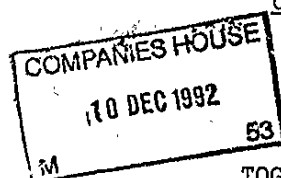


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OCEANEERING INTERNATIONAL SERVICES LIMITED  
AND SUBSIDIARY COMPANIES

ACCOUNTS -- 31 MARCH 1992

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

THE COMPANY'S REGISTERED NUMBER IS 01023217

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1992

The directors present their annual report on the affairs of the company and its subsidiary companies (the group), together with the accounts and auditors' report for the year ended 31 March 1992.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

The principal activities of the group continue to be the provision of services, supplies and equipment to the oil and gas industry and the provision of diving services in the United Kingdom, including its Continental Shelf, and Africa.

Underwater services are the major contributor to the group's revenues and include the provision of diving services and equipment and the provision of remotely operated vehicles.

During the year, group turnover increased by £9,330,456 to £33,759,312. Group profit before tax was £3,213,861 for the year ended 31 March 1992 (1991 - £2,278,908).

The continuing financial support, which the group receives from its ultimate parent company, enables the group to meet its debts as they fall due despite the group being technically insolvent in that its liabilities exceed its assets. Accordingly the directors believe that the going concern basis, under which these accounts are prepared, is appropriate.

The Board considers that research continues to play a vital role in the group's success, and the group is currently engaged in several research and development projects to improve and increase the range of services offered.

RESULTS AND DIVIDENDS:

Group results and accumulated deficit are as follows:

Accumulated deficit at 1 April 1991	£(18,925,416)
Profit for the financial year	2,834,725
Accumulated deficit at 31 March 1992	£(16,090,691)

No dividends have been paid or proposed in respect of the financial year.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year are as shown below:

R H Holland  
A Westwood  
A J Goodwin  
M J Chew

None of the directors held any beneficial shareholdings in the company during the year.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the accounts.

DISABLED EMPLOYEES:

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

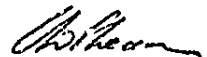
EMPLOYEE CONSULTATION:

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through regular management consultation with personnel, integrated with training programmes and frequent internal information releases.

AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen (formerly Arthur Andersen & Co.) as auditors for the ensuing year.

BY ORDER OF THE BOARD

  
G W SHEAMAN  
Secretary

Dock Tavern Lane  
Gorleston  
Great Yarmouth

22 October 1992

# ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO. SC

18 Charlotte Square  
Edinburgh EH2 4DF

Auditors' report to the members of OCEANEERING INTERNATIONAL SERVICES LIMITED:

We have audited the accounts on pages 4 to 26 in accordance with Auditing Standards.

As explained in Note 19, claims have been lodged against the company in respect of damages totalling approximately £835,000 by a customer. The company has made no provision for these claims as, in the directors' opinion, the company has a reasonable defence to these actions. We are unable to determine whether or not the opinion of the directors is reasonable.

Also, as explained in Note 19, the company received intimation of a claim amounting to £530,000 approximately in the prior year. This claim was disputed by the company and the directors believe that a counter claim of sums in excess of £575,000 could well be successful. However, the directors now believe that the claimant has abandoned the action. No provision has been made by the company for these claims and we are unable to ascertain at this stage whether a provision is required.

In our opinion, subject to the adjustments, if any, that may have been necessary if the outcome of the matters discussed in the preceding two paragraphs had been known, the accounts give a true and fair view of the state of affairs of the company and of the group at 31 March 1992 and of the group profit and cash flows for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

We draw attention to Note 20 which provides additional important information pertaining to these accounts.

