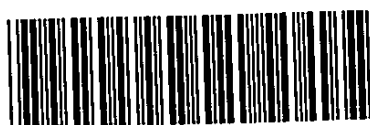


**Company Registration No. 02074427**

**Subsea 7 M.S. Limited ( formerly  
Acergy M.S. Limited)  
Report and Financial Statements**

**30 November 2010**

THURSDAY



\*L5104WSJ\*

LD5

18/08/2011

6

COMPANIES HOUSE

---

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>6</b>
<b>Independent auditors' report</b>	<b>7</b>
<b>Profit and loss account</b>	<b>9</b>
<b>Statement of total recognised gains and losses</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12</b>

---

---

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Officers and professional advisers**

#### **Directors**

Jean Cahuzac  
Keith Tipson  
Simon Crowe  
Graeme Murray – appointed 25 July 2011

#### **Secretary**

Loes Smeets

#### **Registered Office**

200 Hammersmith Road  
London  
England  
W6 7DL

#### **Bankers**

HSBC  
2 Queen's Road  
Aberdeen

#### **Independent Auditors**

Deloitte LLP  
Chartered Accountants  
London

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 November 2010

#### Principal activities, enhanced business review and future prospects

The company is a wholly owned subsidiary of Subsea 7 Holdings (UK) Limited, a company registered in England, and operates as part of the Subsea 7 S A (formerly known as Acergy S A ) group's corporate division

The company's principal activity is the provision of management services to other group companies. The company has a contract in Brazil to provide engineering and subsea services to the offshore oil and gas industry. The company entered into an undisclosed agency agreement with another Subsea 7 group company whereby all the financial risks and rewards in connection with the company's Brazilian contract will be borne by the other Subsea 7 group company. As a result no profit or loss in connection with this contract is recorded in the books of the company.

The directors foresee this change in the company's activities as a temporary change and do not intend to enter into any further operational contracts.

On 12 January 2011 the company changed its name from Acergy M S Limited to Subsea 7 M S Limited. During the year the immediate parent company of Subsea 7 M S Limited (formerly Acergy M S Limited) changed from Acergy (Gibraltar) Limited to Subsea 7 Holdings (UK) Limited.

#### Results and dividends

Results and statement of profit and loss reserve are as follows

	2010 £'000	2009 £'000
Profit and loss reserve at 1 December 2009	25,050	20,649
Profit for the financial year	1,575	4,401
Dividend payment	(20,000)	-
Profit and loss reserve at 30 November 2010	<u>6,625</u>	<u>25,050</u>

#### Dividends on equity shares

A final dividend payment of £20 million at £200,000 per ordinary share was paid in 2010 (2009 nil)

#### Key performance indicators

The Directors believe the company's key performance indicators are turnover, profit after tax and the level of group funding.

As shown in the company's profit and loss account on page 9, the company's sales have decreased by £27.6 million over the prior year primarily as a result of the above mentioned operating contract which was substantially completed in the prior year. The profit after tax has decreased from £4.4 million to £1.6 million largely as a result of the reduction in the mark up charged on provision of administrative and accounting services.

The level of group funding is discussed in detail within the liquidity risk note.

As the Subsea 7 Group manages its operations on a larger, regional basis, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for any understanding of the development, performance or position of the business.

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Directors' report (continued)**

#### **Going concern**

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

#### **Principal risks and uncertainties**

The company's activities expose it to a number of risks and uncertainties. These include price risk, cash flow risk, credit risk, foreign exchange and liquidity risk.

##### **Price risk**

The operational contract entered into by the company was "lump sum" price in nature and these are significantly higher-risk than "cost plus" priced contracts. The company manages its risks in numerous ways including, but not limited to: a rigorous review and authorisation process for all tenders, detailed review and approval of all significant contractual terms and conditions, careful selection and monitoring of all subcontractors, application of specific processes for the selection, training and development of staff, and the close monitoring of all variances to the original scope of work.

The risks to the Subsea 7 S A group as a whole are discussed in the Subsea 7 S A annual report which does not form part of this report.

##### **Cash flow risk**

The company's cash flow risk is managed by group funding.

##### **Credit risk**

Credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies. Credit risk on trading activities is also limited as the only exposure is to a major national oil and gas company.

##### **Foreign exchange risk**

The company's funding structure exposes it primarily to financial risks of changes in foreign currency exchange rates due to inter-company funding balances in non-functional currencies with the Group treasury company. The treasury company uses a range of financial instruments (foreign exchange forward and swap contracts) to minimise this foreign currency exposure on behalf of the Group.

