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VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
(Company Number SC228521)

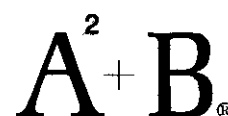
DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2006



Anderson Anderson & Brown
Chartered Accountants

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
DIRECTORS' REPORT



Directors N Hodt (appointed 2 March 2006)
 G M Philip
 A W Pirie
 R Skaarberg (appointed 2 March 2006)
 G Wood (appointed 2 March 2006)
 A Korsvold (resigned 2 March 2006 and reappointed 25 January 2007)

Secretary A W Pirie

Registered office 11th Floor, Salvesen Tower, Blaikies Quay, Aberdeen

The directors submit their report and the group audited accounts of the company for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The group profit for the year, amounting to £6,551,000 (2005 £1,381,000), has been dealt with as shown in the profit and loss account. The directors do not propose the payment of a dividend (2005 £nil)

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

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

The directors are satisfied with the result for the year which saw an increase in both turnover and profitability. The group is established as the largest operator of ERRV's in the UK North Sea and is well placed to capitalise on its market position

A key business driver is the diversification of product offering and geographical spread and to this end the group is committed to a vessel fleet replacement program having placed orders for a further three newbuild pan European field support vessels during 2006 in addition to six vessels ordered in the previous year

Market conditions during 2006 have been robust and the outlook is favourable. The key risk facing the business is the level of North Sea oil and gas drilling and production activity which is influenced by world oil pricing and changes in local taxation. The group has acted to reduce financial risk through the use of both interest rate swaps and currency hedges

The group is committed to the development of its staff and to the maintenance of a safe working environment

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
DIRECTORS' REPORT (continued)**DIRECTORS AND DIRECTORS' INTERESTS**

The directors of the company during the year ended 31 December 2006 were as noted above, together with L E Krogh who resigned on 25 January 2007

At 31 December 2006 the directors in office did not hold any beneficial interest in the share capital of the company as defined in the Companies Act 1985

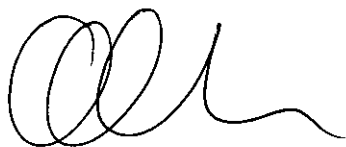
PROVISION OF INFORMATION TO AUDITORS

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

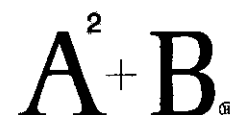
Anderson Anderson & Brown were appointed auditors with effect from 1 January 2006. They have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting

By order of the board



Secretary

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES



Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and,
- (d) prepare the accounts 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 which enable them to ensure that the accounts 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 SHAREHOLDERS OF
VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED**

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We have audited the group and parent company accounts of Viking Offshore Services (Holdings) Limited for the year ended 31 December 2006 which comprise the primary accounts such as the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related notes. These accounts have been prepared under the historical cost convention and in accordance with 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 on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether or not the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the accounts. We also report to you if, in our opinion, 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's and 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 accounts 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 accounts.

Opinion

In our opinion:

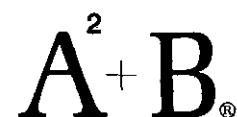
- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information provided in the directors' report is consistent with the accounts.

Anderson Anderson & Brown

Anderson Anderson & Brown
Chartered Accountants
Registered Auditors
Aberdeen

8 MAY 2007

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006



	Note	2006 £'000	2005 £'000
TURNOVER	2	49,470	43,154
Cost of sales		<u>(37,920)</u>	<u>(35,799)</u>
GROSS PROFIT		11,550	7,355
Administrative expenses		<u>(3,610)</u>	<u>(3,485)</u>
Other operating income	3	<u>233</u>	<u>1</u>
NET OPERATING PROFIT	4	8,173	3,871
Interest receivable and similar income	7	41	26
Interest payable and similar charges	8	<u>1,663</u>	<u>2,516</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,551	1,381
Taxation	9	<u> </u>	<u> </u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>6,551</u></u>	<u><u>1,381</u></u>

The company has made no gains or losses other than as reported above

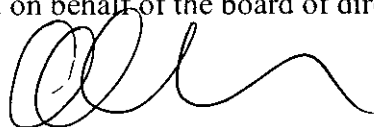
Movements on reserves are as set out in Note 21

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
BALANCE SHEET – 31 DECEMBER 2006