*Arthur Andersen*

Arthur Andersen  
Chartered Accountants and Registered Auditor

22 October 1992

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1992

	<u>Notes</u>	<u>1992</u>	<u>1991</u>
TURNOVER	2	£ 33,759,312	£ 24,428,856
Cost of sales		(25,964,203)	(18,626,066)
GROSS PROFIT		7,795,109	5,802,790
Other operating expenses (net)	3	(4,314,943)	(4,038,085)
OPERATING PROFIT		3,480,166	1,764,705
Investment income	4	302,058	523,502
Interest payable and similar charges	5	(568,363)	(9,299)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	3,213,861	2,278,908
Tax on profit on ordinary activities	8	(379,136)	(237,438)
PROFIT FOR THE FINANCIAL YEAR		2,834,725	2,041,470
ACCUMULATED DEFICIT, beginning of year		(18,925,416)	(20,966,886)
ACCUMULATED DEFICIT, end of year		£(16,090,691)	£(18,925,416)
PROFIT FOR THE FINANCIAL YEAR			
The company		£ 2,671,631	£ 2,149,068
Group undertakings		105,628	(142,892)
Associated undertakings	4	57,466	35,294
		£ 2,834,725	£ 2,041,470

The accompanying notes are an integral part of these accounts.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - 31 MARCH 1992

	<u>Notes</u>	<u>1992</u>	<u>1991</u>
<b>FIXED ASSETS</b>			
Tangible assets	9	£ 26,731,550	£ 11,479,287
Investments	10	1,198,934	1,141,468
		-----	-----
		27,930,484	12,620,755
<b>CURRENT ASSETS</b>			
Debtors	11	17,439,381	15,358,975
Investments	12	562	562
Cash at bank and in hand	13	2,605,822	3,671,273
		-----	-----
		20,045,765	19,030,810
<b>CREDITORS: Amounts falling due within one year</b>			
- intercompany	14	(34,160,985)	(33,373,242)
- all other amounts	14	(6,474,221)	(4,251,612)
		-----	-----
<b>NET CURRENT LIABILITIES</b>		(20,589,441)	(18,594,044)
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,341,043	(5,973,289)
<b>CREDITORS: Amounts falling due after more than one year - intercompany</b>			
	15	(13,086,190)	(4,706,583)
		-----	-----
<b>NET LIABILITIES</b>		£ (5,745,147)	£ (10,679,872)
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	£ 1,405,500	£ 1,195,500
Share premium account	17	8,149,500	6,259,500
Revaluation reserve	17	90,544	90,544
Capital contribution reserve	17	700,000	700,000
Profit and loss account		(16,090,691)	(18,925,416)
		-----	-----
<b>TOTAL CAPITAL DEFICIT</b>		£ (5,745,147)	£ (10,679,872)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

R H HOLLAND

A WESTWOOD

Directors

22 October 1992

The accompanying notes are an integral part of this consolidated balance sheet.

OCEANEERING INTERNATIONAL SERVICES LIMITED

COMPANY BALANCE SHEET - 31 MARCH 1992

	<u>Notes</u>	<u>1992</u>	<u>1991</u>
<b>FIXED ASSETS</b>			
Tangible assets	9	£ 26,731,550	£ 11,479,287
Investments	10	2,471,380	2,471,380
		-----	-----
		29,202,930	13,950,667
		-----	-----
<b>CURRENT ASSETS</b>			
Debtors	11	20,172,700	15,593,704
Investments	12	562	562
Cash at bank and in hand	13	2,539,784	3,572,046
		-----	-----
		22,713,046	19,166,312
<b>CREDITORS: Amounts falling due within one year</b>			
- intercompany	14	(37,979,328)	(34,515,639)
- all other amounts	14	(6,362,775)	(4,178,705)
		-----	-----
<b>NET CURRENT LIABILITIES</b>		(21,629,057)	(19,528,032)
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,573,873	(5,577,365)
<b>CREDITORS: Amounts falling due after more than one year - intercompany</b>			
	15	(13,086,190)	(4,706,583)
		-----	-----
<b>NET LIABILITIES</b>		£ (5,512,317)	£ (10,283,948)
		=====	=====
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	£ 1,405,500	£ 1,195,500
Share premium account	17	8,149,500	6,259,500
Revaluation reserve	17	90,544	90,544
Capital contribution reserve	17	700,000	700,000
Profit and loss account		(15,857,861)	(18,529,492)
		-----	-----
<b>TOTAL CAPITAL DEFICIT</b>		£ (5,512,317)	£ (10,283,948)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

R H HOLLAND

Directors

A WESTWOOD

22 October 1992

The accompanying notes are an integral part of this balance sheet.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1992

