

Company Registration No. 3646143

**OCEAN DESIGN EUROPE
LIMITED**

Report and Financial Statements

31 December 2005



OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2005

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OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2005

Officers and professional advisers

Directors

M Read
R Brolund
W Revelle

Secretary

Ledge 931 Limited

Registered office

20-22 Bedford Row
London
WC1R 4JS

Bankers

The Royal Bank of Scotland
18 Ellon Road
Bridge of Don
Aberdeen
AB23 8EA

Solicitors

Ledingham Chalmers
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1HA

Independent 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 2005.

Principal activities

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

Review of developments and future prospects

The results for the year ended 31 December 2005 are shown in the profit and loss account on page 5. The profit for the year was £72,536 (2004: £82,512). The directors do not propose payment of a dividend (2004: £nil) and recommend that the profit for the year of £72,536 (2004: £82,512) is transferred to reserves.

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

Directors and their interests

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 2005 (2004: nil):

M Read

W Revelle

R Brolund

G Leiper (deceased – 25/09/05)

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

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

Oct. 8, 2006

OCEAN DESIGN EUROPE LIMITED

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. 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 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 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs and of its profit for the year then ended 31 December 2005; and
- ☐ the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Aberdeen, United Kingdom

24 October 2006

OCEAN DESIGN EUROPE LIMITED

Profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	652,634	676,561
Cost of sales		(313,361)	(311,941)
Gross profit		339,273	364,620
Administrative expenses		(259,313)	(282,108)
Operating profit	4	79,960	82,512
Interest receivable and similar income		947	-
Profit on ordinary activities before tax		80,907	82,512
Taxation	5	(8,371)	-
Profit on ordinary activities after tax and transferred to reserves		72,536	82,512
Accumulated losses brought forward		(99,164)	(181,676)
Accumulated losses carried forward		(26,628)	(99,164)

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 for the current and prior year. Accordingly, a Statement of Total Recognised Gains and Losses is not presented.

OCEAN DESIGN EUROPE LIMITED

Balance sheet 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	3,831	28,624
Current assets			
Stock	7	7,910	6,624
Debtors	8	106,919	83,700
Cash at bank and in hand		81,910	33,380
		<u>196,739</u>	<u>123,704</u>
Creditors: amounts falling due within one year	9	(227,196)	(251,490)
Net current liabilities		<u>(30,457)</u>	<u>(127,786)</u>
Net liabilities		<u>(26,626)</u>	<u>(99,162)</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		(26,628)	(99,164)
Total equity shareholders' deficit		<u>(26,626)</u>	<u>(99,162)</u>

These financial statements were approved by the Directors on 20th Dec 2006.

Signed on behalf of the Board of Directors



Director

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2005

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.

Stock

Stocks and work in progress are valued at the lower of cost and estimated net realisable value. Cost represents purchase price.

Operating leases

Rental under operating leases are charged on a straight line basis over the lease term.

Pension costs

Pension contributions to a defined contribution scheme 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. All sales are made in Europe.

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2005

3. Information regarding directors and employees

	2005 £	2004 £
Directors' emoluments	83,591	103,873
Pension contributions	8,438	11,220
	<u>90,029</u>	<u>115,093</u>

	No.	No.
Number of directors who are members of a defined contribution pension scheme	<u>1</u>	<u>1</u>

	2005 £	2004 £
Staff costs during the year		
Wages and salaries	198,285	169,260
Social security costs	24,266	21,296
Pension costs	9,691	11,220
	<u>232,242</u>	<u>201,776</u>
	No.	No.

Average number of persons employed (including directors)

Production	2	1
Sales	1	1
Administration	1	1
	<u>4</u>	<u>3</u>

4. Operating profit

	2005 £	2004 £
Operating profit is stated after charging/(crediting):		
Depreciation	22,816	26,156
Loss/(gain) on disposal of fixed assets	226	(2,000)
Other	16,200	11,101
Foreign exchange (gains)/losses	1,751	(5,311)
Auditors' remuneration	<u>5,200</u>	<u>4,200</u>

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2005

5. Tax on profit on ordinary activities

	2005 £	2004 £
United Kingdom corporation tax at 19% (2004: 19%) based on profit for the year	8,371	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19 % (2004: 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.

