

# FOCUSED

PERFORMANCE

IMPROVEMENT

EFFICIENCY

PROJECTS

PEOPLE

SAFETY

VALUE

COST



# DELIVERING FOR OUR STAKEHOLDERS

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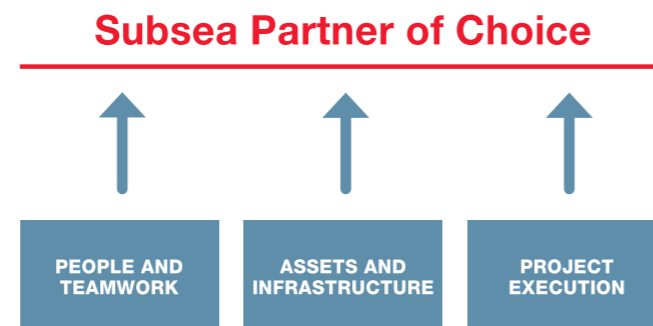
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**OUR VISION**

We will be the Subsea Partner of Choice in the challenging and exciting global oil and gas industry. We will build our business around a motivated and valued workforce.

We will be the recognised leader in safety and quality, delivering exceptional performance with the appropriate technical solutions and creating sustainable value for all our stakeholders.

To achieve our vision we continue to **FOCUS** our business on the three pillars of **People and Teamwork, Assets and Infrastructure and Project Execution.**



We have demonstrated that by having a relentless **FOCUS** on these three core areas, we continue to grow our business year-on-year.

**\$2,187m**

2006: \$1,670m  
2005: \$1,287m  
2004: \$813m

**2007 REVENUE**

**\$392m**

2006: \$265m  
2005: \$166m  
2004: \$63m

**2007 EBITDA**

EBITDA is calculated as net profit adjusted for taxation, net financial items, depreciation, amortisation, impairments and profits or losses on disposals of property, plant and equipment.

**\$214m**

2006: \$138m  
2005: \$45m  
2004: \$(31)m

**2007 NET PROFIT**

**\$4,215m**

2006: \$3,748m  
2005: \$1,355m  
2004: \$1,206m

**2007 BACKLOG**

**OUR VALUES**   **Safe**   **Clean**   **Smart**   **Fair**   **Anywhere**

# DELIVERING FOR OUR CUSTOMERS

## WHO WE ARE

Subsea 7 is one of the world's leading subsea engineering and construction companies servicing the oil and gas industry. Our skilled and experienced multinational workforce, both onshore and offshore, numbering over 5,000, supports our operations in the North Sea, Gulf of Mexico, Brazil, Africa and Asia-Pacific.

We have a strong focus on the growing, high-tech and high-value deepwater Subsea Umbilical, Riser and Flowline (SURF) sector, but also retain a leading role in the key shallower water markets in the North Sea and Asia-Pacific. We also provide remotely-operated vehicle (ROV) and tooling services to support exploration and production activities and precise navigation and positioning services.

Offshore, we have invested in a fleet of dynamically-positioned vessels which ranks amongst the largest, most modern and technically advanced in the world. These vessels provide the full array of capabilities required for the development and maintenance of our clients' subsea oil and gas fields, supported by diving services, ROV services and remote intervention tooling and solutions.

Onshore, our global operations include an extensive infrastructure of project management and engineering centres, pipeline spoolbases and fabrication yards. These strategically-positioned assets, in conjunction with a network of local partners, are central to our objective of developing strong and sustainable regional businesses.

## WHAT WE DO

### Field Development

- Subsea field development, with a focus on deepwater
- Project management, with a focus on Engineering, Procurement, Installation & Commissioning (EPIC) projects
- Design and engineering
- Design, fabrication and installation of rigid flowlines and risers up to 16" diameter
- Installation of flexible flowlines and risers
- Installation of umbilicals
- Trenching and burial services
- Design, fabrication and installation of subsea structures
- Subsea construction and tie-ins (diving and diverless)
- Commissioning
- Pre- and post-installation survey

### Life-of-Field (LOF)

- Full Life-of-Field services
- Survey
- Inspection, repair and maintenance (IRM)
- Integrity management
- Decommissioning

### i-Tech

- ROV and tooling services in support of offshore exploration and production activities

### Veripos

- Precise navigation and positioning services



## Key Projects Delivered

### Saxi Batuque / Angola

Saxi Batuque was one of the most complex and successful flowline installation projects that Subsea 7 has undertaken with multiple short flowline lengths, soft soils and carried out in deepwater.

### Blind Faith / USA

Less than 30 months after the Company announced it was to build the Seven Oceans, a new pipelay and construction vessel, she successfully completed her first deepwater pipelay job in water depths up to 2,100 m.

### BP West of Shetland / UK

During 2007, the Subsea Viking achieved her 7-year lost-time incident (LTI) free status, a tremendous achievement for all the project and marine personnel and once again demonstrating Subsea 7's commitment to safety.

### Stybarrow / Australia

This complex EPIC contract was successfully completed by the Subsea 7 joint venture in the Asia-Pacific region, Technip Subsea 7 (TS7), including the design, manufacture, transport, installation and pre-commissioning of flexible risers, flowlines and jumpers.

### Roncador / Brazil

In 2007, the Roncador project saw the first deployment of Subsea 7's new long-term charter pipelay and construction vessel, the Normand Seven.

# DELIVERING ANOTHER POSITIVE YEAR



“2007 WAS ANOTHER POSITIVE YEAR FOR SUBSEA 7. PERFORMANCE WITH AN ACCEPTABLE SAFETY RECORD DELIVERED GROWTH, MARGIN IMPROVEMENT AND RECORD RESULTS.”

2007 was another positive year for Subsea 7. Performance with an acceptable safety record delivered growth, margin improvement and record results. Revenue grew by 31% to \$2,187m (2006: \$1,670m), net operating profit improved by 59% to \$316m (2006: \$199m) and earnings per share increased by 56% to \$1.45 (2006: \$0.93).

Significantly, this performance was achieved despite a climate of substantial increases in costs for third-party goods and services. Our results, therefore, are a tribute to our project management skills and our focus on improvements in key areas.

We further enhanced the efficiency of our capital structure during the year by issuing \$175m of convertible notes and our shareholders' equity increased by 54% to \$820m (2006: \$532m).

The significant investment programme on vessels, equipment and facilities that we commenced last year continued in 2007 with a further \$384m being spent during the year. 2007 saw the first major results of this capital investment programme with the successful delivery of the pipelay vessel Seven Oceans and the installation of the pipelay system on the Normand Seven, both of which are now in active service. I congratulate the teams responsible for their outstanding efforts. These vessels were joined by the Skandi Bergen on long-term charter. The hull of the flex-lay/J-lay vessel Seven Seas was successfully launched and we look forward to her commissioning during 2008.

The outlook for Subsea 7's market also remains strong, thus vindicating the steps we have taken to position and equip the Company for continued long-term growth and superior performance. The issues surrounding the delays in contract awards in Africa are now beginning to be resolved and we remain confident in the medium and long-term prospects within that region. Our strong backlog, up 12% at \$4,215m (2006: \$3,748m) provides us with a solid platform going forward.

We continue to strive to improve the safety of everyone involved in our operations. There is no room for complacency in such matters. Nevertheless, it would be remiss not to recognise outstanding achievements and I commend the crews and project teams on board Kommandor Subsea and Subsea Viking for completing 6 and 7 years respectively of operations without a single lost-time incident.

Last year I highlighted our success in attracting a high number of new skilled and experienced people to Subsea 7. It is equally important to retain these people. To this end, we have worked hard to provide an attractive and stimulating workplace and challenging career opportunities. It is therefore particularly gratifying to note that the results of our biennial employee survey indicated a 92% satisfaction level with Subsea 7 as an employer.

Repeat and long-term business relationships with many of our clients are a continuing and increasing feature of our business. This reflects Subsea 7's track record of delivery on projects and our clients' confidence that we will continue to deliver for them in future. I thank them for their business as we continue on our journey towards being their global Subsea Partner of Choice.

Finally, it gives me great pleasure to be able to reflect on another highly successful year for Subsea 7. I thank all our stakeholders for their support and our employees for their contribution and achievements.

  
Kristian Siem  
Chairman

# DELIVERING IMPROVED FINANCIAL PERFORMANCE

## Financial Summary

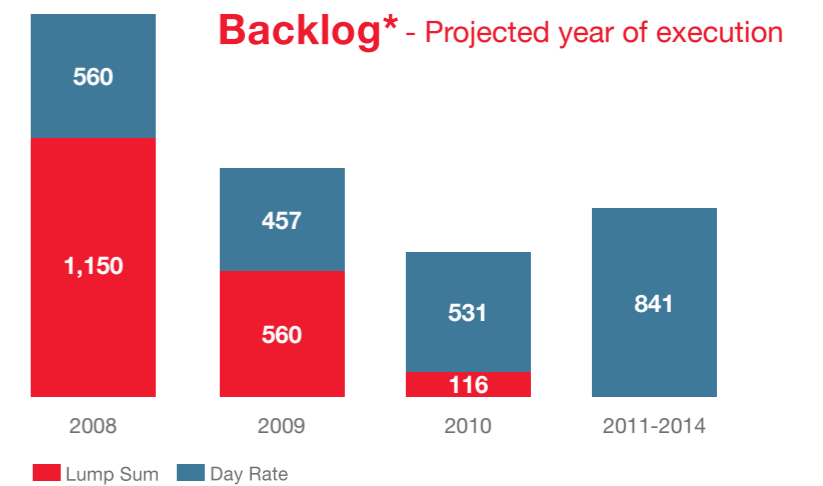
Year ended 31 December	2007	2006
<small>(In US\$ millions, except per share data)</small>		
Revenue	2,187	1,670
Operating expenses	(1,871)	(1,471)
Net operating profit	316	199
Net financial items	(3)	8
Profit before tax	315	207
Net profit attributable to equity shareholders	214	138
Earnings per share (\$)		
- Basic	1.45	0.93
- Diluted	1.44	0.93
<b>As at 31 December</b>		
Shareholders' equity	820	532
Backlog	4,215	3,748

**Total Backlog\***

**+12%**

**\$4,215m**  
(2006: \$3,748m)

\* As at 31 December 2007



**Revenue**

**+31%**

**\$2,187m**  
(2006: \$1,670m)

**EBITDA**

**+48%**

**\$392m**  
(2006: \$265m)

EBITDA is calculated as net profit adjusted for taxation, net financial items, depreciation, amortisation, impairments and profits or losses on disposals of property, plant and equipment.

**Net Profit**

**+56%**

**\$214m**  
(2006: \$138m)

**Capex**

**+45%**

**\$384m**  
(2006: \$265m)

# DELIVERING ON OUR VISION



“CONTINUED FOCUS ON EFFICIENCIES AND IMPROVING THE WAY WE RUN OUR BUSINESS WILL MAKE US THE SUBSEA PARTNER OF CHOICE FOR ALL OUR CUSTOMERS.”

I would like to give you an insight into what we are doing as a management team to continue to deliver successfully for all our stakeholders. Since the inception of Subsea 7 in 2002, we have come a long way in growing a business capable of competing in the emerging high-tech and high-value niche deepwater markets globally.

Our revenues have grown substantially year-on-year, including delivering another excellent operational and financial performance in 2007.

Today we have in excess of 5,000 personnel worldwide serving our operations. A strong backlog of \$4.2bn (as at the end of December 2007) provides us with a tremendous platform on which to build going forward, and we are seeing a positive market outlook to beyond 2012.

The increasing volume of development activity in deep and ultra-deepwater has merely served to accelerate the shift from the large fixed platforms, which characterised early developments, to subsea production systems, including the associated infrastructure of Subsea Umbilicals, Risers and Flowlines (SURF). It is this growing, but technically challenging, industry segment that represents the core Field Development market in which Subsea 7 operates.

However, we are also focused on the vitally important Inspection, Repair and Maintenance (IRM) of this infrastructure throughout the producing life of the oil and gas fields. IRM services are becoming ever more critical in order to maximise the value from the operators' investments; we are starting to see these services being sought by some operators on a 'Life-of-Field' basis, such as the contract awarded to us by BP during the year for Block 18 offshore Angola.

## Subsea Partner of Choice



The successful and safe execution of many of the high-tech and high-value deepwater projects that we now undertake requires extensive depth and breadth of engineering know-how, project management skills, operational delivery excellence and supply chain and procurement management expertise.

Continued focus on efficiencies and improving the way we run our business will make us the **Subsea Partner of Choice** for all our customers.

In 2007 we continued the relentless pursuit of our vision by building the business on the three pillars of **People and Teamwork, Assets and Infrastructure and Project Execution**.

Over the next few pages I would like to take you through what we have been doing in these areas during 2007, and demonstrate why the focus we have on achieving our vision is the key to our continued ability to successfully deliver value for all.



# WE CONTINUED TO GROW OUR OPERATIONS, WITH 5,000 PEOPLE NOW ENGAGED IN THE BUSINESS GLOBALLY

## PEOPLE AND TEAMWORK

At Subsea 7 we have been able to attract the best talent into our organisation in recent years. Today we have in excess of 5,000 personnel engaged in all parts of the business around the world.

In a survey carried out globally during the year, in which nearly 3,000 respondents took part, 92% of our people said that they would recommend Subsea 7 to friends and family as a good place to work. To me that is the best benchmark that anyone can have regarding who we are as a Company.

However, as I mentioned earlier, one of the biggest challenges our industry faces is the lack of skilled and experienced engineering, project management and operational people. Within Subsea 7 we have a number of resourcing initiatives in place to address this issue:

- We are improving our engineering efficiency internally through new ways of working and the development of a robust knowledge management culture.
- Subsea engineering conversion courses have been established for experienced engineers from non-subsea backgrounds.
- Offices in London and Rotterdam have been opened to tap into fresh sources of experienced subsea engineers.
- We are seeking to recruit from other areas such as India, Eastern Europe and China.
- In many of our projects, we are working closely with the local community to train people in skills such as welding, fabrication and engineering.
- A graduate and technician recruitment programme last year saw 50 new trainees join the organisation.

People will always be at the heart of who we are and what we achieve at Subsea 7.

### Subsea Partner of Choice





View through the pipelay tower of the Seven Oceans

# BY STAYING FOCUSED WE HAVE SUCCESSFULLY DELIVERED THE SEVEN OCEANS INTO THE MARKET AND DEMONSTRATED HER CAPABILITIES IN ULTRA- DEEPWATER

## ASSETS AND INFRASTRUCTURE

Having the correct balance of capacity and spread of capability in a vessel fleet is critical to being able to bid and carry out the work that is emerging in both the Field Development and IRM markets.

At the start of 2007, Subsea 7's fleet was made up of 14 core vessels with a mix of capability across Field Development and IRM activity. In pursuit of our vision we recognised the need some time ago to expand our fleet and extend its capability. At the end of 2005 we embarked on a \$1bn investment programme that will see 7 new vessels joining our fleet, increasing it in number by 50% from 14 to 21 vessels by 2009. This investment is strategically targeted to increase our capacity and capability to service the deep and ultra-deep high-tech and high-value markets.

Three of our new vessels entered the fleet in 2007. The Skandi Bergen and the Normand Seven commenced their long-term charters and our newbuild vessel the Seven Oceans was delivered on schedule. These new vessels, in particular the Seven Oceans with its deepwater rigid pipelay capability of up to 3,000m water depth, give us access to markets that we could not previously service.

The successful completion of the first deepwater steel catenary riser installation using the Seven Oceans on the Blind Faith project in the Gulf of Mexico for Chevron was a milestone achievement for the Company in many ways. Subsea 7 is now one of the very few companies worldwide that can take on these high specification and challenging ultra-deepwater projects.

### Subsea Partner of Choice







Looking up at the pipelay tower on board the Seven Oceans

# OUR CONTINUING FOCUS ON PROJECT EXECUTION IS INCREASINGLY DELIVERING MORE EFFICIENT AND SAFER OPERATIONS

## PROJECT EXECUTION

We have an excellent track record in delivering projects efficiently, safely and on time, but we must continue to improve if we are to meet the challenges that the growing markets will present. Let me take you through some of the initiatives we are undertaking in this area to help make this happen.

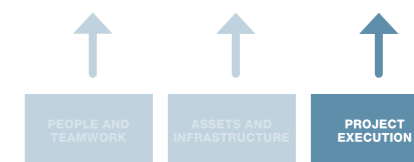
- A **Gateway Bidding** team has been created for early selection and bidding of projects valued in excess of \$100m, improving robustness and consistency over our bid process and reducing the risk associated with EPIC projects.
- The scale, technical challenges and attendant risks associated with high-tech and high-value deepwater projects requires better planning and execution; we now have a number of global engineering **Centres of Excellence** which support bids and project teams.
- 17 **Critical Supply Networks** have been created to safeguard key areas of our supply chain.
- **Vessel Support Teams** have been set up to improve project execution and drive efficiencies from increasingly complex pipelay operations.
- **Knowledge Management** is now recognised as a key function in the global organisation.

Implementing all these initiatives in a very busy market is particularly difficult and requires a huge amount of effort from everyone at Subsea 7. Equally important is a continued focus on improving our record on safety performance through a proactive safety management culture.

We have started on a journey and are clear that, by staying the course, we will continue to deliver on our vision.

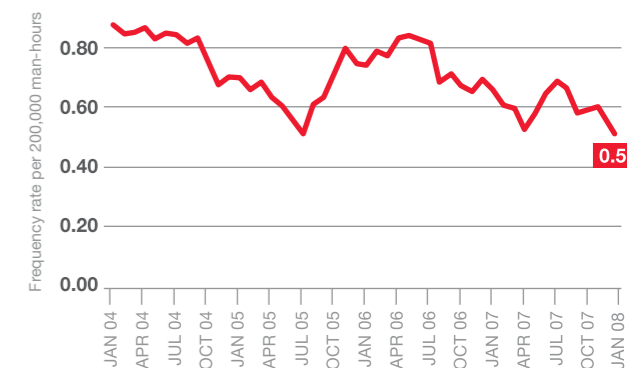
Mel Fitzgerald, Chief Executive Officer

### Subsea Partner of Choice



### HSE PERFORMANCE

Total Recordable Case Frequency Rates (TRCFR) 2004 - 2007  
Subsea 7 rolling frequency rates



# DELIVERING OPERATIONS EFFICIENTLY

## HIGHLIGHTS FROM 2007

### JANUARY

The newbuild rigid reeled pipelay vessel the Seven Oceans arrived on schedule at Huisman-Itrec for final pipelay and equipment outfitting and commissioning.