	<u>Notes</u>	<u>1992</u>	<u>1991</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	£ 13,333,539	£ 5,173,851
		-----	-----
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		244,592	439,280
Interest paid		-	(9,299)
		-----	-----
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		244,592	429,981
		-----	-----
TAXATION			
Overseas tax paid		-	(367,749)
UK tax paid		-	-
		-----	-----
TOTAL TAX PAID		-	(367,749)
		-----	-----
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(17,147,655)	(5,754,558)
Payments to acquire transferred fixed assets		-	(247,729)
Receipts from sales of tangible fixed assets		8,006	716,056
Investment in associated undertaking		-	(1,106,174)
		-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(17,139,649)	(6,392,405)
		-----	-----
NET CASH OUTFLOW BEFORE FINANCING		(3,561,518)	(1,156,322)
		-----	-----
FINANCING			
Issue of ordinary share capital		210,000	130,000
Share premium on issue of share capital		1,890,000	1,170,000
		-----	-----
NET CASH INFLOW FROM FINANCING		2,100,000	1,300,000
		-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18	£ (1,461,518)	£ 143,678
		=====	=====



OCEANEERING INTERNATIONAL SERVICES LIMITED  
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1992

1. ACCOUNTING POLICIES:

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

a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain land and buildings. The group accounts have been prepared in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated balance sheet, consolidated profit and loss account and consolidated cash flow statement include the accounts of the company and its subsidiary undertakings for the year ended 31 March 1992. Transactions and balances between these companies are excluded from the consolidated accounts.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Only dividends received and receivable are credited to the company's profit and loss account.

Current asset investments are stated at cost.

No profit and loss account is presented for Oceaneering International Services Limited as provided by S.230 of the Companies Act 1985.

c) Tangible fixed assets

Land and buildings are shown at original historical cost or subsequent valuation as set out in Note 9. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Leasehold improvements	- 15 years
Freehold land and buildings	- 25 years
Leasehold land and buildings	- 25 years
Plant and equipment	- 3-10 years
Vessels	- 10 years

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (Continued):

c) Tangible fixed assets (continued):

Residual value is calculated on prices prevailing at the date of acquisition or revaluation where this has taken place. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

d) Investments

Fixed assets investments are stated at cost less amounts written off. Provisions are made for permanent reductions in value. Income is included in the consolidated accounts of the year in which it is receivable.

e) Interests in associated undertakings and joint ventures

Associated undertakings are entities in which a consolidated member of the group has a participating interest and over whose financial and operating policy it exercises a significant influence. They do not include subsidiaries or proportionally consolidated joint ventures. These investments are dealt with by the equity method of accounting. That is, the consolidated profit and loss account includes the appropriate share of these companies' profits less losses and the group's share of post acquisition retained profit and reserves is added to the cost of investment in the consolidated balance sheet.

Joint ventures which are not subsidiaries, associated undertakings or bodies corporate, are dealt with in the group accounts by the method of proportional consolidation. Accordingly, the group's share of joint venture assets, liabilities, income and expenditure is included in the appropriate captions in the consolidated profit and loss account and balance sheet.

f) Stocks

No stocks are held by the company. All consumables and spares are expensed through the profit and loss account as utilised.

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

1. ACCOUNTING POLICIES (Continued):

h) Pension costs

The group operates a defined benefits pension scheme. Pension liabilities are funded, based on the advice of external actuaries, by payments to insurance companies. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

-) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

j) Turnover

Group turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

k) Allocation of administration expenses

Expenses incurred by the company in connection with administration of the company and fellow group companies are allocated between the fellow group companies in proportion to their respective revenues.

l) Leases

The company enters into operating leases as described in Note 19. Except for leasehold property, assets held under operating leases are not reported. Material payments are disclosed in aggregate under hire of plant and machinery. Further information on charges in the year and future commitments is given in Note 19.

m) Revaluation reserve

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable reserve known as the revaluation reserve.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

2. SEGMENT INFORMATION:

The analyses of turnover by activity and geographical location have been omitted.

