Helix RDS Limited

Directors' report and financial statements

Registered number 224905

30 April 2005

Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Helix RDS Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2005.

Principal activities

The principal activity of the company during the year was the provision of sub-surface consultancy and operations management expertise to the oil and gas industry.

Business review

In accordance with expectations, the company traded profitably during the year and is expected to continue to do so for the foreseeable future.

Proposed dividend

The directors recommend the payment of a preference dividend of £419,183 (10p per share). The directors do not recommend the payment of an ordinary dividend, and that the retained profit for the year be transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

PC Moore

GW Smith

The interests of GW Smith and PC Moore in the shares of the parent company are disclosed in that company's directors' report.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PC Moore

PC Moore
Director

Westhill
Aberdeen
12 OCTOBER 2005

Statement of directors' responsibilities

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditors' report to the members of Helix RDS Limited

We have audited the financial statements on pages 4 to 14.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 the company's affairs as at 30 April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12 OCTOBER 2005

Profit and loss account
for the year ended 30 April 2005

	Note	**Year ended 30 April 2005 £000**	Year ended 30 April 2004 £000
Turnover	*2*	**15,322**	13,530
Cost of sales		**(11,005)**	(9,187)
Gross profit		**4,317**	4,343
Administrative expenses		**(2,962)**	(3,003)
Operating profit	*3-5*	**1,355**	1,340
Other interest receivable and similar income	*6*	**8**	53
Interest payable and similar charges	*7*	**(1)**	(3)
Profit on ordinary activities before taxation		**1,362**	1,390
Tax on profit on ordinary activities	*8*	**(440)**	(480)
Profit on ordinary activities after taxation		**922**	910
Dividends on non-equity shares	*9*	**(419)**	(419)
Retained profit for financial year	*16*	**503**	491

All figures relate to continuing operations.

There were no other gains or losses for the year other than the profit shown above.

A statement of movement in reserves is given in note 16.

Balance sheet
at 30 April 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	*10*		**2,666**		2,868
Tangible assets	*11*		**323**		246
Investments	*12*		**152**		152
			3,141		3,266
Current assets					
Debtors	*13*	**6,278**		4,243	
Cash at bank and in hand		**-**		484	
		6,278		4,727	
Creditors: amounts falling due within one year	*14*	**(4,145)**		(3,222)	
Net current assets			**2,133**		1,505
Net Assets			**5,274**		4,771
Capital and reserves					
Called up share capital	*15*		**4,192**		4,192
Profit and loss account	*16*		**1,082**		579
Shareholders' funds					
Equity		**1,082**		579	
Non-equity		**4,192**		4,192	
			5,274		4,771

These financial statements were approved by the board of directors on 12 OCT 2005 and were signed on its behalf by:

GW Smith
Director

Notes

(forming part of the financial statements)

1 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.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Helix Energy Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Helix Energy Limited, within which this company is included, can be obtained from the address given in note 21.

In accordance with section 228 of the Companies Act 1985 the company has not presented group accounts as it is a wholly owned subsidiary of another body corporate incorporated in Great Britain. These financial statements therefore, contain information about this company as an individual undertaking.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is amortised to nil by equal annual instalments over a period of 20 years.

Fixed assets and assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives.

Buildings	4% per annum
Office equipment	33-50% per annum
Computer equipment	33-50% per annum

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Software development costs have been capitalised in accordance with Statement of Standard Accounting Practice 13 – Accounting for Research & Development, and will be amortised over the duration of the contracts on which the software will be used.

Notes *(continued)*

1 Accounting policies *(continued)*

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred tax. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of oil and gas consultancy services to customers.

2 Analysis of turnover

By geographical market	**Year ended 30 April 2005 Turnover £000**	Year ended 30 April 2004 Turnover £000
Australia	**354**	217
Asia	**609**	778
Africa	**361**	60
Europe	**718**	646
Middle East	**252**	647
North America	**67**	-
UK	**12,961**	11,182
	15,322	13,530

All turnover has been generated from the provision of oil and gas consultancy services.