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	Note	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
FIXED ASSETS					
Tangible assets	12	50,632	43,449		
Investments	13			10,369	10,369
		<u>50,632</u>	<u>43,449</u>	<u>10,369</u>	<u>10,369</u>
CURRENT ASSETS					
Stocks	14	811	840		
DEBTORS amounts falling due within one year	15	7,684	6,260	35,389	30,565
Cash at bank and in hand		<u>4,788</u>	<u>687</u>		
		<u>13,283</u>	<u>7,787</u>	<u>35,389</u>	<u>30,565</u>
CREDITORS amounts falling due within one year	16	<u>9,881</u>	<u>8,076</u>	<u>4,428</u>	<u>3,928</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>3,402</u>	<u>(289)</u>	<u>30,961</u>	<u>26,637</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,034</u>	<u>43,160</u>	<u>41,330</u>	<u>37,006</u>
CREDITORS amounts falling due after more than one year	17	<u>24,892</u>	<u>22,757</u>	<u>24,892</u>	<u>22,757</u>
		<u>29,142</u>	<u>20,403</u>	<u>16,438</u>	<u>14,249</u>
CAPITAL AND RESERVES					
Called up share capital	20	9,280	7,092	9,280	7,092
Share premium account	21	6,279	6,279	6,279	6,279
Profit and loss account	21	<u>13,583</u>	<u>7,032</u>	<u>879</u>	<u>878</u>
SHAREHOLDERS' FUNDS		<u>29,142</u>	<u>20,403</u>	<u>16,438</u>	<u>14,249</u>

Signed on behalf of the board of directors

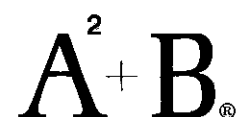


Director – A W Pirie

8 MAR 2007

Date

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006



	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	22	13,337	8,024
Returns on investments and servicing of finance	23	(1,622)	(1,844)
Capital expenditure and financial investment	23	<u>(12,365)</u>	<u>(6,552)</u>
Net cash outflow before financing		(650)	(372)
Financing – increase in debt	23	<u>4,752</u>	<u>849</u>
Increase in cash		<u><u>4,102</u></u>	<u><u>477</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2006 £'000	2005 £'000
Increase in cash in the year		4,102	477
Cash movement from increase in debt financing		<u>(2,564)</u>	<u>2,243</u>
		1,538	2,720
Amortisation of deal costs		<u>(71)</u>	<u>(646)</u>
Movement in net debt in year		1,467	2,074
Net debt at 1 January 2006		<u>(25,998)</u>	<u>(28,072)</u>
Net debt at 31 December 2006	24	<u><u>(24,531)</u></u>	<u><u>(25,998)</u></u>

1 ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

The company has taken advantage of the exemption in the Companies Act 1985, Section 230 not to present its own profit and loss account

(b) *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

(c) *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 value of the non monetary assets acquired is credited to the profit and loss account over the expected period of benefit, which is 10 years

(d) *Tangible fixed assets*

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

(e) *Depreciation*

The cost of fixed assets less residual value is written off by equal monthly instalments over their expected useful lives as follows

Vessels	Up to 32 years (or end of remaining working life)
Plant and equipment	5 years
Motor vehicles	4 5 years

1 ACCOUNTING POLICIES (continued)

(f) *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.

(g) *Capitalisation of interest*

Interest charges on amounts borrowed to finance capital projects are capitalised during the period of construction of the asset.

(h) *Stocks*

Stocks are valued at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items.

(i) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(j) *Foreign currencies*

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or if hedged at the forward contract rate. Monetary assets and liabilities at the balance sheet date are translated at the year end rate of exchange. The resulting profits or losses are dealt with in the profit and loss account.

(k) *Leasing and hire purchase commitments*

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

(l) *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable.

$$A^2 + B^{\circ}$$

(m) *Investments*

(n) *Debt*

2 TURNOVER

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

2006	2005
£'000	£'000

233 1

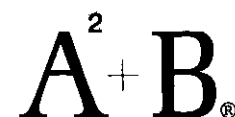
2006	2005
£'000	£'000

30	40
18	17

5,415	5,392
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105 118

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



5 STAFF COSTS AND NUMBERS

	2006 £'000	2005 £'000
Staff costs wages and salaries	1,960	1,791
social security	220	238
other pension costs	135	55
	<u>2,315</u>	<u>2,084</u>

The average number of persons employed by the group during the year, including the directors, was as follows

	2006 No	2005 No
Administration	<u>39</u>	<u>39</u>

The company does not employ any vessel crew and obtains all necessary vessel crew through crewing agencies