3. OTHER OPERATING EXPENSES (NET):

	<u>1992</u>	<u>1991</u>
Administration expenses	£ 2,845,903	£ 3,191,911
Operating costs	1,377,939	1,508,490
Selling costs	648,371	566,416
	-----	-----
	4,872,213	5,266,817
Foreign currency exchange gain	(557,270)	(1,228,732)
	-----	-----
	£ 4,314,943	£ 4,038,085
	=====	=====

4. INVESTMENT INCOME:

Investment income comprises:

	<u>1992</u>	<u>1991</u>
Income from investment in associated undertaking	£ 57,466	£ 35,294
Other interest receivable and similar income	244,592	488,208
	-----	-----
	£ 302,058	£ 523,502
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1992</u>	<u>1991</u>
On bank loans, overdrafts and other loans repayable within five years, not by instalments.	£ -	£ 9,299
On intercompany balances	568,363	-
	-----	-----
	£ 568,363	£ 9,299
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after charging:

	<u>1992</u>	<u>1991</u>
Depreciation of tangible fixed assets	£ 1,895,392	£ 1,324,556
Hire of plant and machinery	400,105	1,020,525
Auditors' remuneration	25,300	24,000
Staff costs (see Note 7)	10,720,101	10,132,979
	=====	=====

7. STAFF COSTS:

Particulars of employees (including executive directors) are shown below:

	<u>1992</u>	<u>1991</u>
Employee costs during the year amounted to:		
Wages and salaries	£ 9,761,298	£ 9,286,502
Social security costs	887,687	875,344
Other pension costs	71,116	(28,867)
	-----	-----
	£10,720,101	£10,132,979
	=====	=====

The average weekly number of persons employed by the group during the year was as follows:

	<u>1992</u> <u>Number</u>	<u>1991</u> <u>Number</u>
Field staff	203	268
Sales and administration	130	137
	====	====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

7. STAFF COSTS (Continued):

Directors' remuneration:

Directors' remuneration was paid in respect of directors of the company as follows:

	<u>1992</u>	<u>1991</u>
Other emoluments (including pension contributions)	£ 267,983 =====	£ 225,675 =====

The directors' remuneration shown above (excluding pensions and pension contributions) included:

Highest paid director	£ 80,149 =====	£ 55,855 =====
-----------------------	-------------------	-------------------

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	<u>1992</u> <u>Number</u>	<u>1991</u> <u>Number</u>
£ nil - £ 5,000	-	2
£ 5,001 - £10,000	-	1
£10,001 - £15,000	-	1
£40,001 - £45,000	-	2
£45,001 - £50,000	-	1
£50,001 - £55,000	2	-
£55,001 - £60,000	1	1
£80,001 - £85,000	1	-
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the year and comprises:

	<u>1992</u>	<u>1991</u>
Overseas taxation	£ 379,136 =====	£ 237,438 =====

No deferred taxation has been provided at 31 March 1992 (1991 - £Nil) since the group had tax losses at that date, available for offset against future taxable trading income in excess of timing differences between book and taxable income.

No UK corporation tax is payable as a result of tax losses brought forward.

To the extent that tax benefits are recognised in the future from offsetting the losses arising from capital allowances in excess of recorded depreciation, provisions for deferred taxation may be required in equal amounts.

9. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets:

<u>GROUP AND COMPANY</u>	<u>1992</u>	<u>1991</u>
Land and buildings - freehold	£ 251,315	£ 238,237
Land and buildings - leasehold	680,870	722,066
Leasehold improvements	102,364	121,924
Plant and equipment	5,791,859	5,690,477
Vessels	19,905,142	4,706,583
	-----	-----
Net tangible fixed assets	£26,731,550 =====	£11,479,287 =====

Vessels were classified as 'vessels under construction' in the previous year. The assets involved are now complete and in use by the company.

