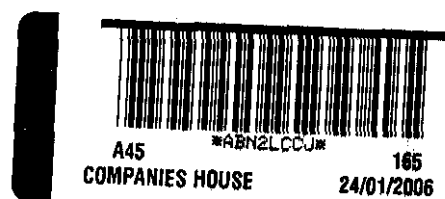


Company Registration No. 3646143

**OCEAN DESIGN EUROPE
LIMITED**

Report and Financial Statements

31 December 2004



OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2004

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OCEAN DESIGN EUROPE LIMITED

Report and financial statements 2004

Officers and professional advisers

Directors

M Read
R Brolund
W Revelle

Secretary

Ledingham Chalmers

Registered Office

20-22 Bedford Row
London
WC1R 4JS

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 2004.

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 2004 are shown in the profit and loss account on page 5. The profit for the year was £82,512 (2003: £30,555). The directors do not propose payment of a dividend (2003: £nil) and recommend that the profit for the year of £82,512 (2003: £30,555) is 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 2004 (31 December 2003 - 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

JANUARY 19, 2006

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 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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.

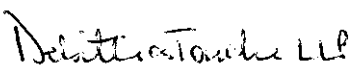
Basis of opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Aberdeen

23 January 2006

OCEAN DESIGN EUROPE LIMITED

Profit and loss account Year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	2	676,561	328,497
Cost of sales		(311,941)	(104,817)
Gross profit		364,620	223,680
Administrative expenses		(282,108)	(193,125)
Profit on ordinary activities before tax	4	82,512	30,555
Taxation	5	-	-
Profit on ordinary activities after tax and transferred to reserves		82,512	30,555
Accumulated losses brought forward		(181,676)	(212,231)
Accumulated losses carried forward		(99,164)	(181,676)

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, no Statement of Total Recognised Gains and Losses is presented.

OCEAN DESIGN EUROPE LIMITED

Balance sheet 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	6	28,624	51,972
Current assets			
Stock	7	6,624	-
Debtors	8	83,700	4,952
Cash at bank and in hand		33,380	5,044
		<u>123,704</u>	<u>9,996</u>
Creditors: amounts falling due within one year	9	<u>(251,490)</u>	<u>(243,642)</u>
Net current liabilities		<u>(127,786)</u>	<u>(233,646)</u>
Net liabilities		<u>(99,162)</u>	<u>(181,674)</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account		<u>(99,164)</u>	<u>(181,676)</u>
Total equity shareholders' deficit		<u>(99,162)</u>	<u>(181,674)</u>

These financial statements were approved by the Directors on JANUARY 19, 2006.

Signed on behalf of the Board of Directors



Director

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2004

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

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 are valued at the lower of cost and 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 are charged to the profit and loss account as they become payable.

2. Turnover

Turnover represents the value of goods and services provided in Europe 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 2004

3. Information regarding directors and employees

	2004 £	2003 £
Directors' emoluments	103,873	13,892
Pension contributions	11,220	1,875
	<u>115,093</u>	<u>15,767</u>
	No.	No.
Number of directors who are members of a defined contribution pension scheme	3	1
	<u>3</u>	<u>1</u>
	2004 £	2003 £
Staff costs during the year		
Wages and salaries	169,260	123,529
Social security costs	21,296	12,760
Pension costs	11,220	5,735
	<u>201,776</u>	<u>142,024</u>
	No.	No.
Average number of persons employed (including directors)		
Sales	3	3
Administration	3	3
	<u>6</u>	<u>6</u>

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2004

4. Profit on ordinary activities before tax

	2004 £	2003 £
Profit on ordinary activities before tax is stated after charging/(crediting);		
Depreciation	26,156	40,556
Rental under operating lease	11,101	15,879
Foreign exchange gains	(7,831)	(17,903)
Auditors' remuneration	4,200	3,500
	<u> </u>	<u> </u>

5. Tax on profit on ordinary activities

	2004 £	2003 £
United Kingdom corporation tax at 19% (2003: 19%) based on profit for the year	-	-
	<u> </u>	<u> </u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2003: 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.

