

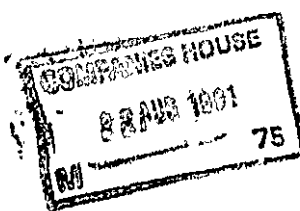
OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

ACCOUNTS - 31 MARCH 1991

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

10 23217

THE COMPANY'S REGISTERED NUMBER IS 01023217



OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1991

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 1991.

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 decreased by £6,037,795 to £24,428,856. Group profit before tax was £2,278,908 for the year ended 31 March 1991 (1990 loss £648,058).

The continuing financial support, which the group receives from its ultimate holding 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 1990	£(20,966,886)
Profit for the financial year	2,041,470
Accumulated deficit at 31 March 1991	£(18,925,416)
	=====

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 A Govier (Chairman) (resigned 27 February 1991)
R H Holland (Vice Chairman)
R V Chidlow (resigned 29 March 1991)
R Lyon (resigned 29 March 1991)
D H Kramer (resigned 29 May 1990)
A Westwood (appointed 9 May 1990)
A J Goodwin (appointed 18 June 1990)
M J Chew (appointed 18 June 1990)

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 the training programme and frequent internal information releases.

OCEANEERING INTERNATIONAL SERVICES LIMITED

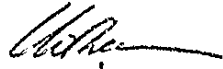
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (Continued)

AUDITORS:

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

BY ORDER OF THE BOARD


G W SHEAMAN
Secretary

Dock Tavern Lane
Gorleston
Great Yarmouth

29 July 1991

ARTHUR ANDERSEN & Co.

18 CHARLOTTE SQUARE
EDINBURGH EH2 4DF

To the Members of OCEANEERING INTERNATIONAL SERVICES LIMITED:

We have audited the financial statements on pages 5 to 26 in accordance with Auditing Standards.

As explained in Note 17, 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 17, the company has received intimation of a claim amounting to £530,000 approximately. This claim has been disputed by the company and the directors believe that a counter claim of sums in excess of £575,000 could well be successful. 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 financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 1991 and of the group profit and source and application of funds for the financial year then ended, and have been properly prepared in accordance with the Companies Act 1985.

We draw attention to Note 18 which provides additional important information pertaining to these financial statements.

Arthur Andersen & Co.

29 July 1991

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
TURNOVER	1h&2	£ 24,428,856	£ 30,466,651
Cost of sales		(18,626,066)	(27,743,102)
		-----	-----
GROSS PROFIT		5,802,790	2,723,549
Other operating expenses (net)	3	(4,038,085)	(3,605,147)
		-----	-----
OPERATING PROFIT (LOSS)		1,764,705	(881,598)
Investment income	4	523,502	312,006
Interest payable and similar charges	5	(9,299)	(78,466)
		-----	-----
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	2,278,908	(648,058)
Tax on profit (loss) on ordinary activities	8	(237,438)	(105,575)
		-----	-----
PROFIT (LOSS) FOR THE FINANCIAL YEAR		2,041,470	(753,633)
ACCUMULATED DEFICIT at beginning of year		(20,966,886)	(20,282,588)
CAPITAL RESERVE WRITTEN BACK ON ACQUISITION 19		-	69,335
		-----	-----
ACCUMULATED DEFICIT at end of year		£(18,925,416)	£(20,966,886)
		=====	=====
PROFIT (LOSS) FOR THE FINANCIAL YEAR			
The company		£ 2,149,068	£ (431,472)
Group undertakings		(142,892)	(322,161)
Associated undertakings	4	35,294	-
		-----	-----
		£ 2,041,470	£ (753,633)
		=====	=====

The accompanying notes are an integral part of these accounts.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - 31 MARCH 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
FIXED ASSETS			
Tangible assets	9	£ 11,479,287	£ 7,764,816
Investments	10	1,141,468	-
		-----	-----
		12,620,755	7,764,816
CURRENT ASSETS			
Debtors	11	15,358,975	19,659,110
Investments	12	562	562
Cash at bank and in hand	13	3,671,273	3,902,632
		-----	-----
		19,030,810	23,562,304
CREDITORS: Amounts falling due within one year			
- intercompany	14	(38,079,825)	(39,062,697)
- all other amounts	14	(4,251,612)	(6,285,765)
		-----	-----
NET CURRENT LIABILITIES		(23,300,627)	(21,786,158)
		-----	-----
NET LIABILITIES		£(10,679,872)	£(14,021,342)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	15	£ 1,195,500	£ 1,065,500
Share premium account	16	6,259,500	5,089,500
Revaluation reserve	16	90,544	90,544
Capital contribution reserve	16	700,000	700,000
Profit and loss account		(18,925,416)	(20,966,886)
		-----	-----
TOTAL CAPITAL DEFICIT		£(10,679,872)	£(14,021,342)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

