

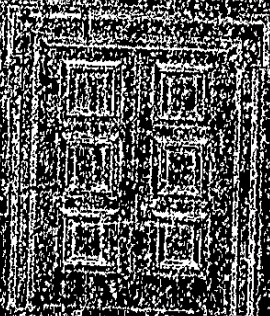
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ARTHUR
ANDERSEN
& CO

OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

ACCOUNTS --31 MARCH 1984

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE PERIOD FROM 1 NOVEMBER 1982 TO 31 MARCH 1984

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 period from 1 November 1982 to 31 March 1984.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

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

On 1 October 1982, Oceaneering International Inc, the company's ultimate holding company purchased the entire issued capital of Marinav Corporation, which is incorporated in Canada. With effect from 1 November 1982, Marinav Limited, the UK subsidiary of the Marinav Corporation, became a wholly owned subsidiary of the company and its name was changed to Marinav Oceaneering Limited at that date.

On 9 January 1984, Oceaneering International Inc purchased the entire issued capital of Solus Ocean Systems Inc. From that date the assets and the activities of Solus have been merged with those of Oceaneering worldwide. The merger has increased Oceaneering's diving services capability but more significantly it has also introduced engineering and inspection to Oceaneering's range of services. This is a market in which Oceaneering was not previously involved.

As a follow on from the Solus Ocean Systems merger, John K Gordon (Transport) Limited became a wholly owned subsidiary of the company with effect from 7 March 1984.

Despite increased activity due to the merger, pressure on prices arising from the continued intensiveness in competition has resulted in a fall in turnover after adjusting for the seventeen month accounting period. Margins consequently have been severely depressed resulting in a deterioration in profits on ordinary activities after taxation from £758 in the year to 31 October 1982 to a loss of £10,810,998 in the seventeen months to 31 March 1984.

The directors expect the general level of activity to continue to increase principally as a result of the merger with Solus. In particular the directors expect to see a strengthening of the inspection welding and repair market in mid 1984/85 and also an increase in rig work towards the end of the financial year.

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

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (Continued)

CHANGE OF ACCOUNTING REFERENCE DATE:

During the period the company changed its accounting reference date from 31 October to 31 March.

INCREASE IN CAPITAL:

The authorised allotted, called up and fully-paid share capital was increased from £100 to £500,000 on 8 August 1983. The capital of the company was further increased by a capital contribution of £700,000 from Oceaneering International, Inc., the company's ultimate holding company which was accepted by the directors on 30 March 1984.

RESULTS AND DIVIDENDS:

Results, and recommended transfers to reserves are as follows:-

Retained profit at 1 November 1982	£ 204,021
Loss for the period after taxation	(10,810,998)

Accumulated deficit at 31 March 1984	£(10,606,977)
	=====

No dividends have been paid or proposed in respect of the period and the directors recommend that the accumulated deficit of £10,606,977 be carried forward.

DIRECTORS AND THEIR INTERESTS:

The directors who served during the period were-

M D John	
R H Holland	
B A Smith	(appointed 29 August 1983)
D S Elliot	(resigned 28 October 1983)
D A Sadler	(resigned 1 February 1983)

The directors do not have any interests required to be disclosed under Section 16(1) of the Companies Act 1967.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 11 to the accounts.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (Continued)

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.


FORMAT OF ACCOUNTS:

The accounts have been drawn up, for the first time, in accordance with the new reporting and presentation requirements of the Companies Act 1981. The directors consider that the format adopted in these accounts is the most suitable for the group's purposes.

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 January 1985

ARTHUR ANDERSEN & Co.

18 ALBERT STREET,
ABERDEEN
AB1 1XQ

To the Members of OCEANEERING INTERNATIONAL SERVICES LIMITED:

We have audited the accounts set out on pages 5 to 20 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the company and of the group at 31 March 1984 and of the group loss and source and application of funds for the period then ended, and comply with the Companies Acts 1948 to 1981.

Arthur Andersen & Co.

