

Company Registration No. 3646143

**OCEAN DESIGN EUROPE
LIMITED**

Report and Financial Statements

31 December 2003



OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2003

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OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2003

Officers and professional advisers

Directors

M Read
R Brolund
W Revelle
G Leiper

Secretary

Ledingham Chalmers

Registered Office

20-22 Bedford Row
London
WC1R 4JS

Auditors

Deloitte & Touche LLP
Aberdeen

OCEAN DESIGN EUROPE LIMITED

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities

The company's principal activity is the service, installation and repair of subsea connectors.

Results and dividends

The results for the year ended 31 December 2003 are shown in the profit and loss account on page 5. The profit for the year was £30,555 (2002: loss £67,192). The directors do not propose payment of a dividend (2002: £nil) and recommend that the profit for the year of £30,555 (2002: loss £67,192) be transferred to reserves.

The directors are satisfied with the results for the year and continue to look for appropriate business opportunities.

Directors

The directors who served throughout the year and to the date of these accounts, as listed below, had no direct interest in the share capital of the company as at 31 December 2003 (31 December 2002 - nil):

M Read

Dr J Cairns – resigned 24 October 2003

W Revelle

R Brolund – appointed 24 October 2003

G Leiper – appointed 24 October 2003


The company is a wholly owned subsidiary of a body corporate incorporated outside Great Britain and therefore the directors are not required to notify the company of any interests in shares or debentures of that or any other body corporate incorporated outside Great Britain.

Auditors

During the year, Johnsons Accountants Limited resigned as auditors and Deloitte and Touche LLP were appointed.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Director

JULY 1, 2005

OCEAN DESIGN EUROPE LIMITED

Statement of directors' responsibilities

United Kingdom 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 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, 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 directors of

OCEAN DESIGN EUROPE LIMITED

We have audited the financial statements of Ocean Design Europe Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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, 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 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 opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 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
Aberdeen

6 July

2005

OCEAN DESIGN EUROPE LIMITED

Profit and loss account Year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	2	328,497	87,481
Cost of sales		(104,817)	(53,548)
Gross profit		<u>223,680</u>	<u>33,933</u>
Administrative expenses		(193,125)	(101,125)
Profit/(loss) on ordinary activities before tax	4	<u>30,555</u>	<u>(67,192)</u>
Taxation	5	<u>-</u>	<u>-</u>
Retained profit/(loss) on ordinary activities after tax transferred to reserves		30,555	(67,192)
Accumulated losses brought forward		<u>(212,231)</u>	<u>(145,039)</u>
Accumulated losses carried forward		<u><u>(181,676)</u></u>	<u><u>(212,231)</u></u>

All transactions relate to continuing activities.

There were no recognised gains or losses in the period other than those included in the profit and loss account above. Accordingly, no Statement of Total Recognised Gains and Losses is presented.

OCEAN DESIGN EUROPE LIMITED

Balance sheet 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	6	51,972	33,867
Current assets			
Debtors	7	4,952	4,551
Cash at bank and in hand		5,044	2,463
		9,996	7,014
Creditors: amounts falling due within one year	8	(243,642)	(253,110)
Net current liabilities		(233,646)	(246,096)
Net liabilities		(181,674)	(212,229)
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account		(181,676)	(212,231)
Total equity shareholders' deficit		(181,674)	(212,229)

These financial statements were approved by the Directors on *JULY 1, 2005.*

Signed on behalf of the Board of Directors



Director

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided at the following annual rates in order to write off the cost of each asset over its estimated useful life:

Plant and equipment	33% - 50% on cost
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Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs

Pension contributions are charged to the profit and loss account as they become payable.

2. Turnover

Turnover represents the value of goods and services provided within the company's ordinary activities after deduction of trade discounts and Value Added Tax.

