

**Acergy M.S. Limited (formerly Stolt Offshore MS Limited)**

Financial statements for the year ended 30 November 2005  
together with directors' and independent auditors' reports

Registered number: 2074427



## Directors' report

### For the year ended 30 November 2005

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 November 2005.

#### Principal activities and business review

The company is involved in the provision of management services to other group undertakings. The company's level of activity in the foreseeable future is expected to be in line with the current year.

#### Company name

The company changed its name from Stolt Offshore M.S. Limited to Acergy M.S. Limited on 23 January 2006.

#### Results and dividends

Results and statement of retained earnings are as follows:

	£
Retained earnings at 1 December 2004	5,668,721
Profit for the financial year	1,471,109
Retained earnings at 30 November 2005	<u>7,139,830</u>

No dividends have been paid or proposed in respect of the year (2004 - £nil).

#### Directors and their interests

The directors of the company who served throughout the year and subsequently were as follows:

T Ehret  
S Jackson  
K Tipson

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985 (2004: - nil).

#### 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 as at the end of the financial year and of the profit or loss of the company for that year. 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; and

Directors' report  
For the year ended 30 November 2005

- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Dolphin House  
Windmill Road  
Sunbury-on-Thames  
Middlesex  
TW16 7HT



Stuart Jackson  
Director

30 June 2006

## Independent auditor's report

### To the members of Acergy MS Limited (formerly Stolt Offshore MS Limited):

We have audited the financial statements of Acergy MS Limited for the year ended 30 November 2005, which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 17. 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**

As described in the statement of directors' responsibilities in the directors report, 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 United Kingdom legal and regulatory requirements and 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **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 circumstances of the company, 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 November 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

**London**

14 July 2006

## Profit and loss account

For the year ended 30 November 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	2	27,402,328	18,173,024
Administrative expenses		(24,911,287)	(16,520,931)
<b>Operating profit</b>		2,491,041	1,652,093
Interest receivable and similar income	3	9,357	11,903
Interest payable and similar charges	4	(300,039)	(409,017)
<b>Profit on ordinary activities before taxation</b>	5	2,200,359	1,254,979
Tax on profit on ordinary activities	7	(729,250)	(409,460)
<b>Retained profit for the financial year</b>	13	1,471,109	845,519

The profit for both years has been wholly derived from continuing activities.

The company has no recognised gains or losses in either year, other than the profit for the year. Accordingly no Statement of Total Recognised Gains and Losses is presented.

# Balance sheet

30 November 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	8	2,873,179	2,835,839
<b>Current assets</b>			
Debtors	9	26,674,032	12,325,597
Cash at bank and in hand		196,388	-
		26,870,420	12,325,597
<b>Creditors: Amounts falling due within one year</b>	10	(22,603,669)	(9,492,615)
<b>Net current assets</b>		4,266,751	2,832,982
<b>Total assets less current liabilities, being net assets</b>		7,139,930	5,668,821
<b>Capital and reserves</b>			
Called-up equity share capital	12	100	100
Profit and loss account	13	7,139,830	5,668,721
<b>Equity shareholders' funds</b>	14	7,139,930	5,668,821

Signed on behalf of the Board



Stuart Jackson  
Director

30 June 2006

## Notes to the financial statements (For the year ended 30 November 2005)

### 1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

#### *a) Basis of accounting*

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom laws and accounting standards.

#### *b) Cash flow statement*

The company is exempt from the requirement of FRS 1 (Revised) to include a cash flow statement as part of its financial statements on the basis that it is a subsidiary of Acergy S.A. (formerly Stolt Offshore S.A.) (note 16) whose financial statements contain a consolidated cash flow statement and are available to the public.

#### *c) Tangible fixed assets*

All tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Computer hardware and software development	3-5 years
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#### *d) Taxation*

Current tax, including UK corporation tax and foreign 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 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 assessment in periods different from those in which they are recognised in the financial statements.