### FEBRUARY

Contract for Tui Area project in New Zealand awarded to Technip Subsea 7 Joint Venture. Scope included 45km of flowlines, risers and umbilicals.

### MARCH

World's first deployment of a 'Q' Tree using a fibre rope winch to nearly 8,000ft from the Toisa Perseus on the Independence Hub project in the Gulf of Mexico.

### APRIL

The Skandi Neptune recommenced work on the Ormen Lange project in the North Sea to lay the second 120km umbilical using its new 3,000t carousel.

### MAY

Subsea 7 opened a new engineering and project office in Rotterdam, the Netherlands. The location of the office provides access to a skilled engineering talent pool.

### JUNE

The newbuild flex-lay/J-lay vessel the Seven Seas was successfully launched on schedule at the Merwede shipyard near Rotterdam.

### JULY

The Seven Oceans and the Normand Seven both joined the fleet on schedule and started preparations for their first deepwater pipelay campaigns, Blind Faith in the Gulf of Mexico and Roncador in Brazil.

### AUGUST

Subsea 7 announced deepwater Life-of-Field contract award from BP for the Block 18 Greater Plutonio development offshore Angola.

### SEPTEMBER

Successfully completed the challenging REV field development in the North Sea for Talisman - on time and with an exemplary safety record.

### OCTOBER

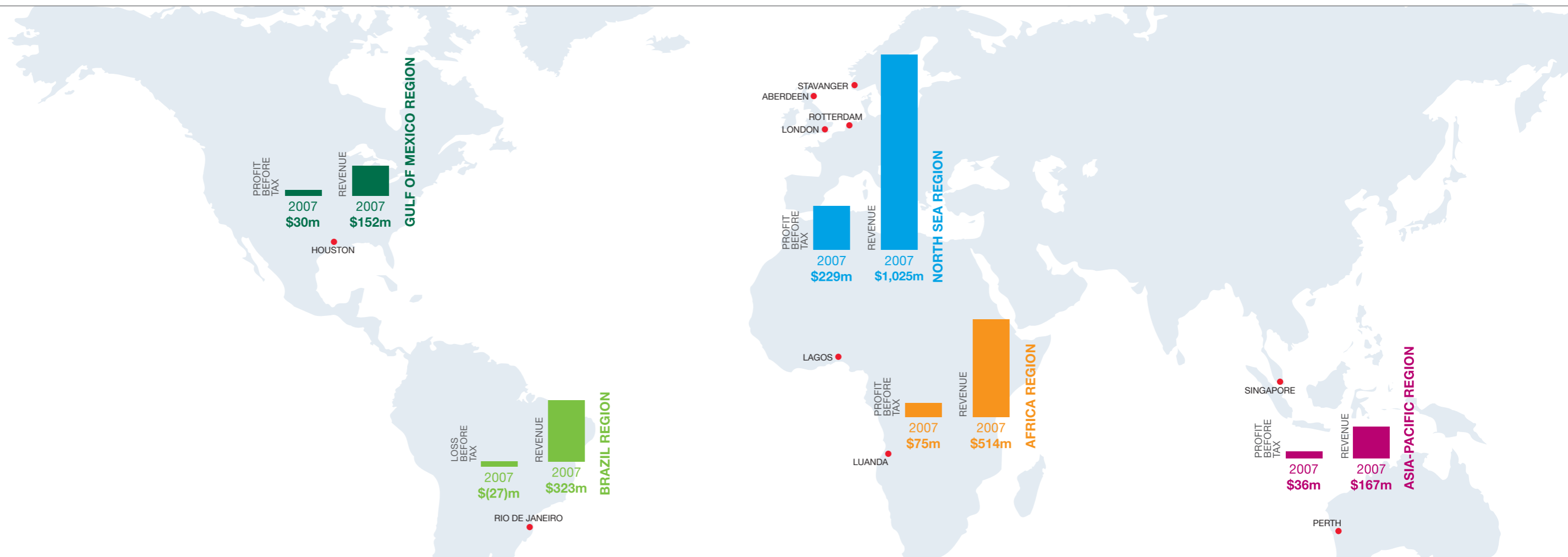
The \$4bn backlog milestone was passed with the award of the BP Skarv and Idun flowline contracts in the northern North Sea.

### NOVEMBER

The Subsea Viking achieved her 7th year of continuous service without any lost-time incidents (LTIs). The Kommandor Subsea also achieved her 6th year LTI-free status during the year.

### DECEMBER

i-Tech, Subsea 7's drill rig ROV and intervention support division, rounded off another positive year of growth globally with major new awards from Petrobras and Woodside Energy.



# 1

## FIELD DEVELOPMENT

Subsea 7 delivers all the products and services required for the development of our clients' subsea oil and gas fields. These include project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore.

Specifically, we provide:

- EPIC project management by our experienced and skilled project managers, who seamlessly integrate all aspects of subsea projects from small to very large, minimising interface risk, managing the supply chain and optimising costs and schedules for our clients.
- Detailed design and installation engineering to develop fit-for-purpose solutions.
- Design, fabrication and installation of a full range of rigid flowline and riser solutions including:
  - Reel-lay and J-lay
  - Pipe-in-pipe
  - Towed pipeline bundles
  - Steel catenary risers (SCRs)
  - Hybrid risers (e.g. Grouped SLOR™)
- Installation of flexible flowlines and risers, and umbilicals.
- Trenching and burial services.
- All complementary construction and commissioning services, including:
  - Pre- and post-installation survey
  - Mechanical connections
  - Hyperbaric welding
  - Hot-taps
  - Pigging and testing
- Air and saturation diving services, ROV services and remote intervention tooling and solutions in support of all these activities.

Our offshore activities are delivered by highly experienced offshore crews on a fleet of dynamically-positioned pipelay, construction and multi-purpose vessels which ranks amongst the largest, most modern and most technically-advanced in the world.



### CASE STUDY ANGOLA

## Saxi Batuque

The Saxi Batuque project, part of the Kizomba C development, was carried out for Esso Exploration Angola Ltd. It was one of the most complex and successful flowline installation projects that Subsea 7 has undertaken in recent years with multiple short flowline lengths, soft soils and deepwater.

The scope of work Subsea 7 performed included the design, fabrication and installation of 16 short, high-pressure, high-temperature (HPHT) flowlines, totalling 50km in length, ranging from 6" to 10" diameter.

A sloping and soft seabed location, combined with high operating temperatures and pressures, called for the installation of large suction piles weighing up to 30t, to restrain 14 of the 16 short flowlines during their initiation and to prevent them from 'walking' during service.

The high interface loading from the risers and manifold jumpers required the installation of 32 heavy flowline end terminations (FLETs) weighing between 18t and 26t each. To improve efficiency of FLET handling and storage during the installation phase of the project, one of Subsea 7's deepwater pipelay and construction vessels, the Skandi Navica, was fitted with a new hydraulic FLET alignment system and a new mezzanine deck.

All flowlines were fabricated at Subsea 7's Luanda spoolbase by local Angolans, who undertook rigorous training as part of the project. FLETs were fabricated by a team of over 20 Angolans who also underwent training.

As a direct result of the project, Subsea 7 carried out a major upgrade of its Luanda spoolbase at Sonils, extending the firing line to provide improved workstations for welding, non-destructive examination (NDE) and field joint coating. Permanent mid-line and spooling tie-in stations were introduced to improve efficiency of these operations, along with more general operational environment improvements.

These spoolbase upgrades, combined with the investment in personnel training and the focus on behavioural safety, contributed to the excellent overall safety performance on the project. The safety performance of both the Skandi Navica and the Seisranger, working on the project in a construction support vessel capacity, was described by Esso as 'exemplary'.



#### CASE STUDY NIGERIA

### Agbami

The Agbami project involved the installation and testing of 15 infield umbilicals, totalling 26km, in the Agbami field operated by Star Deepwater Petroleum Ltd (a Chevron Company). The field lies in the central Niger delta in water depths of approximately 1,500m.

The project also included the installation and testing of the following elements, all deployed by the Toisa Perseus on a continuous 119-day campaign:

- 12 support suction piles
- 12 manifolds
- 8 steel tube flying leads
- 46 electrical flying leads
- 30 foundation structures

One of the biggest risk areas with any large EPIC contract is the number and scale of the interfaces which have to be managed between third-party contractors and suppliers and this was no different for the Agbami project. Any delays would have had huge implications, e.g. for vessel scheduling, so it proved vital for the team to ensure that all parties and equipment were fully co-ordinated at every stage. The Toisa Perseus docked, re-crewed and loaded at Lagos a total of 10 times during the highly successful offshore campaign.

Subsea 7 chose the Agbami project for the first field-wide deployment of NASNet®, a revolutionary new underwater acoustic positioning system. The 14 sleds and 22 mobile transceivers provided total coverage for an area exceeding 80km<sup>2</sup>, the widest coverage ever achieved in any field with so few transponders. NASNet® was selected by Subsea 7 to provide seamless field-wide positioning tolerance of ± 1 metre to support multiple structure and umbilical installations in water depths to 1,650m; an objective that was successfully achieved.

Throughout the course of the project, over 700 personnel were mobilised and demobilised through Lagos without incident. Subsea 7 continuously challenged its processes and procedures to ensure the safety and security of its personnel throughout the project. A successful outcome has once again demonstrated Subsea 7's ability to operate safely in Nigeria, providing a positive platform on which to build for future projects in the region.



#### CASE STUDY BRAZIL

### Hybrid

During 2007 Subsea 7 was awarded a major contract extension from Petrobras for the installation of up to 350km of flexible and rigid pipelines. The contract was exercised under an existing agreement with Petrobras, which was awarded in 2004 for the installation of 300km of flexible and rigid pipe, over a 3-year period.

Under the extension, Subsea 7's work scope will take place over 3 offshore campaigns. The first of these includes the installation of a number of deepwater rigid pipelines in the Espírito Santo, Campos and Santos basins.

In addition, Subsea 7 will complete the pipeline design engineering activities for the pipelines related to P-51 and P-53 developments.

Installation of 19 pipelines comprising a total length of approx 130km will be carried out by Subsea 7's new deepwater rigid pipelay vessel, the Seven Oceans. The first part of the scope has already been successfully completed by the Seven Oceans, once again demonstrating her deepwater pipelay capability. The remainder will be distributed over 8 consecutive trips from Subsea 7's spoolbase in Ubu, where all stalk welding was completed during 2007 in preparation for the offshore phase.

Three additional Subsea 7 support vessels will be carrying out pre-lay surveys, touch-down monitoring, and post-lay surveys, in addition to light construction work for pipeline crossing preparations and freespan rectification. The pre-commissioning activities will also be carried out with these vessels.



#### CASE STUDY AUSTRALIA

### Stybarrow

Subsea 7's involvement in the BHP Billiton Petroleum Stybarrow development, off the North West Cape of Australia, was successfully completed in September 2007 by the joint venture, Technip Subsea 7 (TS7).

The project included the design, manufacture, transport, installation and pre-commissioning of approximately 48km of flexible risers, flowlines and jumpers. The project also included the transportation, installation and pre-commissioning of approximately 16km of dynamic and static umbilicals and associated electrical and hydraulic flying leads, as well as the installation of the FPSO, spider buoy and mooring system complete with anchors, all provided by BHP.

Stybarrow was a particularly fast-track development, starting in Q1 2006, with multi-vessel offshore operations effectively continuous from November 2006 to September 2007.

The project team overcame a number of challenges during the design and installation phases of the project. Interfaces mainly at the spider buoy level and at the interface with subsea hardware, combined with the spider buoy being expected to be disconnected a number of times each year due to poor weather, resulted in the internal surfaces of all j-tubes being clad with highly polished inconel to provide a low-abrasion surface finish.

Other successes were also associated with installation of the risers through the j-tube bends. These bends were required to accommodate the built-in angle of the risers, which in turn was imposed by the unusually high levels of buoyancy required for the Stybarrow risers.



#### CASE STUDY UK

### Venture Production plc

Subsea 7 has a unique Partnership Agreement with Venture Production to perform all of Venture's subsea engineering, construction and intervention activities in the North Sea under an 'evergreen' contract.

During 2007, one such project that was performed under the highly successful Partnership was the pipeline system in the Greater Kittiwake Area (GKA). Subsea 7 designed and installed a 33km, 10" pipeline to take production from the Kittiwake platform into the Forties pipeline system via the BP Unity platform. The delivery of this project was vital to Venture in order to provide a highly reliable export system from Kittiwake. The project took 12 months from inception to delivery and was only completed in this short timescale as a result of the close working relationship within the Partnership.

As fields become smaller in size and unit costs of development in the industry are increasing, the Partnership is working to reduce the cost of future developments. The success of these efforts will be seen in the projects Subsea 7 will be executing for Venture in 2008 and beyond.

The Partnership has been running successfully now for over 3 years and in that time has delivered substantial value to both Venture Production and Subsea 7.

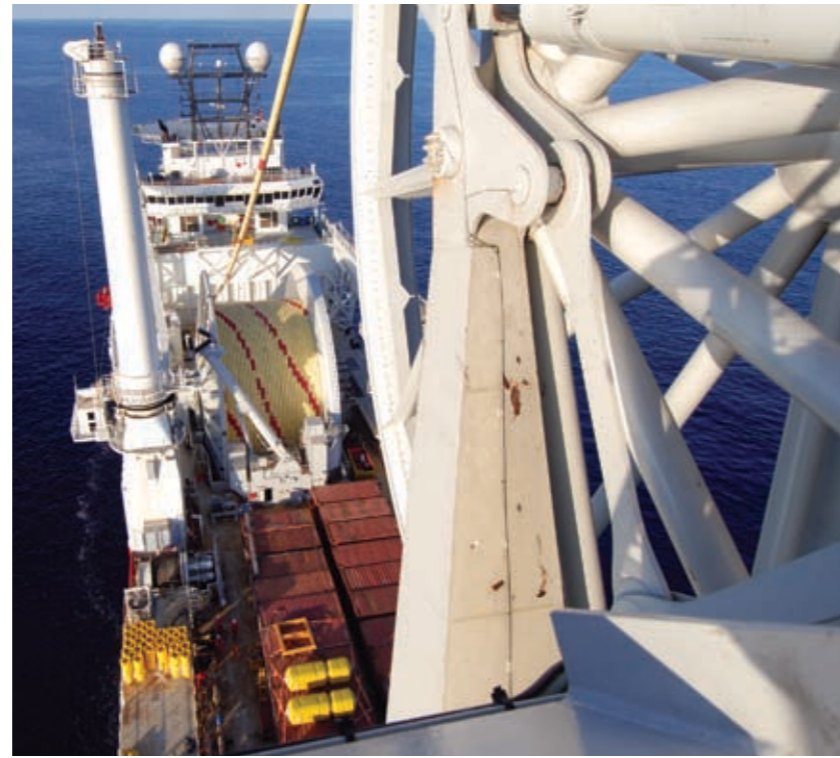
## CASE STUDY USA

# Independence Hub

The Subsea 7 scope of work on the ultra-deepwater Independence Hub gas field project for Anadarko, ENI and StatoilHydro concluded in July 2007. During the project, Subsea 7 successfully carried out the world's deepest umbilical installation at almost 2,750m and completed the world's first installation of a wellhead Christmas tree using an innovative fibre-rope deployment system installed on the Toisa Perseus.

The overall Subsea 7 scope of work on the project included the transportation, installation and testing of 15 umbilicals, totalling 190km, 36 seabed structures, 43 steel-tube and electrical flying leads and 8 flowline jumpers to tie back wells from 8 fields and extensions to the Independence Hub Floating Production Facility, located at Mississippi Canyon Block 920. Carried out in water depths of up to 2,750m, it was Subsea 7's deepest field development project to date.

The project was completed safely with excellent operational performance over the 7-month course of the work, further enhancing Subsea 7's reputation in the region as the subsea installation Partner of Choice.



## CASE STUDY BRAZIL

# Roncador

Subsea 7 continued its involvement in the development of one of Brazil's largest and most prestigious subsea projects to date - the Petrobras Roncador field in the Campos Basin.

Roncador is one of the subsea fields with the greatest concentration of flexible risers in the world. In total, there are over 400km of flexible risers, flexible flowlines, jumpers and umbilicals.

In 2007 the Roncador project saw the first deployment of Subsea 7's new long-term charter pipelay and construction vessel, the Normand Seven. Built originally as an offshore construction vessel, she underwent a major conversion, designed and managed by Subsea 7, to install an advanced deepwater flexible pipelay system capable of operating in water depths up to 2,000m with 300t top tension.

Working in partnership with Technip on the \$500m project, Subsea 7's responsibilities include the installation, pull-in and hook-up of the risers, flowlines and ancillary equipment to the P-52 platform, as well as an additional 24km of jumpers and 125km of umbilicals.



## CASE STUDY USA

# Blind Faith

The ultra-deepwater Blind Faith contract for Chevron in the Gulf of Mexico was the first operational pipelay project for the Seven Oceans, Subsea 7's new rigid reeled pipelay vessel; the installation of 2 in-field rigid flowlines, including the pipeline end terminations (PLETs) and pre-laid steel catenary risers (SCRs) in water depths up to 2,100m.

The Subsea 7 scope of work included:

- Detailed installation design and engineering
- Pipe-end matching and machining of SCR and fatigue sensitive sections
- Onshore and offshore polypropylene field joint coating design
- SCR and flowline weld procedure development
- Pipe string fabrication in spoolbase
- Pipelay and temporary abandonment of the SCRs at host location
- Pre-and post-lay surveys

Blind Faith was a milestone project for Subsea 7; less than 30 months after the Company announced it was to build the Seven Oceans, she successfully completed her first pipelay job on Blind Faith.

Special measures were built into the project to make sure the vessel was fully prepared for the work. The offshore construction crew liaised directly with the project team and conducted many operational reviews to make sure all plans, methodologies and procedures would be fully aligned with, and applicable to, the new vessel. A series of intensive project trials were carried out, including full-scale tensioner testing, handling and alignment of dummy PLETs and stress joint assemblies.

During the campaign the PLETs were successfully deployed using a new PLET handling system specifically designed by Subsea 7 for use on the Seven Oceans, which provided substantial efficiencies and enhanced project performance.

