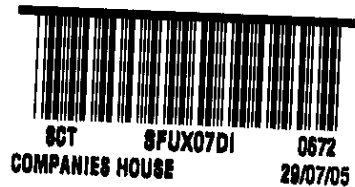


Company Registration No. SC228521

**VIKING OFFSHORE SERVICES
(HOLDINGS) LIMITED
(Formerly BUE Viking (Holdings)
Limited)**

Report and Financial Statements

31 December 2004



VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Report and financial statements 2004

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VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Report and financial statements 2004

Officers and professional advisers

Directors

A Korsvold
P Hingston
G M Philip
L E Krogh
A W Pirie

Secretary

A W Pirie

Registered Office

11th Floor
Salvesen Tower
Blaikies Quay
Aberdeen
AB11 5PB

Bankers

Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Solicitors

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

Auditors

Deloitte & Touche LLP
Aberdeen

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Directors' report

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

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.

Company name

On 1 June 2005, the company changed its name from BUE Viking (Holdings) Limited to Viking Offshore Services (Holdings) Limited.

Review of developments, results and future prospects

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 profit after tax for the year amounted to £2,477,000 (2003: £2,845,000). The directors do not propose payment of a dividend and recommend that the retained profit of £2,477,000 (2003: £2,845,000) is transferred to reserves.

In July 2004, the company became a 100% subsidiary of Viking Supply Ships AS, which acquired BUE Marine Limited's 50% shareholding.

Directors and their interests

The present membership of the board is set out on page 1. The directors who served during the year were:

A Korsvold

P Hingston

C G Rolaston (resigned 2 August 2004)

M Dear (appointed 24 February 2004, resigned 25 June 2004)

G M Philip (appointed 25 June 2004)

A W Pirie (appointed 2 November 2004)

L E Krogh (appointed 24 August 2004)

G Udnaes (resigned 25 May 2005)

J Adams (resigned 2 August 2004)

No director had a direct interest in the share capital of the company at 31 December 2004. The interests of the directors, who are also directors of Kistefos AS are disclosed in the financial statements of that company.

Donations

No charitable or political donations were made during the current or preceding year.

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.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Directors' report (continued)

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

Auditors

Deloitte & Touche LLP 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 by order of the Board

A handwritten signature in black ink, appearing to be 'All R', written over a horizontal line.

Secretary

14 July 2005

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

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 the company as at the end of the financial year and of the profit or loss of the group 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 the system of internal control, 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 VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED (formerly BUE Viking (Holdings) Limited)

We have audited the financial statements of Viking Offshore Services (Holdings) Limited (formerly BUE Viking (Holdings) Limited) for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and the related notes 1 to 28. 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 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 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 circumstances of the group and the company, 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 relating to recovery of pension asset

In forming our opinion, we have considered the adequacy of the disclosure made in note 12 to the financial statements concerning the recovery of a pension liability of £1,600,000 for past pension costs from the previous owners of a subsidiary. If the determined liability is not recoverable from the previous owners, this would reduce the reported net assets and profit for the year by £1,600,000. Our opinion is not qualified in this respect.

**Independent auditors' report to the members of VIKING OFFSHORE
SERVICES (HOLDINGS) LIMITED (formerly BUE Viking (Holdings)
Limited)**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2004 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

18 July 2005

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Consolidated profit and loss account Year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover: continuing operations	2	39,478	40,990
Cost of sales		(32,542)	(33,587)
Gross profit		6,936	7,403
Administrative expenses		(2,515)	(2,345)
Operating profit: continuing operations	3	4,421	5,058
Gain on disposal of tangible fixed assets		263	-
Interest payable and similar charges	5	(2,301)	(2,640)
Profit on ordinary activities before taxation		2,383	2,418
Tax on profit on ordinary activities	6	94	427
Retained profit for the year	19	2,477	2,845

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

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Balance sheets 31 December 2004