R H HOLLAND

A WESTWOOD

Directors

29 July 1991

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

OCEANEERING INTERNATIONAL SERVICES LIMITED

COMPANY BALANCE SHEET - 31 MARCH 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
FIXED ASSETS			
Tangible assets	9	£ 11,479,287	£ 7,764,816
Investments	10	2,471,380	1,365,206
		-----	-----
		13,950,667	9,130,022
		-----	-----
CURRENT ASSETS			
Debtors	11	15,593,704	19,464,484
Investments	12	562	562
Cash at bank and in hand	13	3,572,046	3,788,557
		-----	-----
		19,166,312	23,253,603
CREDITORS: Amounts falling due within one year			
- intercompany	14	(39,222,222)	(39,983,948)
- all other amounts	14	(4,178,705)	(6,132,693)
		-----	-----
NET CURRENT LIABILITIES		(24,234,615)	(22,863,038)
		-----	-----
NET LIABILITIES		£(10,283,948)	£(13,733,016)
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	15	£ 1,195,500	£ 1,065,500
Share premium account	16	6,259,500	5,089,500
Revaluation reserve	16	90,544	90,544
Other reserves	16	700,000	700,000
Profit and loss account		(18,529,492)	(20,678,560)
		-----	-----
TOTAL CAPITAL DEFICIT		£(10,283,948)	£(13,733,016)
		=====	=====

SIGNED ON BEHALF OF THE BOARD

R H HOLLAND  Directors

A WESTWOOD 

29 July 1991

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

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1991

	<u>1991</u>	<u>1990</u>
SOURCE OF FUNDS		
Profit (loss) for the financial year	£ 2,041,470	£ (753,633)
Add (deduct) items not involving the movement of funds during the year		
- depreciation	1,324,556	1,111,072
- loss (gain) on disposal of tangible fixed assets	247,204	(97,942)
	-----	-----
Total funds from operations	3,613,230	259,497
Funds from other sources		
Capital reserve	-	69,335
Proceeds from issue of ordinary shares	1,300,000	5,655,000
Proceeds from disposal of tangible fixed assets	716,056	283,582
Increase in net current liabilities, as shown below	1,514,469	-
	-----	-----
	£ 7,143,755	£ 6,267,414
	=====	=====
APPLICATION OF FUNDS		
Transfers of tangible fixed assets at net book value	£ 247,729	£ 111,278
Purchase of tangible fixed assets at cost	5,754,558	6,126,604
Investment in associated undertaking	1,141,468	-
Decrease in net current liabilities, as shown below	-	29,532
	-----	-----
	£ 7,143,755	£ 6,267,414
	=====	=====
(INCREASE) DECREASE IN NET CURRENT LIABILITIES		
Debtors	£ (4,300,135)	£ 8,216,714
Creditors falling due within one year		
- intercompany	982,872	(8,361,773)
- all other amounts (excluding bank overdrafts)	1,659,116	(1,208,486)
Movement in net liquid funds		
- bank overdrafts	375,037	(38,637)
- cash at bank and in hand	(231,359)	1,421,714
	-----	-----
	£ (1,514,469)	£ 29,532
	=====	=====

The accompanying notes are an integral part of the this statement.

OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1991

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 statement of source and application of funds include the accounts of the company and its subsidiary undertakings for the year ended 31 March 1991. 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

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) Fixed asset 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

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.

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.

i) 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 a fellow group company are allocated between the two companies in proportion to their respective revenues.

l) Leases

The company enters into operating leases as described in Note 17. 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 17.

m) Revaluation reserve

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable reserve known as the revaluation reserve (see also Note 16).