6 DIRECTORS' EMOLUMENTS

	2006 £'000	2005 £'000
Other emoluments (including pension contributions and benefits in kind)	<u>834</u>	<u>782</u>

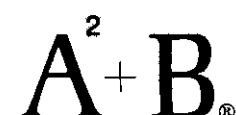
The emoluments of the highest paid director (including pension contributions) were £553,000 (2005 £601,000)

Retirement benefits are accruing to two directors under a defined contribution scheme (2005 – 2)

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £'000	2005 £ 000
Interest income	<u>41</u>	<u>26</u>

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



8 INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Bank overdraft and loan interest	1,591	1,869
Amortisation of debt issue costs	72	647
	<u>1,663</u>	<u>2,516</u>

9 TAXATION *charge based on the profit for the year comprises*

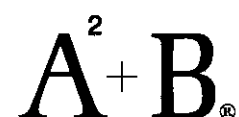
	Group & Company	
	2006 £'000	2005 £'000
UK corporation tax payable		
Tonnage tax		
	<u></u>	<u></u>

The tax assessed on the group profit on ordinary activities for the year is lower than the statutory corporation tax rate of 30% as a result of certain of the companies profits from vessel operations being taxed under the UK Tonnage Tax regime

10 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 £1,000 for the year (2005 £1,600,000)

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006

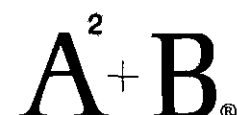


11 INTANGIBLE FIXED ASSETS GOODWILL

	Positive goodwill £'000	Negative goodwill £'000	Total £000
Cost			
At 1 January 2006 and 31 December 2006	525	(525)	
Amortisation			
At 1 January 2006	(169)	169	
Charge for the year	(52)	52	
At 31 December 2006	(221)	221	
Net book value			
At 31 December 2006	304	(304)	
At 31 December 2005	356	(356)	

Goodwill is amortised on a straight line basis over a period of 10 years

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



12 TANGIBLE FIXED ASSETS

GROUP

	Vessels £'000	Vessels under construction £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
COST					
At 1 January 2006	56,245	3,327	37	7	59,616
Additions	3,347	9,718	36		13,101
Disposals	(2,031)				(2,031)
At 31 December 2006	57,561	13,045	73	7	70,686
DEPRECIATION					
At 1 January 2006	16,135		25	7	16,167
Charge for year	5,406		9		5,415
Relating to disposals	(1,528)				(1,528)
At 31 December 2006	20,013		34	7	20,054
Net book amounts at 31 December 2006	37,548	13,045	39		50,632
31 December 2005	40,110	3,327	12		43,449

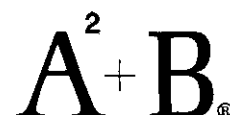
Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £618,000 (2005 £116,000)

The vessels included within vessels under construction are subject to a sale and leaseback agreement. This agreement contains put and call options which give the group the option to repurchase the vessels. In accordance with FRS 5 the vessels under construction have been retained within tangible fixed assets on the balance sheet.

COMPANY

The company has no tangible fixed assets

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



13 INVESTMENTS

GROUP

Interest in
group undertakings
£'000

COST

At 1 January 2006 and 31 December 2006

10,369

The associated undertakings at 31 December 2006 were

Viking Offshore Services Limited

<i>Country of incorporation</i>	Scotland
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	ERRV Services
<i>Proportion of shares held</i>	100%
<i>Aggregate capital and reserves</i>	£10,559,000
<i>Profit for year</i>	£2,325,000

Viking North Sea Limited

<i>Country of incorporation</i>	England
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	ERRV Services
<i>Proportion of shares held</i>	100%
<i>Aggregate capital and reserves</i>	£5,081,000
<i>Profit for year</i>	£4,303,000

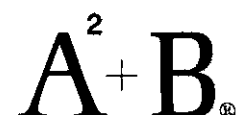
Viking Raasay Limited *

<i>Country of incorporation</i>	England
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	ERRV Services
<i>Proportion of shares held</i>	100%
<i>Aggregate capital and reserves</i>	£113,000
<i>Loss for year</i>	£35,000

Deeside Crewing Services Limited

<i>Country of incorporation</i>	Scotland
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	Management Services
<i>Proportion of shares held</i>	100%
<i>Aggregate capital and reserves</i>	£(42,000)
<i>Loss for year</i>	£43,000