A net 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 differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### *e) Pension costs*

In accordance with SSAP 24 the expected cost of pensions in respect of the company's defined benefit scheme is charged to the profit and loss account so as to spread the cost of providing these pensions over the expected remaining service lives of employees in the scheme. Variations from the regular cost are also spread over the expected remaining services lives of employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries. Further details are given in note 15.

Notes to the financial statements  
(For the year ended 30 November 2005)

**1 Accounting policies (continued)**

*f) Foreign currency*

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

**2 Turnover**

Turnover represents amounts invoiced (exclusive of VAT) to the company's immediate parent company, based in Bermuda, for the provision of administrative and accounting services.

**3 Interest receivable and similar income**

	2005 £	2004 £
Other interest receivable	<u>9,357</u>	<u>11,903</u>

**4 Interest payable and similar charges**

	2005 £	2004 £
On borrowings from group undertakings	298,284	407,856
Other interest payable	<u>1,755</u>	<u>1,161</u>
	<u>300,039</u>	<u>409,017</u>

**5 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	2005 £	2004 £
Depreciation of owned tangible fixed assets	2,335,986	2,216,607
Auditors' remuneration – audit services	<u>4,350</u>	<u>4,500</u>



Notes to the financial statements  
(For the year ended 30 November 2005)

**6 Staff costs**

The average monthly number of persons employed by the company during the year was 116 (2004 – 102). All employees were engaged in administrative activities.

	2005 £	2004 £
Employee costs during the year amounted to:		
Wages and salaries	8,560,374	5,790,731
Social security costs	1,053,012	666,281
Other pension costs (see note 15)	560,144	514,915
	<u>10,173,530</u>	<u>6,971,927</u>

Directors' remuneration

The employee costs shown above include the following remuneration in respect of directors of the company:

	2005 £	2004 £
Emoluments	835,727	738,576
Contributions to defined contribution schemes	84,602	42,666
	<u>920,329</u>	<u>781,242</u>

The above amounts for remuneration include the following in respect of the highest paid director:

	2005 £	2004 £
Emoluments	350,598	262,973
Contributions to defined contribution schemes	21,190	20,333
	<u>371,788</u>	<u>283,306</u>

The number of directors who were members of pension schemes was as follows:

	2005 Number	2004 Number
Defined contribution schemes	<u>3</u>	<u>3</u>

During the year two directors exercised a total 322,500 share options in Acergy S.A. (2004 – None), one of these was the highest paid director.

Notes to the financial statements  
(For the year ended 30 November 2005)

**7 Tax on profit on ordinary activities**

The tax charge comprises:

	2005 £	2004 £
<b>Current tax</b>		
UK corporation tax	828,219	562,442
Adjustments in respect of prior years		
- UK corporation tax	-	68,117
<b>Total current tax</b>	<u>828,219</u>	<u>630,559</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(98,969)	(221,099)
<b>Total deferred tax (see note 11)</b>	<u>(98,969)</u>	<u>(221,099)</u>
<b>Total tax on profit on ordinary activities</b>	<u>729,250</u>	<u>409,460</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual current tax charge for the current year and previous year is different than that using the standard rate for the reasons set out in the following reconciliation:

	2005 £	2004 £
<b>Profit on ordinary activities before taxation</b>	<u>2,200,359</u>	<u>1,254,979</u>
<b>Tax on profit on ordinary activities at standard UK corporation tax rate</b>	<b>660,108</b>	<b>376,494</b>
Effects of:		
Expenses not deductible for tax purposes	48,601	60,692
Depreciation in excess of capital allowances	119,510	125,256
Adjustments to tax charge in respect of previous periods	-	68,117
<b>Current tax charge for year</b>	<u>828,219</u>	<u>630,559</u>

Notes to the financial statements  
(For the year ended 30 November 2005)

**8 Tangible fixed assets**

All tangible fixed assets relate to computer hardware and software development.