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>1991</u>	<u>1990</u>
Administration expenses	£ 3,191,911	£ 1,571,308
Operations costs	1,508,490	1,341,826
Selling costs	566,416	500,151
	-----	-----
Foreign currency exchange (gain) loss	5,266,817	3,413,285
	(1,228,732)	191,862
	-----	-----
	£ 4,038,085	£ 3,605,147
	=====	=====

4. INVESTMENT INCOME:

Investment income comprises:

	<u>1991</u>	<u>1990</u>
Income from investment in associated undertaking	£ 35,294	£ -
Other interest receivable and similar income	488,208	312,006
	-----	-----
	£ 523,502	£ 312,006
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1991</u>	<u>1990</u>
On bank loans, overdrafts and other loans repayable within five years, not by instalments	£ 9,299	£ 8,542
On intercompany balances	-	69,924
	-----	-----
	£ 9,299	£ 78,466
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

6. PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit (loss) on ordinary activities before taxation is stated after crediting:

	<u>1991</u>	<u>1990</u>
(Loss) gain on disposal of tangible fixed assets	£ (247,204)	£ 97,942

and after charging:

Depreciation of tangible fixed assets	£ 1,324,556	£ 1,111,072
Hire of plant and machinery	1,020,525	4,970,239
Auditors' remuneration	24,000	24,000
Staff costs (see Note 7)	10,132,979	12,543,765

7. STAFF COSTS:

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

	<u>1991</u>	<u>1990</u>
Employee costs during the year amounted to:		
Wages and salaries	£ 9,286,502	£ 11,369,175
Social security costs	875,344	1,107,969
Other pension costs	(28,867)	66,621
	£ 10,132,979	£ 12,543,765

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

	<u>1991</u> <u>Number</u>	<u>1990</u> <u>Number</u>
Field staff	268	371
Sales and Administration	137	125

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>1991</u>	<u>1990</u>
Other emoluments (including pension contributions)	£ 225,675 =====	£ 95,182 =====

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

	<u>1991</u>	<u>1990</u>
Chairman	£ - =====	£ - =====
Highest paid director	£ 55,855 =====	£ 39,225 =====

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

	<u>1991</u> <u>Number</u>	<u>1990</u> <u>Number</u>
0 - £ 5,000	1	-
£ 5,001 - £10,000	1	2
£10,001 - £15,000	1	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	1
£40,001 - £45,000	2	-
£45,001 - £50,000	1	-
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

8. TAX ON ORDINARY PROFITS (LOSSES):

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

	<u>1991</u>	<u>1990</u>
Overseas taxation	£ 237,438 =====	£ 105,575 =====

No deferred taxation has been provided at 31 March 1991 (1990 - £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>1991</u>	<u>1990</u>
Land and buildings - freehold	£ 238,237	£ 230,316
Land and buildings - leasehold	722,066	760,024
Leasehold improvements	121,924	141,484
Plant and equipment	5,690,477	6,632,992
Vessel under construction	4,706,583	-
	-----	-----
Net tangible fixed assets	£ 11,479,287 =====	£ 7,764,816 =====

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	Vessel under Construction	Total
COST OR VALUATION						
Beginning of year	£ 276,920	£ 1,000,000	£ 261,256	£ 19,440,238	£ -	£ 20,978,414
Additions	18,432	-	-	1,029,543	4,706,583	5,754,558
Disposals	-	-	-	(1,119,306)	-	(1,119,306)
Transfers	-	-	-	541,539	-	541,539
End of year	295,352	1,000,000	261,256	19,892,014	4,706,583	26,155,205
DEPRECIATION						
Beginning of year	46,604	239,976	119,772	12,807,246	-	13,213,598
Charge	10,511	37,958	19,560	1,256,527	-	1,324,556
Disposals	-	-	-	(156,046)	-	(156,046)
Transfers	-	-	-	293,810	-	293,810
End of year	57,115	277,934	139,332	14,201,537	-	14,675,918
NET BOOK VALUE						
Beginning of year	£ 230,316	£ 760,024	£ 141,484	£ 6,632,992	£ -	£ 7,764,816
NET BOOK VALUE						
End of year	£ 238,237	£ 722,066	£ 121,924	£ 5,690,477	£ 4,706,583	£ 11,479,287

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>1991</u>	<u>1990</u>
Cost	£ 39,866	£ 39,866
Accumulated depreciation	(11,165)	(9,570)
	-----	-----
Net book value	£ 28,701	£ 30,296
	=====	=====

10. FIXED ASSETS INVESTMENTS:

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

GROUP	<u>1991</u>	<u>1990</u>
Associated undertaking	£1,141,468	£ -
	=====	=====
	<u>1991</u>	<u>1990</u>
COMPANY		
Subsidiary undertakings	£1,365,206	£1,365,206
Associated undertaking	1,106,174	-
	-----	-----
	£2,471,380	£1,365,206
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSETS INVESTMENTS (Continued):

