Registered No 01023217

Oceaneering International Services Limited

Report and Financial Statements

31 December 2010

Registered No 01023217

Directors
A Westwood
J Watkinson
M Leys
M Smith

Secretary
C Forbes

Auditors
Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers
HSBC
2 Queens Road
Aberdeen
AB15 4ZT

Solicitors
Dickson Minto
16 Charlotte Square
Edinburgh
EH2 4DF

Registered Office
Oceaneering International Services Ltd
109 Bowesfield Lane
Stockton on Tees
Cleveland
England
TS18 3HF

Registered No 01023217

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2010

Results and dividends

Company results and accumulated profit and loss account are as follows

	£000
Accumulated profit and loss account at 31 December 2009	9,305
Profit for the financial year	8,327
Dividends Paid	-
Actuarial gain/(loss) in respect of defined benefit pension scheme	(15)
Exchange difference on retranslation	376
Accumulated profit and loss account at 31 December 2010	17,993

Principal activities and business review

The principal activities of the company continue to be the provision of services, supplies and equipment to the oil and gas industry

The company's key financial and other performance indicators, performance during the year were as follows

	2010 £000	2009 £000	Change %
Turnover	146,510	132,176	11%
Total profit before tax	11,988	16,989	(29)%
Profit after tax	8,327	11,750	(29)%
Net Income	6%	9%	(3)%
Shareholders' funds	45,284	36,596	24%
Average number of employees	1,046	1,088	(4)%

Turnover increased by 11% during the year due to increased demand for our onshore and offshore oilfield services and products offerings Profit before tax was adversely impacted by a £863,000 foreign currency translation loss during the year (2009 – gain of £3,647,000)

Geographically, our turnover in the UK was steady compared to 2009 whereas our Caspian Sea area saw a near doubling mainly due to increased inspection services to one of the major international oil companies The 20% reduction in Africa turnover was primarily as a result of our exit from the Mobile Offshore Production Systems (MOPS) business when our long term contract in Angola came to an end in 2009

Inspection

This business held steady during the year and we anticipate continued strong demand for these services in 2011 By continuing to invest in the latest technical innovations and products we are able to maintain our pre-eminent position in this market

Subsea Products

After the retrenchment exercise undertaken during 2009 at our subsea umbilical factory, this business had a strong year and the near term future is encouraging With commitments already secured from our customers we expect the factory to operate close to full capacity in 2011 The subsea tooling segment of this business continues to see growth and we expect this to continue into 2011

Directors' report (continued)

Principal activities and business review *(continued)*

Remotely Operated Vehicles

As widely reported in the press, the Chancellor's changes to the taxation regime for the UK Continental Shelf could adversely affect offshore exploration This, in turn, could impact our Remotely Operated Vehicles business and we are anticipating turnover for 2011 to show a decrease compared to the current year

Mobile Offshore Production Systems

This business was discontinued during the year

Operating Expenses

The significant increase over the prior year is due mainly to the foreign currency loss (2009 gain) We continue to exert careful control of operating costs

Capital Expenditure

We invested £7,349,000 in fixed assets during the year, with a significant part of this being in Plant and Equipment

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as – competitive, legislative and financial risk

- **Competitive Risks**

  We are currently exposed to certain market risks arising from transactions we have entered into in the normal course of business These risks predominantly relate to fluctuations in foreign exchange rates Retained earnings were positively impacted by approx £376k in 2010 due to the strengthening of the US Dollar against the pound We have not entered into any market risk sensitive instruments for speculative or trading purposes

- **Legislative Risks**

  All activities are constantly monitored by the company's QHSE department to ensure that the highest standards are maintained at every stage of project execution

  The Continuous Quality Improvement and Health, Safety & Environmental Departments manage and control the Company Management systems required to achieve Third Party Accreditation/ Approvals These departments are responsible for monitoring the control and execution of the services offered by the company's Regional and Branch offices