	£
<b>Cost</b>	
Beginning of year	16,115,383
Additions	2,373,326
Disposals	-
End of year	<u>18,488,709</u>
<b>Accumulated depreciation</b>	
Beginning of year	13,279,544
Charge for the year	2,335,986
On disposals	-
End of year	<u>15,615,530</u>
<b>Net book value at end of year</b>	<u>2,873,179</u>
<b>Net book value at beginning of year</b>	<u>2,835,839</u>

**9 Debtors: Amounts falling due within one year**

	2005 £	2004 £
Amounts due from group undertakings	25,182,743	10,252,663
Amounts due from joint venture undertakings and other related parties (note 17)	-	930,540
Deferred tax asset (note 11)	881,904	782,935
Other debtors	609,385	359,459
	<u>26,674,032</u>	<u>12,325,597</u>

**10 Creditors: Amounts falling due within one year**

	2005 £	2004 £
Trade creditors	2,566,834	518,664
Amounts owed to group undertakings	13,892,857	6,102,168
Group relief and corporation tax owed to group undertakings	2,315,168	2,181,881
Corporation tax	694,930	-
Accruals and deferred income	3,133,880	689,902
	<u>22,603,669</u>	<u>9,492,615</u>

Notes to the financial statements  
(For the year ended 30 November 2005)

**11 Deferred tax asset**

	2005 £	2004 £
At beginning of year	782,935	561,836
Credit for the year	98,969	221,099
At end of year	<u>881,904</u>	<u>782,935</u>

The amount provided for deferred taxation arises on the differences between accumulated depreciation and capital allowances. A deferred tax asset has been recognised in respect of the tax written-down values being in excess of the carrying value of the company's fixed assets. This asset is recoverable based on the future projected profitability of the company.

**12 Called-up equity share capital**

	2005 £	2004 £
<i>Authorised, allotted, called-up and fully paid:</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**13 Reserves**

The movement during the year was as follows:

	2005 £	2004 £
<i>Profit and Loss Account:</i>		
At beginning of year	5,668,721	4,823,202
Profit for the year	1,471,109	845,519
At end of year	<u>7,139,830</u>	<u>5,668,721</u>

All reserves are regarded as distributable.

Notes to the financial statements  
(For the year ended 30 November 2005)

**14 Reconciliation of movements in shareholders' funds**

	2005 £	2004 £
Opening shareholders' funds	5,668,821	4,823,302
Profit for the financial year	1,471,109	845,519
Closing shareholders' funds	<u>7,139,930</u>	<u>5,668,821</u>

**15 Guarantees and other financial commitments**

*a) Capital commitments*

There were no capital commitments at 30 November 2005 (2004 - £nil).

*b) Pension commitments*

**Personal pension plan**

The company participates in the Stolt Offshore Group Personal Pension Plan which is a defined contribution scheme. Total contributions to this scheme during the year were £499,090 (2004: £498,785) and there were no accruals or prepayments at 30 November 2005 (2004:£nil).

**Defined benefit scheme**

The company also participates in a defined benefit scheme whose assets are independent of the Acergy Group's finances. Scheme valuations are carried out by independent professionally qualified actuaries to determine pension costs, using the projected unit method; any imbalance between assets and liabilities is adjusted over the average future service life of members of the scheme. The pension costs of this scheme are assessed across its membership as a whole. It is not possible to determine the share of the scheme's assets and liabilities that relates to Acergy M S Ltd and the company therefore accounts for the scheme as if it were a defined contribution scheme. Upon adoption of FRS 17, this approach will be maintained as the company will meet the multi employer exemption set out in that standard. The SSAP 24 and FRS 17 information provided below therefore relates to the scheme as a whole rather than the share relating solely to Acergy MS Ltd. The scheme is closed to new entrants.