##### **Liquidity risk**

Although the Company had net assets at the balance sheet date, a proportion of the debts are due from other Subsea 7 entities. These entities are part of a larger group of which the ultimate parent Company is Subsea 7 S A. The Group has considerable financial resources and the directors consider these balances to be recoverable.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company relies on short-term debt finance from the Group treasury company.

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Directors' report (continued)**

#### **Directors and their interests**

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

Jean Cahuzac

K Tipson

S Crowe

Graeme Murray – appointed 25 July 2011

#### **Post balance sheet events**

The acquisition by Acergy S A of Subsea 7 Inc was completed on 7 January 2011 after closing of the Oslo Børs. The Company issued 156,839,759 new shares to the Subsea 7 Inc shareholders in consideration for the issue to the Company of all Subsea 7 Inc shares, at which point, the shares of Subsea 7 Inc were delisted. The fair value of the newly issued shares was \$25.19 per share, resulting in an aggregate consideration of \$3.95 billion. Upon completion Acergy S A's name changed to Subsea 7 S A. The first day of trading in the shares of the new Company, Subsea 7 S A, was 10 January 2011.

On 12 January 2011, Acergy M S Limited changed its name to Subsea 7 M S Limited.

On 15 February 2011, the Subsea 7 group announced its intention to apply for voluntary delisting from the NASDAQ Global Select Market and to deregister and terminate its reporting obligations under the Securities Exchange Act of 1934. The delisting became effective after closing of the NASDAQ Global Select Market on March 7, 2011.

#### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **Employees**

Details of the number of employees and related costs can be found in note 7 to the financial statements on page 16.

#### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Directors' report (continued)**

#### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken 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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Jean Cahuzac', with a long horizontal line extending to the right.

Jean Cahuzac  
Director

17<sup>th</sup> August 2011

---

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 members of Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

We have audited the financial statements of Subsea 7 M S Limited (formerly Acergy M S Limited) for the year ended 30 November 2010 which comprise the Profit and loss account, Statement of total recognised gains and losses, the Balance sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 November 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditors' report to the members of  
Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)  
(continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Dean Cook MA FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

18<sup>th</sup> August 2011

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Profit and loss account Year ended 30 November 2010

	Notes	2010 £'000	2009 £'000
<b>Turnover</b>	2	111,492	139,057
Cost of sales		(6,456)	(55,248)
<b>Gross Profit</b>		105,036	83,809
Administrative expenses		(84,086)	(79,553)
Impairment	11	(4 483)	-
Loss on sale of fixed assets		(7)	-
<b>Operating profit</b>		16,460	4,256
Interest receivable and similar income	3	-	-
Interest payable and similar charges	4	(1,149)	(977)
Other expenses	5	(13,695)	(40)
<b>Profit on ordinary activities before taxation</b>	6	1,616	3,239
Tax (charge) /credit on profit on ordinary activities	8	(41)	1,162
<b>Retained profit for the financial year</b>	18, 19	1,575	4,401

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

---

**Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

**Statement of total recognised gains and losses**  
**Year ended 30 November 2010**

	<b>Note</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Profit for the financial year		1,575	4,401
Currency translation difference on foreign branch	18	(2,330)	4,106
Total recognised (loss)/gain relating to the year		<u>(755)</u>	<u>8,507</u>

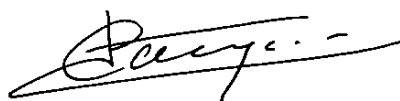
## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Balance sheet 30 November 2010

	Notes	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Investments	10	-	-
Tangible fixed assets	11	5,684	8,434
		<u>5,684</u>	<u>8,434</u>
<b>Current assets</b>			
Debtors amounts falling due within one year	12	80,981	93,711
Cash at bank and in hand		1,262	2,388
		<u>82,243</u>	<u>96,099</u>
<b>Creditors: amounts falling due within one year</b>	13	(79,804)	(73,597)
		<u>2,439</u>	<u>22,502</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>		<u>8,123</u>	<u>30,936</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(1,800)	(372)
<b>Provisions for liabilities</b>	16	(506)	(4,638)
		<u>5,817</u>	<u>25,926</u>
<b>Capital and reserves</b>			
Called up equity share capital	17	-	-
Profit and loss account	18	6,625	25,050
Translation reserve	18	(6,184)	(3,854)
Other reserves	18	5,376	4,730
		<u>5,817</u>	<u>25,926</u>
<b>Shareholder's funds</b>	19	<u>5,817</u>	<u>25,926</u>