  The company holds Third Party Accreditation / Approval, with regard to its Management System and / or its control and execution of the services offered at a number of Regional and Branch Offices in the UK

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Directors' report (continued)

- **Financial Risks**

The company's management is responsible for establishing and maintaining adequate internal control over financial reporting Our internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United Kingdom Due to the inherent limitations, internal control over financial reporting may not prevent or detect misstatements

- **Liquidity and Capital Resources**

The company considers its liquidity and capital resources adequate to support our operations and internally generated growth initiatives We expect our operating cash flow to continue to meet our ongoing annual cash requirements for the foreseeable future

Research and Development

The company did not have any material outlay in terms of research and development during 2010

Future developments

The company will continue to seek opportunities to strengthen its pre-eminent position in the market place through organic growth, the introduction of new technologies and, where appropriate, further acquisitions

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposure to price, credit, liquidity and cash flow risk are described in the Business Review on pages 2-3

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and service lines As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements

Directors and their interests

The current directors are shown on Page 1

M Cumming and D McKechnie were directors until 28th February 2011 and 17th June 2011, when they respectively resigned

M Leys and M Smith were appointed directors on 1st September 2011

The directors do not have any interests in the shares of Group companies required to be disclosed under the Companies Act 2006

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Directors' report (continued)

Political and charitable contributions

As part of the company's commitment to the communities in which it operates, contributions totalling £9,872 were made during the year (2009 £19,448), to local charities focused primarily on cancer research

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment The trade creditors outstanding at the 31 December 2010 represented 45 days' purchases (31 December 2009 – 40 days)

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 company continues and that appropriate training is arranged It is the policy of the company 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 company 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 company This is achieved through regular management consultation with personnel, integrated with training programmes and frequent internal information releases

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the board

A Westwood

Director

29th September 2011

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Oceaneering International Services Limited

We have audited the financial statements of Oceaneering International Services Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of total recognised gains and losses, the Balance Sheet, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of Oceaneering International Services Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Kevin Weston (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

29th September 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Turnover	2	146,510	132,176
Cost of sales		(115,397)	(108,446)
Gross profit		31,113	23,730
Net operating expenses	3	(18,906)	(8,947)
Operating profit	4	12,207	14,783
(Loss)/Gain on sale of tangible fixed assets	11	(62)	2,090
Investment income	7	42	250
Other finance costs	21	(109)	(133)
Interest payable and similar charges	8	(90)	(1)
Profit on ordinary activities before taxation		11,988	16,989
Tax on profit on ordinary activities	9	(3,661)	(5,239)
Profit for the financial year		8,327	11,750

All activities relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2010

	2010 *£000*	*2009* *£000*
Profit for the financial year	8,327	11,750
Movement in accumulated currency reserve during the year	376	(1,619)
Actuarial loss in respect of defined benefit scheme	(21)	(1,185)
Related deferred taxation	6	332
Total gains and losses recognised since last annual report	8,688	9,278

Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Intangible assets	10	171	184
Tangible assets	11	41,825	39,692
Investments	12	12,972	12,972
		54,968	52,848
Current assets			
Stocks	13	9,647	9,162
Debtors	14	56,026	70,967
Cash		433	1,340
		66,106	81,469
Creditors amounts falling due within one year	15	(71,692)	(93,227)
Net current liabilities		(5,586)	(11,758)
Total assets less current liabilities		49,382	41,090
Creditors amounts falling due after more than one year	16	-	(12)
Provisions for liabilities and charges			
Deferred taxation	9	(2,456)	(2,672)
Net assets excluding pension liability		46,926	38,406
Pension liability	21	(1,642)	(1,810)
Net assets including pension liability		45,284	36,596
Capital and reserves			
Called-up equity share capital	17	3,071	3,071
Share premium account	18	23,134	23,134
Capital contribution reserve	18	1,086	1,086
Profit and loss account	18	17,993	9,305
Equity shareholders' funds	18	45,284	36,596