Subsea 7's Leith spoolbase in Scotland was upgraded to accommodate the onshore SCR welding where the two 7km 7" pipelines were fabricated and spooled on board the Seven Oceans. The vessel then sailed to Theodore, Alabama, USA for project equipment mobilisation prior to the in-field installation operations.

Blind Faith was the first deepwater, SCR project that Subsea 7 has undertaken. The Company's success in ultra-deepwater places Subsea 7 among the very few companies worldwide that can take on these high-specification and challenging projects.



## CASE STUDY NORWAY

# Ormen Lange

The Ormen Lange field development has been one of the most challenging projects in the 40-year long history of the Norwegian oil and gas industry. The field is located 120km off the mid-Norwegian coast.

The Ormen Lange area is situated on the Storegga slide, which is an ancient seabed landslide. The seabed is very irregular with soil conditions varying from very stiff clay with boulders, to soft clay. Water depths varying from landfall to 850m and extreme seabed topography, including steep slopes and high current velocities, all provided challenges to the engineering and offshore installation teams.

The Ormen Lange field is the second largest gas field on the Norwegian continental shelf. Being an all-subsea field, the oil and gas condensate processing is controlled from onshore through the two main umbilicals and the infield umbilical. Subsea 7 has played a vital role in this project by performing the planning, engineering and installation of the main umbilical systems for StatoilHydro.

A key feature of the project was the length and weight of the two main umbilicals, each weighing approximately 2,300t. Laying single-length, lightweight products over 120km long in a harsh environment introduced challenges previously not experienced on oil and gas projects. These conditions required special attention to controlling umbilical touch-down on the seabed. The project developed and fabricated a depressor which was successfully used for the entire installation. The new 3000t carousel and lay spread used on the project were also purpose-made. The contract was awarded in 2004 with installation campaigns in 2006 and 2007. Subsea 7 delivered the scope safely and on time.

# 2

## LIFE-OF-FIELD SERVICES

Subsea 7 recognises the importance of continuous and efficient operation of oil and gas assets over many years in order to maximise the return on our clients' initial investments. We deliver a full life-cycle suite of services to support not only the initial development of subsea oil and gas fields but also the maintenance and integrity management of these assets throughout their producing life.

Our services include:

- Skilled project managers and engineers who co-ordinate, schedule and execute both planned and unplanned inspection and intervention activities.
- A full range of inspection services, including video, sonar survey, leak detection and NDT.
- Repair and maintenance services, including pipeline and riser repair systems, pipeline freespan corrections, valve operations, chemical pumping, module handling, and change-out of subsea equipment such as seals, chokes and SCMs.
- Risk and reliability-based integrity management services, including inspection, data analysis, anomaly review and monitoring, feedback into future inspection plans, remedial and intervention planning, liaison with technical authorities, together with full database and document management and reporting services.
- Pipeline re-routing and platform by-passes.
- Full decommissioning of subsea facilities, including engineering, preparation, removal, and disposal.
- Air and saturation diving services, ROV services and bespoke remote intervention tooling and solutions.

Our offshore activities are delivered by highly experienced offshore crews on a fleet of dynamically-positioned diving-support, ROV-support and multi-purpose vessels which ranks amongst the largest, most modern and technically advanced in the world.



### CASE STUDY UK

## BP

Subsea 7 has been performing construction and IRM activities for BP's Foinaven and Schiehallion fields, West of Shetland, Scotland, since the mid-1990s.

The portfolio of Subsea 7's activities includes general construction, pipeline and umbilical installation, ROV support, well servicing and annual inspection, repair and maintenance (IRM) duties, including safety-critical requirements.

Prevailing environmental conditions, with significant waves and very strong subsea currents, present a challenging frontier for performing IRM activities.

Subsea 7 has introduced some leading-edge remote subsea technology where certain routines previously performed by divers are now being conducted by ROVs, such as changing out choke and subsea control modules. Also, for the first time, sea-chest blinds have been installed exclusively using ROVs instead of divers.

A significant portion of the Subsea Viking's time in the summer months of 2007 was spent in the loadout, deployment and tie-in of flexible flowline jumpers. These were deployed from the back deck using a combination of the main crane and dedicated handling winches on deck and in the change-out tower. The jumpers were assembled and flooded at a Subsea 7 site in Invergordon. In 2007 the site operated for a total of 90 days where the project team provided onsite supervision and engineering support of all operations.

Although the Subsea Viking vessel is 100% committed to BP in support of the West of Shetland activities, in 2007 Subsea 7 was asked to undertake worksopes at other North Sea BP assets such as Magnus, Farragon, Machar and Everest. The capabilities of the Subsea Viking and her 3 permanently installed work-class ROVs, combined with a multi-disciplinary project team, provide BP with solutions to their requirements.

During 2007, the Subsea Viking achieved its 7-year LTI-free status, a tremendous achievement for all the project and marine personnel and once again demonstrating Subsea 7's commitment to safety.



CASE STUDY GERMANY

## H7 Bypass

Installing bypasses is a relatively late development in the world of subsea installation. Such projects don't really come much more challenging than the ConocoPhillips project to install a pipeline bypass round the H7 gas booster platform in the German sector of the North Sea.

The workscope of the project was to fabricate and install a bypass on one of Norway's biggest gas export pipelines, a 36" pipeline from the Ekofisk field to the Emden gas terminal in Germany, so that a booster platform could be decommissioned and removed.

The location was about 60km off the German coast, in 41m of water and in an area of very heavy shipping traffic.

This was a high-pressure contract in every sense of the word - it entailed the temporary shutting-down of 20% of total Norwegian gas production while the huge by-pass was installed.

This high-intensity project was completed safely and on time.

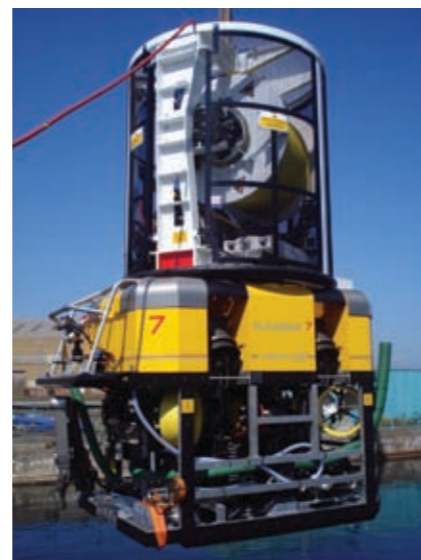
CASE STUDY ANGOLA

## Block 18 LOF

Subsea 7 was awarded this long-term project management and work-class ROV Life-of-Field (LOF) services contract in August 2007.

This was the first deepwater LOF services contract to be awarded in the region and builds on the experience and relationship Subsea 7 has developed with BP in the North Sea.

Subsea 7 will supply twin ROVs and rigid spool deployment systems, including designing and installing the entire on-line and off-line survey and reporting areas from scratch. This will include a full network and server system, satellite communications, HAIN inertial navigation, multi-beam, metrology and pipeline inspection systems. In addition to metrology and IRM works, 17 rigid production and water injection spools will be deployed and connected during the first 18 months of the project.



CASE STUDY UK

## Shell

Subsea 7 has been providing IRM and construction for Shell's European subsea oil and gas-related infrastructure for many years. Two new contracts with a value totalling \$1bn extending this service through to 2014 were awarded to Subsea 7 in 2006 and will see newbuild ROV support and diving support vessels being dedicated to the contract for the period.

The main scope of work is centred on the ongoing inspection, repair and maintenance of all Shell's North Sea assets, including well scale-squeeze activities, assuring asset integrity and production continuity. A wide variety of construction tasks are also carried out for Shell in support of new developments, such as manifold build and installation, new well tie-ins, and umbilical/cable and flexible installation. Increasingly, Subsea 7 is undertaking decommissioning work for Shell involving extensive engineering studies and the use of customised remote technology solutions developed to tackle these challenging scopes.

In 2007, there were several significant pieces of construction work in addition to the regular IRM operations. One of these was the Curlew D development in the central North Sea, which included the design, build, installation and tie-in of a manifold, to allow for an extension of the Curlew development and for the layout to be reworked to provide additional tie-in locations for a new well and for additional future developments. The manifold installation and piling operations were carried out diverless before the tie-in works were carried out by the Toisa Polaris.

A notable technology investment in the Shell project is the development of the Seven Spray 'daughter craft' - a 12m rigid-hulled boat for shallow water diving support remote from the mother ship. The Seven Spray is designed to go in close underneath platforms where larger support vessels cannot go.



# 3

## ROV AND TOOLING SERVICES EXPLORATION AND PRODUCTION

i-Tech, a division of Subsea 7, operates one of the world's largest remotely-operated vehicle (ROV) fleets dedicated to meeting the requirements of the offshore exploration and production industry.

i-Tech has over 70 work-class ROVs capable of supporting operations from onboard drillships, semi-submersibles, jack-ups, platforms, anchor-handling tugs and platform support vessels. Our reputation for service is founded upon our skilled and motivated workforce coupled with the latest technology demonstrated by our newest generation Centurion QX work-class ROV and other complementary technologies including real-time ROV simulation, live video streaming and ROV dynamic positioning.



### CASE STUDY BRAZIL

## Shell BC-10

In March 2007, Subsea 7's i-Tech division was awarded a contract in excess of \$12m for the BC-10 project, operated by Shell Brasil Ltda for the provision of two Centurion QX work-class ROVs and customised tooling services in connection with Shell's BC-10 project located in the Campos basin offshore Brazil. The 3-year contract required ROV systems to be mobilised on board the anchor-handling tug Richard M. Currence and semi-submersible drilling rig GSF Arctic I, operating in water depths ranging from 1,700m to 2,000m.

There were a number of technological firsts from both an i-Tech and Shell perspective. The two ROV systems were the first Centurion QX ROVs to be deployed in Brazil and the first 3,000m-rated Centurion QXs to be deployed anywhere in the world. Both systems were modified to meet project-specific requirements, including the provision of our first garage tether management systems (TMS) instead of a conventional top-hat TMS, the installation of additional buoyancy and enhanced tooling interface capabilities. In addition, an extensive suite of customised intervention tooling was supplied, including the in-house designed and built anchor suction skids for the novel pre-installed 36" and 48" conductors and a fluid injection skid with a re-filling capability from reservoirs attached to the garage. These innovations have significantly reduced the surface-to-seabed trip time and improved overall productivity.

The campaign is ongoing with all 36" and 48" conductors installed. The Arctic I, with its surface blow-out preventer (BOP) and specialised subsea isolation device, is currently mobilising in Brazil and i-Tech will be involved with supporting the BC-10 development project and the follow-on work for the 3-year term of the rig agreement.

# 4

## PRECISE POSITIONING

VERIPOS, a division of Subsea 7, is a world leader in the provision of precise positioning solutions to the offshore oil and gas industry. The VERIPOS vision is to be the market leader in its field by delivering the most innovative products and services, focusing on operational excellence.

VERIPOS' core activities include the provision of a range of global broadcast services with associated hardware and software to allow its customers to measure their position to an accuracy of between 1m and 10cm virtually anywhere on earth, 24 hours a day in the most arduous conditions.

### CASE STUDY

## Dynamic Positioning (DP) market

2007 marked another stride forwards for VERIPOS as it entered the marine Dynamic Positioning (DP) market in earnest and quickly established strong and exclusive partnerships with a number of the world's leading DP system manufacturers. These partnerships are based upon close technical collaboration and a mutual desire to drive technology forward. Solutions being developed for this market will provide:

- Improved vessel station-keeping
- Improved fuel efficiencies
- Enhanced reliability during operations in ever deeper waters
- Greater safety

The immediate outlook for the business remains good and the introduction of Europe's GPS equivalent, Galileo, and the Chinese Beidou (Compass) systems over the next 5 to 8 years presents opportunities for VERIPOS to develop and offer new services and products that will allow continued differentiation and sustainability in the longer term.







**Mel Fitzgerald**  
Chief Executive Officer  
Born: 1950

Mel has been involved in the oil industry since he joined Brown & Root in 1974 as a Project Engineer and has worked in a number of locations including Malaysia, Indonesia, Singapore, Bahrain, Egypt and UK, progressing through various technical and commercial positions until he joined European Marine Contractors (EMC) in 1988. He held a number of management positions with EMC before joining Halliburton Subsea as a Vice President in 2000, a position he held until January 2001, when he then took up the role of UK Vice President for Halliburton's Energy Services Group. Mel joined Subsea 7 as Chief Executive Officer in July 2004. Mel has a Bachelor of Engineering Degree from Galway University of Ireland and a Masters in Business Administration from the University of Kingston, UK.

**John Evans**  
Chief Operating Officer  
Born: 1963

John has over 20 years' experience in the engineering and contracting sector as a Senior Manager and Chartered Engineer. During 18 years with Kellogg Brown & Root (KBR) and European Marine Contractors (EMC) he built a successful record in general management, commercial and operational roles in the offshore oil and gas industry. Between 2002 and mid-2005 John was Chief Operating Officer for KBR Infrastructure business in Europe and Africa. John joined Subsea 7 as Chief Operating Officer in July 2005. John has a B Eng (Tech) in Mechanical Engineering from the University of Wales, Cardiff and is a Chartered Mechanical and Marine Engineer.

**Barry Mahon**  
Chief Financial Officer  
Born: 1962

Barry has over 24 years experience in finance and general management. He commenced his professional career with KPMG in Dublin and qualified as a Chartered Accountant in 1987 before moving to Perth, Western Australia where in 1992 he joined an Australian publicly-listed Company, Orbital Engine Corporation Ltd, as its Group Financial Controller and then became Company Secretary. In 1996 he joined Halliburton as its Shared Services Manager with responsibility for all business support functions for their operations in Australia and New Zealand. In 2000 he accepted a posting to Aberdeen for Halliburton Subsea as its Shared Services Director. Barry joined Subsea 7 as Chief Financial Officer in July 2004. Barry has a Bachelor of Commerce degree from University College Dublin.

**David Cassie**  
Executive Vice President - Commercial  
Born: 1956

David is a Chartered Quantity Surveyor with over 25 years' oil and gas experience in both commercial and operational roles. He began his career with Construction John Brown and Press & Worley Offshore and from there moved to Britoil before moving into the subsea sector with Wharton Williams in 1985. After joining Stena Offshore as Commercial Manager, David held a number of posts including Managing Director for the merged Company Coflexip Stena Offshore, and latterly at Technip where he was Senior Executive Vice President, responsible for the North Sea, Canada and Caspian Region. David joined Subsea 7 as Executive Vice President - Commercial, in October 2002.

#### REGIONAL MANAGEMENT TEAM

**Victor Bomfim**  
Vice President - Brazil

**Bill Boyle**  
Vice President - Gulf of Mexico

**Craig Broussard**  
Vice President - Asia-Pacific

**Robin Davies**  
Vice President - North Sea/UK

**Tor Espedal**  
Vice President - Norway

**Jan Willem van der Graaf**  
Vice President - Africa

#### GLOBAL MANAGEMENT TEAM

**Stuart Cameron**  
Director - Global Business Acquisition

**Ian Cobban**  
Vice President - Operations

**Jackie Doyle**  
Head of Communications

**Nina El-Imad**  
Group Financial Controller

**Neill Kelly**  
Director - Strategy, Mergers & Acquisitions

**Dick Martin**  
Chief Operating Officer - Africa

**Steph McNeill**  
Vice President - VEMG

**Neil Milne**  
Managing Director - i-Tech

**Graeme Murray**  
Vice President - Legal & Insurance

**Patricia Murray**  
Head of Internal Audit

**Mike O'Meara**  
Vice President - HSEQ

**Martin Ridley**  
Vice President - Special Projects

**Graham Sharland**  
Vice President - Engineering

**Dr. Stuart N Smith**  
Vice President - Technology & Asset Development

**Russell Stewart**  
Vice President - Human Resources

**Judith Tocher**  
Vice President - Commercial & Procurement

**Kim Wichmann-Hansen**  
Director - Gateway Bidding

**Steve Wisely**  
Vice President - Business Acquisition Asia-Pacific



The Skandi Navica spooling pipe at Luanda during the Saxi Batuque project

# FINANCIAL REPORT

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## Board of directors

Pursuant to the Company's Articles of Association, the board of directors of Subsea 7 Inc. shall have from 3 to 7 shareholder-elected members. All directors served for the full year except where disclosed below.

### Kristian Siem

(born 1949),  
Chairman of the board

Mr. Siem is the chairman of Subsea 7 Inc. and is also chairman of Siem Offshore Inc., Siem Industries Inc., Siem Industrikapital AB, and a director of Transocean Inc., Star Reefers Inc. and North Atlantic Smaller Companies Investment Trust PLC. Mr. Siem is a citizen of Norway.

### Michael Delouche

(born 1957),  
Board member

Mr. Delouche is the President and Secretary of Siem Industries Inc. and is responsible for the financial and corporate management function. He is in charge of the Company's operations at the head office in George Town, Cayman Islands. Mr. Delouche holds a civil engineering degree and an MBA and was previously an audit manager with KPMG Peat Marwick LLP. He is a US citizen.

### Mel Fitzgerald

(born 1950),  
Board member, appointed 29 May 2007

Mr. Fitzgerald, who is also the Chief Executive Officer of Subsea 7 Inc., is a qualified civil/structural engineer and has over thirty years of industry experience, having worked in Malaysia, Indonesia, Singapore, Bahrain, Egypt and UK for Brown & Root before holding several management positions at European Marine Contractors and Halliburton Subsea. He has an MBA from the University of Kingston, and is an Irish citizen.

### Arild Schultz

(born 1944),  
Board member (independent)

Mr. Schultz has been in several leading positions within shipping chartering and broking, and since 1980 has been conducting his own business within project financing and consulting. He has an MBA from the University of Utah, USA. Mr. Schultz is a Norwegian citizen.

### Allen L. Stevens

(born 1943),  
Board member (independent)

Mr. Stevens has extensive marine and financing experience, previously holding senior executive positions with Great Lakes Transport Limited, McLean Industries Inc. and Sea-Land Service Inc.. Mr. Stevens is a director of Trailer Bridge Inc.. He is a graduate of the University of Michigan and Harvard Law School and is a US citizen.

### John Smith

Board member (independent)

Resigned 8 May 2007.

