
Administration	<u>35</u>	<u>32</u>

The group does not employ the crews operating the vessels, these are provided by an agency.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	10 months to 31 December 2002
	£'000	£'000
Bank overdraft and other borrowings	<u>2,640</u>	<u>684</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES - OUTSTANDING

	2003 £'000	10 months to 31 December 2002 £'000
Current taxation		
UK corporation tax at 30% (2001: 30%)	-	-
	-	-
Deferred taxation		
Timing differences origination and reversal	(414)	205
Adjustment in respect of prior years	(13)	-
	(427)	205

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 current year and the prior period differs from the standard rate for the reasons set out in the following reconciliation.

	2003 £'000	10 months to 31 December 2002 £'000
Profit on ordinary activities before tax	2,418	534
Tax on profit on ordinary activities at standard rate	(726)	160
Factors affecting charge for the period:		
Capital allowances for period in excess of depreciation	1,076	(115)
Other deferred tax movements	(1,378)	(80)
Expenses not deductible for tax purposes	(11)	35
Utilisation of tax losses	1,039	-
	-	-

8. PROFIT OF PARENT COMPANY

As permitted by section 230 of the Companies Act, the result of the parent company is not presented as part of these accounts. The parent company's loss for the year amounted to £nil (2002: period £722,000).

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****9. INTANGIBLE FIXED ASSETS - GOODWILL**

Group	Positive Goodwill £'000	Negative Goodwill £'000	Total £'000
Cost			
At 1 January 2003 and 31 December 2003	525	(525)	-
Amortisation			
At 1 January 2003	(13)	13	-
Release for the period	(52)	52	-
At 31 December 2003	(65)	65	-
Net book value			
At 31 December 2003	460	(460)	-
At 31 December 2002	512	(512)	-

Goodwill is written back on a straight line basis over a period of 10 years.

10. TANGIBLE FIXED ASSETS

	Vessels £'000	Plant & equipment £'000	Motor vehicles £'000	Total £'000
The Group				
Cost				
At 1 January 2003	47,887	72	30	47,989
Additions	2,866	10	-	2,876
Fair value adjustment (note 2)	50	-	-	50
At 31 December 2003	50,803	82	30	50,915
Depreciation				
At 1 January 2003	1,037	8	4	1,049
Charge for the year	4,575	41	13	4,629
At 31 December 2003	5,612	49	17	5,678
Net book value				
At 31 December 2003	45,191	33	13	45,237
At 31 December 2002	46,850	64	26	46,940

The company has no tangible fixed assets.

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

11. INVESTMENTS HELD AS FIXED ASSETS

	Investment in subsidiary undertakings £'000
Company	
At 1 January 2003 and 31 December 2003	10,369

Details of the subsidiary undertakings at the balance sheet date are as follows:

Name of company	Country of Registration and operation	Nature of business	Proportion of shares held
BUE Viking Limited	Scotland	ERRV Services	100%
BUE North Sea Limited	Scotland	ERRV Services	100%
BUE Raasay Limited ***	Scotland	Operation of charter vessels	100%
Viking Standby Limited	Scotland	Dormant	100%
Viking Standby 1 Limited	Scotland	Dormant	100%
Viking Standby 2 Limited	Scotland	Dormant	100%
Viking Standby 4 Limited *	Scotland	Dormant	100%
Britannia Marine Limited	England	Dormant	100%
Suffolk Marine Limited **	England	Dormant	100%
Linegift Limited **	England	Dormant	100%

* held by Viking Standby 1 Limited

** held by Britannia Marine Limited

*** held by BUE North Sea Limited

12. STOCKS

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Raw materials and consumables	526	-	651	-

13. DEBTORS

Amounts falling due within one year:

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Trade debtors	5,453	-	6,140	-
Amounts due from subsidiary undertakings	-	32,667	-	36,763
Prepayments and other debtors	716	-	1,214	-
Amounts due from related parties	30	-	-	-
	6,199	32,667	7,354	36,763