The financial statements of Subsea 7 M S Limited (formerly Acergy M S Limited) (registered number 02074427) were approved by the Board of Directors on 17<sup>th</sup> August 2011

Signed on behalf of the Board of Directors



Jean Cahuzac  
Director

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Notes to the financial statements Year ended 30 November 2010**

#### **1. Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below

##### **Basis of accounting**

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

##### **Going concern basis**

The financial statements have been prepared under the assumption that the company will continue to operate as a going concern. The directors consider this appropriate given that all of the debtor balances are due from other companies within the Acergy S A Group which is in a strong financial position and as such are considered recoverable. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Refer to the Director's Report for further analysis on risks.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **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 (note 23) whose financial statements contain a consolidated cash flow statement and are available to the public.

##### **Basis of consolidation**

Consolidated financial statements have not been prepared for the company and its subsidiary undertakings as provided by section 400 of the Companies Act 2006. These financial statements accordingly present the position of the company, and not of the group.

##### **Investments**

Fixed asset investments are shown at cost less provision for any impairment.

##### **Tangible fixed assets**

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

Assets under construction are carried at cost, less any recognised impairment loss. Cost includes external professional fees and borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

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
--	-----------

Fixtures and fittings	5 years
-----------------------	---------

Residual value is calculated on prices prevailing at the date of acquisition.

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Notes to the financial statements Year ended 30 November 2010**

#### **1. Accounting policies (continued)**

##### **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

##### **Pension costs**

The Company participates in a defined benefit multi-employer scheme, the assets of which are held independently from the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. Further details are given in note 20

The company also makes contributions to personal pension plans for eligible employees. Contributions to this scheme are charged to the profit and loss account as incurred. Any differences between contributions due and paid are included within prepayments or accruals

##### **Foreign currency and financial instruments**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Forward contracts are accounted for on an accruals basis

The results of an overseas branch are translated at the average rate of exchange during the period and its balance sheet at the rate ruling at the balance sheet date. Exchange differences arising on the translation of the balance sheet are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account

##### **Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as work in progress

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Notes to the financial statements Year ended 30 November 2010**

#### **1. Accounting policies (continued)**

##### **Revenue recognition**

Long-term contracts are accounted for using the percentage of completion method. Revenue and gross profit are recognised each period based upon the advancement of the work-in-progress unless the stage of completion is insufficient to enable a reasonably certain forecast of gross profit to be established. In such cases, no gross profit is recognised during the period. The percentage of completion is calculated based on the ratio of costs incurred to date to total estimated costs. Provisions for anticipated losses are made in the period in which they become known.

A part of the company's revenue is billed under a fixed-priced contract. However, due to the nature of the services performed, variation orders and claims are commonly billed to the customers in the normal course of business and are recognised as contract revenue when realisation is probable and can be reasonably estimated. In addition, some contracts contain incentive provisions based upon performance in relation to established targets which are recognised in the contract estimates when deemed realisable.

The financial reporting of the company's operational contract depends on estimates, which are assessed continually during the term of the contract. Recognised revenues and profits are subject to revisions as the contract progresses to completion and revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known.

Revenue from the provision of administrative and accounting services is recognised in line with the service being provided.

##### **Share based payments**

Certain employees of the Group receive part of their remuneration in the form of share options, shares and cash bonuses on performance of the Group.

Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Black-Scholes or Monte Carlo model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, in the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

The cumulative expense recognised for equity-settled transactions at each balance sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity in respect of social security contributions, based on the intrinsic unrealised value of the stock option using the stock price on the balance sheet date. The net income or expense for a period represents the differences in cumulative expense recognised at the beginning and end of that period.

Cash-settled share-based payments are measured at fair value on the date on which the scheme has been granted. The cost is recognised and remeasured at the balance sheet date until the liability is settled and the date of settlement with any changes in fair value recognised in the consolidated income statement.

##### **Leases**

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

##### **Derivative Financial Instruments**

The company does not hold or issue derivative financial instruments for speculative purposes, but entered into a contract in a prior year which contained an embedded derivative. The company has chosen not to adopt the valuation requirements of FRS 26 Financial Instruments: Recognition and Measurement. Amounts payable or receivable in respect of the contract are recognised on an accruals basis in line with the requirements of the respective agreement.