## Board of directors' report

The directors of Subsea 7 Inc. present their report for the year ended 31 December 2007 together with the financial statements of the Group for the year. The financial statements and related notes on pages 44 to 80 were authorised for issue by the board of directors on 28 March 2008 and will be laid before the shareholders at the Annual General Meeting (the "AGM") to be held on 8 July 2008.

### Results and dividend

In 2007 the Group recorded revenues of \$2,187 million and a net profit of \$214 million, compared to revenues of \$1,670 million and a net profit of \$138 million in 2006. The increase in revenue is due to increased activity in all operating regions. The increase in net profit is primarily attributable to higher activity levels and improved project execution.

The directors do not recommend the payment of a dividend for the year (2006: nil) preferring that the Group's profit is reinvested in the business.

### Financing activities

On 29 June 2007 the Company issued \$175 million of 10-year zero coupon convertible bonds by way of a private placement. The bonds are convertible into ordinary shares at a conversion price of \$28.1772 per share and have a yield to maturity of 0.95%. The proceeds are being used in part to finance the upgrade and enhancement of the Group's fleet. At 31 December 2007 and at the date of this report, none of the convertible bonds had been converted into new shares. Further details relating to these bonds can be found in note 23 to the financial statements.

In January 2008, the Company repurchased 890,000 of its own shares at an average price of NOK 98.04 per share. These shares have been cancelled and form part of the authorised but un-issued share capital of the Company.

### Share options

During 2007, the board approved new awards under the share option scheme for employees and awarded a total of 1,401,500 share options. During the year, 475,956 share options awarded through previous option schemes were exercised. Further details relating to these share options can be found in note 20 to the financial statements.

### Fleet enhancement programme

A comprehensive strategic review of the Group's fleet was undertaken in 2005 which led to the development of a vessel enhancement programme which demonstrates the commitment to strengthening and enhancing the fleet whilst meeting the objective of improving the Group's competitiveness and capability in the market. Details of the progress made on owned vessels in this programme are given below.

#### *Seven Oceans reeled rigid pipelay vessel*

This vessel successfully completed its marine and pipelay trials and was delivered to Subsea 7 on schedule in the second quarter of 2007.

#### *Seven Seas flexlay/J-lay vessel*

In February 2006, the Group entered into contracts to build a new flexible pipelay and construction vessel, with J-lay capability, for which the overall cost is in the order of \$200 million. The hull was launched in June 2007, the pipelay system and main crane have been installed and the vessel successfully completed marine sea trials at the end of February 2008. The vessel is on schedule for final delivery in the second quarter of 2008.

At 31 December 2007, the Group had paid yard instalments for the vessel and equipment equivalent to \$157 million. Future scheduled yard and equipment instalments were equivalent to \$39 million.

#### *Seven Atlantic diving support vessel*

In October 2006, the Group entered into contracts to build a new diving support vessel. The overall cost is in the order of \$200 million. The main engines and all major components of the diving and well treatment equipment required in the hull have been installed. The hull is on schedule for launch in July 2008 with the vessel due for delivery in the first half of 2009.

At 31 December 2007, the Group had paid yard instalments for the vessel and equipment equivalent to \$96 million. Future scheduled yard instalments were equivalent to \$77 million in 2008 and \$20 million in 2009.

## Shareholders

The Company's authorised share capital is \$2,000,000 divided into 200,000,000 ordinary shares of a nominal value of \$0.01 each. The issued share capital at 28 March 2008 was \$1,468,500 divided into 146,849,980 shares. The shares of the Company are listed on Oslo Børs with the ticker code SUB. Over the course of 2007 the share price rose from NOK 115.00 on the first day of trading to NOK 121.50 on the last.

Earnings per share for 2007 was \$1.45 (diluted, \$1.44) compared to earnings per share of \$0.93 (diluted, \$0.93) in 2006.

The Company's 20 largest shareholders at 26 March 2008 were as follows:

Shareholder	Number of shares	Owner interest %
Siem Industries Inc.*	49,224,145	33.52%
UBS AG, London Branch	7,272,473	4.95%
DNB NOR Bank ASA	5,700,000	3.88%
DNB NOR Bank ASA	5,620,000	3.83%
JP Morgan Chase Bank	5,004,949	3.41%
Goldman Sachs & Co.	4,554,433	3.10%
Morgan Stanley & Co.	4,215,732	2.87%
Morgan Stanley & Co.	4,094,601	2.79%
Mellon Bank	3,346,498	2.28%
Bank of New York	2,330,289	1.59%
Credit Suisse Securities	2,218,618	1.51%
MP Pensjon	2,112,500	1.44%
Clearstream Banking SA	2,011,218	1.37%
Fidelity Funds	1,981,183	1.35%
JP Morgan Chase Bank	1,880,247	1.28%
Nordea Bank Denmark AS	1,728,867	1.18%
Brown Brothers Harriman & Co.	1,700,000	1.16%
Morgan Stanley & Co.	1,410,250	0.96%
State Street Bank and Trust Co.	1,274,902	0.87%
Bank of New York	1,241,436	0.85%
Total 20 largest shareholders	108,922,341	74.19%

\*Siem Industries Inc. is the beneficial owner of 66,394,145 shares which represents 45.2% of the total issued shares.

## Directors and board committees

The names of the current directors and their biographical details are presented on page 36. The directors are subject to re-election by the shareholders every two years and, accordingly, Mr. Stevens will be standing for re-election at the AGM. Mr. Fitzgerald, who was appointed a director by the board, will also stand for election by the shareholders. Information on the audit and compensation committees is included in the corporate governance report on pages 39 to 42.

## Health, safety and environmental

Subsea 7 is committed to upholding the highest standards of health, safety and environmental protection for the benefit of its employees, the public at large and the environment. The Group has a formal health and safety policy and an environmental policy which are brought to the attention of every employee and contractor. The Group's policy for working on clients' sites is that industry best practice is observed as a minimum, even when local requirements fall short of these standards. Safety issues, together with the control measures in place, form part of the Group's risk-based internal control system. The board receives regular reports on health and safety issues.

## Market outlook

The market outlook remains strong with a high level of tendering continuing.

Activity in the North Sea looks positive with strong demand in Norway being complemented by an increase in field developments in the UK sector following a recovery in gas prices. The anticipated African projects are beginning to be awarded, with further announcements expected through the first two quarters of 2008. These project awards will underpin a strong market through to 2012. Expectations of market growth in Brazil are likely to be exceeded, with high levels of pipelay demand already evident and likely to be fuelled by the recent major discoveries. An increasing number of deepwater tie-back projects in the Gulf of Mexico will provide further opportunities for growth in the region. The long-term outlook for Asia-Pacific remains positive, although significant growth is not expected until 2010.

On behalf of the board of directors

Kristian Siem, Chairman  
28 March 2008

## Corporate governance report

As a Company incorporated in the Cayman Islands, Subsea 7 Inc. is subject to Cayman Islands laws and regulations with respect to corporate governance. Cayman Islands corporate law is to a great extent based on English law. In addition, the Company is listed on Oslo Børs and must comply with certain aspects of Norwegian Securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance ('the code') on a "comply or explain" basis.

Subsea 7 Inc. is committed to ensuring that high standards of corporate governance are maintained and supports the principles set out in the code. However, since the Company is governed by Cayman Islands laws and regulations, certain practices are applied which deviate from certain of the recommendations of the code.

The Company's corporate governance policies and procedures are explained below, with reference to the principles of corporate governance as set out in the sections identified in the code.

### Implementation and reporting on corporate governance

Subsea 7 Inc. acknowledges the division of roles between shareholders, the board of directors and the executive management team. The Company further ensures good governance is adopted by holding regular board meetings which the executive management team attend to present strategic, operational and financial matters.

### Business

As stated, Subsea 7 Inc. is subject to Cayman Islands laws and regulations which do not require the objects clause of the Company's Memorandum and Articles of Association to be clearly defined. The Company's Articles of Association can be referred to on the Company's website: [www.subsea7.com](http://www.subsea7.com).

### Equity and dividends

#### Equity

Total shareholders' equity at 31 December 2007 was \$819,757,000 (2006: \$531,936,000) which the directors believe is satisfactory given the Company's strategy and objectives.

#### Dividend policy

It is Subsea 7's objective to give the Company's shareholders a competitive return on their invested capital over time. The return is to be achieved through a combination of an increase in the value of the share and dividend payments. In recent years the Company has retained all earnings to support and develop operations and, therefore, has not paid dividends.

#### Equity mandates

The board of directors' mandate to increase the Company's issued share capital is limited only to the extent of the authorised share capital of the Company in accordance with the Company's Memorandum and Articles of Association, which is in accordance with Cayman Islands law.

The board of directors can approve the purchase of Company shares up to a limit of 10% of the issued share capital in any 12 month period in accordance with the Articles of Association. The board's right to acquire the Company's own shares is conditional of such purchases being made through the stock exchange.

### Equal treatment of shareholders and transactions with close associates

The Company has one class of shares which is listed on Oslo Børs. Each share carries equal rights including an equal voting right at the annual or extraordinary general meetings of shareholders of the Company. The Articles of Association contain no restrictions on voting rights.

#### Related party transactions

Any transactions between the Company and members of the board of directors, executive management or close associates are detailed as related party transactions in note 31 to the financial statements.

The Company's code of business conduct requires any director or employee to declare if they hold any direct or indirect interest in any transaction entered into by the Company.

### Freely negotiable shares

The Articles of Association contain no form of restriction on the negotiability of shares in the Company.

### Annual general meeting

The annual general meeting ("AGM") is held in July each year in the Cayman Islands. The notice of meeting and agenda document for the AGM are distributed at least 14 days prior to the meeting. Documentation from previous AGMs can be found on the Company's website.

All shareholders that are registered with the Norwegian Central Securities Depository System receive a written notice of the AGM. They have the right to submit proposals and may vote either directly or by proxy. The registration deadline is at least 24 hours prior to the commencement of the AGM.

The chairman of the board of directors ordinarily chairs the AGM. However, if a majority of the shareholders request an independent chairman, one would be appointed.

All directors are encouraged to attend the AGM. The AGM of shareholders elects the board of directors, approves the annual report and financial statements of the Company, appoints the external auditor and determines the remuneration of the board and auditor. The chairman of the board is elected by the directors annually.

#### Nomination committee

The appointment of a nomination committee is not a requirement under Cayman Islands law and the Company has so far not seen sufficient reason to appoint such a committee.

#### Corporate assembly and board of directors: composition and independence

As a Cayman Islands registered entity, the Company does not have a corporate assembly.

The board comprises 5 directors at 28 March 2008, 2 of whom are independent of the Company's main shareholder. Mr. Fitzgerald, Chief Executive Officer ('CEO'), was appointed to the board in May 2007 to replace Mr. Smith. The board operates controls to ensure that no conflicts of interest exist in this regard including, but not limited to, the establishment of the compensation committee and audit committee. Mr. Fitzgerald does not sit on either of these committees. The composition of the Company's board of directors, including the controls to avoid conflicts of interest, is in accordance with both Cayman Islands company law and good corporate governance practice.

The board endeavours to ensure that it is constituted by directors with a varied background and with the necessary expertise, diversity and capacity to ensure that it can effectively function as a cohesive body. Prior to proposing candidates to the general meeting for election to the board, the board of directors seeks to consult with the Company's major shareholders. The directors of the board are elected by the shareholders of the Company at the AGM for a two-year term, following which they can stand for re-election. Biographies of the individual directors are detailed on page 36 of this annual report.

The directors of the board are encouraged to hold shares in the Company which the board believes encourages a common financial interest between the members of the board and the shareholders of the Company.

#### The work of the board of directors

The board of directors, each December, sets a plan for its work for the following year which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of the Company's current year financial performance. The board is scheduled to meet in person approximately four times a year, and four times by telephone conference, but the work schedule is flexible to react to operational or strategic change in the market and Company circumstances.

The board of directors has overall responsibility for the management of the Group and has delegated the daily management and operations of the Group to the CEO, Mr. Fitzgerald, who is appointed by and serves at the discretion of the board of directors. The CEO is supported by the other members of the executive management team who consist of Mr. Cassie (Executive Vice President - Commercial), Mr. Evans (Chief Operating Officer) and Mr. Mahon (Chief Financial Officer) further details of whom are on page 32 of this annual report. The executive management team has the collective duty to implement Subsea 7's strategic, financial and other objectives, as well as to safeguard the Company's assets, organisation and reputation.

The board receives appropriate, precise and timely information on the operations and financial performance of the Company from the executive management team, which is imperative for the board to perform its duties.

The board has established a compensation committee and an audit committee, each of which has formal terms of reference approved by the board of directors. Matters are delegated to the committees as appropriate. The directors appointed to these committees are selected due to their experience and to ensure the committees operate in an effective manner. The minutes of all committee meetings are circulated to all directors. The work of these committees is explained in the sections below on Remuneration of the executive management, and Auditor respectively.

In the event that the chairman of the board cannot attend a meeting or is conflicted in leading the work of the board a deputy chairman will be appointed.

Attendance by directors, either in person at the meeting or via telephone conference, at the meetings of the board and its committees during 2007 is summarised below:

Meeting	Board	Audit committee	Compensation committee
Number of meetings	14	2	2
<b>Attendance by:</b>			
Kristian Siem <sup>2,3</sup>	14	2	2
Michael Delouche <sup>2</sup>	14	2	-
Arild Schultz <sup>1,3</sup>	13	-	2
Allen L. Stevens <sup>1</sup>	14	-	-
Mel Fitzgerald (from 29 May 2007)	8	-	-
John Smith <sup>1</sup> (to 8 May 2007)	5	-	-

<sup>1</sup> Independent of the Company's main shareholder and the Company's executive management

<sup>2</sup> Member of audit committee

<sup>3</sup> Member of compensation committee

The performance of the board of directors is constantly monitored and reviewed to ensure the composition and the way in which the directors function both individually and as a collegiate body is effective and efficient.

#### Risk management and internal control

The board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material mis-statement or loss.

The Group adopts internal controls appropriate to its business and culture. The key components of the Group's system of internal control are described below.

The Group has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. The executive management team meets with the regional and global Vice Presidents on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics, legal and financial matters. The Group maintains a comprehensive annual planning and management reporting system and a detailed annual budget is prepared in advance of each year and supplemented by revised forecasts during the course of the year. In addition, a five year strategic plan is updated annually. Actual financial results are reported monthly and compared to budget, revised forecasts and prior year results. The board reviews and approves all reports on projected and actual financial performance.

The board derives further assurances from the reports from the audit committee which has been delegated responsibility to review the effectiveness of the internal financial control systems implemented by management and is assisted by internal audit and the external auditors where appropriate.

#### Remuneration of the board of directors

The Company's directors receive remuneration in accordance with their individual roles. Remuneration is not linked to the performance of the Company but is based on participation at meetings and sub-committees. The directors are encouraged to own shares in the Company but do not participate in any incentive or share option schemes, with the exception of Mr. Fitzgerald. The remuneration of the board of directors is approved at the AGM annually and is disclosed in note 7 to the financial statements.

Directors are not permitted to undertake specific assignments for the Company unless this has been disclosed and approved in advance by the full board of directors.

#### Remuneration of the executive management

The compensation committee is responsible for determining and reviewing the remuneration and terms and conditions of the members of executive management. Subsea 7 is committed to offering executive management competitive remuneration based on current market conditions, Company and individual performance.

During 2005, the Company's AGM approved the implementation of a share option plan designed to promote value creation and align the interests of executive management and other senior employees with those of the shareholders. Options vest in equal proportions on a quarterly or annual basis over a period of time, generally five

years. Options vested cannot be exercised until one year after grant. Refer to note 20 to the financial statements for further details of the share option schemes.

All proposals to issue share options under the scheme are presented and approved by the board of directors prior to issue. The number of options awarded is monitored due to the share option plan restriction that options issued within any 12 month period ending on and including the proposed date of issue cannot exceed 1% of the issued share capital of the Company at the proposed date of issue.

Further details on the remuneration of executive management are contained in note 7 to the financial statements.

#### **Information and communication**

Subsea 7 Inc.'s board of directors concurs with the principles of equal treatment of all shareholders and the Company is committed to reporting financial results and other information that is open, accurate and timely. The Company provides information to the market through quarterly and annual reports, investor and analyst presentations which are open to the media, and by making operational and financial information available on the Company's website. Announcements are released through notification to the Oslo Børs' Company disclosure system and simultaneously on the Company's website. As a listed Company, the Company complies with the relevant regulations regarding disclosure. Information is only provided in English.

#### **Take-overs**

Subsea 7 Inc.'s board will strive to ensure that complete information is provided in all situations affecting the shareholders' interests.

#### **Auditor**

The audit committee is responsible for ensuring that the Group has an independent and effective external audit process. The audit committee supports the board of directors in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with the Group's auditor. The audit committee charter details the terms of reference for the audit committee. The Group's auditor meets the audit committee annually regarding the preparation of the annual accounts and also to present their report on the internal control procedures. The audit committee members hold separate discussions with the external audit partner once during the year without executive management being present. The scope, resources and the level of fees proposed by the external auditor in relation to the Group's audit are approved by the audit committee.

The audit committee recognises that it is occasionally in the interests of the Group to engage its auditor to undertake certain other non-audit assignments. Fees paid to the auditor for audit and non-audit services are presented and approved at the AGM and are disclosed in note 6 to the financial statements. The audit committee also requests the Group's auditor to confirm annually in writing that the auditor is independent.

#### **Independent Auditor's report to the members of Subsea 7 Inc.**

We have audited the group financial statements (the "financial statements") of Subsea 7 Inc (the "Group") for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in accordance with the regulations of the Oslo Stock Exchange.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Group's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if the Group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the: Chairman's Statement; Financial Summary; and Board of Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **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 Group's circumstances and have been 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the regulations of the Oslo Stock Exchange.