	Note	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Goodwill	8	408	460	-	-
Negative goodwill	8	(408)	(460)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tangible assets	9	42,288	45,237	-	-
Investments	10	-	-	10,369	10,369
		<u>42,288</u>	<u>45,237</u>	<u>10,369</u>	<u>10,369</u>
Current assets					
Stocks	11	604	526	-	-
Debtors	12	6,229	6,199	27,470	32,667
Cash at bank and in hand		403	36	-	-
		<u>7,236</u>	<u>6,761</u>	<u>27,470</u>	<u>32,667</u>
Creditors: amounts falling due within one year	13	(9,158)	(9,018)	(5,596)	(4,846)
Net current (liabilities)/assets		<u>(1,922)</u>	<u>(2,257)</u>	<u>21,874</u>	<u>27,821</u>
Total assets less current liabilities		40,366	42,980	32,243	38,190
Creditors: amounts falling due after more than one year	14	(22,836)	(28,633)	(22,686)	(28,633)
Provisions for liabilities and charges	16	(1,600)	(894)	-	-
		<u>15,930</u>	<u>13,453</u>	<u>9,557</u>	<u>9,557</u>
Capital and reserves					
Called up share capital	17	4,000	4,000	4,000	4,000
Share premium account	18	6,279	6,279	6,279	6,279
Profit and loss account	18	5,651	3,174	(722)	(722)
Total equity shareholders' funds	19	<u>15,930</u>	<u>13,453</u>	<u>9,557</u>	<u>9,557</u>

These financial statements were approved by the Board of Directors on 14 July 2005.

Signed on behalf of the Board of Directors



Director

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Consolidated cash flow statement Year ended 31 December 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	20	10,281	9,306
Returns on investments and servicing of finance	21(i)	(2,147)	(2,486)
Capital expenditure	21(ii)	<u>(2,095)</u>	<u>(2,876)</u>
Net cash inflow before financing		6,039	3,944
Financing	21(iii)	<u>(5,351)</u>	<u>(4,250)</u>
Increase/(decrease) in cash	22	<u>688</u>	<u>(306)</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom 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

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. 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

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.

Fixed asset investments

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

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

1. Accounting policies (Continued)

Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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.

Investments

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

2. Turnover

Turnover represents the value of goods and services supplied within the group's ordinary activities after deduction of value added tax. All of the turnover arises in the United Kingdom.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

3. Operating profit

	2004 £'000	2003 £'000
Operating profit is after charging/(crediting):		
Depreciation of tangible fixed assets		
Owned assets	5,307	4,629
Amortisation of goodwill	52	52
Amortisation of negative goodwill	(52)	(52)
Auditors' remuneration		
Audit fees	37	38
Other services	36	34
Rentals under operating leases		
Other	118	92
Provision of repair of charter vessels	-	130

4. Information regarding directors and employees

	2004 £'000	2003 £'000
Directors' remuneration		
Emoluments	207	280
Pension	6	10
	<u>213</u>	<u>290</u>
Attributable to the highest paid director		
Emoluments	97	224
Pension contributions	-	4
	<u>97</u>	<u>228</u>

Included in the above figures for 2003 is £175,000 paid by way of compensation for loss of office.

	No.	No.
One director is accruing benefits in respect of a money purchase scheme	<u>1</u>	<u>1</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,389	1,122
Social security costs	153	119
Pension costs	52	46
	<u>1,594</u>	<u>1,287</u>

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

	No.	No.
Administration	<u>40</u>	<u>35</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

5. Interest payable and similar charges

	2004 £'000	2003 £'000
Bank overdraft and other borrowings	2,147	2,486
Amortisation of debt issue costs	154	154
	<u>2,301</u>	<u>2,640</u>

6. Tax on profit on ordinary activities

	2004 £'000	2003 £'000
Deferred taxation		
Timing differences origination and reversal	-	(414)
Adjustment in respect of prior years	94	(13)
	<u>94</u>	<u>(427)</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 current year and the prior period differs from the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	<u>2,383</u>	<u>2,418</u>
Tax on profit on ordinary activities at standard rate	(715)	(726)
Factors affecting charge for the period:		
Capital allowances for period in excess of depreciation	(178)	1,076
Other deferred tax movements	-	(1,378)
Non-taxable income	504	-
Expenses not deductible for tax purposes	(6)	(11)
Utilisation of tax losses	395	1,039
	<u>-</u>	<u>-</u>

7. 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 had no profit or loss for the year (2003: £nil).