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



13 INVESTMENTS (continued)

Britannia Marine Limited **

<i>Country of incorporation</i>	England
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	Dormant
<i>Proportion of shares held</i>	100%
<i>Aggregate capital and reserves</i>	£4,063,000
<i>Profit for year</i>	£nil

BUE Cyprus Limited*

<i>Country of incorporation</i>	Cyprus
<i>Holding</i>	Ordinary shares
<i>Nature of business</i>	Payroll company
<i>Proportion of shares held</i>	0.01%

* held by Viking North Sea Limited

** held by Viking Offshore Services Limited

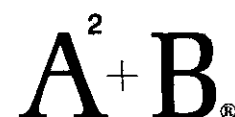
14 STOCKS AND WORK IN PROGRESS

	2006 £'000	Group 2005 £'000	2006 £ 000	Company 2005 £'000
Raw materials and consumables	811	840		

15 DEBTORS

	2006 £'000	Group 2005 £'000	2006 £ 000	Company 2005 £'000
<i>Amounts falling due within one year</i>				
Trade debtors	6,116	4,562		
Amounts due from fellow subsidiary	20			
Amounts due from parent company	2			
Amounts due from subsidiary undertakings			35,389	30,565
Other debtors	312	689		
Prepayments and accrued income	1,051	922		
VAT debtors	183	87		
	7,684	6,260	35,389	30,565

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



16 CREDITORS *amounts falling due within one year*

	2006	Group	2006	Company
	£'000	2005	£'000	2005
		£'000		£'000
Bank loan (Note 18)	4,428	3,928	4,428	3,928
Trade creditors	2,214	1,558		
Accruals and deferred income	3,038	2,440		
Other creditors	201	150		
	<u>9,881</u>	<u>8,076</u>	<u>4,428</u>	<u>3,928</u>

17 CREDITORS *amounts falling due after more than one year*

	2006	Group	2006	Company
	£'000	2005	£'000	2005
		£'000		£'000
Bank loans (Note 18)	<u>24,892</u>	<u>22,757</u>	<u>24,892</u>	<u>22,757</u>

18 LOANS

Total borrowings are

	2006	Group	2006	Company
	£ 000	2005	£ 000	2005
		£'000		£'000
Bank loans	<u>29,320</u>	<u>26,685</u>	<u>29,320</u>	<u>26,685</u>

The total borrowings above are repayable as follows

	2006	Group	2006	Company
	£'000	2005	£'000	2005
		£'000		£'000
Within one year	4,500	4,000	4,500	4,000
Between one and two years	5,500	4,500	5,500	4,500
Between two and five years	19,470	13,876	19,470	13,876
More than five years	<u>470</u>	<u>5,000</u>	<u>470</u>	<u>5,000</u>
	29,940	27,376	29,940	27,376
Less Unamortised finance costs	<u>(620)</u>	<u>(691)</u>	<u>(620)</u>	<u>(691)</u>
	<u>29,320</u>	<u>26,685</u>	<u>29,320</u>	<u>26,685</u>

18 LOANS (continued)

The group has three bank loan facilities

Facility A is a £25.515m facility which is partially drawn at 31 December 2006, and will be further drawn as required to finance the building of new ERRV's (Note 27). This is repayable in 31 quarterly instalments commencing 30 June 2007. The instalments vary over the term of the loan. This loan bears interest at the aggregate of Libor plus 1.3% plus a mandatory cost.

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 1.2% plus a mandatory cost.

Facility D is a £14m facility which is partially drawn down at 31 December 2006 and will be further drawn down as required to finance the building of new ERRV's (Note 27). This is repayable in 28 quarterly instalments commencing 31 March 2009. The instalments vary between £100,000 and £750,000 over the term of the loan. This loan bears interest at Libor plus 1.3% plus a mandatory cost.

19 SECURITY

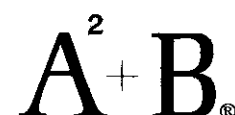
The company has entered into cross guarantees with other group companies for bank borrowings in respect of the borrowings of Viking Offshore Services (Holdings) Limited and its subsidiaries ('the Group'). At 31 December 2006 the total contingent liability in respect of these guarantees was £29,940,000 (2005: £27,376,000) and is secured by a bond and floating charge over the assets of the Group.

20 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised: Ordinary shares of £1 each	14,006	14,006
Allotted, called up and fully paid: Ordinary shares of £1 each	9,280	7,092

The shareholders have committed to subscription for further share capital amounting to £10.192m in connection with the capital commitments detailed at Note 27. The shares will be issued and paid for as the ERRV build program progresses.