#### **PricewaterhouseCoopers LLP**

*Chartered Accountants and Registered Auditors*

*Aberdeen*

*28 March 2008*

Notes:

(a) The maintenance and integrity of the Subsea 7 Inc. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Consolidated income statement**  
For the year ended 31 December 2007

(Amounts in US\$ 1,000)	Note	2007	2006
<b>Revenue</b>		<b>2,187,354</b>	1,670,358
Project and vessel expenses		(1,300,271)	(1,037,592)
Employee benefits	7	(425,637)	(305,146)
Other operating expenses		(72,086)	(62,402)
Depreciation, amortisation and impairments	12, 13	(76,927)	(67,311)
Profit on disposal of property, plant and equipment		3,654	1,350
<b>Total operating expenses</b>		<b>(1,871,267)</b>	(1,471,101)
<b>Net operating profit</b>		<b>316,087</b>	199,257
Changes in fair value of derivative financial instruments	18	(2,032)	9,048
Net currency gain		14,957	4,818
Finance income	8	8,843	8,107
Finance expense	8	(25,238)	(13,780)
<b>Net financial items</b>		<b>(3,470)</b>	8,193
Share of post-tax profit/(loss) from joint ventures	14	1,165	(400)
Share of post-tax profit from associates	15	998	102
<b>Profit before tax</b>		<b>314,780</b>	207,152
Taxation	9	(100,659)	(69,534)
<b>Net profit attributable to equity shareholders</b>		<b>214,121</b>	137,618
Earnings per share, in US\$ per share			
- basic	10	1.45	0.93
- diluted		1.44	0.93

**Consolidated balance sheet**  
As at 31 December 2007

(Amounts in US\$ 1,000)	Note	2007	2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	98,533	98,543
Other intangible assets	12	1,780	2,072
Property, plant and equipment	13	906,551	576,493
Deferred tax assets	24	3,454	5,439
Investment in joint ventures	14	814	-
Investment in associates	15	1,609	611
		<b>1,012,741</b>	683,158
<b>Current assets</b>			
Inventories	16	25,209	28,183
Trade and other receivables	17	659,139	465,057
Derivative financial instruments	18	5,120	7,304
Cash and cash equivalents	19	167,657	86,585
		<b>857,125</b>	587,129
<b>TOTAL ASSETS</b>		<b>1,869,866</b>	1,270,287
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	20	1,477	1,473
Share premium reserve	20	286,508	283,682
Other reserves	21	152,362	88,196
Retained earnings		379,410	158,585
<b>Total shareholders' equity</b>		<b>819,757</b>	531,936
<b>Non-current liabilities</b>			
Borrowings	23	387,301	243,759
Deferred tax liabilities	24	57,823	32,605
Retirement benefit obligations	25	1,789	182
Finance lease obligations	23	-	379
Other non-current liabilities	26	4,384	4,314
		<b>451,297</b>	281,239
<b>Current liabilities</b>			
Trade and other payables	22	548,770	444,370
Current tax liabilities		47,366	9,526
Derivative financial instruments	18	2,282	2,434
Finance lease obligations	23	394	782
		<b>598,812</b>	457,112
<b>Total liabilities</b>		<b>1,050,109</b>	738,351
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,869,866</b>	1,270,287

**Consolidated statement of changes in shareholders' equity**  
For the year ended 31 December 2007

<i>(Amounts in US\$ 1,000)</i>	Share capital	Share premium	Other reserves	Retained earnings	Total
<b>At 1 January 2007</b>	<b>1,473</b>	<b>283,682</b>	<b>88,196</b>	<b>158,585</b>	<b>531,936</b>
Foreign currency translation	-	-	20,066	-	20,066
Net result for the year	-	-	-	214,121	214,121
Share based payments	-	-	-	2,785	2,785
Shares issued – exercise of options	4	2,826	-	-	2,830
Depreciation on re-valued assets	-	-	(3,919)	3,919	-
Convertible bond loan 2007-2017 equity component	-	-	48,019	-	48,019
<b>At 31 December 2007</b>	<b>1,477</b>	<b>286,508</b>	<b>152,362</b>	<b>379,410</b>	<b>819,757</b>
<b>At 1 January 2006</b>	<b>1,398</b>	<b>272,791</b>	<b>2,702</b>	<b>11,787</b>	<b>288,678</b>
Foreign currency translation	-	-	30,068	-	30,068
Net result for the year	-	-	-	137,618	137,618
Share based payments	-	-	-	1,341	1,341
Shares issued – exercise of options	3	1,329	-	-	1,332
Shares issued – conversion of bonds	82	23,125	-	-	23,207
Purchase of own shares	(10)	(13,563)	-	-	(13,573)
Depreciation on re-valued assets	-	-	(7,839)	7,839	-
Convertible bond loan 2006-2011 equity component	-	-	63,265	-	63,265
<b>At 31 December 2006</b>	<b>1,473</b>	<b>283,682</b>	<b>88,196</b>	<b>158,585</b>	<b>531,936</b>

**Consolidated cash flow statement**  
For the year ended 31 December 2007

<i>(Amounts in US\$ 1,000)</i>	Note	2007	2006
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	323,827	147,670
Finance income received		8,489	8,107
Finance expense paid		(8,677)	(7,455)
Taxation paid		(35,616)	(53,478)
<b>Net cash from operating activities</b>		<b>288,023</b>	<b>94,844</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary (net of cash acquired)		-	(28,384)
Deferred consideration on acquisition of subsidiary		(1,136)	-
Investment in joint ventures		-	(49)
Investment in associates		-	(509)
Proceeds from sale of property, plant and equipment		4,287	1,770
Purchase of property, plant and equipment		(383,690)	(265,184)
Purchase of intangible assets		(501)	-
<b>Net cash used in investing activities</b>		<b>(381,040)</b>	<b>(292,356)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		2,830	1,332
Purchase of own shares		-	(13,573)
Proceeds from issue of convertible bonds		175,000	300,000
Repayment of bank loans		-	(66,500)
Repayment of convertible bond		-	(3,560)
Government grants received		83	-
Finance lease principal payments		(767)	(399)
<b>Net cash from financing activities</b>		<b>177,146</b>	<b>217,300</b>
Effects of exchange rate changes		(3,057)	1,880
<b>Net increase in cash and cash equivalents</b>		<b>81,072</b>	<b>21,668</b>
Cash and cash equivalents at 1 January		86,585	64,917
<b>Cash and cash equivalents at 31 December</b>		<b>167,657</b>	<b>86,585</b>



## Notes to the financial statements

### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the European Union and the regulations of the Oslo Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale investments and financial assets and financial liabilities at fair value through profit or loss. The financial statements have been prepared on the assumption that the Company is a going concern.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the year. The estimates and judgments which are most significant or complex are disclosed in note 3.

#### Disclosure of impact of changes to existing standards and future accounting standards

The following standards, amendments and interpretations to published standards, which are of relevance to the Group's operations, were mandatory for the year ended 31 December 2007:

##### *IFRS 7 'Financial Instruments Disclosures'*

This standard requires entities to provide disclosures in their financial statements regarding the significance of the entity's financial instruments, the nature and extent of the risks arising from financial instruments, and how those risks are managed.

The application of IFRS 7 has resulted in additional disclosures in notes 2, 17 and 23. The application of IFRS 7 did not have a material impact on the Group's income statement, balance sheet or cash flow statement.

The following standards, amendments and interpretations to published standards, which are of relevance to the Group's operations, are effective for periods starting after the date of these financial statements:

##### *IFRIC 14 'IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'*

This interpretation, which is effective 1 January 2008, provides additional guidance on applying IAS 19.

##### *IFRS 8 'Operating Segments'*

This standard, which is effective 1 January 2009, replaces IAS 14 'Segment Reporting' and requires that entities adopt a "management approach" to reporting financial performance.

##### *IFRS 3 (revised) 'Business Combinations'*

This standard, which is effective 1 July 2009, makes significant changes to IFRS 3 in respect of the accounting for business combinations.

It is anticipated that IFRIC 14 and IFRS 8 will not have a material impact on the Group's financial statements, whereas IFRS 3 (revised) will have an impact on any acquisitions of the Group after the standard's effective date.

#### Principles of consolidation

In preparing the consolidated financial statements, the Group is treated as one economic entity. Inter-Company transactions and inter-Company balances are eliminated.

##### *Subsidiaries*

Subsidiaries, consisting of those entities in which the Group has either an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, are consolidated. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Investments in subsidiaries are consolidated according to the purchase method. All inter-Company transactions, balances and unrealised gains on transactions between group companies are eliminated. The purchase price is assigned to identifiable assets and liabilities in the subsidiary, and is included in the consolidated financial statements at fair value at the time of purchase. Any premium paid over and above the market value of the identifiable assets and liabilities at the acquisition date is recognised as

goodwill in the balance sheet. Other entities' interests in subsidiaries not wholly owned by the Group are reflected as minority interests based on the book value of the subsidiaries' net assets.

##### *Joint ventures*

A joint venture is a commercial business governed by an agreement between two or more participants, giving them joint control over the business.

In the consolidated financial statements, joint ventures are consolidated according to the equity method. The share of earnings recorded in the consolidated income statement is the after tax earnings of the joint ventures.

##### *Jointly controlled operations*

A jointly controlled operation is an operation involving two or more participants where each participant uses its own resources and carries out its own part of the operations separately from the activities of the other participant(s). Each participant owns and controls its own resources that it uses in the joint operation and incurs its own expenses and raises its own financing. Rules are established governing how revenues and any common expenses are shared among the participants. Jointly controlled operations do not involve the establishment of a corporation, partnership, entity, or a financial structure that is separate from the investors themselves.

Jointly controlled operations are accounted for as if the operations were conducted independently. The Group accounts for its share of the assets, liabilities and cash flows arising from the operations in its own accounting records, with no further adjustments or consolidation procedures being necessary.

##### *Associates*

An associate is an entity over which an investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee entity but not control or joint control over those policies.

In the consolidated financial statements, associates are consolidated according to the equity method. The share of earnings recorded in the consolidated income statement is the after tax earnings of the associates.

#### Segment reporting

Segment reporting follows the Group's internal reporting structure and accordingly, its primary segment reporting is geographical areas with secondary segment information reported by business.

A geographical segment is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and return that are different from those of other business segments.

The Group is organised into main geographic regions which are the primary business segments: North Sea, Africa, Brazil, Gulf of Mexico, Asia-Pacific, and Global. The secondary reporting segments are the two core divisions in which the Group operates being Construction and IRM, and i-Tech.

#### Functional and presentation currency

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The United States dollar (US\$) is the currency in which the consolidated financial statements are presented. All amounts in these consolidated financial statements are in US\$ 1,000 unless otherwise stated.

#### Foreign currency translation

Income statements of entities in the Group that prepare their results in a currency other than US\$ are translated into US\$ at the weighted average exchange rates for each period and balance sheets are translated at the exchange rates ruling at year-end. The cumulative translation adjustments arising from the re-translation of the net investment in such entities are included in shareholders' equity.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The exchange rates used throughout the Group at the balance sheet date, compared to US\$, were as follows:

GBP: 2.02165  
EUR: 1.44005  
NOK: 5.55278

### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with IAS 14 'Segment Reporting'.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Recoverable amounts are determined based on value in use calculations using discounted cash flow projections based on financial budgets approved by executive management. The discount rate applied to the cash flow projections is the Group's cost of capital at the impairment test date, adjusted for an appropriate margin and risk factors. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profit in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. A summary of the policies applied to intangible assets is as follows:

Intellectual property and patent rights – finite-lived – duration of licence or rights  
Customer contracts – finite-lived – contract duration, 2 to 5 years

### Property, plant and equipment

Property, plant and equipment are stated at initial cost including any directly related costs of acquisition, less accumulated depreciation and accumulated impairments in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value

may not be recoverable. Depreciation is provided on all property, plant and equipment at annual rates calculated to write off the cost of each asset to its estimated residual value evenly over its expected useful life as follows:

Buildings – 25 years  
Plant and equipment – 3 to 10 years  
Vessels and marine equipment – 5 to 20 years

Assets under construction and land are not depreciated.

Expenditure incurred during inspections, major repairs or dry-docking is recognised in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. Dry-docking costs are considered a separate component of the vessels' cost that have a different pattern of economic benefits and are therefore depreciated separately. Dry-docking expenses are amortised over the period until the next scheduled dry-docking, up to a maximum of 5 years.

Upon retirement or disposal of property, plant and equipment, the costs and related accumulated depreciation are derecognised and any gain or loss arising (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group has not elected to account for any of its derivative financial instruments as hedges for accounting purposes as prescribed in IAS 39 and, accordingly, all changes in the fair value of derivative financial instruments are recognised in the income statement when they occur.

The fair values of derivative financial instruments are classified as either current or non-current assets or liabilities according to the maturity dates of the derivative contracts.

### Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is computed using standard cost which approximates actual cost, on a first in, first out basis. The Group makes inventory provisions for impairment based on an assessment of excess and obsolete inventories.

### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments, less bank overdrafts. Deposits held with banks with interest rate maturities up to 12 months have been classified as cash equivalents where deposits could be repaid within 3 months without penalty.

### Borrowings

#### Convertible bonds

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability, on an amortised cost basis, until extinguished on conversion, redemption or maturity. The remainder of the proceeds of a convertible bond represents the estimated fair value of the equity conversion option, at inception, and this component of the bond is recorded in shareholders' equity.

### Borrowing costs

Interest costs are recognised as an expense when incurred. Loan issue and arrangement expenses are capitalised and amortised over the term of the loan on a straight line basis.

### Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expense and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expense is charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will

obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### **Government grants**

Government grants are recognised as income over the periods necessary to match them with the costs which they are intended to compensate. Grants which are related to assets are credited to deferred income on receipt and released to the income statement over the expected useful life of the related asset. Grants which are of a revenue nature are credited to the income statement so as to match them with the expenditure to which they relate.

#### **Deferred consideration**

Deferred consideration relates to the future cash consideration payable in respect of acquisitions which is contingent on the outcome of future events. When an acquisition agreement provides for an adjustment to the consideration contingent on future events, provision is made for that amount if the adjustment is probable and can be measured reliably. The amount provided is included in the cost of the acquisition. When the final amount payable is determined, or when revised estimates are made, the acquisition cost and provision are adjusted accordingly. Deferred consideration is recorded at its fair value.

#### **Retirement benefits**

The Group operates a number of defined contribution schemes. These schemes are administered separately from the Group and the Group has no further obligations in respect of these schemes once the contributions have been paid. Contributions to these schemes are recognised as an expense when incurred.

The Group operates three defined benefit schemes in Norway. Two of the schemes are funded through payments to an insurance Company determined by periodic actuarial calculations and one scheme is unfunded.

The liability recognised in the balance sheet in respect of the defined benefit schemes is the excess of the present value of the schemes' obligations at the balance sheet date over the fair value of the schemes' assets at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses. The schemes' obligations are calculated annually at the balance sheet date by independent actuaries using the projected unit credit method. The present value of the schemes' obligations is calculated by discounting the estimated cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the pensions will be paid and that have terms to maturity approximating to the terms of the schemes' liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the schemes' assets or 10% of the schemes' obligations are charged or credited to income over the schemes members' expected average remaining working lives.

#### **Share-based payment transactions**

Certain employees (including executive management) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

##### *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using a Black-Scholes model, further details of which are given in note 20.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the 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 reporting 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 instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any

expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of share-based payment transactions is reflected as additional share dilution in the computation of earnings per share.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

##### *Sale of goods*

Product revenue is generally recognised when a signed contract or other persuasive evidence of an arrangement exists, the product has been shipped, the fee is fixed or determinable and collection of resulting receivables is reasonably assured.

##### *Rendering of services*

Service revenue consists primarily of revenue received from billings that provide for specific time for operators, material and equipment charges which accrue daily and are billed periodically, ranging from weekly to monthly billing for the delivery of subsea services, to customers over a contractual term. Service revenue is generally recognised when a signed contract or other persuasive evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable and collection of resulting receivables is reasonably assured.

##### *Construction contracts*

The Group follows the generally accepted practice of accounting for long-term construction, engineering and project management contracts on the percentage of completion basis as costs are incurred. Under this method, revenue is recognised according to the stage of completion reached in the contract by reference to the value of work done. If a contract can be split into subprojects, each subproject is treated separately.

For all contracts, no profit is recognised before the outcome of the contract can be measured reliably, and generally this will mean no profit is recognised until progress has reached at least 20% of completion. The estimated cost used to determine profit at completion reflects all facts or occurrences expected to affect the final cost of the contract. The entire amount of any estimated contract loss is recognised when it first becomes evident.

For contracts which satisfy certain criteria, profit is recognised in accordance with the risk profile of the contract as assessed by management instead of being recognised in accordance with the simple percentage of total costs principle. The pattern of revenue recognition for these contracts depends on individual contract circumstances and terms, but generally the application of this policy may result in there being a requirement for a larger percentage of completion prior to any profit being recognised, the application of variable profit margins at separately identifiable stages of the contract, and the majority of profit being recognised in the later stages of the contract.

On a contract or subproject basis, the amount by which costs incurred plus recognised profit exceeds progress billings is presented as accrued income, and the amount by which progress billings exceed total costs incurred plus recognised profit is presented as deferred income.

#### **Taxation**

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## 2 Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. The Group has in place risk management policies that seek to limit the adverse effects of these risks on the financial performance of the Group. The board of directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The responsibility for managing and monitoring the day-to-day financial risks is delegated to the central treasury department with an authorisation matrix agreed with the Chief Financial Officer. The risk management policies are implemented by the central treasury department which receives regular reports from all the operating companies to enable prompt identification of financial risks so that appropriate action may be taken.

#### (a) Foreign exchange risk

The Group is exposed to foreign exchange risk arising on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of individual Group entities which are principally United States dollars, United Kingdom pounds (GBP), Brazil real (BRL), Norwegian krone (NOK) and Euros (EUR).

As the Group's presentation currency is US\$, it is also subject to foreign exchange translation risk in respect of the results and underlying net assets of foreign operations.

Techniques in managing foreign exchange risk include, but are not limited to, foreign currency borrowing and investing and the use of currency derivative instruments. The Group selectively manages significant exposures to potential foreign exchange losses considering current market conditions, future operating activities and the associated cost in relation to the perceived risk of loss.

The Group manages currency exposures through the use of currency derivative instruments related to the major currencies, which are generally the currencies of the countries of the majority of the Group's international business. These contracts generally have an expiration date of two years or less. Forward exchange contracts, which are commitments to buy or sell a specified amount of a foreign currency at a specified price and time, are the primary

derivative instruments used to manage identifiable foreign currency commitments and generally relate to long-term engineering and construction projects. While derivative instruments are subject to fluctuations in value, the fluctuations are generally offset by the value of the underlying exposures being managed. The use of some contracts may limit the ability of the Group to benefit from favourable fluctuations in foreign exchange rates.