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

8. Intangible fixed assets - Goodwill

Group	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 January 2004 and 31 December 2004	525	(525)	-
Amortisation			
At 1 January 2004	(65)	65	-
Release for the period	(52)	52	-
At 31 December 2004	(117)	117	-
Net book value			
At 31 December 2004	408	(408)	-
At 31 December 2003	460	(460)	-

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

9. Tangible fixed assets

	Vessels £'000	Plant & equipment £'000	Motor vehicles £'000	Total £'000
The Group				
Cost				
At 1 January 2004	50,803	82	30	50,915
Additions	2,947	5	-	2,952
Disposals	(726)	-	(12)	(738)
At 31 December 2004	53,024	87	18	53,129
Depreciation				
At 1 January 2004	5,612	49	17	5,678
Charge for the year	5,270	29	8	5,307
Disposals	(132)	-	(12)	(144)
At 31 December 2004	10,750	78	13	10,841
Net book value				
At 31 December 2004	42,274	9	5	42,288
At 31 December 2003	45,191	33	13	45,237

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

10. Investments held as fixed assets

	Investment in subsidiary undertakings £'000
Company	
At 1 January 2004 and 31 December 2004	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
Viking Offshore Services Limited (formerly BUE Viking Limited)	Scotland	ERRV Services	100%
Viking North Sea Limited (formerly BUE North Sea Limited)	Scotland	ERRV Services	100%
Viking Raasay Limited (formerly BUE Raasay Limited) *	Scotland	Operation of charter vessels	100%
Deeside Crewing Services Limited	Scotland	Management Services	100%
Britannia Marine Limited	England	Dormant	100%

* held by Viking North Sea Limited

During the year, the following subsidiary companies were struck off:

Viking Standby Limited
Viking Standby 1 Limited
Viking Standby 2 Limited
Viking Standby 4 Limited
Suffolk Marine Limited
Linegift Limited

11. Stocks

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Raw materials and consumables	604	526	-	-

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

12. Debtors

Amounts falling due within one year:

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Trade debtors	4,139	5,453	-	-
Amounts due from subsidiary undertakings	-	-	27,470	32,667
Prepayments and other debtors	2,090	716	-	-
Amounts due from related parties	-	30	-	-
	<u>6,229</u>	<u>6,199</u>	<u>27,470</u>	<u>32,667</u>

Included within other debtors is a balance of £1.6 million in relation to the recovery of a pension liability for past pension costs from previous owners of a subsidiary. The pension liability arises from a time prior to the company concerned being part of the Viking Offshore Services (Holdings) Group. Having considered this matter, including receiving legal advice, the directors are of the opinion that the full amount of the pension liability arising can be recovered.

13. Creditors: amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank loan and overdraft (note 15)	5,789	5,360	5,596	4,846
Trade creditors	1,201	1,302	-	-
Other taxes and social security	40	208	-	-
Other creditors	150	-	-	-
Amounts due to related parties	-	29	-	-
Accruals and deferred income	1,978	2,119	-	-
	<u>9,158</u>	<u>9,018</u>	<u>5,596</u>	<u>4,846</u>

14. Creditors: amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank loan (note 15)	22,686	28,633	22,686	28,633
Other creditors	150	-	-	-
	<u>22,836</u>	<u>28,633</u>	<u>22,686</u>	<u>28,633</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

15. Borrowings

Total borrowings are:

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank loan and overdraft	<u>28,475</u>	<u>33,993</u>	<u>28,282</u>	<u>33,479</u>

The total borrowings above are repayable as follows:

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Within one year	5,943	5,514	5,750	5,000
Between one and two years	5,500	5,750	5,500	5,750
Between two and five years	17,649	15,500	17,649	15,500
More than five years	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
	29,092	34,764	28,899	34,250
Less: Unamortised finance costs	<u>(617)</u>	<u>(771)</u>	<u>(617)</u>	<u>(771)</u>
	<u>28,475</u>	<u>33,993</u>	<u>28,282</u>	<u>33,479</u>

The bank loan, which bears interest at the aggregate of Libor plus a margin cost, is repayable in 28 quarterly instalments, completing December 2009. The bank loan and overdraft are secured by a bond and floating charge over the assets of the group.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

16. Provisions for liabilities and charges

	Pensions provision £'000	Deferred tax £'000	Provision for vessel obligations £'000	Total £'000
At 1 January 2004	-	94	800	894
Charges to profit and loss account	1,600	-	-	1,600
Release in provision	-	(94)	-	(94)
Utilised in the year	-	-	(800)	(800)
	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
Balance at 31 December 2004				
	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
Deferred taxation				
			2004	2003
			£'000	£'000
Corporation tax deferred by				
Capital allowances			11	750
Other timing differences			(11)	(656)
			<u>-</u>	<u>94</u>

The pension provision represents the notified estimate of the group's share of the liability of a multi-member defined benefit pension scheme of a subsidiary. The whole of the expected liability has been accrued as the group no longer receives economic benefit from the employees concerned. An equal amount has been recognised within other debtors as the directors are of the opinion that the whole amount is recoverable from previous owners of the entity (note 12).