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 2. Turnover

The turnover is specified as follows

	2010 £'000	2009 £'000
Construction activities – Brazil	21,999	57,021
Provision of administrative and accounting Services	89,493	82,036
	<u>111,492</u>	<u>139,057</u>

#### 3. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest receivable	-	-

#### 4. Interest payable and similar charges

	2010 £'000	2009 £'000
On borrowings from group undertakings	1,149	977
	<u>1,149</u>	<u>977</u>

#### 5. Other expenses

	2010 £'000	2009 £'000
Construction contract losses borne by another group company	13,695	40

#### 6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
Depreciation of owned tangible fixed assets	3,040	3,858
Impairment of software development costs	4,483	-
Operating lease expenses – Buildings	904	703
Defined pension contribution scheme	54	83

The company has incurred fees payable to the company's auditors for the audit of the company's annual accounts of £15,000 (2009 £15,000) during the year. There are no non-audit fees incurred in either the current year or the preceding year.

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 7. Staff costs

The average monthly number of administrative persons employed by the company during the year was 298 (2009 – 219)

	2010 £'000	2009 £'000
Employee costs during the year amounted to		
Wages and salaries	22,736	16,622
Social security costs	2,571	2,002
Other pension costs (see note 20)	2,369	1,802
Share-based payments (see note 21)	1,504	1,071
	<u>29,180</u>	<u>21,497</u>

#### Directors' remuneration

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

	2010 £'000	2009 £'000
Emoluments	2,696	2,533
Contributions to defined contribution schemes	316	278
Share-based payments	892	310
	<u>3,904</u>	<u>3,121</u>

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

	2010 £'000	2009 £'000
Emoluments	1,431	1,145
Contributions to defined contribution schemes	207	207
Share-based payments	678	253
	<u>2,316</u>	<u>1,605</u>

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 8. Tax on profit on ordinary activities

The tax credit comprises

	2010 £'000	2009 £'000
<b>Current tax</b>		
UK corporation tax	1,354	1,225
Foreign tax charge	221	-
Adjustment in respect of prior years		
- UK Corporation Tax	(572)	(864)
<b>Total current tax</b>	<u>1,003</u>	<u>361</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences		
- Current year	(1,021)	(1,022)
Adjustment in respect of prior years	(16)	(501)
Adjustments in respect of rate change	75	-
<b>Total deferred tax (see note 14)</b>	<u>(962)</u>	<u>(1,523)</u>
<b>Total tax charge/(credit) on profit on ordinary activities</b>	<u>41</u>	<u>(1,162)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 28%)  
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

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	<u>1,616</u>	<u>3,239</u>
Tax on profit on ordinary activities at standard UK corporation tax rate	452	907
Effects of		
Adjustment in respect of share options	(597)	131
Other timing differences	400	(167)
Expenses not deductible for tax purposes	13	16
Depreciation in excess of capital allowances	1,086	338
Adjustment in respect of prior years	(572)	(864)
Withholding tax suffered	221	-
<b>Current tax charge for year</b>	<u>1,003</u>	<u>361</u>

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 9. Dividends on equity shares

	2010 £'000	2009 £'000
Final dividend for the year ended 31 December 2010 of £200,000 (2009 nil) per ordinary share	20,000	-

#### 10. Fixed asset investments

	2010 £	2009 £
<b>Cost</b>		
At 1 December 2009 and 30 November 2010	1	1

Name of Company	Country of incorporation	Principal activity	Proportion of shares held by the company	Description of shares held by the company
Thames International Enterprise Limited	England	General trading company	100%	1 £1 ordinary share

#### 11. Tangible assets

	Fixtures and fittings £'000	Computer equipment £'000	Construction in progress £'000	Software development costs £'000	Total tangible assets £'000
<b>Cost</b>					
At 1 December 2009	1,024	26,088	-	3,417	30,529
Additions	-	975	216	3,589	4,780
Disposals	-	(69)	-	-	(69)
At 30 November 2010	1,024	26,994	216	7,006	35,240
<b>Accumulated depreciation</b>					
At 1 December 2009	341	21,754	-	-	22,095
Charge for the year	206	2,834	-	-	3,040
Impairment	-	-	-	4,483	4,483
Disposals	-	(62)	-	-	(62)
At 30 November 2010	547	24,526	-	4,483	29,556
<b>Net book value</b>					
At 30 November 2010	477	2,468	216	2,523	5,684
At 31 November 2009	683	4,334	-	3,417	8,434

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 12. Debtors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade debtors	10,639	11,589
Amounts due from group undertakings	59,987	75,698
Amounts due from other related parties (note 24)	128	347
Deferred tax asset (note 14)	3,206	2,244
Other debtors	7,021	3,833
	<u>80,981</u>	<u>93,711</u>