29 January 1985

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 1 NOVEMBER 1982 TO 31 MARCH 1984

	<u>Notes</u>	<u>1984</u>	<u>1982</u>
TURNOVER	1k&2	£ 16,443,753	£ 11,663,189
Cost of sales		(20,891,046)	(10,048,295)
GROSS (LOSS) PROFIT		(4,447,293)	1,614,894
Other operating expenses (net)	3	(4,828,202)	(1,325,821)
OPERATING (LOSS) PROFIT		(9,275,495)	289,073
Investment income	4	114,534	153,648
Goodwill written off	5	(115,166)	(45,130)
Interest payable and similar charges	6	(1,545,289)	(198,432)
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(10,821,416)	199,159
Tax on (loss) profit on ordinary activities	1h&9	10,418	(198,401)
RETAINED (LOSS) PROFIT FOR THE PERIOD*		(10,810,998)	758
RETAINED PROFIT at 1 November 1982		204,021	203,263
(ACCUMULATED DEFICIT) RETAINED PROFIT at 31 March 1984		£(10,606,977)	£ 204,021
RETAINED (LOSS) PROFIT FOR THE PERIOD			
* The company		£ (9,891,249)	£ 172,923
Subsidiary companies		(919,749)	(196,165)
Associated company		-	24,000
		£(10,810,998)	£ 758

The accompanying notes are an integral part of this consolidated profit and loss account.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED AND COMPANY BALANCE SHEETS — 31. MARCH 1984

		Group		Company	
	Notes	1984	1982	1984	1982
FIXED ASSETS					
Intangible assets	1f&10	£ -	£ 29,311	£ -	£ -
Tangible assets	1c&11	7,439,519	2,591,270	6,439,519	2,118,839
Investments	1e&12	-	153,352	990,795	125,300
		7,439,519	2,774,133	7,430,314	2,244,139
CURRENT ASSETS					
Stocks	1d&13	821,613	594,133	821,613	594,133
Debtors	14	7,754,734	10,887,595	8,418,905	8,145,570
Investments	15	627	-	627	-
Cash		82,168	47,692	82,168	18,512
		8,659,142	11,529,420	9,323,313	8,758,215
CREDITORS: Amounts falling due within one year	16	(25,415,094)	(14,099,432)	(24,956,226)	(10,604,148)
NET CURRENT LIABILITIES		(16,755,952)	(2,570,012)	(15,632,913)	(1,845,933)
NET (LIABILITIES)/ASSETS		£ (9,316,433)	£ 204,121	£ (8,202,599)	£ 398,206
CAPITAL AND DEFICIT					
Called-up share capital	17	£ 500,000	£ 100	£ 500,000	£ 100
Revaluation reserve	11&18	90,544	-	90,544	-
Other reserves	18	700,000	-	700,000	-
		1,290,544	100	1,290,544	100
Profit and loss account		(10,606,977)	204,021	(9,493,143)	398,106
TOTAL CAPITAL DEFICIT		£ (9,316,433)	£ 204,121	£ (8,202,599)	£ 398,206

SIGNED ON BEHALF OF THE BOARD ON 29 JANUARY 1985

M D JOHN

)
) Directors

R H HOLLAND

)

The accompanying notes are an integral part of these balance sheets.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE PERIOD FROM 1 NOVEMBER 1982 TO 31 MARCH 1984

SOURCE OF FUNDS	1984	1982
Profit on ordinary activities after taxation	£	£ 758
Add (deduct) items not involving cash flow during the period		
- depreciation	-	455,331
Profits retained in associated company	-	(24,000)
Amortisation of goodwill	-	45,130
Total funds from operations	-	477,219
Proceeds from issue of ordinary shares	499,900	-
Capital contribution	700,000	-
Proceeds from disposal and transfer of tangible fixed assets	2,491,310	-
Proceeds from disposal of investment in joint venture	25,130	-
Repayment of loan by associated company	-	105,000
Decrease in net current assets, as shown below	14,195,940	1,866,207
	£ 17,910,280	£ 2,448,426
<u>APPLICATION OF FUNDS</u>		
Loss on ordinary activities after taxation	£ 10,810,998	£ -
Add (deduct) items not involving cash flow during the period		
- depreciation	(1,849,110)	-
- gain on disposal of tangible fixed assets	460,373	-
- loss on disposal of investment in associated company	(77,297)	-
- amortisation of goodwill	(82,436)	-
- amortisation of deferred income	10,000	-
Total funds absorbed by operations	9,272,528	-
Transfers of tangible fixed assets at net book value	4,543,199	429,121
Purchase of tangible fixed assets at cost	4,094,553	2,019,305
	£ 17,910,280	£ 2,448,426
<u>(DECREASE) INCREASE IN NET CURRENT ASSETS</u>		
Stocks	£ 227,480	£ 594,133
Debtors	(3,132,861)	8,753,138
Investments	627	-
Creditors falling due within one year	(10,898,847)	(10,848,529)
<u>Movement in net liquid funds</u>		
- cash	£ 34,476	£ (364,949)
- bank loans and overdrafts	(426,815)	-
	£ (14,195,940)	£ (1,866,207)

The accompanying notes are an integral part of this statement.

OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

1. ACCOUNTING POLICIES:

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of land and buildings.

b) Principles of consolidation

The consolidated balance sheet, consolidated profit and loss account and consolidated statement of source and application of funds include the financial statements of the company and its subsidiary companies for the period ended 31 March 1984. The results of subsidiaries acquired during the period are included in the consolidated profit and loss account from the date of acquisition. Transactions and balances between these companies are excluded from the consolidated accounts.

c) Tangible fixed assets

Land and buildings and other fixed assets are shown at original historical cost or subsequent valuation. Other tangible fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of tangible fixed assets on a straight-line basis over their estimated useful lives as follows-

Leasehold improvements	-	15 years (6.67% per annum) (term of lease)
Freehold buildings	-	25 years (4% per annum)
Plant and equipment	-	3-10 years (10% to 33 1/3% per annum)

d) Stocks

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

Cost is based on purchase cost on a first-in, first-out basis including transport.

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

e) Investment in associated company

The investment in the associated company is accounted for by the equity method, whereby the original cost of the investment is adjusted for the change in the group's share of the underlying net assets or liabilities since the date of acquisition. This investment was disposed of during the period.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

1. ACCOUNTING POLICIES (Continued):

f) Goodwill

Goodwill, representing the excess of original cost over the appropriate share of the underlying net assets of the subsidiary and associated company at the date of acquisition, is being amortised over a period of approximately eight years.

g) Allocation of administration expenses

Expenses incurred by the company in connection with the administration of the company and a fellow-group company are allocated between the two companies in proportion to their respective revenues. In addition, the company charges a management fee based on five per cent of the total expenses allocated to the fellow-group company.

h) Taxation

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

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the accounts, and is computed using the liability method, whereby such taxation is determined by applying the rate of tax applicable at the balance sheet date to the accumulated timing differences.

i) Pension costs

It is the policy of the group to fund pension liabilities, on the advice of external actuaries, by payments to insurance companies. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out periodically. Any resulting deficits are charged to the profit and loss account in the year in which they arise.

j) 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 period-end are reported at the rates of exchange prevailing at the period-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.

k) Turnover

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

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS --- 31 MARCH 1984

1. ACCOUNTING POLICIES (Continued):

1) Revaluation reserve

Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable reserve known as the revaluation reserve (see also Note 18).

m) 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. Hire purchase transactions are dealt with similarly.

Further information on charges in the year and future commitments is given in Note 19.

2. SEGMENT INFORMATION:

The analysis of turnover and loss on ordinary activities before taxation has been omitted.

3. OTHER OPERATING EXPENSES (NET):

	<u>1984</u>	<u>1982</u>
Administration expenses	£ 3,276,850	£ 1,139,517
Corporate overhead allocation	(1,854,011)	(728,646)
Operations costs	1,906,897	714,029
Selling costs	197,886	195,086
	<u>3,527,622</u>	<u>1,319,986</u>
Loss on sale of investment in associated company	77,297	-
Foreign currency exchange loss	1,067,365	173,209
Other operating expenses (income) (net)	155,918	(167,374)
	<u>£ 4,828,202</u>	<u>£ 1,325,821</u>
	=====	=====

4. INVESTMENT INCOME:

	<u>1984</u>	<u>1982</u>
Share of profits in unlisted associated company	£ -	£ 24,000
Interest receivable on intercompany balances	114,534	129,648
	<u>£ 114,534</u>	<u>£ 153,648</u>
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

5. **GOODWILL WRITTEN OFF:**

	<u>1984</u>	<u>1982</u>
Goodwill on consolidation	£ 62,041	£ 11,792
Goodwill attributable to investment in associated company	53,125	33,338
	<u>£ 115,166</u>	<u>£ 45,130</u>

6. **INTEREST PAYABLE AND SIMILAR CHARGES:**

	<u>1984</u>	<u>1982</u>
On bank loans, overdrafts and other loans repayable within five years, not by instalment	£ 113,324	£ 16,187
On intercompany balances	1,431,965	182,245
	<u>£1,545,289</u>	<u>£ 198,432</u>

