

R & B Falcon (Caledonia) Limited

Report and Financial Statements

31 December 2004

ERNST & YOUNG



R & B Falcon (Caledonia) Limited

Registered No: 01591065

Directors

E B Brown
J P Cahuzac
G L Cauthen

Secretary

E B Brown

Auditors

Ernst & Young LLP
50 Huntly Street
Aberdeen
AB10 1ZN

Bankers

The Royal Bank of Scotland
Queen's Cross Branch
40 Albyn Place
Aberdeen
AB10 1YN

Solicitors

Ince & Co
Knollys House
11 Byward Street
London
EC3R 5EN

Registered Office

20-22 Bedford Row
London
WC1R 4JS

Directors' report

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

Principal activity

The principal activity of the company was, up to the 24 July 2001, the undertaking of offshore drilling contracts and leasing an offshore drilling rig. On 24 July 2001, the Iolair rig and equipment were sold for a consideration of \$40 million. Following the sale of the rig the company ceased trading.

Results and dividends

The loss for the year after taxation was \$28,535 (2003 – \$138,294).

The directors have paid a dividend of \$nil during the year (2003 - \$nil).

Directors and their interests

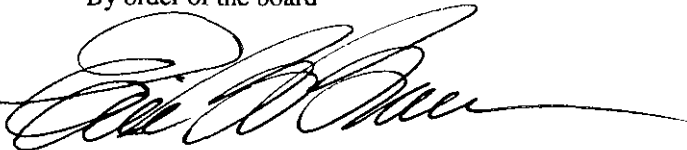
The directors who served during the year are as shown below:

E B Brown
J P Cahuzac
G L Cauthen

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the members at the Annual General Meeting.

By order of the board



E B Brown
Director

3 October, 2005

Statement of directors' responsibilities in respect of the financial statements

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 company and of the profit or loss of the company 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, subject to any material departures disclosed and explained in the financial statements;
- 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 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 member of R & B Falcon (Caledonia) Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of 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 legal and regulatory requirements and United Kingdom 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 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 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.

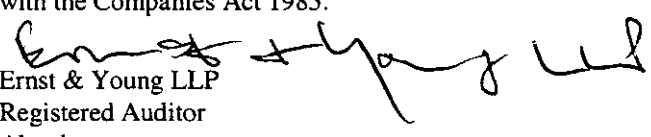
Basis of audit opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Aberdeen
3 October, 2005

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 \$	2003 \$
Administrative expenses		(28,545)	(21,176)
Operating loss	2	(28,545)	(21,176)
Interest payable and similar charges		-	(85,208)
Interest receivable		10	29
Loss on ordinary activities before taxation		(28,535)	(106,355)
Tax on loss on ordinary activities		-	(31,939)
Retained loss for the financial year	10	(28,535)	(138,294)

Statement of total recognised gains or losses

There are no recognised gains and losses other than the loss attributable to shareholders of the company of \$28,535 in the year ended 31 December 2004 and the loss of \$138,294 in the year ended 31 December 2003.


Balance sheet

at 31 December 2004

	Notes	2004 \$	2003 \$
Current assets			
Debtors	6	8,646,785	8,646,107
Cash		19,368	23,203
		<u>8,666,153</u>	<u>8,669,310</u>
Creditors: amounts falling due within one year	7	(707,352)	(681,974)
		<u>7,958,801</u>	<u>7,987,336</u>
Net current assets			
		<u>7,958,801</u>	<u>7,987,336</u>
Total assets less current liabilities		<u>7,958,801</u>	<u>7,987,336</u>
Provisions for liabilities and charges		-	-
		<u>7,958,801</u>	<u>7,987,336</u>
Net assets			
		<u>7,958,801</u>	<u>7,987,336</u>
Capital and reserves			
Called up equity share capital	8	140	140
Capital reserve	10	1,940,000	1,940,000
Profit and loss account	10	6,018,661	6,047,196
		<u>7,958,801</u>	<u>7,987,336</u>
Equity shareholders' funds	10	<u>7,958,801</u>	<u>7,987,336</u>

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These financial statements were approved by the board of directors on and were signed on its behalf by:



Eric B Brown,
Director

3 October, 2005

Notes to the financial statements

at 31 December 2004

1. Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in US dollars as the directors consider the US dollar as the main trading currency of the company and therefore its accounting records are also maintained in US dollars.