A Westwood

Director

29th September 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Consolidated financial statements

The company has taken advantage of recent changes to legislation under section 401 of the Companies Act 2006, which extends exemption from the requirement for intermediate parent undertakings to prepare and deliver group accounts to companies whose parent undertakings are incorporated outwith the European Economic Area (EEA) The exemption is available on the basis that Oceaneering International Services Limited is included in consolidated accounts for a larger group drawn up to the same date by the ultimate parent undertaking – Oceaneering International Inc , and that those accounts, and where appropriate its annual report, are drawn up in accordance with the provisions of the EU Seventh Directive, or in a manner equivalent to consolidated accounts and consolidated accounts so drawn up Accordingly, the financial statements for the year ended 31 December 2010 present information about the company as an individual undertaking and not about its group

Going Concern

The company is dependent on continuing finance being made available by its parent company to enable it to continue operating and to meet its liabilities as they fall due The parent company has agreed to provide the company with funds as required The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis

Related parties

The company has taken advantage of the exemption allowed under FRS 8 not to disclose details of transactions with related parties who are fellow Group undertakings

Revenue Recognition

Revenue is recognised according to the type of contract involved On a daily basis, we recognize revenue under contracts that provide for specific time, material, and equipment charges, which we bill periodically, ranging from weekly to monthly We account for significant fixed-price contracts, which we enter into mainly in our Subsea Products segment, using the percentage-of-completion method

Goodwill

Goodwill arising on acquisitions post implementation of FRS 10 is capitalised and written off on a straight line basis over its useful economic life which has been assessed as twenty years Provision is made for any impairment On disposal of a previously acquired business, the attributable amount of goodwill written off is included in determining the gain or loss on disposal

Tangible fixed assets

Tangible fixed assets are shown at original historic cost, net of depreciation and any provision for permanent impairments in value

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

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

Residual value is calculated on prices prevailing at the date of acquisition

Freehold land is not depreciated

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Investments

Fixed asset investments are stated at cost less provision for impairment

Stocks

Stocks are stated at the lower of cost and net realisable value

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete, slow-moving or defective items where appropriate

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Operating lease arrangements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term

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 balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate

The results of overseas branches are translated at the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves All other exchange differences are included in the profit and loss account

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned Other grants are credited to the profit and loss account as the related expenditure is incurred

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Pension costs

The company operates a pension scheme with a defined benefit section and a defined contribution section, which have contributions made to a separately administered fund

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligations) and is based on actuarial advice Contributions to the fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur

For the defined contribution section, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

2. Turnover and segmental information

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

Turnover by geographic location comprises

	2010	*2009*
	£000	*£000*
United Kingdom	104,927	102,032
Caspian	16,047	8,303
Africa	14,844	18,437
Europe (excl UK)	5,617	401
Rest of the World	5,075	3,003
	146,510	132,176

Turnover by business segment comprises

	2010	*2009*
	£000	*£000*
Inspection	78,189	70,041
Subsea Products	38,522	32,748
Remotely Operated Vehicles	29,667	22,919
Mobile Offshore Production Systems	-	6,331
Advanced Technologies	132	137
	146,510	132,176

Notes to the financial statements

at 31 December 2010

3. Net operating expenses

Net operating expenses comprise

	2010 £000	2009 £000
Administration expenses	10,712	8,675
Operating costs	2,683	1,708
Selling costs	2,927	350
	16,322	10,733
Foreign currency exchange loss/(gain)	863	(3,647)
Royalty Charges	1,721	1,861
Net operating expenses	18,906	8,947

4. Operating profit

This is stated after charging/(crediting)

	2010 £000	2009 £000
Amortisation of goodwill	13	13
Depreciation of tangible fixed assets – owned	7,700	7,075
Release of government grants deferred income	(30)	(30)
Operating lease rentals		
- plant and machinery	327	313
- other	2,307	1,959
Auditors' remuneration - audit services	-	-
- non audit services	-	-
Foreign currency exchange loss/(gain)	863	(3,647)