7. **(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:**

	<u>1984</u>	<u>1982</u>
(Loss) profit on ordinary activities before taxation is stated after crediting		
a) Gain on disposal of tangible fixed assets	£ 460,373	£ -
and after charging-		
b) Depreciation and amounts written off		
- Tangible fixed assets	1,849,110	455,331
- Goodwill	115,166	45,130
c) Hire of plant and machinery	6,704,408	4,599,051
d) Auditors' remuneration	19,750	12,500
e) Staff costs - (see Note 8)	10,229,616	6,116,028

8. **STAFF COSTS:**

Particulars of employee costs (including executive directors) are as shown below-

	<u>1984</u>	<u>1982</u>
Employee costs during the period amounted to-		
Wages and salaries	£ 8,895,685	£5,371,822
Social security costs	970,594	534,302
Other pension costs	363,337	209,904
	<u>£10,229,616</u>	<u>£6,116,028</u>

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

8. STAFF COSTS (Continued):

The average weekly number of persons employed by the group during the period was as follows-

	<u>1984</u> <u>Number</u>	<u>1982</u> <u>Number</u>
Field staff	475	262
Sales and Administration	118	96
	=====	=====

Directors' remuneration-

The employee costs shown above include the following remuneration in respect of directors of the company-

	<u>1984</u>	<u>1982</u>
Other emoluments (including pension contributions) £	175,962	£ 87,888
	£ 175,962	£ 87,888
	=====	=====

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

Highest paid director	£ 73,200	£ 31,035
	=====	=====

No director was designated chairman during the year.

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

	<u>1984</u> <u>Number</u>	<u>1982</u> <u>Number</u>
Up to £ 5,000	-	4
£ 5,001 - £10,000	1	-
£10,001 - £15,000	1	-
£20,001 - £25,000	-	1
£25,001 - £30,000	1	1
£40,001 - £45,000	1	-
	=====	=====

Higher paid employees-

Employees of the company, other than directors, whose duties were wholly or mainly discharged in the United Kingdom, received remuneration (excluding pension contributions) in the following ranges:

	<u>1984</u> <u>(Number)</u>	<u>1982</u> <u>(Number)</u>
£30,000 - £35,000	1	-
£35,001 - £40,000	1	1
£40,001 - £45,000	-	1
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

9. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES:

The tax (credit) charge is based on the (loss) profit for the period and comprises-

	<u>1984</u>	<u>1982</u>
Overseas taxation	£ (10,418) =====	£ 198,401 =====

No deferred taxation has been provided at 31 March 1984 (1982 - nil) since the group had tax losses at that date, available for offset against taxes payable on future taxable trading income in excess of timing differences between book and taxable income.

Tax losses available at 31 March 1984 for offset against taxes payable on future taxable trading income amount to approximately £9,800,000 (gross). These losses have still to be agreed with the Inland Revenue.

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 tax may be required in equal amounts.

10. INTANGIBLE FIXED ASSETS:

The following comprises the net book value of of intangible fixed assets-

	<u>Group</u>
	<u>1984</u> <u>1982</u>
Goodwill on consolidation	£ - £ 29,311 =====

The movement in the period was as follows-

COST-

Beginning of period

Additions

End of period

AMOUNTS WRITTEN OFF-

Beginning of period

Written off

End of period

NET BOOK VALUE

Consolidated
Goodwill

£ 85,235
32,730

£ 117,965
=====

£ 55,924
62,041

£ 117,965
=====

£ -
=====

OCEANERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS — 31 MARCH 1984

TANGIBLE FIXED ASSETS:

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

	<u>Group</u>		<u>Company</u>	
	<u>1984</u>	<u>1982</u>	<u>1984</u>	<u>1982</u>
Land and buildings				
- freehold	£1,130,000	£ -	£ 130,000	£ -
Leasehold improvements	393,957	148,328	393,957	141,296
Plant and machinery	5,915,562	2,442,942	5,915,562	1,977,543
Net tangible fixed assets	<u>£7,439,519</u>	<u>£2,591,270</u>	<u>£6,439,519</u>	<u>£2,118,839</u>