#### 13. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	6,309	7,261
Amounts owed to group undertakings	53,524	53,493
Group relief and corporation tax owed to group undertakings	3,320	1,298
Accruals and deferred income	16,651	11,545
	<u>79,804</u>	<u>73,597</u>

Interest bearing loans included within amounts owed to group undertakings bear interest at LIBOR +1%

#### 14. Deferred tax asset

	2010 £'000	2009 £'000
At beginning of year	2,244	721
Credit for the year	1,021	1,022
Adjustments in respect of prior years	16	501
Adjustment in respect of tax rate charge	(75)	-
At end of year	<u>3,206</u>	<u>2,244</u>

Deferred tax has been provided on the following temporary differences

	2010 £'000	2009 £'000
Depreciation in excess of capital allowances	2,318	1,560
Share Options	342	684
Bonuses and pension	546	-
	<u>3,206</u>	<u>2,244</u>

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 14 Deferred tax asset (continued)

During the period the 2010 Finance Bill was enacted which will reduce the UK Corporation tax rate from 28% to 27% from 1 April 2011. Deferred tax balances have been recognised at 27% (2009: 28%).

The UK Government subsequently announced on 23 March 2011 that the rate of Corporation tax will reduce to 26% from 1 April 2011, with further reductions of 1% each year until the rate reaches 23% from 1 April 2014. Deferred tax has not been recognised at these rates as they had not been substantively enacted at the balance sheet date.

#### 15 Creditors: amounts falling due after one year

	2010 £'000	2009 £'000
Other creditors – long term bonus scheme	925	372
Share based cash option schemes	875	-
	<u>1,800</u>	<u>372</u>

#### 16 Provision for liabilities

	Social security charges on share based payments £'000	Other provisions – future contract losses £'000	Total £'000
At 1 December 2009	236	4,402	4,638
Charge/(credit) to profit and loss	270	(4,402)	(4,132)
At 30 November 2010	<u>506</u>	<u>-</u>	<u>506</u>

##### Social security charges on share based payments

Provision relates to National Insurance Contributions which will become payable on exercise of share options (note 21).

##### Other provisions – future contract losses

Provisions for anticipated losses are made in the period in which they become known. This provision was reversed due to contract returning to profitability during the year.

#### 17 Called-up equity share capital

	2010 £	2009 £
Authorised, allotted, called-up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 18. Reserves

	Profit and loss account £'000	Translatio n reserve £'000	Other reserves £'000	Total £'000
At 1 December 2009	25,050	(3,854)	4,730	25,926
Profit for the year	1,575	-	-	1,575
Currency translation difference on foreign branch	-	(2,330)	-	(2,330)
Share-based payments	-	-	646	646
Dividend payment	(20,000)	-	-	(20,000)
At 30 November 2010	6,625	(6,184)	5,376	5,817

With the exception of the translation reserve and other reserves, all reserves are regarded as distributable

#### Other reserves

Other reserves relate to the provision for share-based payments measured at fair value at the date of grant

#### 19. Reconciliation of movements in shareholder's funds

	2010 £'000	2009 £'000
Opening shareholder's funds	25,926	16,348
Profit for the financial year	1,575	4,401
Currency translation difference on foreign branch	(2,330)	4,106
Share-based payments	646	1,071
Intercompany dividend	(20,000)	-
Closing shareholder's funds	5,817	25,926

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 20. Guarantees and other financial commitments

##### a) Capital commitments

There were no capital commitments at 30 November 2010 (2009 £nil)

##### b) Pension commitments

###### *Personal pension plan*

The company makes contributions to employee's personal pension plans. Total contributions during the year were £2,368,837 (2009 £1,801,549)

###### *Defined benefit scheme*

Two of the Companies onshore employees participate in a defined benefit (final salary) multi-employer scheme, the assets of which are held independently from the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly the disclosures for the whole scheme are shown below.

The scheme is financed through a separate trustee administered fund and is contracted in to SERPS. Contributions to the scheme by the employer are in accordance with recommendations of independent professional actuaries. Scheme valuations are carried out by independent professionally qualified actuaries to determine pension costs. Any imbalance between the assets and liabilities is adjusted over the average future service life of members of the scheme. The scheme is closed to new entrants and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

The most recent actuarial valuation of scheme assets and present value of the defined benefit obligation was carried out on 31 August 2009 by Mr Kenneth Auld, fellow of the Institute of Actuaries.

The actuarial valuation described above has been updated at 30 November 2010 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.

