

Company Registration No. SC228521

**VIKING OFFSHORE SERVICES
(HOLDINGS) LIMITED**

Report and Financial Statements

31 December 2005



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VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Report and financial statements 2005

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VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Report and financial statements 2005

Officers and professional advisers

Directors

G M Philip
L E Krogh
A W Pirie
R Skaarberg
G Wood

Secretary

A W Pirie

Registered Office

11th Floor
Salvesen Tower
Blakies Quay
Aberdeen
AB11 5PB

Bankers

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

Royal Bank of Scotland plc
1 Albyn Place
Aberdeen
AB10 1BR

Solicitors

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

Independent 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 2005

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 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. During the year, it embarked on a program to build six new ERRV's

The group profit after tax for the year amounted to £1,381,000 (2004 £2,477,000). The directors do not propose payment of a dividend and recommend that the retained profit of £1,381,000 (2004 £2,477,000) is transferred to reserves

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 (resigned 2 March 2006)

P Hingston (resigned 13 December 2005)

G Udnaes (resigned 25 May 2005)

G M Philip

L E Krogh

A W Pirie

R Skaarberg and G Wood were appointed directors on 2 March 2006

As the company is a wholly owned subsidiary of a body incorporated outside Great Britain, the directors are not required to notify the company of interests in shares and debentures of that or any other body corporate incorporated outside Great Britain

The directors held no interests in the shares and debentures of any group companies incorporated in Great Britain

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

Independent 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



Secretary

5 APRIL

2006

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. 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, safeguarding the assets and 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

We have audited the group and individual company financial statements (the "financial statements") of Viking Offshore Services (Holdings) Limited for the year ended 31 December 2005 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2005 and of the group's profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Aberdeen

5 April 2006

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Consolidated profit and loss account Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover: continuing operations	2	43,154	39,478
Cost of sales		(35,799)	(32,542)
Gross profit		7,355	6,936
Administrative expenses		(3,485)	(2,515)
Operating profit: continuing operations	3	3,870	4,421
Gain on disposal of tangible fixed assets		1	263
Interest payable and similar charges	5	(2,490)	(2,301)
Profit on ordinary activities before taxation		1,381	2,383
Tax on profit on ordinary activities	6		94
Retained profit for the year	18	1,381	2,477

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 2005

	Note	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Fixed assets					
Goodwill	8	356	408		
Negative goodwill	8	(356)	(408)		
Tangible assets	9	43,449	42,288		
Investments	10			10,369	10,369
		43,449	42,288	10,369	10,369
Current assets					
Stocks	11	840	604		
Debtors	12	6,260	6,229	30,565	27,470
Cash at bank and in hand		687	403		
		7,787	7,236	30,565	27,470
Creditors: amounts falling due within one year	13	(8,076)	(9,158)	(3,928)	(5,596)
Net current (liabilities)/assets		(289)	(1,922)	26,637	21,874
Total assets less current liabilities		43,160	40,366	37,006	32,243
Creditors: amounts falling due after more than one year	14	(22,757)	(22,836)	(22,757)	(22,686)
Provisions for liabilities and charges	16		(1,600)		
		20,403	15,930	14,249	9,557
Capital and reserves					
Called up share capital	17	7,092	4,000	7,092	4,000
Share premium account	18	6,279	6,279	6,279	6,279
Profit and loss account	18	7,032	5,651	878	(722)
Total equity shareholders' funds	19	20,403	15,930	14,249	9,557

These financial statements were approved by the Board of Directors on **5 APRIL** 2006
Signed on behalf of the Board of Directors



Director

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Consolidated cash flow statement Year ended 31 December 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities	20	8,024	10,281
Returns on investments and servicing of finance	21(i)	(1,844)	(2,147)
Capital expenditure	21(ii)	<u>(6,552)</u>	<u>(2,095)</u>
Net cash (outflow)/inflow before financing		(372)	6,039
Financing	21(iii)	<u>849</u>	<u>(5,351)</u>
Increase in cash	22	<u>477</u>	<u>688</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

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 when identified.