a) The movement in the period was as follows—

	<u>Freehold land and buildings</u>		<u>Leasehold Improvements</u>		<u>Plant and Equipment</u>		<u>Total</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
COST OR VALUATION—								
Beginning of period	£ -	£ -	£160,842	£147,324	£ 4,324,993	£ 3,108,181	£ 4,485,835	£ 3,255,505
Additions	-	-	1,343	1,343	4,093,210	3,385,644	4,094,553	3,386,987
Disposals	-	-	-	-	(138,626)	(137,906)	(138,626)	(137,906)
Transfers	1,039,866	39,866	258,635	272,153	3,338,466	5,262,124	4,636,967	5,574,143
Revaluation	90,134	90,134	-	-	-	-	90,134	90,134
End of period	<u>1,130,000</u>	<u>130,000</u>	<u>420,820</u>	<u>420,820</u>	<u>11,618,043</u>	<u>11,618,043</u>	<u>13,168,863</u>	<u>12,168,863</u>
DEPRECIATION—								
Beginning of period	-	-	12,514	6,028	1,882,051	1,130,638	1,894,565	1,136,666
Charge	410	410	14,349	7,318	1,834,351	1,736,421	1,849,110	1,744,149
Disposals	-	-	-	-	(33,352)	(33,352)	(33,352)	(33,352)
Transfers	-	-	-	13,517	2,019,431	2,868,774	2,019,431	2,882,291
Revaluation	(410)	(410)	-	-	-	-	(410)	(410)
End of period	<u>-</u>	<u>-</u>	<u>26,863</u>	<u>26,863</u>	<u>5,702,481</u>	<u>5,702,481</u>	<u>5,729,344</u>	<u>5,729,344</u>
NET BOOK VALUE								
beginning of period	£ -	£ -	£148,328	£141,296	£ 2,442,942	£ 1,977,543	£ 2,591,270	£ 2,118,839
end of period	<u>£1,130,000</u>	<u>£130,000</u>	<u>£393,957</u>	<u>£393,957</u>	<u>£ 5,915,562</u>	<u>£ 5,915,562</u>	<u>£ 7,439,519</u>	<u>£ 6,439,519</u>

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

11. TANGIBLE FIXED ASSETS (Continued):

b) Basis of valuation

The freehold land and buildings were valued at £130,000 on an open market, vacant possession basis by Messrs John Smallman and Co, Chartered Surveyors on 10 May 1984. As this was prior to the issue of these accounts, the directors have incorporated this valuation as at 31 March 1984.

12. FIXED ASSETS INVESTMENTS:

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

	Group		Company	
	1984	1982	1984	1982
Subsidiaries	£ -	£ -	£990,795	£(28,252)
Associated companies	-	153,552	-	153,552
	£ -	£153,552	£990,795	£125,300
	=====	=====	=====	=====

The company has interests in the following unquoted companies-

	Percentage of each class of share held		Where registered
	1984	1982	
DHB Construction Limited - Ordinary shares of £1 each	100%	100%	England
Marinav Oceaneering Limited - Ordinary shares of £1 each	100%	-	England
John K Gordon (Transport) Limited - Ordinary shares of £1 each	100%	-	Scotland
3% of non-cumulative, non voting preference shares of £1 each	100%	-	
Underwater and Marine Equipment Limited - Preference shares of £1 each	-	50%	England
Ordinary shares of £1 each	-	50%	

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1984

12. FIXED ASSETS INVESTMENTS (Continued):

The movement in the period was as follows-

a) Subsidiary	<u>1984</u>	<u>1982</u>
Cost:		
Beginning of period	£ 27,672	£106,897
Additions	1,081,088	-
Repayment of advances	-	(79,225)
End of period	<u>1,108,760</u>	<u>27,672</u>
Amounts written off:		
Beginning of period	£ 55,924	£ 44,132
Goodwill on consolidation written off	62,041	11,792
End of period	<u>117,965</u>	<u>55,924</u>
Net book value	<u>£ 990,795</u>	<u>£ (28,252)</u>

b) Associated Company

The investment in the associated company comprises-

	<u>1984</u>	<u>1982</u>
Shares at cost	£ -	£ 120,134
Share of post-acquisition reserves	-	124,654
Goodwill written off	-	(91,236)
	<u>£ -</u>	<u>£ 153,552</u>

The movement in the period was as follows-

	<u>Shares at cost</u>	<u>Post acquisition reserves</u>	<u>Goodwill written off</u>
Beginning of period	£ 120,134	£ 124,654	£ (91,236)
Goodwill written off		-	(53,125)
Disposal of associated company	(120,134)	(124,654)	144,361
End of period	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

OCEANEERING INTERNATIONAL SERVICES LIMITED
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13. STOCKS:

The following are included in the net book value of stocks-

	<u>1984</u>	<u>1982</u>
Consumables and spares	£579,237	£ -
Work-in-progress	242,376	594,133
	-----	-----
	£821,613	£594,133
	=====	=====

This is the first period in which consumables and spares have been counted and evaluated by the group. In the opinion of the directors this change in policy will result in a fairer presentation of the group's results. As no stock count was performed in prior years no indication of the impact of this change in policy on prior years can be given.