In the current year and the preceding year the auditors' remuneration was borne by the ultimate holding company, Oceaneering International Inc This amounted to £25,500 for 2010 (2009 £25,500)

5. Directors' emoluments

	2010 £000	2009 £000
Emoluments	508	474
Company contributions paid to money purchase pension scheme	24	20

No directors exercised share options in the current year (year to 31 December 2009 – nil) and no directors received shares under long term incentive schemes (year to 31 December 2009 – nil)

Notes to the financial statements

at 31 December 2010

5. Directors' emoluments (continued)

Pensions

The number of directors who were members of pension schemes was as follows

	2010	*2009*
	No	*No*
Money purchase schemes	4	3
Defined benefit schemes	-	-
	4	3

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2010	*2009*
	£000	*£000*
Emoluments	202	205
Company contributions paid to money purchase schemes	8	7

6. Staff costs

Particulars of employees (including executive directors) are shown below

	2010	*2009*
	£000	*£000*
Employee costs amounted to		
Wages and salaries	48,630	46,299
Social security costs	6,279	7,867
Other pension costs	1,722	988
	56,631	55,154

The average monthly number of persons employed by the company was as follows

	2010	*2009*
	Number	*Number*
Field staff	526	556
Production staff	121	149
Maintenance staff	48	54
Operations support staff	315	293
Management and administration	36	36
	1,046	1,088

Notes to the financial statements

at 31 December 2010

7. Investment income

	2010	2009
	£000	£000
Inter-company interest receivable	-	237
Other interest receivable	42	13
	42	250

8. Interest payable

	2010	2009
	£000	£000
On intercompany balances	18	-
Bank interest	72	1
	90	1

9. Tax

(a) Tax on profit on ordinary activities

The company tax charge is comprised as follows

	2010	2009
	£000	£000
Current tax		
UK corporation tax – current year	2,399	3,673
UK corporation tax – prior year	(143)	(5)
Foreign tax	1,587	948
Foreign tax (over)/under provided in previous years	(68)	30
	3,775	4,646
Deferred tax		
Origination and reversal of timing differences	(114)	593
	(114)	593
Tax on profit on ordinary activities	3,661	5,239

Notes to the financial statements

at 31 December 2010

9. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are reconciled below

	2010 *£000*	*2009* *£000*
Profit on ordinary activities before tax	11,988	16,989
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 28% (2009 – 28%)	3,357	4,757
Expenses not deductible for tax purposes	272	103
Accelerated capital allowances movement	116	(6)
Loss/(Gain) on sale of fixed assets	17	(585)
Other timing differences	(7)	(8)
Adjustment in respect of previous years	(142)	(5)
Pension provision movement	5	(2)
Pension Defined Benefit	(80)	37
Overseas Taxation (net)	1,518	978
Relief for Overseas Taxation	(1,281)	(623)
Total current tax (note 9(a))	3,775	4,646

(c) Factors that may affect future tax charges

There are no significant factors expected to affect future tax charges

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	2010 *£000*	*2009* *£000*
Provisions for liabilities and charges	2,456	2,672
Pension liability (note 21)	(608)	(704)
	1,848	1,968
Accelerated capital allowances	2,488	2,709
Other timing differences	(640)	(741)
	1,848	1,968

	£000
At 1 January 2010 including deferred tax on defined benefit pension liability	1,968
Deferred tax charge in the profit and loss account	(114)
Exchange Adjustment	-
Amount credited to statement of total recognised gains and losses	(6)
At 31 December 2010 including deferred tax on defined benefit pension liability	1,848

Notes to the financial statements

at 31 December 2010

10. Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2010	262
Additions	-
At 31 December 2010	262
Amortisation	
At 1 January 2010	78
Charge for the year	13
At 31 December 2010	91
Net book value	
At 31 December 2010	171
At 1 January 2010	184