	2004 £	2003 £
Profit on ordinary activities before tax	82,512	30,555
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at standard rate	15,677	5,805
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	501	70
Capital allowances in excess of depreciation	(119)	7,706
Utilisation of losses	(16,059)	(13,581)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2004

6. Tangible fixed assets

	Plant & equipment £
Cost	
At 1 January 2004	103,410
Additions in year	2,808
Disposal	(5,070)
At 31 December 2004	101,148
Accumulated depreciation	
At 1 January 2004	51,438
Disposal	(5,070)
Charge in the year	26,156
At 31 December 2004	72,524
Net book value	
At 31 December 2004	28,624
At 31 December 2003	51,972

7. Stock

	2004 £	2003 £
Work in progress	6,538	-
Machinery spares	86	-
	6,624	-

8. Debtors

	2004 £	2003 £
Trade debtors	81,579	-
Prepayments and other debtors	2,121	4,952
	83,700	4,952

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2004

9. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	897	-
Amounts due to group undertaking	212,089	189,983
Other taxes and social security	15,404	50,159
Accruals and deferred income	23,100	3,500
	<u>251,490</u>	<u>243,642</u>

10. Deferred taxation

	2004 £	2003 £
Unrecognised deferred tax asset		
Capital allowances less than depreciation	(7,675)	(8,273)
Trading losses	(10,111)	(26,170)
	<u>(17,786)</u>	<u>(34,443)</u>

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

11. Called up share capital

	2004 £	2003 £
Authorised:		
2 Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>
Called up, allotted and fully paid		
2 Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

12. Reconciliation of movements in shareholders' deficit

	2004 £	2003 £
Profit for the financial year	82,512	30,555
Net increase in shareholders' funds	82,512	30,555
Opening shareholders' deficit	(181,674)	(212,229)
Closing shareholders' deficit	<u>(99,162)</u>	<u>(181,674)</u>

OCEAN DESIGN EUROPE LIMITED

Notes to the financial statements Year ended 31 December 2004

13. Pension

The company makes payment to certain employees in respect of pension contributions to a defined contribution scheme. The pension cost charge amounted to £11,220 (2003: £5,735). There were no accrued or prepaid contributions at 31 December 2004 (2003: £nil).

14. 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.

15. Related party transactions

In the prior year, the company was recharged £17,970 by Ocean Design Inc., being the net book value of fixed asset additions transferred. No such transfers took place in the year ended 31 December 2004.

During the year, the company has recognised sales to Ocean Design Inc. of £243,501 (2003: £278,786).

At 31 December 2004, the company was due Ocean Design Inc. £212,089 (2003: £189,983) in respect of trading balances.

OCEAN DESIGN EUROPE LIMITED

Additional information

The additional information, which comprises the trading profit and loss account and the related notes 1 to 6, 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 2004

	Notes	2004 £	2003 £
Sales	1	676,561	328,497
Cost of sales	2	(311,943)	(104,817)
Gross profit		364,618	223,680
Less: overhead expenses			
Office	3	147,536	47,780
Establishment	4	46,220	59,590
Travel and subsistence	5	44,505	55,685
General	6	43,847	30,070
		282,108	193,125
Profit on ordinary activities before taxation		82,512	30,555

OCEAN DESIGN EUROPE LIMITED

Notes to the detailed profit and loss account Year ended 31 December 2004

1. Sales

	2004 £	2003 £
Sales	676,561	328,497

2. Cost of sales

	2004 £	2003 £
Raw materials and consumables	239,392	9,584
Staff costs		
Wages	65,387	86,767
Employer's NIC	7,164	8,466
	311,943	104,817

3. Office expenses

	2004 £	2003 £
Staff costs		
Wages and salaries	103,873	32,952
Employer's NIC	14,133	5,912
Pension costs	11,220	5,735
Telephone	4,815	3,181
Recruitment	12,965	-
Office expenses	385	-
Employee relations	145	-
	147,536	47,780

4. Establishment expenses

	2004 £	2003 £
Rent and rates	11,101	15,879
Light and heat	597	601
Insurance	8,246	2,554
Depreciation on plant and machinery – overhead	26,156	40,556
Security	120	-
	46,220	59,590

OCEAN DESIGN EUROPE LIMITED

Notes to the detailed profit and loss account Year ended 31 December 2004

5. Travel and subsistence expenses

	2004 £	2003 £
Travelling	44,505	55,685

6. General expenses

	2004 £	2003 £
Audit and accountancy	10,266	2,241
Bank charges	338	252
Repairs and renewals	335	1,131
Subscriptions	1,530	359
Foreign exchange gain	(5,311)	(17,903)
Consultancy & professional fees	27,441	37,299
Sundry expenses	8,439	6,573
Entertaining	2,635	118
Postage	174	-
Gain on disposal	(2,000)	-
	43,847	-