OCEANEERING INTERNATIONAL SERVICES LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (Continued):

a) The movement in the year was as follows:

GROUP AND COMPANY	Freehold Land and Buildings		Leasehold Land and Buildings		Leasehold Improvements		Plant and Equipment		Vessels		Total
COST OR VALUATION	£	295,352	£	1,000,000	£	261,256	£	19,892,014	£	4,706,583	£ 26,155,205
		24,698		-		-		1,362,580		15,760,377	17,147,655
		-		-		-		(39,231)		-	(39,231)
End of year		320,050		1,000,000		261,256		21,215,363		20,466,960	43,263,629
DEPRECIATION											
		57,115		277,934		139,332		14,201,537		-	14,675,918
		11,620		41,196		19,560		1,261,198		561,818	1,895,392
Disposals		-		-		-		(39,231)		-	(39,231)
End of year		68,735		319,130		158,892		15,423,504		561,818	16,532,079
NET BOOK VALUE											
	£	238,237	£	722,066	£	121,924	£	5,690,477	£	4,706,583	£ 11,479,287
NET BOOK VALUE											
	£	251,315	£	680,870	£	102,364	£	5,791,859	£	19,905,142	£ 26,731,550



OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (Continued):

b) Basis of valuation:

Freehold land and buildings with a historical cost of £39,866 were revalued in 1984 at approximately £130,000. All other freehold land and buildings are stated at cost.

The aggregate depreciation based on original cost of freehold land and buildings included at valuation is as follows:

GROUP AND COMPANY	<u>1992</u>	<u>1991</u>
Cost	£ 39,866	£ 39,866
Accumulated depreciation	(12,760)	(11,165)
Net book value	£ 27,106	£ 28,701

10. FIXED ASSET INVESTMENTS:

The following are included in the net book value of fixed asset investments:

GROUP	<u>1992</u>	<u>1991</u>
Associated undertaking	£ 1,198,934	£ 1,141,468
COMPANY	<u>1992</u>	<u>1991</u>
Subsidiary undertakings	£ 1,365,206	£ 1,365,206
Associated undertaking	1,106,174	1,106,174
	£ 2,471,380	£ 2,471,380

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSETS INVESTMENTS (Continued):

Principal group investments:

The parent company and the group have investments in the following subsidiary and associated undertakings:

	<u>Percentages of each class of share held</u>		<u>Country of registration</u>	<u>Principal activity</u>
	<u>1992</u>	<u>1991</u>		
Ocean Systems Engineering Limited				
Ordinary shares of £1 each	100%	100%	England	Diving services
UEC Limited				
Ordinary shares of £1 each	100%	100%		
3% non-cumulative, non-voting preference shares of £1 each	100%	100%	Scotland	Dormant
Sonsub Limited				
Ordinary shares of £1 each	100%	100%		
Cumulative participating preferred shares	100%	100%		
Ordinary shares of £1 each				
10% Cumulative redeemable preference shares of £1 each	100%	100%		
Deferred ordinary shares of £1 each	100%	100%	Scotland	Dormant
Sonsub Technology Limited				
Ordinary shares of £1 each	100%	100%	Scotland	Dormant
Sonsub Services Limited				
Ordinary shares of £1 each	100%	100%	Scotland	Dormant
Ocean Marine Services Limited				
Ordinary shares of £1 each	50%	50%	Vanuatu	Vessel Operators

In addition, the group entered into a 50% joint venture agreement in a non-corporate operating entity in Papua New Guinea during the year, the principal activity of which is the provision of oil-related services.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSETS INVESTMENTS (Continued):

Investments in subsidiary undertakings:

COMPANY	<u>1992</u>	<u>1991</u>
COST		
Beginning and end of year	£ 1,568,922	£ 1,568,922
AMOUNTS WRITTEN OFF		
Beginning and end of year	(203,716)	(203,716)
	-----	-----
NET BOOK VALUE, end of year	£ 1,365,206	£ 1,365,206
	=====	=====

Investment in associated undertaking:

GROUP	<u>1992</u>	<u>1991</u>
COST		
Beginning of year	£ 1,141,468	£ -
Additions	-	1,106,174
Share of retained profit	57,466	35,294
	-----	-----
NET BOOK VALUE	£ 1,198,934	£ 1,141,468
	=====	=====

COMPANY	<u>1992</u>	<u>1991</u>
COST		
	£ 1,106,174	£ 1,106,174
	=====	=====

Joint venture - group:

The group has a 50% joint venture interest in an operating entity whose principal place of business is in Papua New Guinea. This interest has been proportionately consolidated and the following amounts have been included in the consolidated accounts for the first year of operation:

<u>Profit and loss account</u>	<u>1992</u>
Turnover	£ 238,900
Gross profit	64,328
Profit on ordinary activities before taxation	62,185
Profit for the financial year	33,711
	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (Continued):

<u>Balance sheet</u>	<u>1992</u>
Debtors	£ 116,788
Cash in hand	822
Creditors: amounts falling due within one year	(83,899)
	=====

The factors on which joint management is based are equal participation in operating and financial activity and equal share of revenues and profits.