	2010 £'000	2009 £'000	2008 £'000
Rate of increase in salaries	4.85	4.8	5.0
Rate of increase in pensions in payment	3.05	3.0	3.0
Discount rate	5.50	5.4	7.0
Inflation assumption	3.10	3.0	3.0

The mortality assumption used for the 30 November 2010 actuarial valuation was 20.8 years for current pensioners aged 65 and 22.3 years for future pensioners currently aged 40.

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements

Year ended 30 November 2010

#### 20. Guarantees and other financial commitments (continued)

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 2010 %	Value at 30 November 2010 £000	Long-term rate of return expected at 30 November 2009 %	Value at 30 November 2009 £000	Long-term rate of return expected at 30 November 2008 %	Value at 30 November 2008 £000
Equities	8.50	2,982	8.40	7,564	8.40	5,641
Corporate Bonds	5.50	2,842	5.25	2,319	5.25	2,186
Fixed Interest Gilts	4.20	1,280				
Index Linked Bonds	4.00	773				
Cash	5.50	54				
Other	8.50	3,007	4.90	(121)	4.90	102
Total fair value of assets		10,938		9,762		7,929
Present value of scheme liabilities		(15,666)		(15,288)		(12,457)
Deficit in the scheme		(4,728)		(5,526)		(4,528)
Related deferred tax asset		1,277		1,547		1,268
Net pension liability		(3,451)		(3,979)		(3,260)

Movement in deficit (pre deferred tax adjustment) during the year

	2010 £'000	2009 £'000
Deficit in scheme at beginning of year	(5,526)	(4,528)
Movement in year		
Current service cost	(180)	(156)
Contributions	602	697
Other finance costs	(58)	(259)
Actuarial gain/(loss)	434	(1,280)
	(4,728)	(5,526)

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

	2010 £'000	2009 £'000
Current service cost	180	156

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 20. Guarantees and other financial commitments (continued)

Analysis of the amount that would have been charged to net cost

	2010 £'000	2009 £'000
Expected return on pension scheme assets	765	585
Interest on pension scheme liabilities	(822)	(844)
Net finance cost	(57)	(259)

Movements in the fair value of scheme assets were as follows

	2010 £'000	2009 £'000
At 1 December	9,762	7,929
Expected return on scheme assets	764	585
Actuarial gains and losses	307	1,498
Contributions by employer	602	697
Contributions from employees	21	13
Benefits paid	(518)	(960)
At 30 November	10,938	9,762

Analysis of the actuarial gain/(loss) that would have been recognised in the statement of total recognised gains and losses of the group

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	307	1,498
Expected gains arising on the scheme liabilities	29	620
Changes in assumptions underlying the present value of the scheme liabilities	98	(3,398)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses of the group	434	(1,280)

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 20. Guarantees and other financial commitments (continued)

	2010	2009	2008	2007	2006
History of experience gains and losses					
<b>Difference between the expected and actual return on scheme assets:</b>					
Amount (£'000)	307	(1,498)	(2,951)	468	314
Percentage of scheme assets	2.80%	15.3%	(37.2)%	5.0%	3.6%
<b>Experience gains and losses on scheme liabilities:</b>					
Amount (£'000)	29	620	(405)	(539)	409
Percentage of the present value of scheme liabilities	(0.2)%	(4.1)%	3.3%	4.0%	3.0%
<b>Total actuarial loss recognised in the statement of total recognised gains and losses</b>					
Amount (£'000)	434	(1,280)	(1,122)	1,299	(1,250)
Percentage of the present value of scheme liabilities	(2.8)%	8.4%	9.0%	9.0%	9.1%

#### 21. Share-based payments

##### Equity-settled share option plan (the '2003 Plan')

The ultimate parent company operates share option plan which was approved in April 2003 (the '2003 Plan'). This plan includes additional options which are granted under the Senior Management Incentive Plan (SMIP). A Compensation Committee by the Board of Directors administers these plans. Options are awarded at the discretion of the Compensation Committee to directors and key employees.

Other than option granted under the SMIP, options under the 2003 Plan may be granted, exercisable for periods of up to ten years, at an exercise price not less than the fair market value per share at the time the option is granted. Such options vest 25% on the first anniversary of the grant date, with an additional 25% vesting on each subsequent anniversary. The costs of these non-performance share options are therefore recognised using the graded vesting attribution method. Share options exercises are satisfied by either issuing new shares or reissuing treasury shares. Furthermore, options are generally forfeited if the share holder leaves the Group under any circumstances other than due to the option holder's death, disability or retirement before his or her options are exercised.

