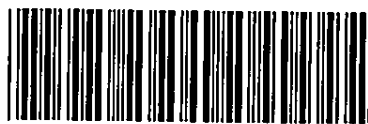


**DSND Subsea Limited**

**Directors' report and consolidated financial  
statements for the year ended 31 December 2007**

**Registered Number 1005947**

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# **DSND Subsea Limited**

## **Directors' report and consolidated financial statements for the year ended 31 December 2007**

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# **DSND Subsea Limited**

## **Directors and advisors**

### **Directors**

J McConnell

T Sorensen

### **Secretary and registered office**

J McConnell

Mitre House

160 Aldersgate Street

LONDON

EC1A 4DD

### **Registered auditors**

PricewaterhouseCoopers LLP

32 Albyn Place

ABERDEEN

AB10 1YL

# **DSND Subsea Limited**

## **Directors' report for the year ended 31 December 2007**

The directors present their report and the audited financial statements for the company and the group for the year ended 31 December 2007

### **Principal activity and review of business**

The trade and activities of the company and group were transferred to the Subsea 7 group in May 2002. The residual activities of the company and group comprise the settlement of remaining liabilities and recovery of outstanding assets. The directors expect that these activities will continue in a similar manner in 2008. The company is exempt from preparing a full business review in accordance with the special provisions relating to small companies under section 236 of the Companies Act 1985.

On 31 January 2008 a resolution was proposed by the board of directors to reduce the share capital of the company. The authorised share capital of the company was, by virtue of a written resolution taking effect as a special resolution and with the sanction of an order of the High Court of Justice dated 20 February 2008 reduced from £35,000,000 of ordinary shares of £1 each to £3,208,001 ordinary shares of £1 each. The share premium account was realised in full and transferred to the retained profit and loss account.

On 31 January 2008 a resolution was proposed that the company declare dividend of £11,500,000 payable to the ultimate parent company.

The profit and loss account for the year is set out on page 5.

### **Results, dividends and transfers to reserves**

The group's profit for the year was £362,000 (2006: loss £52,000). The directors do not recommend the payment of a dividend (2006: £nil). The profit for the financial year was transferred to the deficit on reserves.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report". Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

### **By order of the Board**



**J McConnell**  
Company Secretary

# **DSND Subsea Limited**

## **Independent auditors' report to the members of DSND Subsea Limited**

We have audited the group and parent company financial statements (the financial statements) of DSND Subsea Limited for the year ended 31<sup>st</sup> December 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 group's and company's circumstances, consistently applied and adequately disclosed.

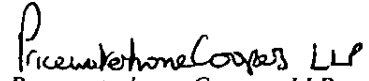
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# DSND Subsea Limited

## 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 parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

  
PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Aberdeen

8 September 2008

## DSND Subsea Limited

### Consolidated profit and loss account for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Net operating income/(expenses)		297	(52)
<b>Profit/(loss) on ordinary activities before interest and taxation</b>	2	297	(52)
Interest receivable and similar income		16	-
<b>Profit/(loss) on ordinary activities before taxation</b>		313	(52)
Taxation on profit/(loss) on ordinary activities	5	49	-
<b>Profit/(loss) for the financial year</b>	12	362	(52)

The results above relate wholly to discontinued activities

The group has no recognised gains and losses other than the profit/(loss) stated above. Consequently, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents.

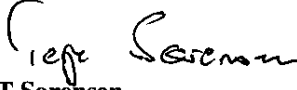
# DSND Subsea Limited

## Balance sheets as at 31 December 2007

		Group		Company	
	Notes	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Fixed assets</b>					
Fixed asset investments	7	-	-	-	-
		-	-	-	-
<b>Current assets</b>					
Debtors	8	11,646	11,622	11,646	11,622
Cash at bank and in hand		36	18	36	18
		11,682	11,640	11,682	11,640
<b>Creditors, amounts falling due within one year</b>	9	(103)	(423)	(103)	(423)
<b>Net current assets</b>		11,579	11,217	11,579	11,217
<b>Total assets less current liabilities</b>		11,579	11,217	11,579	11,217
<b>Net assets</b>		11,579	11,217	11,579	11,217
<b>Capital and reserves</b>					
Called up share capital	10	31,792	31,792	31,792	31,792
Share premium	11	2,970	2,970	2,970	2,970
Profit and loss account – deficit	11	(23,183)	(23,545)	(23,183)	(23,545)
<b>Equity shareholder's funds</b>	12	11,579	11,217	11,579	11,217

The financial statements on pages 5 to 12 were approved by the board of directors on 22 August 2008 and were signed on its behalf by

  
**J McConnell**  
 Director

  
**T Sorensen**  
 Director



# **DSND Subsea Limited**

## **Notes to the financial statements for the year ended 31 December 2007**

### **1 Principal accounting policies**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, on a going concern basis, and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2007. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account from or up to the effective date of acquisition or disposal. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair value reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

#### **Investments**

Investments in subsidiary undertakings are included in the balance sheet of the company at cost less any provision for permanent indications of impairment.

Disposals of investments are regarded as part of the ordinary activities of the business. Net profits and losses on realisation of these investments are shown as part of the profit or loss on ordinary activities before taxation.

#### **Cash flow statement**

The company is a wholly owned subsidiary of Siem Offshore Inc and the cash flows of the company are included in the consolidated cash flow statement of Siem Offshore Inc. The consolidated financial statements of Siem Offshore Inc are publicly available (Note 14). Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 "Cash flow statements".

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and differences on exchange included in the profit and loss account.