The most recent full actuarial valuation for SSAP 24 purposes was carried out on 30 November 2003, calculated using the Projected Unit Credit method and disclosed a deficit of £ 2,015,000 based on the main funding assumptions of:

- Expected future investment return - pre-retirement 8.0%
- post-retirement 6.0%
- Annual salary increases 6.5%

The profit and loss account of the company is being charged with the regular pension cost. The resulting charge to the profit and loss account in the current year was £ 58,726 (2004: £16,130).

Notes to the financial statements  
(For the year ended 30 November 2005)

**15 Guarantees and other financial commitments (continued)**

*b) Pension commitments (continued)*

The actuarial valuation described above has been updated at 30 November 2005 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value. The major assumptions used for the actuarial valuation were:

	2005	2004
	%	%
Rate of increase in salaries	3.5	3.5
Rate of increase in pensions in payment	2.5	2.5
Discount rate	4.85	5.25
Inflation assumption	2.5	2.5

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Long-term rate of return expected at 30 November 2005 %	Value at 30 November 2005 £'000	Long-term rate of return expected at 30 November 2004 %	Value at 30 November 2004 £'000
Equities	7.5	5,789	8.00	4,535
Bonds	4.85	1,954	5.25	1,331
Other	4	180	4.00	497
Total fair value of assets		7,923		6,363
Present value of scheme liabilities		(11,774)		(9,999)
Deficit in the scheme		(3,851)		(3,636)
Related deferred tax asset		1,155		1,091
Net pension liability		(2,696)		(2,545)

The contribution rate for 2005 was 30.1% (2004 - 30.1%) of pensionable earnings.

Analysis of the amount that would have been charged to operating profit under FRS 17:

	2005	2004
	£'000	£'000
Current service cost	182	213
Past service cost	-	-
Total operating charge	182	213

Notes to the financial statements  
(For the year ended 30 November 2005)

**15 Guarantees and other financial commitments (continued)**

*b) Pension commitments (continued)*

Analysis of the amount that would have been charged to net finance income under FRS 17:

	2005 £'000	2004 £'000
Expected return on pension scheme assets	458	389
Interest on pension scheme liabilities	(531)	(507)
Net charge	<u>(73)</u>	<u>(118)</u>

Analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses:

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	912	322
Experience gains and losses arising on the scheme liabilities	(413)	(3)
Changes in assumptions underlying the present value of the scheme liabilities	(756)	(694)
Actuarial loss recognised in statement of total recognised gains and losses	<u>(257)</u>	<u>(375)</u>

	2005	2004
History of experience gains and losses		

**Difference between the expected and actual return on scheme assets:**

Amount (£'000)	912	322
Percentage of scheme assets	11.5%	5.1%
<b>Experience gains and losses on scheme liabilities:</b>		
Amount (£'000)	(413)	(3)
Percentage of the present value of scheme liabilities	3.5%	0.0%
<b>Total actuarial loss recognised in the statement of total recognised gains and losses</b>		
Amount (£'000)	(257)	(375)
Percentage of the present value of scheme liabilities	2.2%	3.8%

**16 Immediate and ultimate holding company**

The immediate parent company of Acergy M.S. Limited is Acergy M.S. Ltd, a company incorporated in Bermuda.

Acergy S.A. (formerly Stolt Offshore S.A.) is the ultimate parent company of the company and is the parent company of the smallest and largest group in which the results of the company are consolidated. Copies of the financial statements of Acergy S.A. are available from Dolphin House, Windmill Road, Sunbury-on-Thames, Middlesex, TW16 7HT, United Kingdom.

Notes to the financial statements  
(For the year ended 30 November 2005)

**17 Related Party Transactions**

The company is exempt from the requirement of FRS 8 to include details of transactions with related parties who are fellow group undertakings.

Amounts due from joint venture undertakings at 30 November 2005 were £ 1,566 (2004 - £1,566) due from Seaway Heavy Lifting Limited and £ nil (2004 - £928,974) due from Marlowe Insurance Limited. The amounts due from other related parties were £ nil (2004 - £ nil). Amounts owed at the balance sheet date are disclosed in note 9.