11. DEBTORS:

The following amounts are included in the net book value of debtors falling due within one year:

<u>GROUP</u>	<u>1992</u>	<u>1991</u>
Trade debtors	£ 8,790,965	£ 4,908,847
Amounts owed by other group undertakings	8,241,407	10,158,092
Amounts owed by associated undertaking	-	8,971
VAT	143,063	95,927
Other debtors	27,467	73,025
Prepayments	236,479	114,113
	-----	-----
	£17,439,381	£15,358,975
	=====	=====

<u>COMPANY</u>	<u>1992</u>	<u>1991</u>
Trade debtors	£ 8,519,305	£ 4,858,222
Amounts owed by other group undertakings	8,016,182	10,112,920
Amounts owed by subsidiary undertakings	3,230,204	330,526
Amounts owed by associated undertaking	-	8,971
VAT	143,063	95,927
Other debtors	27,467	73,025
Prepayments	236,479	114,113
	-----	-----
	£20,172,700	£15,593,704
	=====	=====

12. CURRENT ASSET INVESTMENTS:

The following amounts are included in the net book value of current asset investments:

<u>GROUP AND COMPANY</u>	<u>1992</u>	<u>1991</u>
Listed UK investments	£ 562	£ 562
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED)

13. CASH AT BANK AND IN HAND:

Funds totalling £900,000 (1991 - £900,000) included within cash at bank and in hand are the subject of arrestment orders in connection with the legal dispute outlined in Note 19. Consequently, these funds are not available for use by the company.

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year:

GROUP	<u>1992</u>	<u>1991</u>
Bank loans and overdrafts	£ 396,067	£ -
Trade creditors	1,354,815	1,742,036
Amounts owed to other group undertakings	34,160,985	33,373,242
Other creditors		
- UK tax payable	72,476	217,505
- overseas taxes payable	720,984	43,663
- social security and PAYE	223,909	613,822
Accruals	3,705,970	1,634,586
	-----	-----
	£40,635,206	£37,624,854
	=====	=====
COMPANY	<u>1992</u>	<u>1991</u>
Bank loans and overdrafts	£ 396,067	£ -
Trade creditors	1,347,939	1,739,730
Amounts owed to subsidiary undertakings	4,097,995	1,473,459
Amounts owed to other group undertakings	33,881,333	33,042,180
Other creditors		
- UK tax payable	72,476	182,505
- overseas taxes payable	685,871	38,314
- social security and PAYE	223,909	613,822
Accruals	3,636,513	1,604,334
	-----	-----
	£44,342,103	£38,694,344
	=====	=====

Details of the security granted in respect of the amounts due to the company's ultimate parent company are given in Note 19.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year:

GROUP AND COMPANY	<u>1992</u>	<u>1991</u>
Amounts owed to other group undertakings	£13,086,190 =====	£ 4,706,583 =====

Details of the security granted in respect of the amounts due to the company's ultimate parent company are given in Note 19.

16. CALLED-UP SHARE CAPITAL:

	<u>1992</u>	<u>1991</u>
Authorised:		
15,000,000 (1991 - 7,000,000)		
ordinary shares of £1 each	£15,000,000 =====	£ 7,000,000 =====
Allotted, called-up and fully-paid:		
1,405,500 (1991 - 1,195,500)		
ordinary shares of £1 each	£ 1,405,500 =====	£ 1,195,500 =====

On 27 March 1992 the authorised share capital was increased from 7,000,000 ordinary £1 shares to 15,000,000 ordinary £1 shares.

On 24 June 1991 the company allotted 210,000 ordinary shares of £1 each for a consideration of £10 per ordinary share in order to expand the capital base of the company.