At 31 December 2007, if US\$ had strengthened/weakened by 10% against GBP with all other variables held constant, net profit attributable to equity shareholders and correspondingly, total shareholders' equity would have been \$798,000 (2006: \$585,000) higher/lower, mainly as a result of foreign exchange gains/losses on the re-measurement of US\$ denominated trade receivables, trade payables and cash and cash equivalents.

#### (b) Cash flow and fair value interest rate risk

The Group has interest rate risk arising from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk and borrowings at fixed rates expose the Group to fair value interest rate risk.

During 2007 and 2006, the Group had fixed rate borrowings in the form of convertible bond loans, further details of which are set out in note 23.

At 31 December 2007 the Group had access to variable rate borrowings in the form of a \$100 million revolving credit facility. The Group is able to draw down on this facility, as needed, any amount which is a multiple of \$2.5 million, for contractually specified or other negotiated periods of time, at interest rates determined with reference to LIBOR at the time of borrowing. Further details of this facility are set out in note 23.

The Group has no significant interest bearing assets other than cash and cash equivalents therefore the Group's income and operating cash flows are substantially independent of changes in market interest rates. Cash and cash equivalents are invested for short maturity periods, generally less than one week, which mitigates the potential interest rate risk.

The Group monitors its exposure to interest rate risk as part of its overall monitoring of financial risk management, but has not entered into any interest rate derivatives to manage its cash flow and fair value interest rate risks.

#### (c) Credit risk

Financial instruments that potentially subject the Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily composed of deposits and investments in money market funds, are maintained with a number of major financial institutions in each of the regions that the Group operates. The Group has, from time to time, significant short-term credit exposure from receivables from major companies in the oil and gas exploration and production sector. Credit risk from the ordinary course of trade activities is managed by the regional business units applicable to where the receivables are located. The Group performs ongoing credit evaluations of its customers and generally does not require collateral from its customers.

#### Concentration of counterparty risk:

At 31 December 2007, 94% of cash and cash equivalents were invested with 5 counterparties based in 4 countries.

The table below shows the concentration of trade receivables counterparty risk at the balance sheet date by ranking customers by size of receivable balance at the balance sheet date. Further details of the evaluation of counterparty risk are set out in note 17.

	2007	2006
Total receivables from customers ranked 1-5	94,554	74,595
Total receivables from customers ranked 6-10	47,090	36,288
Total receivables from customers ranked 11-15	27,750	24,133
Total receivables from customers ranked 16-20	15,877	12,688
Total receivables from customers ranked 21-25	12,718	7,115
Total receivables from other customers	18,108	16,607
	<b>216,097</b>	<b>171,426</b>

#### (d) Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. Further details of the composition of funding are set out in note 23.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining contractual period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>At 31 December 2007</b>				
Convertible bond loan 2007-2017	-	-	-	192,397
Convertible bond loan 2006-2011	8,400	8,400	312,600	-
Derivative financial instruments	2,032	-	-	-
Trade and other payables	548,770	-	-	-
<b>At 31 December 2006</b>				
Convertible bond loan 2006-2011	8,400	8,400	321,000	-
Trade and other payables	444,370	-	-	-

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining contractual period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
<b>At 31 December 2007</b>				
Forward foreign currency contracts - outflow	46,221	12,896	-	-
Currency swaps - outflow	22,208	-	-	-
<b>At 31 December 2006</b>				
Forward foreign currency contracts - outflow	100,930	6,822	-	-
Currency swaps - outflow	90,775	-	-	-

#### Capital risk management

The objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Company may, amongst other things, adjust the amount of dividends paid to shareholders, issue new shares, repurchase existing shares, or sell assets to reduce debt. There were no changes to the Group's approach to capital management in the year.

#### Fair value estimation

The carrying value of certain of the Group's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and other accrued liabilities, approximates fair value because of their short maturities.

The fair value of borrowings is determined by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### 3 Critical accounting estimates and judgments

The most important estimates and judgments are discussed below. Estimates and judgments are continually evaluated and are based on historical experience and other factors management believe to be reasonable under the circumstances.

#### Revenue recognition

The Group accounts for long-term construction, engineering and project management contracts using the percentage of completion basis as costs are incurred. Under this method, revenue is recognised according to the stage of completion reached in the contract by reference to the value of work done as a proportion of the total work to be performed, and for certain contracts also with reference to the risk profile of the contract. The calculation of the stage of completion on contracts requires estimates to be made, especially regarding the cost to complete, and actual results may differ from these estimates. Further details relating to amounts recorded for construction contracts can be found in notes 5, 17 and 22.

#### Taxation

The Group is subject to taxes in numerous jurisdictions and significant judgment is required in calculating the consolidated tax provision. There are many transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax charge in the period in which the outcome is determined. Further details relating to taxation can be found in notes 9 and 24.

#### Goodwill carrying value

An impairment review has been performed for all goodwill balances held across the Group on a cash generating unit basis. The impairment review is performed on a value-in-use basis which requires estimation of future net operating cash flows and the time period over which they will occur. Further details relating to the impairment review can be found in note 11.

#### Defined benefit pension scheme

A qualified actuary undertakes the estimation of the present value of the Group's obligations under defined benefit pension schemes using assumptions taken from a range of possible actuarial assumptions. These assumptions may not be borne out in practice, especially due to the long timescales involved. The valuation of scheme assets is based on the fair value at the balance sheet date. As these assets are not intended to be sold in the short term, their value may change significantly prior to realisation. Further details relating to the defined benefit pension scheme can be found in note 25.

### 4 Segment reporting

Segment reporting follows the Group's internal reporting structure and, accordingly, its primary segment reporting is geographical areas with secondary segment information reported by business.

#### Primary reporting format – Geographic segments

Year ended 31 December 2007	North Sea	Africa	Brazil	Gulf of Mexico	Asia Pacific	Global	Group
<b>Revenue</b>							
External customers	1,025,031	514,280	323,411	152,394	167,353	4,885	2,187,354
<b>Results</b>							
Segment result	229,077	75,179	(27,053)	29,615	34,684	(25,415)	316,087
Change in fair value of derivative financial instruments	-	-	-	-	-	(2,032)	(2,032)
Net currency gain	-	-	-	-	-	14,957	14,957
Finance income	-	-	-	-	-	8,843	8,843
Finance expense	-	-	-	-	-	(25,238)	(25,238)
Share of post-tax profit from joint ventures	-	-	-	-	1,165	-	1,165
Share of post-tax profit from associates	-	-	-	-	-	998	998
Profit/(loss) before tax	229,077	75,179	(27,053)	29,615	35,849	(27,887)	314,780
Taxation	(59,194)	(33,574)	-	(3,202)	(3,945)	(744)	(100,659)
<b>Net profit/(loss) attributable to equity shareholders</b>	<b>169,883</b>	<b>41,605</b>	<b>(27,053)</b>	<b>26,413</b>	<b>31,904</b>	<b>(28,631)</b>	<b>214,121</b>
<b>Assets and liabilities</b>							
Total segment assets	1,234,831	149,237	313,280	57,364	97,073	18,081	1,869,866
Total segment liabilities	683,210	147,480	137,848	29,794	45,852	5,925	1,050,109
<b>Other segment items</b>							
Capital expenditure	366,261	299	15,331	420	1,379	-	383,690
Depreciation & impairment of PP&E	51,798	53	19,091	703	4,484	-	76,129
Amortisation of intangible assets	597	-	151	10	40	-	798

**Primary reporting format – Geographic segments (continued)**

Year ended 31 December 2006	North Sea	Africa	Brazil	Gulf of Mexico	Asia Pacific	Global	Group
<b>Revenue</b>							
External customers	760,706	376,620	300,363	97,478	125,843	9,348	1,670,358
<b>Results</b>							
Segment result	139,678	72,791	(6,086)	18,528	14,036	(39,690)	199,257
Change in fair value of derivative financial instruments	-	-	-	-	-	9,048	9,048
Net currency gain	-	-	-	-	-	4,818	4,818
Finance income	-	-	-	-	-	8,107	8,107
Finance expense	-	-	-	-	-	(13,780)	(13,780)
Share of post-tax loss from joint ventures	-	-	-	-	(400)	-	(400)
Share of post-tax profit from associates	-	-	-	-	-	102	102
Profit/(loss) before tax	139,678	72,791	(6,086)	18,528	13,636	(31,395)	207,152
Taxation	(38,333)	(28,739)	(708)	(1,242)	(48)	(464)	(69,534)
<b>Net profit/(loss) attributable to equity shareholders</b>	<b>101,345</b>	<b>44,052</b>	<b>(6,794)</b>	<b>17,286</b>	<b>13,588</b>	<b>(31,859)</b>	<b>137,618</b>
<b>Assets and liabilities</b>							
Total segment assets	782,892	75,137	278,622	39,173	68,121	26,342	1,270,287
Total segment liabilities	529,784	74,342	66,687	26,089	34,820	6,629	738,351
<b>Other segment items</b>							
Capital expenditure	239,706	46	7,435	33	2,070	15,894	265,184
Depreciation & impairment of PP&E	35,705	8	21,055	582	4,135	2,696	64,181
Amortisation of intangible assets	917	1,254	731	26	202	-	3,130

At 31 December 2007, the Group was organised into five geographic segments and a “Global” segment as follows:

*North Sea*

This covers all operations in the UK, Norway, Denmark, the Netherlands and any other works offshore continental Europe. There are regional project management and engineering organisations in: Aberdeen, Scotland; London, England; and Stavanger, Norway. There are spoolbases in Leith, Scotland and Luster, Norway in addition to a bundle fabrication site at Wick, Scotland.

*Africa*

This covers operations in the continent of Africa. There are offices established in Nigeria and Angola and there is a spoolbase in Angola.

*Brazil*

This covers all works in Brazil. There is a project management and engineering organisation based in Rio de Janeiro, Brazil and there is a spoolbase at Ubu, Brazil.

*Gulf of Mexico*

This covers all works in the Gulf of Mexico and offshore Mexico. There is a project management and engineering organisation based in Houston, USA and there is a logistics base in New Orleans, USA supporting all operations

*Asia-Pacific*

This covers all operations in Asia-Pacific. There is an office in Perth, Australia, and a project management and engineering organisation based in Singapore.

*Global*

The Vessel Management group is based in Grimstad, Norway and is responsible for the management and maintenance of the vessels and equipment. There is a global team based in Aberdeen, Scotland which provides support. Treasury is a global function and is responsible for managing the Group’s credit facility.

**Secondary reporting format – Business segments**

	Revenue		Segment assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
Construction and IRM	<b>2,039,612</b>	1,566,619	<b>1,806,391</b>	1,230,722	<b>362,518</b>	249,884
i-Tech	<b>147,742</b>	103,739	<b>63,475</b>	39,565	<b>21,172</b>	15,300
	<b>2,187,354</b>	1,670,358	<b>1,869,866</b>	1,270,287	<b>383,690</b>	265,184

At 31 December 2007, the Group had two main business segments consisting of seven specialist activities as follows:

*Construction and IRM*

- Construction and IRM relates to subsea engineering, installation, construction, inspection, repair and maintenance of all upstream oil and gas applications.
- Deepwater Services and Technology provides a team of engineers which develops new technology to design and install systems and facilities in the deeper water areas of the world.
- Pipelay Services provides rigid and flexible pipeline and riser systems executed by dedicated reel-lay vessels.
- Towed Production Services is the complete design, construction, tow-out and installation of pipeline bundles. Technological development continues on in-house projects such as ‘open’ and ‘intelligent’ bundles, and installation of SCRs.
- Survey and Positioning provides advanced technology and techniques from our fleet of specialist vessels and those of our clients, offering highly sophisticated data acquisition, processing and data presentation.

*i-Tech*

- ROV Services relates to a fleet of Remotely Operated Vehicles. Using the latest tooling intervention techniques, engineers provide a complete ROV service from concept to maintenance.
- Remote Technology Group provides specialist engineering expertise and practical knowledge to support construction, IRM and ROV activities.

**5 Construction contracts**

	2007	2006
<b>All construction contracts</b>		
Amount of contract revenue recognised as revenue in the year	<b>2,005,727</b>	1,545,706
<b>Construction contracts in progress</b>		
Amount of revenue recognised in the year	<b>1,298,757</b>	765,028
Amount of costs incurred and recognised losses in the year	<b>(1,134,084)</b>	(721,648)
	<b>164,673</b>	43,380
Amount of revenue recognised at the balance sheet date	<b>1,799,369</b>	935,912
Amount of costs incurred and recognised losses at the balance sheet date	<b>(1,604,997)</b>	(866,511)
	<b>194,372</b>	69,401
Amount of revenue expected to be recognised at completion	<b>3,924,937</b>	2,587,172
Amount of costs and recognised losses expected to be recognised at completion	<b>(3,409,585)</b>	(2,272,324)
	<b>515,352</b>	314,848

## 6 Services provided by the Group's auditor and network firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2007	2006
Statutory audit services	1,184	1,239
Tax services	136	134
Other services	36	38
	<b>1,356</b>	<b>1,411</b>

## 7 Employee benefits

Employee costs for the Group during the year

	2007	2006
Wages and salaries	372,917	266,852
Social security costs	30,396	24,697
Pension costs – defined contribution schemes	18,390	10,710
Pension costs – defined benefit schemes (note 25)	3,934	2,887
	<b>425,637</b>	<b>305,146</b>

The total number of employees at the end of the year was 3,918 (2006: 2,950). Employees are only those personnel with a contract of service and exclude contractors.

Executive management compensation

	Salaries and short-term employee benefits	Post employment benefits	Share based payments (note 20)	Total
<b>Year ended 31 December 2007</b>				
Chief Executive Officer	1,017	-	229	1,246
Other executive management	2,599	118	396	3,113
	<b>3,616</b>	<b>118</b>	<b>625</b>	<b>4,359</b>
<b>Year ended 31 December 2006</b>				
Chief Executive Officer	967	-	157	1,124
Other executive management	2,324	97	202	2,623
	<b>3,291</b>	<b>97</b>	<b>359</b>	<b>3,747</b>

Directors' fees

The annual fees payable to each of the directors who served during the year, excluding Mr. Siem, Mr. Delouche and Mr. Fitzgerald was \$25,000 (2006: \$25,000). The fees payable to Mr. Siem and Mr. Delouche are included in fees totalling \$800,000 (2006: \$800,000) payable to Siem Industries Inc., a related party, for services rendered during the year.

With the exception of Mr. Fitzgerald, none of the directors had any entitlement to share options.

## 8 Finance income and expense

	2007	2006
<b>Finance income:</b>		
Interest receivable on bank deposits	8,843	4,609
Other financial income	-	3,498
<b>Total finance income</b>	<b>8,843</b>	<b>8,107</b>
<b>Finance expense:</b>		
Interest payable on bank loans	(132)	(2,446)
Interest payable on bank overdrafts	(58)	(14)
Interest payable on finance leases	(64)	(70)
Interest payable on convertible bond loans	(8,400)	(4,783)
Accretion on convertible bond loans	(16,584)	(6,441)
Other financial expenses	-	(26)
<b>Total finance expense</b>	<b>(25,238)</b>	<b>(13,780)</b>

## 9 Taxation

	2007	2006
- current tax	69,381	52,620
- adjustment in respect of prior period	4,075	598
	<b>73,456</b>	<b>53,218</b>
Deferred tax (note 24)	27,203	16,316
<b>Total taxation</b>	<b>100,659</b>	<b>69,534</b>

The tax for the period is higher (2006: higher) than the weighted average statutory rate of corporation tax for the Group of 29.04% (2006: 26.6%). The weighted average rate of corporation tax for the Group is approximated through reference to the statutory rates prevailing in the respective jurisdictions in which the Group operates. The differences are explained below:

	2007	2006
Profit before tax	314,780	207,152
Profit before tax multiplied by the weighted average rate of corporation tax for the group of 29.04% (2006: 26.6%)	91,420	55,135
Effects of:		
Adjustments to tax in respect of prior period	(141)	2,592
Unrecoverable foreign tax	6,403	10,864
Expenses not deductible for tax purposes	299	8,237
Deferred tax assets not recognised	17,276	5,579
Losses brought forward	(99)	(1,891)
Adjustment for rate change in UK	(4,324)	-
Other including income not taxable	(10,175)	(10,982)
<b>Total taxation</b>	<b>100,659</b>	<b>69,534</b>

## 10 Earnings per share

Basic earnings per share amounts are calculated by dividing the profit or loss attributable to equity shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit or loss attributable to equity shareholders of the Group (adjusted where applicable for interest and other costs associated with any dilutive securities) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive securities into ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Earnings	Weighted average number of shares	Per share US\$
<b>Basic EPS 2007</b>	<b>214,121</b>	<b>147,412,580</b>	<b>1.45</b>
<b>Effect of dilutive securities</b>			
Share options	-	720,697	-
Convertible bond loan 2006-2011	14,878	11,395,232	-
Convertible bond loan 2007-2017	3,529	2,484,278	-
<b>Diluted EPS 2007</b>	<b>232,528</b>	<b>162,012,787</b>	<b>1.44</b>
<b>Basic EPS 2006</b>	137,618	147,450,233	0.93
<b>Effect of dilutive securities</b>			
Share options	-	817,501	-
<b>Diluted EPS 2006</b>	137,618	148,267,734	0.93

The convertible bond loan 2006-2011 was anti-dilutive in 2006.

## 11 Goodwill

	2007	2006
<b>Cost and net book amount</b>		
At 1 January	98,543	73,665
Acquisitions	-	24,878
Petrology Limited deferred consideration adjustment	(10)	-
<b>At 31 December</b>	<b>98,533</b>	<b>98,543</b>

During the year, goodwill was tested for impairment in accordance with IAS 36. The impairment test based on the recoverable amounts of the cash-generating units to which the goodwill relates resulted in no impairment charge. The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	2007
North Sea	62,368
Africa	18,750
Brazil	17,415
Gulf of Mexico	-
Asia-Pacific	-
Global	-
	<b>98,533</b>

All of the recoverable amounts were determined based on value in use calculations using discounted cash flow projections based on financial budgets approved by executive management covering a five year period. The discount rate applied to the cash flow projections was 10%.

The cash flow projections are based on the assets' current condition and project expenditure plus related inflows

that will improve or enhance the assets' performance. The cash flow does not include cash flows from financing activities.

The cash flows include:

- Projections of cash inflows from continuing use of the assets or the activities of the region
- Projections of cash outflows necessarily incurred to generate the cash inflows from continuing use of the asset or region that are directly attributable
- Projections of cash outflows indirectly attributable but that can be allocated on a reasonable and consistent basis
- Projections of cash outflows to maintain the operating capacity of existing assets, including repairs and maintenance

The projected revenue growth is based on region forecasts and market expectations.