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



**21 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

GROUP

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2004	4,000	6,279	5,651	15,930
Profit for the year			1,381	1,381
Issue of shares	3,092			3,092
At 31 December 2005	7,092	6,279	7,032	20,403
Profit for the year			6,551	6,551
Issue of shares	2,188			2,188
At 31 December 2006	9,280	6,279	13,583	29,142

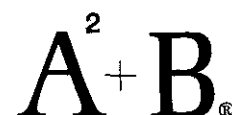
During the year 2,188,000 ordinary shares of £1 each were issued at par

COMPANY

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2004	4,000	6,279	(722)	9,557
Profit for the year			1,600	1,600
Issue of shares	3,092			3,092
At 31 December 2005	7,092	6,279	878	14,249
Profit for the year			1	1
Issue of shares	2,188			2,188
At 31 December 2006	9,280	6,279	879	16,438

During the year 2,188,000 ordinary shares of £1 each were issued at par

VIKING OFFSHORE SERVICES (HOLDINGS) LIMITED
NOTES ON THE ACCOUNTS – 31 DECEMBER 2006



**22 RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2006 £'000	2005 £'000
Operating profit	8,173	3,870
Gain on sale of fixed assets	(233)	
Depreciation on tangible fixed assets	5,415	5,392
Decrease/(increase) in stocks	29	(236)
Increase in debtors	(1,424)	(31)
Increase/(decrease) in creditors	1,377	(971)
Net cash inflow from operating activities	<u>13,337</u>	<u>8,024</u>

**23 ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2006 £'000	2005 £'000
Returns on investments and servicing of finance		
Interest received	41	
Interest paid	(1,663)	(1,844)
	<u>(1,622)</u>	<u>(1,844)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(13,101)	(6,553)
Sale of tangible fixed assets	736	1
	<u>(12,365)</u>	<u>(6,552)</u>
Financing		
New loans received	6,564	29,876
Repayment of loans	(4,000)	(31,398)
Proceeds of share issue	2,188	3,092
Debt issue costs		(721)
Net inflow from financing	<u>4,752</u>	<u>849</u>

24 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	At 1 January 2006 £'000	Cash flows £'000	Other changes £'000	At 31 December 2006 £'000
Cash in hand	687	4,102		4,789
Debt due within 1 year	(3,928)	(500)		(4,428)
Debt due after 1 year	(22,757)	(2,064)	(71)	(24,892)
	<u>(25,998)</u>	<u>1,538</u>	<u>(71)</u>	<u>(24,531)</u>

25 OTHER FINANCIAL COMMITMENTS

The annual commitments under non cancellable operating leases are as follows

	Land and buildings		Other	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Group				
<i>Operating leases which expire</i>				
In less than one year	70		4	
Within one to two years	33	103		
	<u>103</u>	<u>103</u>	<u>4</u>	

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. At 31 December 2006 there are accrued contributions of £9,000 (2005 £nil).

27 CAPITAL COMMITMENTS

Capital commitments for the group at the end of the year authorised and contracted for amounted to £36,304,567 (2005 £30,232,401). This relates to the building of nine new ERRV's over the next three years.

This will be financed through use of free cash, additional share capital (Note 20) and the draw down of confirmed bank facilities (Note 18).

28 CONTINGENT LIABILITY

During 2005, the group had an obligation to meet contributions in respect of a deficit in the Merchant Navy Officers Pension Fund Scheme (“MNOFF”) The amount payable of £167,000 was recovered from the previous owners of the business

The amount of the ultimate share of the deficit in the scheme could change depending on future actuarial valuations and fund calculations which are due to occur every three years, the next of which was undertaken as at March 2006 as well as the number of participating employees and the final method used in allocating the required contribution among participating employees

The group will seek to recover any future liability from the previous owners of the business

29 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

30 IMMEDIATE AND ULTIMATE PARENT COMPANY

The company’s immediate parent undertaking is Viking Supply Ships A/S, a company registered in Norway

Viking Supply Ships A/S is owned by Kistefos A/S, a company registered in Norway and is the ultimate parent company

The largest group in which the results of Viking Offshore Services (Holdings) Limited are consolidated is that headed by Kistefos A/S The smallest group in which they are consolidated is that headed by Viking Supply Ships A/S

The consolidated financial statements of Kistefos A/S are available to the public and may be obtained from Viking Offshore Services (Holdings) Limited, 11th Floor, Salvesen Tower, Blaikies Quay, Aberdeen, AB11 5PB