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Bank loan and overdraft (note 16)	5,360	4,846	4,673	4,148
Trade creditors	1,302	-	909	-
Other taxes and social security	208	-	207	-
Amounts due to related parties	29	-	191	-
Accruals and deferred income	2,119	-	2,958	-
	<u>9,018</u>	<u>4,846</u>	<u>8,938</u>	<u>4,148</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Bank loan (note 16)	<u>28,633</u>	<u>28,633</u>	<u>33,427</u>	<u>33,427</u>

16. BORROWINGS

Total borrowings are:

	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
Bank loan and overdraft	<u>33,993</u>	<u>33,479</u>	<u>38,100</u>	<u>37,575</u>
	Group 2003 £'000	Company 2003 £'000	Group 2002 £'000	Company 2002 £'000
The total borrowings above are repayable as follows:				
Within one year	5,514	5,000	4,775	4,250
Between one and two years	5,750	5,750	5,000	5,000
Between two and five years	15,500	15,500	16,250	16,250
More than five years	8,000	8,000	13,000	13,000
	<u>34,764</u>	<u>34,250</u>	<u>39,025</u>	<u>38,500</u>
Less: Unamortised finance costs	(771)	(771)	(925)	(925)
	<u>33,993</u>	<u>33,479</u>	<u>38,100</u>	<u>37,575</u>

The bank loan, which bears interest at the aggregate of the margin, Libor and mandatory cost, is repayable in 28 quarterly instalments, commencing December 2002, and is secured over the vessels of the group. The overdraft is secured over the vessels of the group.

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****17. PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred Tax £'000	Future Lease obligations £'000	Provision for vessel obligations £'000	Total £'000
At 1 January 2003	521	1,134	670	2,325
(Release)/increase in provision	(427)	-	130	(297)
Payments	-	(1,134)	-	(1,134)
	<u>94</u>	<u>-</u>	<u>800</u>	<u>894</u>
At 31 December 2003				

Deferred taxation

	2003 £'000	2002 £'000
Corporation tax deferred by		
Capital allowances	750	219
Other timing differences	(656)	238
Adjustments in respect of prior years	-	64
	<u>94</u>	<u>521</u>

18. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised		
4,000,000 Ordinary Shares of £1 each	<u>4,000</u>	<u>4,000</u>
Called up, allotted and fully paid		
4,000,000 Ordinary Shares of £1 each	<u>4,000</u>	<u>4,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

19. RESERVES

	Share Premium £'000	Profit & Loss £'000
Group		
At 1 January 2003	6,279	329
Profit for the year	-	2,845
	<u>6,279</u>	<u>3,174</u>
At 31 December 2003	<u>6,279</u>	<u>3,174</u>
	Share Premium £'000	Profit & Loss £'000
Company		
At 1 January 2003	6,279	(722)
Profit for the year	-	-
	<u>6,279</u>	<u>(722)</u>
At 31 December 2003	<u>6,279</u>	<u>(722)</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2003 £'000	2002 £'000
Opening shareholders funds	10,608	-
Issue of ordinary shares	-	10,279
Profit for the year/period	2,845	329
	<u>13,453</u>	<u>10,608</u>
Closing shareholders' funds	<u>13,453</u>	<u>10,608</u>

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £'000	10 months to to 31 December 2002 £'000
Operating profit	5,058	1,218
Depreciation	4,629	1,049
Decrease in stock	75	16
Decrease in debtors	1,155	706
Decrease in creditors	(1,611)	(735)
	<u>9,306</u>	<u>2,254</u>
Net cash inflow from operating activities	<u>9,306</u>	<u>2,254</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