11. Tangible fixed assets

	Land and buildings		Leasehold	Plant and		
	Freehold	Leasehold	improvements	equipment	Vessels	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2010	81	5,098	1,056	67,288	-	73,523
Additions	-	205	30	8,599	-	8,834
Transfers in/(out) from	-	-	-	12,381	-	12,381
other group companies	-	-	-	(12,382)	-	(12,382)
Disposals	-	-	(25)	(2,758)	-	(2,783)
Exchange Adjustment	-	-	17	19	-	36
31 December 2010	81	5,303	1,078	73,147	-	79,609
Depreciation						
At 1 January 2010	-	1,879	236	31,716	-	33,831
Charge for year	-	574	196	6,930	-	7,700
Transfers in/(out) from other group companies	-	-	-	(1,068)	-	(1,068)
Disposals	-	-	(25)	(2,652)	-	(2,677)
Exchange Adjustment	-	-	(1)	(1)	-	(2)
At 31 December 2010	-	2,453	406	34,925	-	37,784
Net book value						
At 31 December 2010	81	2,850	672	38,222	-	41,825
At 1 January 2010	81	3,219	820	35,572	-	39,692

A loss on the sale of tangible fixed assets of £62,000 was made during the year (2009 Gain £2,090,000)

Notes to the financial statements

at 31 December 2010

12. Fixed asset investments

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

	Subsidiary undertakings £000
At 1 January 2010 & 31 December 2010	12,972

The company has investments in the following subsidiary and associated undertakings

Principal country of operation	*Country of registration & incorporation*	*Equity interest*	*Nature of business*
United Kingdom			
OIS International Inspection plc # (30,350,000 ordinary shares of 10p each)	England	100%	Holding company
Oilfield Inspection Services Overseas Limited (2 ordinary shares of £1 each)	England	100%	Holding company
Ocean Systems Engineering Limited # (2 Ordinary shares of £1 each)	England	100%	Subsea Services
OIS Diagnostics Limited (1 ordinary share of £1 each)	England	100%	Subsea Services
Overseas			
Oilfield Inspection Services (International) limited 6,933 ordinary shares of £1 each	Jersey	100%	Holding company
Oilfield Inspection Services (M) Sdn Bhd* (10,000 'B' ordinary shares of Mal 1 Ringgit each and 6,400,000 redeemable preference shares of Mal 1 Ringgit each)	Malaysia	10%	Inspection services
Atkins Inspection Services (M) Sdn Bhd* (10,000 'B' ordinary shares of Mal 1 Ringgit each)	Malaysia	10%	Inspection services
Oceaneering OIS WLL (formerly Oilfield Inspection Services (Middle East) LLC)* (249 shares of Dirham 1,000 each)	Abu Dhabi	49%	Inspection services

In addition, there are a number of Dormant and Non-trading subsidiary companies owned by the company

* The group exercises dominant influence over these companies by virtue of shareholder agreements
# Investment is held directly by the company

13. Stocks

	2010 £000	*2009 £000*
Raw materials and consumables	9,647	9,162

There is no material difference between the balance sheet value of stocks and their replacement cost

Notes to the financial statements

at 31 December 2010

14. Debtors: amounts falling due within one year

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

	2010	*2009*
	£000	*£000*
Trade debtors	36,874	26,840
Amounts owed by group undertakings	17,704	40,609
Other debtors	11	64
Prepayments and accrued income	752	702
UK corporation tax	685	2,752
	56,026	70,967

All amounts owed by fellow group undertakings are repayable on demand All amounts owed by other group companies bear no interest

15. Creditors: amounts falling due within one year

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

	2010	*2009*
	£000	*£000*
Amounts owed to group undertakings	42,853	76,359
Total intercompany balances	42,853	76,359
Trade creditors	8,089	5,497
Other creditors		
- overseas taxes	1,041	607
- social security and PAYE	3,633	4,481
- VAT	2,706	1,650
Deferred Income	10,452	814
Accruals	2,918	3,819
Total non-intercompany balances	28,839	16,868
Total creditors falling due within one year	71,692	93,227