Principal group investments:

The parent company has 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>1991</u>	<u>1990</u>		
Ocean Systems Engineering Limited-				
Ordinary shares of £1 each	100%	100%	England	Diving services
UEC Limited (previously Oceaneering Services 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	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%	-	Vanuatu	Diving services

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (Continued):

Investments in subsidiary undertakings-

	<u>1991</u>	<u>1990</u>
COST		
Beginning of year	£ 1,568,922	£ 263,716
Additions	-	5,435,206
Amounts received from subsidiary	-	(4,130,000)
	-----	-----
End of Year	1,568,922	1,568,922
	-----	-----
AMOUNTS WRITTEN OFF		
Beginning of year	203,716	203,716
Written off during year	-	-
	-----	-----
End of year	203,716	203,716
	-----	-----
NET BOOK VALUE, end of year	£ 1,365,206	£ 1,365,206
	=====	=====

In the prior year, the company acquired the entire issued share capital of Sonsub Limited and subsidiary companies for £5,435,206 payable in cash, with net assets of £5,504,541, which was accounted for as an acquisition.

Subsequent to 31 March 1990, the two subsidiaries of Sonsub Limited, Sonsub Technology Limited and Sonsub Services Limited were transferred to Oceaneering International Services Limited and became directly-owned 100% subsidiaries of the company. All three Sonsub companies were placed into members' voluntary liquidation subsequent to 31 March 1990.

Investment in Associated undertaking-

	<u>1991</u>	<u>1990</u>
GROUP		
COST		
Beginning of year	£ -	£ -
Additions	1,106,174	-
Share of retained profit	35,294	-
	-----	-----
NET BOOK VALUE	£ 1,141,468	£ -
	=====	=====
	<u>1991</u>	<u>1990</u>
COMPANY		
COST	£ 1,106,174	£ -
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (Continued):

During the year, the company invested in 50% of the share capital of Ocean Marine Services Limited, a company registered in Vanuatu, which owns and operates a diving support vessel. The remaining share capital is owned by a third party, Zapata Gulf Marine International, with neither party having a controlling interest.

11. DEBTORS:

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

GROUP	<u>1991</u>	<u>1990</u>
Trade debtors	£ 4,908,847	£ 7,312,347
Amounts owed by other group undertakings	10,158,092	11,945,874
Amounts owed by associated undertakings	8,971	-
VAT	95,927	102,673
Other debtors	73,025	30,217
Prepayments	114,113	267,999
	-----	-----
	£ 15,358,975	£ 19,659,110
	=====	=====
COMPANY	<u>1991</u>	<u>1990</u>
Trade debtors	£ 4,858,222	£ 7,028,852
Amounts owed by other group undertakings	10,112,920	11,945,874
Amounts owed by subsidiary undertakings	330,526	88,869
Amounts owed by associated undertakings	8,971	-
VAT	95,927	102,673
Other debtors	73,025	30,217
Prepayments	114,113	267,999
	-----	-----
	£ 15,593,704	£ 19,464,484
	=====	=====

12. CURRENT ASSET INVESTMENTS:

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

	<u>1991</u>	<u>1990</u>
GROUP AND COMPANY		
Listed UK investments	£ 562	£ 562
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

13. CASH AT BANK AND IN HAND:

Funds totalling £900,000 (1990 £1,135,000) included within cash at bank and in hand are the subject of arrestment orders in connection with the legal dispute outlined in Note 17. Consequently, these funds are not available for use by the company.

Bank deposits totalling £56,000 deposited in a bank in India are the subject of exchange control restrictions. The company has provided in full against their recoverability.

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

GROUP	1991	1990
Bank loans and overdrafts	£ -	£ 375,037
Trade creditors	1,742,036	1,642,701
Amounts owed to other group undertakings	38,079,825	39,062,697
Other creditors		
- UK corporation tax payable	217,505	14,907
- overseas taxes payable	43,663	173,974
- social security and PAYE	613,822	656,477
Accruals	1,634,586	3,422,669
	£ 42,331,437	£ 45,348,462
	=====	=====
COMPANY	1991	1990
Bank loans and overdrafts	£ -	£ 292,652
Trade creditors	1,739,730	1,641,075
Amounts owed to subsidiary undertakings	1,473,459	-
Amounts owed to other group undertakings	37,748,763	39,983,948
Other creditors		
- UK corporation tax payable	182,505	14,907
- overseas taxes payable	38,314	133,380
- social security and PAYE	613,822	656,477
Accruals	1,604,334	3,394,202
	£ 43,400,927	£ 46,116,641
	=====	=====