	2005 £	2004 £
Profit on ordinary activities before tax	80,907	82,512
Tax on profit on ordinary activities at standard rate	15,372	15,677
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	984	501
Capital allowances in excess of depreciation	1,826	(119)
Utilisation of losses	(9,811)	(16,059)
	8,371	-

6. Tangible fixed assets

	Plant & equipment £
Cost	
At 1 January 2005	101,148
Disposal	(10,392)
At 31 December 2005	90,756
Accumulated depreciation	
At 1 January 2005	72,524
Charge in the year	22,816
Disposal	(8,415)
At 31 December 2005	86,925
Net book value	
At 31 December 2005	3,831
At 31 December 2004	28,624

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Notes to the financial statements Year ended 31 December 2005

7. Stock

	2005 £	2004 £
Work in progress	7,173	6,538
Machinery spares	737	86
	<u>7,910</u>	<u>6,624</u>

8. Debtors

	2005 £	2004 £
Trade debtors	7,726	81,579
Prepayments and other debtors	2,841	2,121
VAT recoverable	96,352	-
	<u>106,919</u>	<u>83,700</u>

9. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	-	897
Amounts due to group undertaking	199,018	212,089
Corporation tax	8,371	-
Other taxes and social security	9,680	15,404
Accruals and deferred income	10,127	23,100
	<u>227,196</u>	<u>251,490</u>

10. Deferred taxation

	2005 £	2004 £
Unrecognised deferred tax asset		
Capital allowances less than depreciation	10,166	7,675
Trading losses	-	10,111
	<u>10,166</u>	<u>17,786</u>

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

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Notes to the financial statements Year ended 31 December 2005

11. Called up share capital

	2005 £	2004 £
Authorised:		
2 Ordinary shares of £1.00 each	2	2
Called up, allotted and fully paid		
2 Ordinary shares of £1.00 each	2	2

12. Reconciliation of movements in shareholders' deficit

	2005 £	2004 £
Profit for the financial year	72,536	82,512
Net decrease in shareholders' deficit	72,536	82,512
Opening shareholders' deficit	(99,162)	(181,674)
Closing shareholders' deficit	(26,626)	(99,162)

13. Operating lease commitments

At 31 December 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2005 £	2004 £
Expiring		
Within one year	19,800	16,200

14. Pension

The company makes payment to certain employees in respect of pension contributions to a defined contribution scheme. The pension cost charge amounted to £9,691 (2004: £11,220). There were no accrued or prepaid contributions at 31 December 2005 (2004: £nil).

15. Ultimate parent company

The company is a wholly owned subsidiary of Ocean Design Inc., a privately owned company incorporated in Delaware, United States of America, which heads the only group for which consolidated financial statements are prepared. On 16 August 2006, 51% of Ocean Design Inc was purchased by Teledyne Technologies Inc.

16. Related party transactions

During the year, the company made sales to Ocean Design Inc. of £282,000 (2004: £243,501).

At 31 December 2005, the company owed Ocean Design Inc. £199,018 (2004: £212,089) in respect of trading balances.

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Additional information

The additional information, which comprises the trading profit and loss account and the related notes 1 to 7, has been prepared from the accounting records of the company. Whilst it does not form part of the statutory financial statements, it should be read in conjunction with them and the independent auditors' report thereon.

OCEAN DESIGN EUROPE LIMITED

Detailed profit and loss account Year ended 31 December 2005

	Notes	2005 £	2004 £
Sales	1	652,634	676,561
Cost of sales	2	(313,361)	(311,941)
Gross profit		339,273	364,620
Less: overhead expenses			
Office	3	130,213	147,536
Establishment	4	41,786	46,220
Travel and subsistence	5	42,051	44,505
General	6	45,263	43,847
		259,313	282,108
Operating profit		79,960	82,512
Interest receivable and similar income	7	947	-
Profit on ordinary activities before taxation		80,907	82,512

OCEAN DESIGN EUROPE LIMITED

Notes to the detailed profit and loss account Year ended 31 December 2005

1. Sales

	2005 £	2004 £
Sales	652,634	676,561

2. Cost of sales

	2005 £	2004 £
Raw materials and consumables	198,645	239,390
Staff costs		
Wages	103,281	65,387
Employer's NIC	11,435	7,164
	313,361	311,941

3. Office expenses

	2005 £	2004 £
Staff costs		
Wages and salaries	95,004	103,873
Employer's NIC	12,831	14,133
Pension costs	9,691	11,220
Telephone	5,401	4,815
Recruitment	5,525	12,965
Office expenses	1,713	385
Employee relations	48	145
	130,213	147,536

4. Establishment expenses

	2005 £	2004 £
Rent	16,200	11,101
Light and heat	1,295	597
Insurance	1,475	8,246
Depreciation on plant and machinery	22,816	26,156
Security	-	120
	41,786	46,220

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Notes to the detailed profit and loss account Year ended 31 December 2005

5. Travel and subsistence expenses

	2005 £	2004 £
Travelling	42,051	44,505

6. General expenses

	2005 £	2004 £
Audit and accountancy	10,729	10,266
Legal fees	1,958	-
Bank charges	293	338
Repairs and renewals	6,396	335
Subscriptions	5,846	1,530
Foreign exchange loss/(gain)	1,751	(5,311)
Consultancy & professional fees	-	27,441
Licenses and taxes	3,921	-
Sundry expenses	10,352	8,439
Entertaining	3,529	2,635
Postage	262	174
Loss/(gain) on disposal of fixed assets	226	(2,000)
	45,263	43,847

7. Interest receivable and similar income

	2005 £	2004 £
Bank interest	947	-