## 12 Other intangible assets

	Intellectual property and patent rights	Customer contracts	Total
<b>Cost</b>			
At 1 January 2007	-	12,516	12,516
Additions at cost	501	-	501
Exchange adjustments	5	-	5
<b>At 31 December 2007</b>	<b>506</b>	<b>12,516</b>	<b>13,022</b>
<b>Aggregate amortisation and impairment</b>			
At 1 January 2007	-	10,444	10,444
Charge for the year	38	760	798
<b>At 31 December 2007</b>	<b>38</b>	<b>11,204</b>	<b>11,242</b>
<b>Net book amount at 31 December 2007</b>	<b>468</b>	<b>1,312</b>	<b>1,780</b>
<b>Cost</b>			
At 1 January 2006	-	12,501	12,501
Exchange adjustments	-	15	15
<b>At 31 December 2006</b>	<b>-</b>	<b>12,516</b>	<b>12,516</b>
<b>Aggregate amortisation and impairment</b>			
At 1 January 2006	-	7,302	7,302
Charge for the year	-	3,130	3,130
Exchange adjustments	-	12	12
<b>At 31 December 2006</b>	<b>-</b>	<b>10,444</b>	<b>10,444</b>
<b>Net book amount at 31 December 2006</b>	<b>-</b>	<b>2,072</b>	<b>2,072</b>

Customer contracts are projects attributed to the Subsea 7 joint venture from its date of commencement and at the date of the purchase of Halliburton's 50% share. Customer contracts are amortised over the duration of the contracts.



### 13 Property, plant and equipment

	Land and buildings	Plant and equipment	Vessels and marine equipment	Total
<b>Cost</b>				
At 1 January 2007	37,377	3,600	654,100	695,077
Additions at cost	34,080	1,101	348,509	383,690
Disposals	-	-	(2,817)	(2,817)
Exchange adjustments	3,640	1,258	22,698	27,596
<b>At 31 December 2007</b>	<b>75,097</b>	<b>5,959</b>	<b>1,022,490</b>	<b>1,103,546</b>
<b>Accumulated depreciation</b>				
At 1 January 2007	2,806	2,096	113,682	118,584
Charge for the year	2,597	2,104	71,428	76,129
Disposals	-	-	(2,184)	(2,184)
Exchange adjustments	486	621	3,359	4,466
<b>At 31 December 2007</b>	<b>5,889</b>	<b>4,821</b>	<b>186,285</b>	<b>196,995</b>
<b>Net book amount at 31 December 2007</b>	<b>69,208</b>	<b>1,138</b>	<b>836,205</b>	<b>906,551</b>

<b>Cost</b>				
At 1 January 2006	18,003	1,564	366,304	385,871
Additions at cost	13,997	768	250,419	265,184
Acquisitions	3,435	247	3,669	7,351
Disposals	-	-	(1,258)	(1,258)
Exchange adjustments	1,942	1,021	34,966	37,929
<b>At 31 December 2006</b>	<b>37,377</b>	<b>3,600</b>	<b>654,100</b>	<b>695,077</b>
<b>Accumulated depreciation</b>				
At 1 January 2006	856	903	43,738	45,497
Charge for the year	1,480	944	61,757	64,181
Disposals	-	-	(838)	(838)
Exchange adjustments	470	249	9,025	9,744
<b>At 31 December 2006</b>	<b>2,806</b>	<b>2,096</b>	<b>113,682</b>	<b>118,584</b>
<b>Net book amount at 31 December 2006</b>	<b>34,571</b>	<b>1,504</b>	<b>540,418</b>	<b>576,493</b>

Included in the table above are assets under construction of \$438,668,000 (2006: \$298,555,000) for which expenditure in the current year amounted to \$305,699,000 (2006: \$232,216,000).

Operating lease charges amounting to \$143,421,000 (2006: \$95,526,000), \$8,712,000 (2006: \$6,082,000) and \$742,000 (2006: \$782,000) relating to the lease of vessels, land and buildings, and plant and equipment respectively, are included in the income statement.

Assets held under finance leases included above had the following net book amounts:

	Plant and equipment	Vessels and marine equipment	Total
<b>At 31 December 2007</b>			
Cost	18	22,273	22,291
Aggregate depreciation	(5)	(19,948)	(19,953)
Net book amount	13	2,325	2,338
<b>At 31 December 2006</b>			
Cost	18	22,273	22,291
Aggregate depreciation	(1)	(13,263)	(13,264)
Net book amount	17	9,010	9,027

### 14 Investments in joint ventures

	2007	2006
<b>Net assets at 1 January</b>	-	-
Additions	-	49
Share of post-tax profit/(loss)	814	(49)
<b>Net assets at 31 December</b>	<b>814</b>	-

In relation to the Group's interests in joint ventures, the assets, liabilities, income and expenses are shown below:

	2007	2006
Current assets	23,485	16,141
Non-current assets	1,019	361
Current liabilities	(23,690)	(15,107)
Non-current liabilities	-	(1,746)
Net assets/(liabilities)	814	(351)
Income	38,392	13,550
Expenses	(37,356)	(14,165)
Profit/(loss) before tax	1,036	(615)
Taxation	129	215
Share of post-tax profit/(loss) from joint ventures	1,165	(400)

The joint ventures have no significant contingent liabilities to which the Group is exposed nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures.

## 15 Investments in associates

	2007	2006
<b>Net assets at 1 January</b>	<b>611</b>	-
Additions	-	509
Share of post-tax profit	<b>998</b>	102
<b>Net assets at 31 December</b>	<b>1,609</b>	611

In relation to the Group's associate, the assets, liabilities, income and expenses are shown below:

	2007	2006
Current assets	<b>4,761</b>	3,285
Non-current assets	<b>1,226</b>	1,849
Current liabilities	<b>(1,211)</b>	(1,412)
Non-current liabilities	<b>(1,493)</b>	(2,475)
<b>Net assets</b>	<b>3,283</b>	1,247
Income	<b>2,772</b>	826
Expenses	<b>(736)</b>	(552)
Profit before tax	<b>2,036</b>	274
Taxation	-	-
<b>Profit after tax</b>	<b>2,036</b>	274

The associate has no significant contingent liabilities to which the Group is exposed nor has the Group any significant contingent liabilities in relation to its interest in the associate.

## 16 Inventories

	2007	2006
Consumables and spares	<b>25,209</b>	28,183

The Group's inventories consist of consumable items held in support of workshops and project operations and ROV and marine equipment spares. All inventories are carried at cost less a provision for slow moving and obsolete items.

The cost of inventories recognised as an expense in the current year was \$47,363,000 (2006: \$96,546,000). The amount recognised as an expense in the current year as a provision for slow moving and obsolete items was \$nil (2006: \$872,000).

## 17 Trade and other receivables

	2007	2006
Trade receivables	<b>216,097</b>	171,426
Provision for impairment of receivables	<b>(4,735)</b>	(4,028)
Trade receivables – net	<b>211,362</b>	167,398
Amounts due from related parties (note 31)	<b>11,094</b>	7,375
Other receivables	<b>102,134</b>	54,239
Prepayments and accrued income	<b>82,876</b>	31,868
Amounts due from customers for contract work	<b>248,509</b>	193,386
Retentions	<b>3,164</b>	10,791
	<b>659,139</b>	465,057

The fair values of trade and other receivables approximate their carrying values due to the short period of time to maturity.

At 31 December 2007, trade receivables of \$4,735,000 (2006: \$4,028,000) were impaired. The amount of the provision was \$4,735,000 (2006 \$4,028,000).

The ageing of these receivables was as follows:

	2007	2006
Less than 3 months	-	-
Between 3 and 6 months	-	-
More than 6 months	<b>4,735</b>	4,028
	<b>4,735</b>	4,028

The movements in the Group's provision for impairment of trade receivables were as follows:

	2007	2006
<b>At 1 January</b>	<b>(4,028)</b>	(2,459)
Provision for impairment	<b>(707)</b>	(1,569)
<b>At 31 December</b>	<b>(4,735)</b>	(4,028)

At 31 December 2007, trade receivables of \$47,788,000 (2006: \$62,129,000) were past due but not impaired. The receivables relate to customers for whom there is no recent history of default. The ageing of these receivables was as follows:

	2007	2006
Less than 3 months	<b>42,650</b>	51,525
Between 3 and 6 months	<b>1,789</b>	7,463
More than 6 months	<b>3,349</b>	3,141
	<b>47,788</b>	62,129

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	2007	2006
United States dollars	<b>87,701</b>	55,725
United Kingdom pounds	<b>98,005</b>	74,337
Norwegian krone	<b>11,335</b>	10,112
Brazil real	<b>10,485</b>	21,805
Euros	<b>4,014</b>	603
Australian dollars	<b>1,734</b>	6,672
Singapore dollars	<b>735</b>	118
Other currencies	<b>2,088</b>	2,054
	<b>216,097</b>	171,426

The other classes of receivables within trade and other receivables did not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 18 Derivative financial instruments

	Assets	Liabilities
<b>At 31 December 2007</b>		
Currency swaps	-	<b>(250)</b>
Forward foreign currency contracts	<b>5,120</b>	<b>(2,032)</b>
	<b>5,120</b>	<b>(2,282)</b>
<b>At 31 December 2006</b>		
Currency swaps	-	<b>(2,434)</b>
Forward foreign currency contracts	<b>7,304</b>	-

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2007 were \$112,118,000 (2006: \$107,752,000). Changes in the fair value of forward foreign exchange contracts are recognised in the income statement line item "changes in fair value of derivative financial instruments" when they occur.

(b) Currency swaps

The notional principal amounts of the outstanding currency swap contracts at 31 December 2007 were \$22,208,000 (2006: \$90,775,000). Changes in the fair value of currency swaps are recognised in the income statement line item "changes in fair value of derivative financial instruments" when they occur.

## 19 Cash and cash equivalents

	2007	2006
Cash at bank and in hand	44,691	75,082
Short term bank deposits	122,966	11,503
	167,657	86,585

Short term bank deposits have an average maturity of less than one week.

## 20 Share capital and share premium reserve

	Number of shares	Share capital	Share premium reserve	Total
<b>At 1 January 2007</b>	147,261,524	1,473	283,682	285,155
Allotted under share option schemes	475,956	4	2,826	2,830
<b>At 31 December 2007</b>	147,737,480	1,477	286,508	287,985
<b>At 1 January 2006</b>	139,686,580	1,398	272,791	274,189
Allotted under share option schemes	285,749	3	1,329	1,332
Allotted on conversion of convertible bonds	8,277,095	82	23,125	23,207
Purchase of own shares	(987,900)	(10)	(13,563)	(13,573)
<b>At 31 December 2006</b>	147,261,524	1,473	283,682	285,155

The total authorised number of ordinary shares is 200,000,000 shares (2006: 200,000,000 shares) with a par value of \$0.01 per share (2006: \$0.01 per share). All issued shares are fully paid.

In January 2008, the Company repurchased 890,000 of its own shares at an average price of NOK 98.04 per share. These shares have been cancelled and form part of the authorised but un-issued share capital of the Company.

### Share based payments

(a) Share option plan

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). The options are only exercisable within seven days after the announcement of quarterly results. The options awarded are subject to employment status and a change of control event.

The Company has 2,793,920 options issued to employees as at 31 December 2007. The details and terms of the options issued were as follows:

Award date	17 Dec 2002	5 Jan 2005	15 Jun 2005	10 May 2006	12 Jul 2006	25 Apr 2007	17 Sep 2007	
Share options awarded	205,000	1,190,000	270,000	602,000	140,000	288,000	1,113,500	
<b>Share options outstanding</b>								<b>Total</b>
Chief Executive Officer	-	166,500	-	-	28,620	-	70,000	265,120
Other executive management	-	104,000	72,000	-	105,000	-	170,000	451,000
Other employees	-	270,000	102,500	543,800	-	288,000	873,500	2,077,800
	-	540,500	174,500	543,800	133,620	288,000	1,113,500	2,793,920
Last exercise date	After Q4 2006 results	After Q4 2014 results	After Q4 2014 results	After Q2 2016 results	After Q2 2016 results	After Q2 2017 results	After Q3 2017 results	
Exercise price (NOK per share)	16.70	29.49	44.85	113.25	110.90	121.87	144.25	

*Award dated 17 December 2002*

Options vest each quarter with 6.25% of the total number of options granted. During 2007, 1,876 share options were exercised.

*Awards dated 5 January 2005 and 15 June 2005*

Options vest each quarter with 5% of the total number of options granted. Vested options may be exercised within seven days after the announcement of quarterly results but no options were permitted to be exercised the first year after the award date. Seven days after the announcement of the results for the fourth quarter of 2014, all options not exercised will lapse without further notice. For options not exercised after the announcement of the results for the fourth quarter 2009, the exercise price shall be subject to a quarterly increase equal to 3 months NIBOR +1% margin per annum. During 2007, 404,500 share options were exercised with respect to the 5 January 2005 award, and 61,000 share options were exercised with respect to the 15 June 2005 award.

*Awards dated 10 May 2006 and 12 July 2006*

Options vest each year with 20% of the total number of options granted. Vested options may be exercised within seven days after the announcement of quarterly results. Seven days after the announcement of the results for the second quarter of 2016, all options not exercised will lapse without further notice. During 2007, 2,200 share options were exercised and 56,000 share options were forfeited with respect to the 10 May 2006 award, and 6,380 share options were exercised with respect to the 12 July 2006 award.

*Awards dated 25 April 2007 and 17 September 2007*

Options vest each year with 20% of the total number of options granted. Vested options may be exercised within seven days after the announcement of quarterly results. Seven days after the announcement of the results for the second quarter of 2017 and the third quarter of 2017 respectively, all options not exercised will lapse without further notice.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2007		2006	
	Number	Weighted average exercise price (NOK)	Number	Weighted average exercise price (NOK)
Outstanding at 1 January	1,924,376	63.48	1,537,500	31.84
Granted	1,401,500	139.65	742,000	112.81
Forfeited	(56,000)	113.25	(69,375)	26.94
Exercised	(475,956)	32.89	(285,749)	30.17
Outstanding at 31 December	2,793,920	105.91	1,924,376	63.48
Exercisable at 31 December	245,620	75.61	309,376	31.72

The weighted average share price for the dates options were exercised was NOK 146.78 (2005: NOK 102.25).

The fair value of equity-settled share options granted is estimated at the date of grant using a Black-Scholes model, taking account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the options granted during 2007 and the fair values of the options at the respective grant dates.

Grant date	25 Apr 2007	17 Sep 2007
Share price at grant date	121.87	144.25
Exercise price at grant date	121.87	144.25
Vesting period (years)	5	5
Expected volatility	45%	43%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate	4.80%	4.65%
Fair value per option at grant date (NOK)	56.03	64.01
Fair value per option at grant date (US\$)	9.17	10.68

The expected volatility has been measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices since 1 January 2005. The expected life is the average expected period to exercise. The risk free rate of return is the yield on Norwegian State bonds of a term consistent with the assumed option life.

The total charge for the year relating to the share option plan was \$2,654,000 (2006: \$1,292,000), all of which related to equity-settled share based payment transactions.

#### (b) Employee share purchase plan

On 12 July 2006, the annual general meeting of shareholders approved an employee share purchase plan (the "ESPP") in order to attract, retain and incentivise employees. The ESPP allows participating employees, depending on their governing tax jurisdiction, to acquire shares in the Company at a discount to the market price and to receive additional matching shares paid for by the Company.

The total charge for the year relating to the employee share purchase plan was \$131,000 (2006: \$49,000), all of which related to equity-settled share based payment transactions.

## 21 Other reserves

	Other reserve	Revaluation reserve	Cumulative translation reserve	Convertible bond equity component	Total
At 1 January 2007	(27,563)	21,252	31,242	63,265	88,196
Currency translation differences	-	-	20,066	-	20,066
Convertible bond 2007-2017 equity component	-	-	-	48,019	48,019
Depreciation on re-valued assets transfer to retained earnings	-	(3,919)	-	-	(3,919)
<b>At 31 December 2007</b>	<b>(27,563)</b>	<b>17,333</b>	<b>51,308</b>	<b>111,284</b>	<b>152,362</b>
At 1 January 2006	(27,563)	29,091	1,174	-	2,702
Currency translation differences	-	-	30,068	-	30,068
Convertible bond 2006-2011 equity component	-	-	-	63,265	63,265
Depreciation on re-valued assets transfer to retained earnings	-	(7,839)	-	-	(7,839)
<b>At 31 December 2006</b>	<b>(27,563)</b>	<b>21,252</b>	<b>31,242</b>	<b>63,265</b>	<b>88,196</b>

## 22 Trade and other payables

	2007	2006
Trade payables	42,496	38,909
Other tax and social security payable	28,018	22,649
Amounts due to related parties (note 31)	868	928
Other payables and accruals	305,150	280,226
Amounts due to customers for contract work	172,212	101,636
Deferred income	26	22
	<b>548,770</b>	<b>444,370</b>

## 23 Borrowings

	2007	2006
<b>Non-current</b>		
Convertible bond loan 2006-2011	255,532	243,759
Convertible bond loan 2007-2017	131,769	-
Finance lease obligations	-	379
	<b>387,301</b>	<b>244,138</b>
<b>Current</b>		
Finance lease obligations	394	782
	<b>394</b>	<b>782</b>
<b>Total borrowings</b>	<b>387,695</b>	<b>244,920</b>

#### Convertible bond loan 2006-2011

The Company has issued a \$300 million convertible bond loan with the following characteristics:

Oslo Børs ticker:	SUB01
Interest per annum:	2.80% coupon
Maturity:	6 June 2011
Term:	6 June 2006 - 6 June 2011
Conversion price:	\$26.3268 per share
Conversion dates:	The period from 17 July 2006 to the close of business seven days prior to the final maturity date, or seven days before any redemption date indicated by the Company.