16. Creditors: amounts falling due after more than one year

	2010	*2009*
	£000	*£000*
Government grants – deferred income	-	12
	-	12

Notes to the financial statements

at 31 December 2010

17. Called-up equity share capital

	Authorised 2010 £000	Authorised 2009 £000
Ordinary shares of £1 each	15,000	15,000

	Allotted, called-up and fully paid 2010 No	2010 £000	2009 No	2009 £000
Ordinary shares of £1 each	3,070,500	3,071	3,070,500	3,071

Share capital consists entirely of equity shares

18. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium account £000	Capital contribution reserve £000	Profit & Loss Account £000	Total shareholders' funds £000
At 1 January 2009	3,071	23,134	1,086	11,388	38,679
Profit for the year	-	-	-	11,750	11,750
Currency movement	-	-	-	(1,619)	(1,619)
Actuarial loss on defined benefit pension scheme	-	-	-	(1,185)	(1,185)
Related deferred tax	-	-	-	332	332
Dividends declared and paid	-	-	-	(11,361)	(11,361)
At 31 December 2009	3,071	23,134	1,086	9,305	36,596
Profit for the year	-	-	-	8,327	8,327
Currency movement	-	-	-	376	376
Actuarial loss on defined benefit pension scheme	-	-	-	(21)	(21)
	-	-	-	6	6
Related deferred tax					
Dividends declared and paid	-	-	-	-	-
At 31 December 2010	3,071	23,134	1,086	17,993	45,284

Notes to the financial statements

at 31 December 2010

19. Dividends

	2010	*2009*
	£000	*£000*
Equity dividends paid on ordinary shares		
Final Paid	-	11,361

20. Guarantees and other financial commitments

a) Capital commitments

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

	2010	*2009*
	£000	*£000*
Contracted for but not provided for	7,932	6,582

b) Contingent liabilities – general

i) The company has granted various bank guarantees and indemnities for amounts approximating £116,000 to £2,087,000 respectively in the ordinary course of business

ii) A division of the company performs a number of contracts under warranty The value of such contracts still under warranty at 31 December 2010 is £69,678,000 and these warranties expire between January 2011 and February 2013

iii) HM Customs and Excise also hold a deferred duty bond with a value of £300,000

c) Lease commitments

The company 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) was £327,000 (year ended 31 December 2009 - £313,000), all applicable to the company The lease agreements provide that the company will pay all insurance, maintenance and repairs The company 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 company leases certain land and buildings on short and long-term leases The annual rental on these leases was £2,307,000 (year end 31 December 2009 - £1,959,000) The rents payable under these leases are subject to renegotiation at various intervals specified in the leases The company pays all insurance, maintenance and repairs of these properties

The minimum annual rentals under the foregoing leases are as follows

	Land & buildings	*Other*
	£000	*£000*
31 December 2010		
Operating leases which expire		
- within 1 year	227	184
- within 2 – 5 years	1,337	243
- after 5 years	919	-
	2,483	427
31 December 2009		
Operating leases which expire		
- within 1 year	23	43
- within 2 – 5 years	1,163	291
- after 5 years	913	-
	2,099	334

Notes to the financial statements

at 31 December 2010

21. Pension scheme

a) Oceaneering International Services Limited scheme - defined benefit section

FRS 17 disclosures

The Scheme is a defined benefit scheme The Scheme is closed to new entrants and has ceased the future accrual of benefits An approximate actuarial valuation was carried out by a qualified independent actuary as at 31 December 2010 This was based on the results of the actuarial valuation of the Scheme as at 1 April 2008

The major financial assumptions used by the actuary were	*2010*	*2009*
Discount Rate	5 30%	5 80%
Expected return on Scheme assets	6 10%	6 20%
Price Inflation Rate	3 40%	3 70%
Rate of increase in pensions in payment	3 20%	3 40%