Under Financial Reporting Standard 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of a parent undertaking which has prepared publicly available consolidated accounts.

In preparing the financial statements for the current year, the company has adopted FRS 18 'Accounting Policies'. Adoption of this standard has not required any revisions to the financial statements in either the current or prior periods.

Deferred taxation

Deferred taxation 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, or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is 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-discounted 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract date. All differences are taken to the profit and loss account.

Related party transactions

The company has taken advantage of the exemption in FRS 8 not to disclose any transactions with entities that are part of the group which qualify as related parties, on the grounds that it is a subsidiary undertaking where 90% or more of its voting rights are controlled within the group, and the consolidated financial statements of Transocean Inc., are publicly available.

2. Operating loss

This is stated after charging:

	2004	2003
	<i>Discontinued</i>	<i>Discontinued</i>
	\$	\$
Depreciation of tangible fixed assets	-	-

Notes to the financial statements

at 31 December 2004

3. Staff cost and directors' emoluments

None of the directors received any remuneration in respect of services to the company in either year. The company had no other employees in either year.

4. Auditors' remuneration

The audit fees were borne by the immediate holding company, R&B Falcon (UK) Limited, in both years

5. Tax

(a) Tax on profit/(loss) on ordinary activities

Analysis of charge in period:

	2004	2003
	\$	\$
UK Corporation tax:		
UK corporation tax on profits of the period	-	-
Adjustment in respect of previous periods	-	31,939
ACT written off	-	-
Total current tax	-	31,939
Deferred tax:		
Originating and reversal of timing differences	-	-
	-	31,939

(b) Factors affecting current tax charge for the period

The tax assessed on the (loss)/profit on ordinary activities is higher than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	2004	2003
	\$	\$
Profit/(loss) on ordinary activities before tax	(28,535)	(106,355)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	(8,561)	(31,907)
Effect of:		
Non taxable income	-	-
Depreciation in excess of capital allowances	-	-
Group relief	-	-
Adjustments in respect of previous periods	-	31,939
Irrecoverable ACT	-	-
Others	8,561	31,907
Total current tax	-	31,939

Notes to the financial statements

at 31 December 2004

5. Tax (continued)

(c) Factors that may affect future tax changes.

There are no factors considered to affect future tax changes.

There is an unprovided deferred tax asset of US\$44,275 (2003 – US\$45,890) which has not been provided as it is unlikely that these losses will be relieved in the future due to the cessation of the trade.

6. Debtors

	2004	2003
	\$	\$
Due from group undertakings	8,646,785	8,646,107
	<u>8,646,785</u>	<u>8,646,107</u>

7. Creditors: amounts falling due within one year

	2004	2003
	\$	\$
Amounts owed to group undertakings	515,288	511,910
Accruals and deferred income	192,064	170,064
	<u>707,352</u>	<u>681,974</u>

8. Called up equity share capital

	2004	2003
	\$	\$
<i>Authorised, allotted, called-up and fully paid:</i>		
98 ordinary shares of £1 each	137	137
2 deferred ordinary shares of £1 each	3	3
	<u>140</u>	<u>140</u>

9. Capital reserve

Capital reserve represents additional capital contributions by the company's immediate parent company, R&B Falcon (UK) Limited.

Notes to the financial statements

at 31 December 2004

10. Reconciliation of shareholders' funds and movement on reserves

	<i>Share Capital</i>	<i>Capital reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	\$	\$	\$	£
At January 2003	140	1,940,000	6,185,490	8,125,630
Loss for year	-	-	(138,294)	(138,294)
At 31 December 2003	140	1,940,000	6,047,196	7,987,336
At January 2004	140	1,940,000	6,047,196	7,987,336
Loss for year	-	-	(28,535)	(28,535)
At 31 December 2004	140	1,940,000	6,018,661	7,958,801

11. Ultimate parent company

The company's immediate parent undertaking is R&B Falcon (UK) Limited. It has included the company in its group accounts, copies of which are available from its registered office: 20-22 Bedford Row, London, WC1R 4JS.

The ultimate holding company is Transocean Inc., which is incorporated in the Cayman Islands.