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2003

3. Information regarding directors and employees

	2003 £	2002 £
Directors' emoluments	13,892	-
Pension contributions	1,875	-
	<u> </u>	<u> </u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	1	-
	<u> </u>	<u> </u>
	2003 £	2002 £
Staff costs during the year		
Wages and salaries	123,529	93,710
Social security costs	12,760	9,671
Pension costs	5,735	-
	<u>142,024</u>	<u>103,381</u>
	No.	No.
Average number of persons employed (including directors)		
Sales	3	3
Administration	3	3
	<u>6</u>	<u>6</u>

4. Profit/(loss) on ordinary activities before tax

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax is stated after charging/(crediting);		
Depreciation	40,556	2,985
Foreign exchange gains	(17,903)	-
Auditors' remuneration	3,500	1,058
	<u> </u>	<u> </u>

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements

Year ended 31 December 2003

5. Tax on profit/(loss) on ordinary activities

	2003 £	2002 £
United Kingdom corporation tax at 19% (2002: 19%) based on profit/(loss) for the year	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2002: 19%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	30,555	(67,192)
Tax on profit/(loss) on ordinary activities at standard rate	5,805	(12,766)

Factors affecting charge for the period:

Expenses not deductible for tax purposes	70	-
Capital allowances in excess of depreciation	7,706	567
(Utilisation) / carry forward of losses	(13,581)	12,199
	-	-

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2003

6. Tangible fixed assets

	Plant & equipment £
Cost	
At 1 January 2003	36,852
Additions in year	40,691
Transfer from parent undertaking	25,867
	<hr/>
At 31 December 2003	103,410
	<hr/>
Accumulated depreciation	
At 1 January 2003	2,985
Transfer from parent undertaking	7,897
Charge in the year	40,556
	<hr/>
At 31 December 2003	51,438
	<hr/>
Net book value	
At 31 December 2003	51,972
	<hr/> <hr/>
At 31 December 2002	33,867
	<hr/> <hr/>

7. Debtors

	2003 £	2002 £
Amounts due from group undertaking	-	777
Prepayments and accrued income	4,952	3,774
	<hr/>	<hr/>
	4,952	4,551
	<hr/> <hr/>	<hr/> <hr/>

8. Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts due to group undertaking	189,983	245,471
Other taxes and social security	50,159	3,192
Accruals and deferred income	3,500	4,447
	<hr/>	<hr/>
	243,642	253,110
	<hr/> <hr/>	<hr/> <hr/>

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Notes to the financial statements Year ended 31 December 2003

9. Deferred taxation

	2003 £	2002 £
Unrecognised deferred tax asset		
Capital allowances less than depreciation	(8,273)	(567)
Trading losses	(26,170)	(39,738)
	<u>(34,443)</u>	<u>(40,305)</u>

The deferred tax asset has not been recognised due to the uncertainty of availability and timing of future relevant taxable profits.

10. Called up share capital

	2003 £	2002 £
Authorised:		
2 Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>
Called up, allotted and fully paid		
Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

11. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	<u>30,555</u>	<u>(67,192)</u>
Net increase in shareholders' funds	30,555	(67,192)
Opening shareholders' funds	<u>(212,229)</u>	<u>(145,037)</u>
Closing shareholders' funds	<u>(181,674)</u>	<u>(212,229)</u>

12. Pension

The company makes payment to certain employees in respect of pension contributions. The pension cost charge amounted to £5,735 (2002: £nil). There were no accrued or prepaid contributions at 31 December 2003 (2002: £nil).

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2003

13. Ultimate parent company

The company is a wholly owned subsidiary of Ocean Design Inc., a privately owned company incorporated in the United States of America, which heads the only group for which consolidated financial statements are prepared.

14. Related party transactions

During the year, the company has been recharged £17,970 by Ocean Design Inc., being the net book value of fixed asset additions transferred.

During the year, the company has recognised sales to Ocean Design Inc. of £278,786.

At the balance sheet date, the company owed Ocean Design Inc. £189,983 in respect of trading balances.