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 over 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	4-5 years

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

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.

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 2005

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, or if hedged at the forward contract rate. 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.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the assets are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are completed.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the debt issue costs amortised over the period of the loan in each accounting period and reduced by payments made in the period.

2. Turnover

Turnover represents the value of goods and services supplied within the group's ordinary activities after deduction of trade discounts and other sales taxes. All of the turnover arises in the United Kingdom.

Revenue is recognised as the goods and services are provided to customers.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

3. Operating profit

	2005 £'000	2004 £'000
Operating profit is after charging/(crediting):		
Depreciation of tangible fixed assets		
Owned assets	5,392	5,307
Amortisation of goodwill	52	52
Amortisation of negative goodwill	(52)	(52)
Auditors' remuneration		
Audit fees	40	37
Other services	17	36
Rentals under operating leases		
Other	118	118

Non audit fees of £146,000 were paid in the year in relation to the raising of finance and for advice on tangible fixed asset additions. These fees have been capitalised within debt issue costs and tangible fixed assets. These will be amortised over the period of debt and related tangible fixed assets.

4. Information regarding directors and employees

	2005 £'000	2004 £'000
Directors' remuneration		
Emoluments	769	207
Pension	13	6
	<u>782</u>	<u>213</u>
Attributable to the highest paid director		
Emoluments	<u>601</u>	<u>97</u>
	No.	No.
No of directors accruing benefits in respect of a defined contribution scheme	<u>2</u>	<u>1</u>
Staff costs during the year (including directors)	£'000	£'000
Wages and salaries	1,791	1,389
Social security costs	238	153
Pension costs	55	52
	<u>2,084</u>	<u>1,594</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

4. Information regarding directors and employees (continued)

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

	No.	No.
Administration	39	40

5. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdraft	1,843	2,147
Amortisation of debt issue costs	647	154
	<u>2,490</u>	<u>2,301</u>

6. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Deferred taxation		
Adjustment in respect of prior years		94
		<u>94</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

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	1,381	2,383
Tax on profit on ordinary activities at standard rate	(416)	(715)
Factors affecting charge for the period:		
Capital allowances for period in excess of depreciation	114	(178)
Other deferred tax movements	448	
Non taxable income		504
Expenses not deductible for tax purposes	(149)	(6)
Utilisation of tax losses	3	395

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 financial statements. The parent company had a retained profit of £1,600,000 for the year (2004 £nil)

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

8. Intangible fixed assets Goodwill

Group	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 January 2005 and 31 December 2005	525	(525)	
Amortisation			
At 1 January 2005	(117)	117	
Release for the period	(52)	52	
At 31 December 2005	(169)	169	
Net book value			
At 31 December 2005	356	(356)	
At 31 December 2004	408	(408)	

Goodwill is amortised 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 2005	53,024	87	18	53,129
Additions	6,548	5		6,553
Disposals		(55)	(11)	(66)
At 31 December 2005	59,572	37	7	59,616
Depreciation				
At 1 January 2005	10,750	78	13	10,841
Charge for the year	5,385	2	5	5,392
Disposals		(55)	(11)	(66)
At 31 December 2005	16,135	25	7	16,167
Net book value				
At 31 December 2005	43,437	12		43,449
At 31 December 2004	42,274	9	5	42,288

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £116,000 (2004 £nil)

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

10. Investments held as fixed assets

	Investment in subsidiary undertakings £'000
Company	
At 1 January 2005 and 31 December 2005	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	Great Britain	ERRV Services	100%
Viking North Sea Limited	Great Britain	ERRV Services	100%
Viking Raasay Limited *	Great Britain	Operation of charter vessels	100%
Deeside Crewing Services Limited	Great Britain	Management Services	100%
Britannia Marine Limited **	Great Britain	Dormant	100%