22. GROSS CASH FLOWS

i) Returns on Investments and Servicing of Finance

	2003 £'000	10 months to to 31 December 2002 £'000
Interest paid	(2,486)	(684)

ii) Capital Expenditure

	2003 £'000	2002 £'000
Payments to acquire tangible fixed assets	(2,876)	(417)

iii) Acquisitions

	2003 £'000	2002 £'000
Cash acquired	-	484

iv) Financing

	2003 £'000	2002 £'000
Repayment of loans	(4,250)	(2,748)
Deal fees	-	823
	(4,250)	(1,925)

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £'000	2002 £'000
Decrease in cash in the period	(306)	(171)
Cash outflow from debt and financing	4,250	2,747
Changes in net debt resulting from cash flows	3,944	2,576
Loans acquired with subsidiary	-	(39,500)
Amortisation of deal costs	(154)	(823)
Net debt at 1 January	3,790 (37,747)	(37,747) -
Closing net debt at 31 December	(33,957)	(37,747)

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

24. ANALYSIS OF CHANGES IN NET DEBT

	Net debt at 1 January 2003 £'000	Cashflow £'000	Other non cash move- ments £'000	Net debt at 31 December 2003 £'000
Cash at bank and in hand	353	(317)	-	36
Overdraft	(525)	11	-	(514)
	(172)	(306)	-	(478)
Debt due within one year	(4,148)	4,250	(4,948)	(4,846)
Debt due after more than one year	(33,427)	-	4,794	(28,633)
	(37,575)	4,250	(154)	(33,479)
	(37,747)	3,944	(154)	(33,957)

25. FINANCIAL COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003, the group had annual commitments under non-cancellable operating leases as follows:

Group	Land & Buildings 2003 £'000	Vessels 2003 £'000	Land & Buildings 2002 £'000	Vessels 2002 £'000
Operating leases which expire:				
Within one year	6	-	-	1,132
In two to five years	16	-	22	-
In more than five years	65	-	70	-
	87	-	92	1,132

26. PENSION COMMITMENTS

The group operates defined contribution pension schemes for eligible employees. The assets of the schemes are administered by trustees in funds independent to those from the group. The total contributions paid in the period amounted to £46,467 (2002: £48,000). At 31 December 2003 there are accrued contributions of £nil (2002: £nil).

27. CONTINGENT LIABILITIES

The company has entered into cross guarantees with its bankers in respect of the group's borrowings. At 31 December 2003 the total contingent liability in respect of these guarantees was £478,000 (2002: £354,000) secured by a bond and floating charge over the assets of the group.

NOTES TO THE ACCOUNTS**Year ended 31 December 2003****28. RELATED PARTY TRANSACTIONS**

The directors have taken advantage of the exemptions conferred by Financial Reporting Standard 8 "Related Party Transactions", paragraph 3(c) and not disclosed transactions with fellow members of the BUE Viking Holdings Group.

During the year the group made sales amounting to £ 339,000 (2002: £65,000) and purchases amounting to £9,720,000 (2002: £2,344,000) with companies controlled by BUE Marine Limited. At 31 December 2003 the outstanding payable balance is £7,000 (2002: £191,000).

During the year the group made sales amounting to £ 48,000 (2002: £nil) and purchases amounting to £48,000 (2002: £2,097,000) with companies registered in Norway controlled by Kistefos AS. At 31 December 2003 the outstanding balance is £7,000 (2002: £nil).

During the year the group invoiced Montrose Marine Personnel Ltd, a company in which D Hekelaar has an interest, for amounts of £ 9,000 exclusive of VAT (2002: £16,000). At 31 December 2003 £2,000 (2002: £4,000) was receivable from Montrose Marine Personnel Ltd for these services.

29. ULTIMATE PARENT COMPANIES

BUE Viking Holdings Limited is owned equally by Viking Supply Ships AS, a company registered in Norway, which is 100% owned by Kistefos AS, a company registered in Norway and BUE Marine Limited, a company registered in Scotland. Copies of these companies accounts may be obtained from the Company Secretary of BUE Viking Holdings Limited.