17. RESERVES:

Of total reserves shown in the balance sheet, the following amounts are regarded as non-distributable:

GROUP AND COMPANY	<u>1992</u>	<u>1991</u>
Share premium account	£ 8,149,500	£ 6,259,500
Revaluation reserve	90,544	90,544
Capital contribution reserve	700,000 =====	700,000 =====

The movement in non-distributable reserves is as follows:

	<u>Share Premium Account</u>	<u>Revaluation Reserve</u>	<u>Capital Contribution Reserve</u>
Beginning of year	£ 6,259,500	£ 90,544	£ 700,000
Premium on allotment	1,890,000	-	-
End of year	£ 8,149,500 =====	£ 90,544 =====	£ 700,000 =====

OCEANEERING INTERNATIONAL SERVICES LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED)

18. NOTES TO CASH FLOW STATEMENT:

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

	<u>1992</u>	<u>1991</u>
Operating profit	£ 3,480,166	£ 1,764,705
Depreciation charges	1,895,392	1,324,556
(Gain) loss on sale of tangible fixed assets	(8,006)	247,204
(Increase) decrease in debtors	(2,080,406)	4,349,063
Increase (decrease) in creditors	10,046,393	(2,511,677)
	-----	-----
Net cash inflow from operating activities	£13,333,539	£ 5,173,851
	=====	=====

Analysis of changes in cash and cash equivalents during the year:

	<u>1992</u>	<u>1991</u>
Beginning of year	£ 3,671,835	£ 3,528,157
Net cash inflow (outflow)	(1,461,518)	143,678
	-----	-----
End of year	£ 2,210,317	£ 3,671,835
	=====	=====

Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	<u>1992</u>	<u>1991</u>	<u>Change in Year</u>
Cash at bank and in hand	£ 2,605,822	£ 3,671,273	£(1,065,451)
Short-term investments	562	562	-
Bank overdrafts	(396,067)	-	(396,067)
	-----	-----	-----
	£ 2,210,317	£ 3,671,835	£(1,461,518)
	=====	=====	=====

Analysis of changes in financing during the year:

	<u>Share Capital</u>	<u>Share Premium</u>
Beginning of year	£ 1,195,500	£ 6,259,500
Issue of ordinary shares	210,000	1,890,000
	-----	-----
End of year	£ 1,405,500	£ 8,149,500
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments:

At the end of the year, the company had the following capital commitments:

	<u>1992</u>	<u>1991</u>
Contracted for but not provided for	£ 25,867	£ 9,703,918
Authorised but not contracted for	51,500	85,420
	-----	-----
	£ 77,367	£ 9,789,338
	=====	=====

b) Contingent liabilities:

- i) The company is a signatory, together with its ultimate parent company, to a U.S. \$25 million credit agreement dated as of 1 September 1988. In the event a default under that credit agreement occurs and is continuing, the company may be obliged to grant a lien with respect to its assets in favour of the banks. As of 31 March 1992, there are no loan obligations of the company outstanding under the credit agreement nor has the company granted any liens or been requested to grant any liens in favour of the banks.
- ii) The company has granted various bank guarantees and indemnities for amounts between £15,000 and £100,000 in the ordinary course of business. In addition, the company has issued an irrevocable letter of credit to a customer for the amount of £210,000 in the ordinary course of business.
- iii) On 26 March 1991 Oceaneering International Services Limited signed a first preferred mortgage agreement with Oceaneering International Inc., on the Ocean Producer vessel currently being constructed, in the principal amount up to US \$25 million. Under this agreement, the principal amount, representing sums advanced and to be advanced, will be repaid in 28 equal quarterly instalments commencing 31 March 1992. Amounts advanced by Oceaneering International Inc prior to 31 March 1992 total £15,267,222 (1991 - £4,706,583). Interest is computed at the prime rate of Morgan Guaranty Trust Company of New York plus one percent.
- iv) In the normal course of business, the company contracted with a fellow group company for that company to perform contracts for diving services in West Africa. The fellow group company was best placed to perform the contracts as its principal activity is the provision of such services and its principal area of operation is West Africa. The contracts had a sales value of £5,786,000. The terms under which the contracts were performed exactly replicated the company's contract with the ultimate customer. In addition, the fellow group company provided the company with an indemnity in respect of all costs which could arise from these contracts.



OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

c) Contingent liabilities - legal actions:

- i) As in the prior year, the company is currently the subject of a legal action which has resulted in the arrestment of funds totalling £900,000. The action has yet to be heard in court. The company has made no provision for the claim totalling £835,000 as in the directors' opinion, the company has a reasonable defence to the action.
- ii) In the prior year the company received intimation of a claim in the sum of £530,000 approximately in respect of work carried out during that year. This claim was disputed and the company's legal advisors are of the opinion that sums may well be recovered from the claimant in excess of the claim. No provision has been recorded for this claim, and the directors believe that no further action will be taken by the claimant.
- iii) The company has raised a legal claim on behalf of the fellow group company mentioned in b iv) above for losses suffered by that company due to contractual defaults by its customer. The customer has intimated that it intends to raise counter claims of unspecified amounts. It is expected that these claims will be made against Oceaneering International Services Limited. The costs of the legal action and any losses incurred from potential counter claims are included in the above indemnity.

d) Lease commitments:

The group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total annual rental (including interest) for 1992 was £40,900 (1991 - £11,700), all applicable to the company. The lease agreements provide that the company will pay all insurance, maintenance and repairs. The group may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the group leases certain land and buildings on short and long-term leases. The annual rental on these leases was £190,900 (1991 - £160,000). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The group pays all insurance, maintenance and repairs of these properties.

OCEANEERING INTERNATIONAL SERVICES LIMITED

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NOTES TO THE ACCOUNTS (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

The minimum annual rentals under the foregoing leases are as follows:

GROUP AND COMPANY

<u>1992</u>	<u>Property</u>	<u>Plant and machinery</u>
Operating leases which expire:		
- within 1 year	£ 4,200	£ 14,100
- within 2-5 years	-	21,700
- after 5 years	188,000	-
	-----	-----
	£ 192,200	£ 35,800
	=====	=====
 <u>1991</u>	 <u>Property</u>	 <u>Plant and machinery</u>
Operating leases which expire:		
- within 1 year	£ 21,000	£ -
- within 2-5 years	-	49,000
- after 5 years	134,000	-
	-----	-----
	£ 155,000	£ 49,000
	=====	=====

e) Pension arrangements:

The group operates a defined benefit pension scheme providing benefits based on years of Pensionable Service in the Scheme and Pensionable Salary close to retirement. The assets of the scheme are held in separate trustee administered funds.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 5 April 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be at 9% per annum, that salary increases would average 8.5% per annum and that present and future pensions would increase in line with statutory requirements.

The net pension cost of the group for the year was £71,116 (1991 - credit £28,867), made up of a regular cost of £73,681 less variations from regular cost of £104,813 plus contributions to personal pension schemes of directors and certain other staff of £102,248. A prepayment of £121,566 is included within prepayments, being the excess of the amount funded over the accumulated pension credit.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

The most recent actuarial valuation showed that the market value of the scheme's assets was £2,988,000 and the actuarial value of those assets represented 197% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The trustees of the scheme have not yet decided on how they intend to implement either the Barber judgement or the Social Security Act 1990. However, they are of the opinion that neither the Barber judgement nor the Social Security Act 1990 will have a material effect on the funding or current surplus of the pension scheme. In 1991 the scheme had 49 male and 28 female members.

The company also makes contributions to the personal pension schemes of directors and certain other staff, as shown above.

20. CONTINUING FINANCIAL SUPPORT:

The company has received a legally binding letter of continuing financial support from its ultimate parent company. This continuing financial support enables the group to meet its debts as they fall due, despite the group being technically insolvent, in that its liabilities exceed its assets. Accordingly these accounts have been prepared on a going concern basis.

21. ULTIMATE PARENT COMPANY:

The company is a subsidiary undertaking of Oceaneering International Inc., incorporated in the State of Delaware, USA, which is also the largest and smallest group in which the results of Oceaneering International Services Limited and subsidiary undertakings are consolidated.