#### Convertible bond loan 2007-2017

The Company has issued a \$175 million convertible bond loan with the following characteristics:

Oslo Børs ticker:	SUB02
Interest per annum:	zero coupon
Yield to maturity:	0.95% per annum
Maturity:	29 June 2017
Term:	29 June 2007 - 29 June 2017
Conversion price:	\$28.1772 per share
Conversion dates:	The period from 9 August 2007 to the close of business seven days prior to the final maturity date, or seven days before any redemption date indicated by the Company.
Redemption options:	The bonds may be redeemed at their accreted principal amount at the option of the holder on each of 29 June 2010, 29 June 2012 and 29 June 2014, and at the option of the Company on or after 13 July 2012.

At 31 December 2007, and at the date of this report, none of the convertible bonds had been converted into new shares.

The values of the liability component and the equity conversion component for each bond were determined at the issuance of each bond. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves (note 21).

The convertible bonds recognised in the balance sheet are calculated as follows:

<b>Convertible bond loan 2006-2011</b>	
Face value of convertible bond loan issued on 6 June 2006	<b>300,000</b>
Equity component	<b>(63,265)</b>
<b>Liability component on initial recognition</b>	<b>236,735</b>
Interest expense	<b>31,397</b>
Interest paid	<b>(12,600)</b>
<b>Liability component at 31 December 2007</b>	<b>255,532</b>
<b>Convertible bond loan 2007-2017</b>	
Face value of convertible bond loan issued on 29 June 2007	<b>175,000</b>
Equity component	<b>(48,019)</b>
<b>Liability component on initial recognition</b>	<b>126,981</b>
Interest expense	<b>4,788</b>
Interest paid	-
<b>Liability component at 31 December 2007</b>	<b>131,769</b>

The fair values of the liability components of the convertible bond loan 2006-2011 and the convertible bond loan 2007-2017 at 31 December 2007 were \$250,200,000 and \$127,042,000 respectively, calculated using expected cash flows discounted based on a borrowing rate of 8.5%.

#### Bank loans

In February 2007 the Group concluded an amendment to its revolving credit facility and guarantee facility dated 20 December 2004. The amended facility includes a first priority mortgage over three of the Group's vessels. The facility has no mandatory reduction mechanisms with any outstanding debt repayable on 13 February 2012.

At 28 March 2008 the maximum revolving credit facility available was \$100 million of which the Group had drawn down \$nil.

#### Finance lease obligations

Lease obligations are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The minimum lease payments due by the Group under finance leases fall due as follows:

	<b>2007</b>	2006
No later than one year	<b>402</b>	844
Later than one year but not more than five years	-	388
Later than five years	-	-
	<b>402</b>	1,232
Future finance charges on finance leases	<b>(8)</b>	(71)
<b>Present value of finance lease obligations</b>	<b>394</b>	1,161

The present value of finance lease obligations is as follows:

	<b>2007</b>	2006
No later than one year	<b>394</b>	782
Later than one year but not more than five years	-	379
Later than five years	-	-
	<b>394</b>	1,161

#### 24 Deferred tax

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the taxes relate to the same fiscal authority. The amounts after offsetting are as follows:

	<b>2007</b>	2006
Deferred tax assets to be recovered after more than 12 months	<b>(3,262)</b>	(3,578)
Deferred tax assets to be recovered within 12 months	<b>(192)</b>	(1,861)
<b>Deferred tax assets</b>	<b>(3,454)</b>	(5,439)
Deferred tax liabilities due after more than 12 months	<b>46,993</b>	29,112
Deferred tax liabilities due within 12 months	<b>10,830</b>	3,493
<b>Deferred tax liabilities</b>	<b>57,823</b>	32,605
<b>Deferred tax liabilities - net</b>	<b>54,369</b>	27,166

The movement on the deferred tax account is as shown below:

	<b>2007</b>	2006
At 1 January	<b>27,166</b>	10,437
Charged to income statement	<b>27,203</b>	16,316
Acquisitions	-	413
<b>At 31 December</b>	<b>54,369</b>	27,166

The movements in deferred tax assets and liabilities during the period, prior to any offset of balances within the same jurisdiction, are shown below.

	Accelerated tax depreciation	Other	Total	
<b>Deferred tax liabilities</b>				
At 1 January 2007	32,605	2,077	34,682	
Charged/(credited) to income statement	24,737	(1,384)	23,353	
<b>At 31 December 2007</b>	<b>57,342</b>	<b>693</b>	<b>58,035</b>	
<b>Deferred tax assets</b>	<b>Provisions</b>	<b>Tax losses</b>	<b>Other</b>	<b>Total</b>
At 1 January 2007	(1,443)	(4,979)	(1,094)	(7,516)
Charged to income statement	1,231	2,077	542	3,850
<b>At 31 December 2007</b>	<b>(212)</b>	<b>(2,902)</b>	<b>(552)</b>	<b>(3,666)</b>

Deferred tax assets are recognised for tax loss carry forwards to the extent that it is probable that a tax benefit will be realised in the future. The Group has gross unrecognised tax losses of \$114,459,000 (2006: \$65,156,000) to carry forward against future taxable income of which \$114,459,000 (2006: \$65,156,000) do not expire.

## 25 Retirement benefit obligations

The Group has a defined benefit pension scheme for employees in Norway. The number of employees included in this scheme is 419 (2006: 373).

	2007	2006
Balance sheet obligation for pension benefits	<b>1,789</b>	182

	2007	2006
Income statement charge for pension benefits	<b>(3,934)</b>	2,887

The amounts recognised in the balance sheet were determined as follows:

	2007	2006
Present value of funded obligations	<b>31,757</b>	19,705
Fair value of scheme assets	<b>(19,536)</b>	(14,238)
	<b>12,221</b>	5,467
Present value of unfunded obligations	<b>1,701</b>	1,110
Unrecognised actuarial losses	<b>(12,133)</b>	(6,395)
Liability in the balance sheet	<b>1,789</b>	182

The movement in the defined benefit obligation over the year was as follows:

	2007	2006
<b>At 1 January</b>	<b>20,815</b>	16,486
Current service cost	<b>3,512</b>	2,569
Interest cost	<b>960</b>	822
Actuarial losses/(gains)	<b>5,555</b>	(488)
Exchange differences	<b>3,140</b>	1,630
Benefits paid	<b>(524)</b>	(204)
<b>At 31 December</b>	<b>33,458</b>	20,815

The movement in the fair value of scheme assets over the year was as follows:

	2007	2006
<b>At 1 January</b>	<b>14,238</b>	11,361
Expected return on scheme assets	<b>834</b>	772
Actuarial losses	<b>(315)</b>	(1,327)
Exchange differences	<b>1,950</b>	1,119
Employer contributions	<b>3,075</b>	2,517
Benefits paid	<b>(246)</b>	(204)
<b>At 31 December</b>	<b>19,536</b>	14,238

The amount recognised in the income statement was as follows:

	2007	2006
Current service cost	<b>3,555</b>	2,585
Interest cost	<b>960</b>	822
Expected return on scheme assets	<b>(834)</b>	(772)
Net actuarial losses recognised during the year	<b>248</b>	198
Past service costs	<b>5</b>	54
Total, included in note 7	<b>3,934</b>	2,887

The actual return on plan assets was \$519,000 (2006: loss of \$555,000).

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate	<b>4.70%</b>	4.50%
Expected return on scheme assets	<b>5.75%</b>	5.50%
Future salary increases	<b>4.50%</b>	3.50%
Future pension increases	<b>2.00%</b>	2.50%

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience. The average life expectancy in years of a pensioner retiring at 60, on the balance sheet date, is as follows:

	2007	2006
Male	<b>21.4</b>	21.4
Female	<b>25.1</b>	25.1

The average life expectancy in years of a pensioner retiring at 60, 20 years after the balance sheet date, is as follows:

	2007	2006
Male	<b>22.3</b>	22.3
Female	<b>25.5</b>	25.5

The scheme assets at each balance sheet date are comprised as follows:

	2007	2006
Equity	30.0%	27.2%
Debt	1.3%	0.9%
Property	16.3%	11.8%
Other	52.4%	60.1%

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investments. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected employer contributions to the scheme for the year ending 31 December 2008 are \$2,410,000.

Amounts for the current and previous periods were as follows:

	2007	2006	2005
Defined benefit obligation	(33,458)	(20,815)	(16,486)
Fair value of scheme assets	19,536	14,238	11,361
Deficit	(13,922)	(6,577)	(5,125)
Experience adjustments on scheme liabilities	(5,555)	488	(4,072)
Experience adjustments on scheme assets	(315)	(1,327)	(766)

## 26 Other non-current liabilities

	2007	2006
Deferred government grant income	488	418
Deferred consideration on acquisitions	3,896	3,896
	4,384	4,314

Deferred consideration relates to amounts payable in respect of the acquisition of Petrology Limited, the amount and timing of which is dependent upon the continued employment of certain personnel, and the future performance, of the acquired Company.

## 27 Cash flow from operating activities

Reconciliation of net profit to net cash generated from operating activities:

	2007	2006
Net profit attributable to equity shareholders	214,121	137,618
Adjustments for:		
Taxation charge	100,659	69,534
Depreciation and amortisation	76,927	67,311
Profit on disposal of property, plant and equipment	(3,654)	(1,350)
Share based payment charge	2,785	1,341
Deferred government grant income	(25)	-
Finance income	(8,843)	(8,107)
Finance expense	25,238	13,780
Share of post-tax (profit)/loss from joint ventures	(1,165)	400
Share of post-tax profit from associates	(998)	(102)
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries):		
Decrease/(increase) in inventories	2,974	(8,937)
Increase in trade and other receivables	(191,544)	(90,615)
Increase/(decrease) in payables	107,352	(33,203)
<b>Cash generated from continuing operations</b>	<b>323,827</b>	<b>147,670</b>

## 28 Operating lease commitments

The Group has entered into a number of vessel charters and also has various plant and equipment including ROVs and motor vehicles under non-cancellable operating lease agreements. The Group also leases offices, warehouses and other work sites. The leases have various terms, escalation clauses and renewal rights. The minimum commitments under non-cancellable operating leases fall due as follows:

	2007	2006
Within one year	163,972	106,104
Later than one year and no later than five years	447,463	357,852
Later than five years	90,102	140,166
	701,537	604,122

## 29 Capital and other financial commitments

	2007	2006
Contracts placed for future capital expenditure not provided for in the financial statements	206,977	375,354

The Group had no such capital or other financial commitments in respect of its interests in joint ventures in either year.

## 30 Contingent liabilities

There were no contingent liabilities at 31 December 2007.

## 31 Related party transactions

The following table provides the total value of transactions which have been entered into with related parties for the relevant financial years as well as the outstanding balances at each financial year end. Transactions were at arm's length and in the ordinary course of business. Key management compensation is disclosed in note 7 and therefore has not been repeated below.

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
<b>2007</b>				
<b>Joint ventures in which the Group was a venturer</b>				
Technip Subsea 7 Asia-Pacific Pty Limited	9,163	-	2,226	-
Technip Subsea 7 Asia-Pacific Singapore Pte Limited	4,081	-	1,894	-
Technip Subsea 7 Asia-Pacific BV	16,657	-	6,974	-
<b>Associates of the Group</b>				
Deep Seas Insurance Limited	-	4,358	-	68
<b>Directors' Interests</b>				
Siem Industries Inc.	-	800	-	800
DSND Bygg AS	-	876	-	-
Luster Mekaniske Industri AS	-	3,079	-	-
Ifokus Engineering AS	-	66	-	-
<b>2006</b>				
<b>Joint ventures in which the Group was a venturer</b>				
Technip Subsea 7 Asia-Pacific Pty Limited	2,226	-	2,226	-
Technip Subsea 7 Asia-Pacific Singapore Pte Limited	1,257	-	1,104	-
Technip Subsea 7 Asia-Pacific BV	7,471	-	4,045	-
<b>Associates of the Group</b>				
Deep Seas Insurance Limited	25	2,935	-	30
<b>Directors' Interests</b>				
Siem Industries Inc.	-	1,600	-	800
Siem Capital UK Limited	-	1	-	-
DSND Bygg AS	-	868	-	-
Luster Mekaniske Industri AS	-	2,323	-	51
SmithHoldings	-	10	-	-
Ifokus Engineering AS	-	91	-	47

### Ultimate parent and ultimate controlling party

The Company did not have an ultimate parent or ultimate controlling party at 31 December 2007 or 2006.

### Joint ventures in which the Group is a venturer

Sales in relation to vessel and equipment hire and associated costs and employee services totalling \$29,901,000 were made to joint venture companies during the year (2006: \$10,954,000).

### Associates of the Group

Purchases in relation to insurance policies totalling \$4,358,000 were made from associate companies during the year (2006: \$2,935,000). Sales in relation to employee services totalling \$25,000 were made to associates during 2006.

### Directors' interests

Siem Industries Inc. is controlled through trusts where certain members of Mr. Siem's family are potential beneficiaries. Mr. Siem is the Company chairman. Purchases in relation to the services of Mr. Siem and Mr. Delouche as directors, the provision of an office in the Cayman Islands, and other services totalling \$800,000 were made during the year (2006: \$1,600,000, which includes purchases totalling \$800,000 related to services rendered during 2005).

DSND Bygg AS and Siem Capital UK Ltd are companies ultimately controlled by Mr. Siem. Purchases from DSND Bygg AS in relation to the rental of office accommodation totalling \$876,000 were made during the year (2006: \$868,000). Purchases from Siem Capital UK Ltd in relation to legal fees totalling \$1,000 were made during 2006.

Mr. Siem exercises significant influence over Luster Mekaniske Industri AS. Purchases from Luster Mekaniske Industri AS in relation to pipeline welding services totalling \$3,079,000 were made during the year (2006: \$2,323,000).

Mr. Smith, a board member until 8 May 2007, exercises significant influence over Ifokus Engineering AS. Purchases from Ifokus Engineering AS in relation to equipment rental totalling \$66,000 were made during the year (2006: \$91,000). Mr. Smith owns SmithHoldings. Purchases from SmithHoldings in relation to consultancy services totalling \$10,000 were made during 2006.

## 32 Reclassification of comparative figures

The detailed disclosure requirements of IFRS 7, which became effective during the year, have resulted in some reclassification of the comparative balance sheet figures. Provisions for the impairment of receivables of \$1,928,000, and accrued interest payable of \$583,000 relating to the convertible bond loan 2006-2011, previously recorded within trade and other payables, have been reclassified to trade and other receivables and non-current liabilities, borrowings respectively.



### 33 Principal subsidiaries, joint ventures and associates

#### Subsidiary undertakings

The subsidiaries of the Group at 31 December 2007, all of which are consolidated in these financial statements, were as follows:

Company name	Ownership %	Country of registration
DSND Coreco Inc.	100	Cayman Islands
Subsea 7 Holding Inc.	100	Cayman Islands
Subsea 7 (Cayman Vessel Company) Limited	100	Cayman Islands
Subsea 7 do Brasil Servicos Ltda	100	Brazil
Subsea 7 (US) LLC	100	USA
Subsea 7 (UK Service Company) Limited	100	Scotland
Subsea 7 Limited	100	England
Subsea 7 (Vessel Company) Limited	100	England
Subsea 7 (Luxembourg) Sarl	100	Luxembourg
Subsea 7 (Vessel Company) BV	100	The Netherlands
Subsea 7 BV	100	The Netherlands
Subsea 7 Shipping AS	100	Norway
Subsea 7 Nigeria Limited	100	Nigeria
Subsea 7 Marine LLC	100	USA
Subsea 7 (Singapore) Pte Limited	100	Singapore
Subsea 7 Australia Pty Limited	100	Australia
Subsea 7 International Limited	100	Cayman Islands
Subsea 7 Contractors Limited	100	Cayman Islands
Subsea 7 Procurement Limited	100	Cayman Islands
Subsea 7 Installation Limited	100	Cayman Islands
Subsea 7 Construction Limited	100	England
Subsea 7 Engineering Limited	100	England
Subsea 7 Deep Sea Limited	100	Scotland
Sevenseas Angola Limited	100	Cayman Islands
Subsea 7 Ireland Finance Limited	100	Ireland
Subsea 7 Luxembourg Finance Sarl	100	Luxembourg
Subsea 7 West Delta Deep Marine IV Limited	100	Cayman Islands
Petrology Limited	100	Scotland
Subsea 7 Eiendom AS	100	Norway
Sevenseas Contractors S. de RL de CV	100	Mexico

#### Joint ventures

At 31 December 2007, the active joint ventures of the Group, all of which were equity accounted in these financial statements, were as follows:

Joint venture name	Ownership %	Country of registration
Technip Subsea 7 Asia-Pacific Pty Limited	45	Australia
Technip Subsea 7 Asia-Pacific Singapore Pte Limited	45	Singapore
Technip Subsea 7 Asia-Pacific UK Limited	45	England
Technip Subsea 7 Asia-Pacific BV	45	The Netherlands

#### Associates

At 31 December 2007, the Group had one associate, equity accounted in these financial statements, details of which were as follows:

Associate name	Ownership %	Country of registration
Deep Seas Insurance Limited	49	Cayman Islands

### Financial calendar

#### Quarterly results

The Company will release its financial figures on the following dates in 2008:

Tuesday 22 April 2008	First quarter 2008 result
Tuesday 22 July 2008	Second quarter 2008 result
Tuesday 21 October 2008	Third quarter 2008 result
February 2009	Fourth quarter 2008 and preliminary full year result

#### Annual general meeting

The AGM of the shareholders of Subsea 7 Inc. will be held at 10.00am local time, 8 July 2008, at the offices of the Company located at Harbour Place, 5<sup>th</sup> Floor, 103 South Church Street, George Town, Grand Cayman KY1-1006, CAYMAN ISLANDS.

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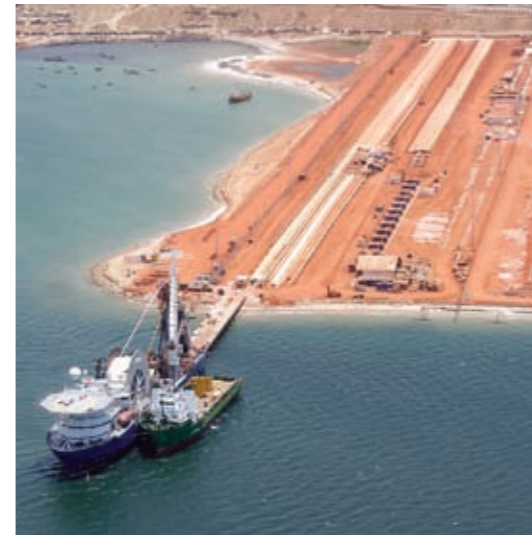
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