Life expectancy at age 65		*2010*	*2009*
Current Pensioners	- Men	21 7	21 7
	- Women	24 0	24 0
Future Pensioners now aged 45	- Men	22 9	22 8
	- Women	25 0	24 9

At 31 December 2010, the fair value of the assets of the Scheme and the expected rate of return were

Long term rate of return expected (before adjustment for expenses)	*2010*	*2009*
Equities and Properties	7 50%	7 50%
Bonds	4 65%	5 15%
Cash	0 50%	0 95%

Value (£000)	*2010*	*2009*
Equities and Properties	3,685	2,867
Bonds	3,603	3,575
Cash	41	-
Fair value of assets	7,329	6,442
Present value of Scheme liabilities	9,579	8,956
Overall shortfall in Scheme	2,250	2,514
Related deferred taxation	(608)	(704)
Net pension liability	1,642	1,810

The scheme does not invest in the Company's own financial instruments, including property or other assets owned by the company

FRS17 requires the projected unit method to be used to determine liabilities As the Scheme has no active members, the use of the projected unit method has no effect on the service cost

Notes to the financial statements

at 31 December 2010

21. Pension scheme (continued)

The following costs and balances would have been reflected in the financial statements

	2010	2009
	£000	£000
Amount charged to Income and Expenditure account		
Current Service Cost	-	-
Curtailments	-	-
Settlements	-	-
Past Service Cost	-	-
Total Operating Charge	-	-
Expected return on Scheme assets	402	332
Interest on Scheme Liabilities	(511)	(465)
Net Return	(109)	(133)
Changes in present value of the defined benefit obligation		
At beginning of year	8,956	7,432
Current Service Cost	-	-
Past Service Cost	-	-
Interest Cost	510	465
Actuarial gains / (losses)	412	1,634
Benefits Paid	(299)	(575)
At end of year	9,579	8,956
Changes in fair value of the Scheme asset		
At beginning of year	6,442	5,862
Expected return on assets	402	332
Employer contributions	394	374
Actuarial gains / (losses)	391	449
Benefits Paid	(299)	(575)
At end of year	7,330	6,442
Reconciliation of Scheme deficit		
Deficit in Scheme at beginning of year	(2,514)	(1,570)
Current Service Cost	-	-
Employer contributions	394	374
Past service cost	-	-
Curtailment	-	-
Net return	(109)	(133)
Actuarial losses recognised	(21)	(1,185)
At end of year	(2,250)	(2,514)

Notes to the financial statements

at 31 December 2010

21. Pension scheme (continued)

	2010	*2009*
	£000	*£000*
Recognition in STRGL		
Actual return less expected return on Scheme assets	392	449
Experience gains and losses arising on Scheme liabilities	-	23
Change in assumptions underlying present value of Scheme liabilities	(412)	(1,657)
Net actuarial losses recognised in the year	(21)	(1,185)

History of experience gains and losses

	2010	*2009*	*2008*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*	*£000*
Experience arising on scheme assets					
Amount	392	449	(992)	42	112
Percentage of scheme's assets	5%	7%	(17)%	1%	2%
Experience arising on scheme liabilities					
Amount	-	23	(40)	(23)	(136)
Percentage of present value of funded obligations	0%	0%	(1)%	(0)%	(2)%
Present value of scheme's liabilities	9,579	8,956	7,432	8,215	8,107
Fair value of scheme's assets	7,329	6,442	5,862	6,473	6,057
Deficit in the Scheme	2,250	2,514	1,570	1,742	2,050

b) Other

The company makes contributions to various stakeholder schemes, which are all defined contributions schemes Contributions charged to the schemes during the period to 31 December 2010 were £1,146,845 (2009 - £1,089,838) Contributions totalling £175,185 were payable at the period end (2009 - £151,726) and are included in creditors

22. 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 The consolidated financial statements of this group are available to the public and may be obtained from 11911 FM529, Houston, Texas 77041-3011