* held by Viking North Sea Limited

** held by Viking Offshore Services Limited

11. Stocks

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Raw materials and consumables	840	604		

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

12. Debtors

Amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Trade debtors	5,309	4,139		
Amounts due from subsidiary undertakings			30,565	27,470
Prepayments and other debtors	951	2,090		
	<u>6,260</u>	<u>6,229</u>	<u>30,565</u>	<u>27,470</u>

Included within 2004 other debtors was a balance of £1 6 million relating to a pension liability for past pension costs which was recoverable from previous owners of a subsidiary. This position was settled in the year and offset against the related provision (note 16).

13. Creditors: amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loan and overdraft (note 15)	3,928	5,789	3,928	5,596
Trade creditors	1,558	1,201		
Other taxes and social security		40		
Other creditors	150	150		
Accruals and deferred income	2,440	1,978		
	<u>8,076</u>	<u>9,158</u>	<u>3,928</u>	<u>5,596</u>

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

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loan (note 15)	22,757	22,686	22,757	22,686
Other creditors		150		
	<u>22,757</u>	<u>22,836</u>	<u>22,757</u>	<u>22,686</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

15. Borrowings

Total borrowings are

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loan and overdraft	<u>26,685</u>	<u>28,475</u>	<u>26,685</u>	<u>28,282</u>

The total borrowings above are repayable as follows

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Within one year	4,000	5,943	4,000	5,750
Between one and two years	4,500	5,500	4,500	5,500
Between two and five years	13,876	17,649	13,876	17,649
More than five years	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	27,376	29,092	27,376	28,899
Less Unamortised finance costs	<u>(691)</u>	<u>(617)</u>	<u>(691)</u>	<u>(617)</u>
	<u>26,685</u>	<u>28,475</u>	<u>26,685</u>	<u>28,282</u>

The Group has two bank loan facilities

Facility A is a £25.515m facility which is partially drawn at 31 December 2005, and will be further drawn as required to finance the building of new ERRV's (note 26). This is repayable in 31 quarterly instalments commencing 30 June 2007. The instalments vary over the term of the loan. This loan bears interests at the aggregate of Libor plus 2%.

Facility B is a £27.5m facility which was drawn down on 11 August 2005 and was used to consolidate the previous bank borrowings into a new loan. This is repayable in 26 quarterly instalments commencing 30 September 2005. The instalments vary between £1m and £1.25m over the term of the loan. This loan bears interest at the aggregate of Libor plus 1.75% plus a mandatory payment.

The bank borrowings are secured by a bond and floating charge over the assets of the company and of all of the subsidiary companies.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

16. Provisions for liabilities and charges

	Pensions provision £'000
At 1 January 2005	1,600
Release of provision	(1,433)
Utilised in year	(167)
Balance at 31 December 2005	

The 2004 pension provision represented the notified estimate of the group's share of the liability of a multi member defined benefit pension scheme of a subsidiary. The actual liability was agreed at £167,000, which was settled in the year following receipt of this amount from the previous owners of the business. The remaining provision was released and offset against the related release of the debtor (note 12).

17. Called up share capital

	2005 £'000	2004 £'000
Authorised:		
14,006,000 (2004 4,000,000) ordinary shares of £1 each	<u>14,006</u>	<u>4,000</u>
Called up, allotted and fully paid		
7,092,000 (2004 4,000,000) ordinary shares of £1 each	<u>7,092</u>	<u>4,000</u>

On 28 July 2005, the authorised share capital of the company was increased by the creation of 10,006,000 ordinary shares of £1 each. On that day the company issued 2,022,000 ordinary shares at par value. On 13 December 2005 the company issued 1,070,000 ordinary shares at par value.