14. DEBTORS:

The following are included in the net book value of debtors-

	<u>Group</u>		<u>Company</u>	
	<u>1984</u>	<u>1982</u>	<u>1984</u>	<u>1982</u>
Amounts falling due within one year-				
Trade debtors	£2,504,540	£ 4,530,482	£2,504,540	£4,527,659
Amounts owed by holding company and fellow subsidiaries	3,320,506	5,129,874	3,984,677	2,571,005
VAT	49,383	350,195	49,383	274,973
Other debtors	73,657	131,821	73,657	28,807
Deposits	54,739	-	54,739	-
Prepayments	165,950	58,492	165,950	56,395
Accrued income	1,585,959	686,731	1,585,959	686,731
	-----	-----	-----	-----
	£7,754,734	£10,887,595	£8,418,905	£8,145,570
	=====	=====	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED
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15. CURRENT ASSET INVESTMENTS:

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

	<u>Group and Company</u>	
	<u>1984</u>	<u>1982</u>
Listed UK investments	£ 627	£ -
	=====	=====

16. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	<u>Group</u>		<u>Company</u>	
	<u>1984</u>	<u>1982</u>	<u>1984</u>	<u>1982</u>
Bank loans and overdrafts	£ 426,815	£ -	£ 426,815	£ 10,686
Trade creditors	2,549,714	3,051,345	2,549,714	2,648,968
Amounts owed to holding company and fellow subsidiaries	19,888,030	6,717,793	19,429,162	3,692,176
Other creditors				
- UK corporation tax payable	44,508	-	44,508	-
- Norwegian corporation tax payable	121,992	426,691	121,992	426,691
- social security and PAYE	383,097	438,965	383,097	420,675
Accruals	2,000,938	3,454,638	2,000,938	3,394,952
Deferred income	-	10,000	-	10,000
	=====	=====	=====	=====
	£25,415,094	£14,099,432	£24,956,226	£10,604,148
	=====	=====	=====	=====

17. CALLED-UP SHARE CAPITAL:

	<u>1984</u>	<u>1982</u>
Authorised, allotted, called up and fully-paid-		
500,000 (1982:100) ordinary shares of £1 each	£500,000	£ 100
	=====	=====

The authorised, allotted, called up and fully-paid share capital was increased from £100 to £500,000 on 8 August 1983.

OCEANEERING INTERNATIONAL SERVICES LIMITED
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18. RESERVES:

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

	<u>Group</u>		<u>Company</u>	
	<u>1984</u>	<u>1982</u>	<u>1984</u>	<u>1982</u>
Distributable				
- profit and loss account	£ -	£204,021	£ -	£398,106
Non-distributable				
- profit and loss account	(10,606,977)	-	(9,493,143)	-
- revaluation reserve	90,544	-	90,544	-
- capital contribution reserve	700,000	-	700,000	-
Total (deficit) reserves	£(9,816,433)	£204,021	£(8,702,599)	£398,106

The company received a further contribution of capital from its holding company Oceaneering International, Inc. of £700,000. This contribution was accepted by the directors on 30 March 1984.

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

At the end of the year, capital commitments were-

	<u>1984</u>	<u>1982</u>
Contracted for	£147,000	£ -
Authorised but not contracted for	138,000	383,000
	£285,000	£383,000

OCEANEERING INTERNATIONAL SERVICES LIMITED
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NOTES TO ACCOUNTS -- 31 MARCH 1984

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

b) Lease commitments

The group leases its main operating base in Aberdeen, Scotland on a long-term lease expiring 2002. The rents payable under this lease are subject to negotiation at various intervals specified in the lease.

The agreement provides that the group will pay all taxes, insurance, maintenance and repairs of the premises. In addition the group leases certain other premises under leases expiring 1985 to 1988. Annual rentals under these leases currently amount to approximately £300,000.

The minimum annual rentals under the foregoing leases all of which relate to property are as follows:

	<u>Group and Company</u>
Payable Year to 31 March 1985	£ 300,000
1986	244,000
1987	161,000
1988	116,000
1989	92,000
1990 - 1994	458,000
1995 - 1999	458,000
2000 - 2004	328,000

	£2,157,000
	=====

20. ULTIMATE HOLDING COMPANY:

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

21. COMPARATIVE FIGURES:

The comparative figures are for the year ended 31 October 1982.