3 Profit on ordinary activities before taxation

	Year ended 30 April 2005 £000	Year ended 30 April 2004 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**25**	23
Non audit	**61**	17
Depreciation and other amounts written off tangible fixed assets	**182**	245
Amortisation of goodwill	**158**	158
Operating lease charges		
Office equipment/motor vehicles	**31**	32
Land and buildings	**183**	138
Exchange loss	**40**	94

Notes *(continued)*

4 Remuneration of directors

The aggregate emoluments of the directors of the company who are also directors of and remunerated by the ultimate parent company are disclosed in the financial statements of that company.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Management	**1**	1
Engineers	**83**	81
Finance and administration	**26**	25
	110	107

The aggregate payroll costs of these persons were as follows:

	Year ended 30 April 2005 £000	Year ended 30 April 2004 £000
Wages and salaries	**6,071**	5,676
Social security costs	**709**	663
Pension costs	**495**	450
	7,275	6,789

6 Interest receivable and similar income

	Year ended 30 April 2005 £000	Year ended 30 April 2004 £000
Bank interest	**8**	20
Other interest	**-**	33
	8	53

Notes *(continued)*

7 Interest payable and similar charges

	Year ended 30 April 2005 £000	Year ended 30 April 2004 £000
On bank loans and overdrafts	**1**	3

8 Taxation

Analysis of charge in year

	Year ended 30 April 2005 £000	Year ended 30 April 2004 £000
UK corporation tax		
Current tax on income	**319**	-
Group relief	**79**	409
Foreign tax	**46**	80
Adjustment in respect of prior year group relief	**-**	1
Total current tax	**444**	490
Deferred tax (see note 13)		
Origination of timing differences : current year	**(12)**	(11)
: prior year	**8**	1
Tax on profit on ordinary activities	**440**	480

Factors affecting the total current tax charge

The current tax charge for the year is higher *(2004: higher)* than that obtained by applying the standard rate of corporation tax in the UK (30%) to the profit before tax. The differences are explained below.

	2005 £000	2004 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,362**	1,390
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30%	**409**	417
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	**71**	62
Capital allowances for year (higher than) lower than depreciation	**(11)**	28
Other timing differences	**(23)**	(18)
Adjustment in respect of prior year group relief	**(2)**	1
Total current tax charge (see above)	**444**	490

Notes *(continued)*

9 Dividends and other appropriations

	2005	2004
	£000	£000
Dividends on non-equity shares:		
Final dividend proposed	**419**	419

10 Intangible fixed assets

	Research & Development £000	**Goodwill £000**	**Total £000**
Cost			
At 1 May 2004	44	3,160	3,204
Disposals	(44)	-	(44)
At 30 April 2005	-	3,160	3,160
Amortisation			
At 1 May 2004	-	336	336
Charge for year	44	158	202
Disposals	(44)	-	(44)
At 30 April 2005	-	494	494
Net book value			
At 30 April 2005	**-**	**2,666**	**2,666**
At 30 April 2004	44	2,824	2,868

The goodwill arising on the acquisition of the trade and assets of the consultancy division of Brovig RDS Limited is being amortised over 20 years, as this reflects, in the directors' opinion, a reasonable estimate of its useful life.

Notes *(continued)*

11 Tangible fixed assets

	Computer Equipment £000	Office Equipment £000	Total £000
Cost			
At 1 May 2004	477	232	709
Additions	257	2	259
Disposals	-	(109)	(109)
Transfers	50	(50)	-
At 30 April 2005	784	75	859
Depreciation			
At 1 May 2004	234	229	463
Charge for year	179	3	182
Disposals	-	(109)	(109)
Transfers	50	(50)	-
At 30 April 2005	463	73	536
Net book value			
At 30 April 2005	**321**	**2**	**323**
At 30 April 2004	243	3	246

12 Investments

	Fixed asset investments £000
Cost	
At beginning and end of year	**152**

The undertakings in which the company's interest at the year end are more than 20% are as follows:

	Country of Incorporation	Principal Activity	% Share Held
Helix RDS Pty	Australia	Consultancy Services	100
Helix RDS Sdn Bhd	Malaysia	Consultancy Services	50

The company had the following transactions with Helix RDS Sdn Bhd subsequent to that company becoming a joint venture:

	2005 £000
Purchases from	**18**
Sales to	**222**

Amounts due from Helix RDS Sdn Bhd at 30 April 2005 were £483,755

Notes *(continued)*

13 Debtors

	2005 £000	2004 £000
Trade debtors	**3,599**	2,752
Amounts owed by group undertakings	**1,781**	677
Amounts owed by undertaking in which the company has a participating interest	**484**	490
Other debtors	**9**	-
Prepayments and accrued income	**321**	244
Deferred tax asset (see below)	**84**	80
	6,278	4,243

Deferred tax asset	2005 £000	2004 £000
Opening balance	**(80)**	(70)
Credit to the profit and loss account for the year	**(4)**	(10)
At end of year	**(84)**	(80)

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Difference between accumulated depreciation and amortisation and capital allowances	**(57)**	(65)
Other timing differences	**(27)**	(15)
Undiscounted asset	**(84)**	(80)

The deferred tax asset has been recognised as the directors believe on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

14 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Bank Overdraft	**103**	-
Trade creditors	**1,067**	434
Amounts owed to group undertakings	**724**	808
Corporation Tax	**319**	-
Taxation and social security	**547**	596
Other creditors	**60**	60
Accruals and deferred income	**906**	905
Dividend proposed	**419**	419
	4,145	3,222

The bank overdraft is secured by a bond and floating charge over the assets of the company. The assets of the company are pledged as collateral in respect of loans advanced to other group companies (note 18).

Notes *(continued)*

15 Called up share capital

	2005 £000	2004 £000
Authorised		
10,000 Ordinary shares of £1each	10	10
4,191,831 10% preference shares of £1 each	4,192	4,192
	4,202	4,202
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	-	-
4,191,831 10% preference shares of £1 each	4,192	4,192
	4,192	4,192

Rights attaching to 10% preference shares

The preference shares carry a fixed cumulative preference dividend of 10% per annum. The holders of the preference shares are not entitled to attend or vote at any general meeting of the company.

The preference shareholders rank before the ordinary shareholders for dividends and on a wind up of the company. On a winding up, of the company, the preference shares are entitled to £1 per share together with any arrears of preference dividends.

16 Profit and loss account

	2005 £000	2004 £000
At beginning of year	579	88
Retained profit for year	503	491
At end of year	1,082	579

17 Reconciliation of movement in shareholders' funds

	2005 £000	2004 £000
Profit for the year	922	910
Dividends on non-equity shares	(419)	(419)
Net addition to shareholders' funds	503	491
At beginning of year	4,771	4,280
At end of year	5,274	4,771

18 Contingent liabilities

The company has granted to, and received from, Helix Energy Limited and certain of its subsidiaries unlimited cross guarantees (which are covered by floating charges and standard securities) amounting to £3,697,807 secured in the first instance against the assets of the borrowing company.

Notes *(continued)*

19 Commitments

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2005 £000	2004 £000
Contracted	-	36

b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2005 £000	Other 2005 £000	Land and buildings 2004 £000	Other 2004 £000
Operating leases which expire:				
Within one year	45	15	45	7
In the second to fifth years inclusive	135	15	135	21
	180	30	180	28

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £495,000 *(2004: £450,000)*. At the year end, £51,000 *(2004: £55,000)* remained payable to the scheme and is included in creditors.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Helix Energy Limited, incorporated in Scotland. The largest group in which the results of the company are consolidated is that headed by Helix Energy Limited. The consolidated accounts of this group are available to the public and may be obtained from the Registrar of Companies, 37 Castle Terrace, Edinburgh. No other group accounts include the results of the company.