The shareholders have committed to subscription for further share capital amounting to £7,713,000 in connection with the capital commitments detailed at note 26. The shares will be issued and paid for as the ERRV build program progresses.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

18. Reserves

	Share premium £'000	Profit & loss £'000
Group		
At 1 January 2005	6,279	5,651
Profit for the year		1,381
At 31 December 2005	6,279	7,032
	Share premium £'000	Profit & loss £'000
Company		
At 1 January 2005	6,279	(722)
Profit for the year		1,600
At 31 December 2005	6,279	878

19. Reconciliation of movements in consolidated shareholders' funds

	2005 £'000	2004 £'000
Profit for the year	1,381	2,477
Issue of shares	3,092	
Net increase in shareholders' funds	4,473	2,477
Opening shareholders' funds	15,930	13,453
Closing shareholders' funds	20,403	15,930

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

	2005 £'000	2004 £'000
Operating profit	3,870	4,421
Depreciation and goodwill amortisation	5,392	5,307
Increase in stock	(236)	(78)
(Increase)/decrease in debtors	(31)	1,570
Decrease in creditors and provisions	(971)	(939)
Net cash inflow from operating activities	8,024	10,281

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

21. Gross cash flows

i) Returns on investments and servicing of finance

	2005 £'000	2004 £'000
Interest paid	(1,844)	(2,147)

ii) Capital expenditure

	2005 £'000	2004 £'000
Payments to acquire tangible fixed assets	(6,553)	(2,952)
Proceeds on disposal of tangible fixed assets	1	857
	(6,552)	(2,095)

iii) Financing

	2005 £'000	2004 £'000
Repayment of loans	(31,398)	(5,351)
New borrowings	29,876	
Proceeds of share issue	3,092	
Debt issue costs	(721)	
	849	(5,351)

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

	2005 £'000	2004 £'000
Increase in cash in the period	477	688
Cash inflow from debt and financing	2,243	5,351
Changes in net debt resulting from cash flows	2,720	6,039
Amortisation of deal costs	(646)	(154)
Net debt at 1 January	2,074 (28,072)	5,885 (33,957)
Net debt at 31 December	(25,998)	(28,072)

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

23. Analysis of changes in net debt

	Net debt at 1 January 2005 £'000	Cash flow £'000	Other non cash move ments £'000	Net debt at 31 December 2005 £'000
Cash at bank and in hand	403	284		687
Overdraft	(193)	193		
	<u>210</u>	<u>477</u>		<u>687</u>
Debt due within one year	(5,596)	2,314	(646)	(3,928)
Debt due after more than one year	(22,686)	(71)		(22,757)
	<u>(28,282)</u>	<u>2,243</u>	<u>(646)</u>	<u>(26,685)</u>
	<u>(28,072)</u>	<u>2,720</u>	<u>(646)</u>	<u>(25,998)</u>

24. Financial commitments under operating leases

At 31 December 2005, the group had annual commitments under non cancellable operating leases as follows

	Land & Buildings 2005 £'000	Land & Buildings 2004 £'000
Group		
Operating leases which expire		
Within one year		27
In more than five years	103	70
	<u>103</u>	<u>97</u>

The company had no commitments under operating leases at 31 December 2005 (2004 £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 £62,000 (2004 £41,000). At 31 December 2005 there are accrued contributions of £nil (2004 £nil).

26. Capital commitments

Capital commitments for the group at the end of the year authorised and contracted for amounted to £30,232,401 (2004 £nil). This relates to the building of six new ERRV's over the next three years.

This will be financed through additional share capital (note 17) and the drawn down of confirmed bank facilities (note 15).

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED

Notes to the financial statements Year ended 31 December 2005

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 Kistefos AS group

28. Immediate and ultimate parent company

Viking Offshore Services (Holdings) Limited is 100% owned by Viking Supply Ships AS, a company registered in Norway, which is 100% owned by Kistefos AS, a company registered in Norway and the ultimate parent company

Copies of all of the above companies financial statements may be obtained from Viking Offshore Services (Holdings) Limited, 11th Floor, Salvesen Tower, Blaikies Quay, Aberdeen, AB11 5PB