#### **Related party transactions**

In accordance with the exemption available under FRS8 "Related Party Disclosures", transactions with entities that are part of the Siem Offshore Inc Group (Note 14) are not disclosed on the grounds that the company is a subsidiary where 90% or more of its voting rights are controlled within the group and the consolidated financial statements of Siem Offshore Inc are publicly available.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided on taxable profits at current rates in the respective taxation jurisdictions. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

# DSND Subsea Limited

## 1 Principal accounting policies (continued)

A deferred tax asset is regarded as recoverable and therefore recognised only when on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted

Deferred tax is measured on a non-discountable basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

### Pension costs

Contributions made to pension schemes are charged to the profit and loss account as they become payable

## 2 Profit/(loss) on ordinary activities before interest and taxation

	2007	2006
	£'000	£'000
<b>Profit/(loss) on ordinary activities before interest and taxation is stated after charging:</b>		
Foreign exchange losses	1	3
Pension contribution	27	-

During the year ended 31 December 2007 the company made a payment of £27,263 in order to reduce a deficit in a pension scheme in respect of former employees of the company and subsidiary companies. The pension scheme assets are held separately from those of the company in independently administered funds and it is not possible to separately identify the company's share of assets held in the fund. As a result the company accounts for its contributions to the pension scheme as if it were a defined contribution scheme

<b>Services provided by the company's auditor and network of firms:</b>		
Auditor's remuneration – audit of the company's accounts	6	5
Auditor's remuneration – tax compliance services	21	11

## 3 Directors' remuneration

None of the directors who served during the year neither received nor waived any emoluments from the company (2006 £nil)

## 4 Employee information

The company had no employees during the year (2006 nil)

# DSND Subsea Limited

## 5 Taxation on profit/(loss) on ordinary activities

	2007	2006
	£'000	£'000
<b>Current tax:</b>		
Adjustment in respect of prior periods	7	-
Overseas tax recovered	42	-
<b>Total current tax credit</b>	<b>49</b>	<b>-</b>

	2007	2006
	£'000	£'000

The current tax assessed for the year varied from the standard rate of corporation tax in the United Kingdom of 30% (2006 30%) The differences are explained below

Profit/(loss) on ordinary activities before tax	313	(52)
Tax at 30% thereon	94	(16)
Effects of		
Adjustment in respect of prior periods	(7)	-
Losses not recognised	-	16
Overseas tax recovered	(42)	-
Release of insurance provision not taxable	(94)	-
	<b>(49)</b>	<b>-</b>

The standard rate of corporation tax in the UK has changed to 28% with effect from 1 April 2008

## 6 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements The profit of DSND Subsea Limited for the year to 31 December 2007 was £362,000 (2006 loss of £52,000)

# DSND Subsea Limited

## 7 Fixed asset investments

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Cost and net book value				
At 1 January 2007 and 31 December 2007	-	-	-	-

Fixed asset investments comprise shares in subsidiary undertakings

### Interests in subsidiary undertakings

Name of undertaking	Country of incorporation	Principal activities	Description of shares held	Proportion of issued shares held
DSND Lay Vessel Limited	England	Dormant	Ordinary shares	100%
DSND Offshore Vessel Limited	England	Dormant	Ordinary shares	100%
Seateam Shipping Limited	England	Dormant	Ordinary shares	100%

## 8 Debtors

	Group and Company	
	2007	2006
	£'000	£'000
Amounts falling due within one year		
Amounts owed by ultimate parent undertaking	11,627	11,109
Amounts owed by fellow subsidiary undertakings	19	9
Overseas tax recoverable	-	504
	11,646	11,622

Amounts owed by the ultimate parent undertaking are interest free and payable on demand

## DSND Subsea Limited

### 9 Creditors: amounts falling due within one year

	Group and Company	
	2007 £'000	2006 £'000
Trade creditors	5	5
Amounts owed to fellow subsidiary undertakings	32	25
Corporation tax payable	-	7
Accruals and deferred income	66	386
	103	423

Amounts owed to fellow subsidiary undertakings are interest free and repayable on demand

### 10 Called up share capital

	Group and Company	
	2007 £'000	2006 £'000
<b>Authorised:</b>		
35,000,000 Ordinary Shares of £1 each	35,000	35,000
<b>Allotted, called up and fully paid:</b>		
31,792,000 Ordinary Shares of £1 each	31,792	31,792

### 11 Reserves

	Share premium account £'000	Profit and loss account - deficit £'000
<b>Group and Company</b>		
At 1 January 2007	2,970	(23,545)
Profit for the financial year	-	362
<b>At 31 December 2007</b>	<b>2,970</b>	<b>(23,183)</b>

## DSND Subsea Limited

### 12 Reconciliation of movements in shareholder's funds

	Group and Company	
	2007	2006
	£'000	£'000
Profit/(loss) for the financial year	362	(52)
Opening shareholder's funds	11,217	11,269
Closing shareholder's funds	11,579	11,217

### 13 Post balance sheet event

On 31 January 2008 a resolution was proposed by the board of directors to reduce the share capital of the company. The authorised share capital of the company was, by virtue of a written resolution taking effect as a special resolution and with the sanction of an order of the High Court of Justice dated 20 February 2008 reduced from £35,000,000 of ordinary shares of £1 each to £3,208,001 ordinary shares of £1 each. The share premium account was realised in full and transferred to the retained profit and loss account.

On 31 January 2008 a resolution was proposed that the company declare dividend of £11,500,000 payable to the ultimate parent company.

### 14 Ultimate parent company and controlling party

Siem Offshore Inc, a company registered in the Cayman Islands, is the ultimate parent company and controlling party. The Company's results to 31 December 2007 have been disclosed in the consolidated financial statements of Siem Offshore Inc.

Copies of the financial statements of Siem Offshore Inc, may be obtained from Harbour Place, 5<sup>th</sup> Floor, PO Box 309, 103 South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.