Details of the security granted in respect of the amounts due to the company's ultimate holding company are given in Note 17.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

15. CALLED-UP SHARE CAPITAL:

	<u>1991</u>	<u>1990</u>
Authorised:		
7,000,000 (1990 - 7,000,000)		
ordinary shares of £1 each	£ 7,000,000	£ 7,000,000
	=====	=====
Allotted, called-up and fully-paid:		
1,195,500 ordinary shares of £1 each	£ 1,195,500	£ 1,065,500
(1990 - 1,065,000)	=====	=====

On 23 March 1991 the company allotted 130,000 ordinary shares of £1 each for a consideration of £10 per ordinary share in order to expand the capital base of the company.

16. RESERVES:

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

GROUP AND COMPANY	<u>1991</u>	<u>1990</u>
Share premium account	£ 6,259,500	£ 5,089,500
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	£5,089,500	£ 90,544	£ 700,000
Premium on allotment	1,170,000	-	-
	-----	-----	-----
End of year	£6,259,500	£ 90,544	£ 700,000
	=====	=====	=====

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments:

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

	<u>1991</u>	<u>1990</u>
Contracted for but not provided for	9,703,918	£ 54,411
Authorised but not contracted for	85,420	18,285
	-----	-----
	£9,789,338	£ 72,696
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED):

b) Contingent liabilities:

- i) The company is a signatory, together with its ultimate holding 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 1991, 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 bank guarantees for £30,000 and £15,000 in the ordinary course of business.
- iii) 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.
- iv) The company has received intimation of a claim in the sum of £530,000 approximately in respect of work carried out during the year. This claim has been disputed and the legal position of the parties is under review, but the company's legal advisors are of the opinion that sums could well be recovered from the party in excess of £575,000. No provision has been recorded for this claim.
- v) 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, together with interest computed at the prime rate of Morgan Guaranty Trust Company of New York plus one percent, will be repaid in 28 equal quarterly instalments commencing 31 March 1992. Amounts advanced by Oceaneering International Inc prior to 31 March 1991 total £4,706,583.

c) 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 1991 was £11,700 (1990 - £58,000), 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.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS (CONTINUED)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED):

c) Lease commitments (continued):

In addition, the group leases certain land and buildings on short and long-term leases. The annual rental on these leases was £160,000 (1990 - £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.

GROUP AND COMPANY

	<u>Property</u>	<u>Plant and machinery</u>
1991		
Operating leases which expire:		
- within 1 year	£ 21,000	£ -
- within 2-5 years	-	49,000
- after 5 years	134,000	-
	-----	-----
	£ 155,000	£ 49,000
	=====	=====
1990		
Operating leases which expire:		
- within 1 year	£ 10,000	£ 15,000
- within 2-5 years	21,000	21,000
- after 5 years	115,000	-
	-----	-----
	£ 146,000	£ 36,000
	=====	=====

d) 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.

OCEANEERING INTERNATIONAL SERVICES, LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED):

d) Pension arrangements (continued):

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 pension credit of the group for the year was £28,867 (1990 - charge £66,221), made up of a regular cost of £93,933 less variations from regular cost of £122,800. A prepayment of £99,434 is included within prepayments, being the excess of the amount funded over the accumulated pension credit.

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. The scheme has 49 male and 28 female members. The company also makes contributions to the personal pension schemes of two of its directors.

18. CONTINUING FINANCIAL SUPPORT:

The company has received a legally binding letter of continuing financial support from its ultimate holding 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.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

19. SUMMARY OF THE EFFECTS OF ACQUISITION:

A Summary of the effects of the acquisition of Sonsub Limited and subsidiary companies.

Net Assets acquired:		Discharged by:	
Fixed Assets	£5,635,000	Cash	£5,435,206
Current Assets	1,427,380		
Liabilities	(1,577,839)		
Capital reserve	(69,335)		
	-----		-----
	£5,435,206		£5,435,206
	=====		=====

20. ULTIMATE PARENT COMPANY:

The company is a subsidiary undertaking of Oceaneering International Inc., incorporated in the State of Delaware, USA.