In fiscal year 2010 no common share options were granted (2009: nil common share options).

##### 2009 Long Term Incentive Plan ('Equity Plan')

During the 2010 fiscal year the Board of Directors of the ultimate holding company approved and adopted an equity-settled share plan. The shares issued to UK tax residents under the Equity Plan have been placed in an Employee Benefit Trust (583,000 shares) from shares already held within the group. Shares issued to other employees are held within the group. A compensation Committee appointed by the Board administers these plans. Options are awarded at the discretion of the Compensation Committee to directors and key employees.

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Notes to the financial statements Year ended 30 November 2010**

#### **21. Share-based payments (continued)**

A percentage of the allocated shares to the employees is issued dependent on Acergy's Total Shareholder Return (TSR) performance compared to a global group of Company comparators as selected by the Compensation Committee over a performance period of three years (April 2013). The fair values of these shares are valued using the Monte Carlo model. Furthermore, options are generally forfeited if the share holder leaves the Group under any circumstances other than due to the share holder's death, disability or retirement before the performance period is up.

##### **Special Incentive**

In December 2009 the Board of Directors of the ultimate parent company approved and adopted a cash scheme awarded to selected employees as a cash bonus. The cash bonus is dependent on the share price performance over a three year period ending 31 March 2012 with a capped cash settlement. The cash bonus is determined as a percentage of the employee's salary and capped at 100% of the employees' salary. The employee must remain with the Group over the three year vesting period.

##### **Restricted Share Plan**

In March 2008 the Board of Directors of the ultimate parent approved and adopted a restricted share plan to provide a retention incentive to selected senior executives. The plan stipulates that the number of free (without any cash compensation) shares that may be awarded under the plan may not exceed an average of 350,000 common shares over a three year period. During the three year restricted plan period, participants are not permitted to sell or transfer shares but will be entitled to dividends which will be held by the Group until restricted period lapses during the fiscal year 2011. In April 2008, 65,000 restricted shares were issued to selected senior executives as part of the retention incentive of the plan. The shares had a fair value representing their weighted average market price of USD \$22.23, being the market price on the date of the issue. No further restricted shares have been issued under the Restricted Share Plan.

##### **2010 Long Term Incentive Plan ('Cash Plan')**

During the fiscal 2010 year the Board of Directors of the ultimate parent company approved and adopted a Long Term Incentive Plan for selected employees as a cash bonus. The cash settlement is based on the share price movement over the specified three year vesting period to April 2013 for the nominal allocated number of shares to each employee. No shares have been held under this scheme. The cash bonus is capped at 6 months of the employees' salary or 12 months of the employees' salary depending on their employee rank.

##### **2010 Executive Deferred Incentive Scheme**

During the fiscal 2010 year the Board of Directors of the ultimate parent company approved and adopted a deferred incentive scheme for selected senior executives. The scheme enables the executives to defer, on a voluntary basis, up to 50% of their annual bonus into shares of Subsea 7 S.A. which will be matched in cash at the end of three years subject to performance conditions. The total group value of the bonus deferred was used to purchase 44,015 shares based upon the prevailing share price on 16 April 2010 which was USD \$19.69. Participants who continue to be employed by the Group and hold the shares until 31 March 2013 will receive a cash payment consisting of two elements. There will be a guaranteed payment of 50% of the gross amount deferred and a variable element of up to 100% of the gross amount deferred, but conditional upon reaching target Total Shareholder Return over the three year period to March 2013.

##### **2009 Executive Deferred Incentive Scheme**

During the fiscal 2009 year the Board of Directors of the ultimate parent company approved and adopted a deferred incentive scheme for selected senior executives. The scheme enables the executives to defer, on a voluntary basis, up to 50% of their annual bonus into shares of Subsea 7 S.A. which will be matched in cash at the end of three years subject to performance conditions. The total group value of the bonus deferred was used to purchase 58,374 shares based upon the prevailing share price on 17 April 2009 which was USD \$7.64. The matched element is conditional upon achieving target total shareholder return over the three years to March 2012 and is conditional on the shares being held for three years.