17. Called up share capital

	2004 £'000	2003 £'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>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

18. Reserves

	Share premium £'000	Profit & loss £'000
Group		
At 1 January 2004	6,279	3,174
Profit for the year	-	2,477
At 31 December 2004	6,279	5,651
	Share premium £'000	Profit & loss £'000
Company		
At 1 January 2004	6,279	(722)
Profit for the year	-	-
At 31 December 2004	6,279	(722)

19. Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Group		
Opening shareholders' funds	13,453	10,608
Profit for the year	2,477	2,845
Closing shareholders' funds	15,930	13,453

20. Reconciliation of operating profit to net cash flow from operating activities

	2004 £'000	2003 £'000
Operating profit	4,421	5,058
Depreciation and goodwill amortisation	5,307	4,629
(Increase)/decrease in stock	(78)	75
Decrease in debtors	1,570	1,155
Decrease in creditors	(939)	(1,611)
Net cash inflow from operating activities	10,281	9,306

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

21. Gross cash flows

i) Returns on investments and servicing of finance

	2004 £'000	2003 £'000
Interest paid	(2,147)	(2,486)

ii) Capital expenditure

	2004 £'000	2003 £'000
Payments to acquire tangible fixed assets	(2,952)	(2,876)
Proceeds on disposal of tangible fixed assets	857	-
	(2,095)	(2,876)

iii) Financing

	2004 £'000	2003 £'000
Repayment of loans	(5,351)	(4,250)

22. Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Increase/(decrease) in cash in the period	688	(306)
Cash outflow from debt and financing	5,351	4,250
Changes in net debt resulting from cash flows	6,039	3,944
Amortisation of deal costs	(154)	(154)
Net debt at 1 January	5,885 (33,957)	3,790 (37,747)
Net debt at 31 December	(28,072)	(33,957)

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2004

23. Analysis of changes in net debt

	Net debt at 1 January 2004 £'000	Cash flow £'000	Other non cash move- ments £'000	Net debt at 31 December 2004 £'000
Cash at bank and in hand	36	367	-	403
Overdraft	(514)	321	-	(193)
	(478)	688	-	210
Debt due within one year	(4,846)	5,000	(5,750)	(5,596)
Debt due after more than one year	(28,633)	351	5,596	(22,686)
	(33,479)	5,351	(154)	(28,282)
	(33,957)	6,039	(154)	(28,072)

24. Financial commitments under operating leases

At 31 December 2004, the group had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings 2004 £'000	Land & Buildings 2003 £'000
Group		
Operating leases which expire:		
Within one year	27	6
In two to five years	-	16
In more than five years	70	65
	97	87

The company had no commitments under operating leases at 31 December 2004 (2003: £nil).

25. 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 year amounted to £41,000 (2003: £46,000). At 31 December 2004 there are accrued contributions of £nil (2003: £nil).

26. Contingent liabilities

The company has entered into cross guarantees with its bankers in respect of the group's borrowings. At 31 December 2004 the total contingent liability in respect of these guarantees was £nil (2003: £478,000) secured by a bond and floating charge over the assets of the group.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements **Year ended 31 December 2004**

27. 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 Viking Offshore Services (Holdings) Group.

During the year the group made sales amounting to £nil (2003: £339,000) and purchases amounting to £12,706,000 (2003: £9,720,000) with companies controlled by BUE Marine Limited who was a 50% shareholder until July 2004. At 31 December 2004 the outstanding payable balance is £265,000 (2003: £7,000).

During the year the group made sales amounting to £23,000 (2003: £48,000), purchases amounting to £26,000 (2003: £48,000) and recharges of administrative expenses of £43,000 (2003: £nil) with companies registered in Norway controlled by Kistefos AS. At 31 December 2004 the outstanding receivable balance is £47,000 (2003: £7,000).

28. Ultimate parent company

Viking Offshore Services (Holdings) Limited is owned by Viking Supply Ships AS, a company registered in Norway, which is 100% owned by Kistefos AS, a company registered in Norway. Copies of these companies accounts may be obtained from the Company Secretary of Viking Offshore Services (Holdings) Limited.