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 21. Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

	2010		2009	
	No of share Options '000	Weighted Ave Exercise price £	No of share Options '000	Weighted Ave Exercise price £
Outstanding at beginning of year	1,123	9 49	1,314	9 23
Granted during year	-	-	-	-
Transferred during the year	199	6 00	109	4 18
Forfeited during year	(91)	11 92	(138)	9 66
Exercised during year	(311)	3 73	(156)	2 71
Expired during year	(9)	8 79	(7)	6 52
Outstanding at end of the year	911	9 77	1,122	9 49
Exercisable at the end of the year	775	9 61	775	7 03

The weighted average fair value of options granted during the 2010 fiscal year was nil (2009 nil)

The expected life of an option is determined by taking into consideration the vesting period of the options, the observed historical pattern of share options exercises, the effect of non-transferability and exercise restrictions. The expected volatility over the expected term of the options is estimated from our historical volatility. For the fiscal year 2008 the expected dividend takes into account the expected dividends over the four year vesting period assuming a growth rate of 5% over the USD \$0.21 dividend declared during the year.

The fair value of each share granted under the Equity Plan is estimated as of the date of grant using the Monte Carlo pricing model with weighted average assumptions as follows:

For the fiscal year

	2010	2009
Weighted average share price (in USD \$)	10.46	-
Expected volatility	51.4%	-
Expected life	3 years	-
Risk-free rate	2.7%	-
Expected dividend yield (in USD \$)	0.22	-

The expected life of the share is the vesting period on which the shares will be issued after the vesting period is complete, provided the performance criteria is met. The expected volatility over the expected term is estimated from our historical volatility. For the fiscal year 2010 the expected dividend takes into account the expected dividends over the three year vesting period assuming growth of 5% over the dividend yield of 2.6%.

## Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)

### Notes to the financial statements Year ended 30 November 2010

#### 21. Share-based payments (continued)

The following table summarises information about the share options outstanding as at 30 November 2010

Common shares (range of exercise prices)	Options outstanding (000's)	Weighted average remaining contractual life (in years)	Weighted average exercise price ( in £)
\$17.01 - 24.20	603	6.75	13.90
\$10.01 - 17.00	127	4.98	7.40
\$3.01 - 10.00	54	3.84	4.04
\$1.19 - 3.00	126	3.29	1.44
<b>Total</b>	<b>910</b>	<b>5.85</b>	<b>9.77</b>

There are no shares vested under the Equity Plan and remain outstanding

The following table summarises the compensation expense during the year

	2010 £'000	2009 £'000
Expense arising from equity-settled share-based payments transactions	646	1,071
Expense arising from cash-settled share-based payment transactions	858	-
	<u>1,504</u>	<u>1,071</u>

#### Recognised cash-settled share based payment liability

The carrying amount of the liability relating to cash-settled payment at 30 November 2010 is £3,126,255 (2009: £nil). No cash awards vested during the period ended 30 November 2010 (2009: nil).

#### 22. Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	Buildings	
Expiry date	2010 £'000	2009 £'000
Within one year	880	928
Within 1-2 years	807	1,017
Between two and five years	-	-
	<u>1,687</u>	<u>1,945</u>

## **Subsea 7 M.S. Limited (formerly Acergy M.S. Limited)**

### **Notes to the financial statements Year ended 30 November 2010**

#### **23. Immediate and ultimate holding company**

During the year the immediate parent company of Subsea 7 M S Limited (formerly Acergy M S Limited) changed from Acergy (Gibraltar) Limited to Subsea 7 Holdings (UK) Limited

Subsea 7 S A is the ultimate parent company and controlling entity 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 Subsea 7 S A are available from the Registered Office of the Company at 412F, route d'Esch, L-2086 Luxembourg, R C S Luxembourg B-43 172

#### **24. 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 Subsea 7 Group joint venture undertakings at 30 November 2010 were £92,759 (2009 £212,893) from SapuraAcergy Sdn Bhd and £35,327 (2009 £133,808) from Seaway Heavy Limited

#### **25. Post balance sheet events**

The acquisition by Acergy S A of Subsea 7 Inc was completed on 7 January 2011 after closing of the Oslo Børs. Acergy S A issued 156,839,759 new shares to the Subsea 7 Inc shareholders in consideration for the issue to the Acergy S A of all Subsea 7 Inc shares, at which point, the shares of Subsea 7 Inc were delisted. The fair value of the newly issued shares was \$25.19 per share, resulting in an aggregate consideration of \$3.95 billion. Upon completion Acergy S A's name changed to Subsea 7 S A. The first day of trading in the shares of the new company, Subsea 7 S A, was 10 January 2011.

On 12 January 2011, Acergy M S Limited changed its name to Subsea 7 M S Limited

On 15 February 2011, the group announced its intention to apply for voluntary delisting from the NASDAQ Global Select Market and to deregister and terminate its reporting obligations under the Securities Exchange Act of 1934. The delisting became effective after closing of the NASDAQ Global Select Market on March 7, 2011.