

ARTHUR
ANDERSEN
& CO

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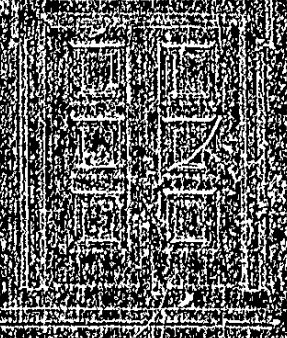
OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

ACCOUNTS -- 31 MARCH 1985

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

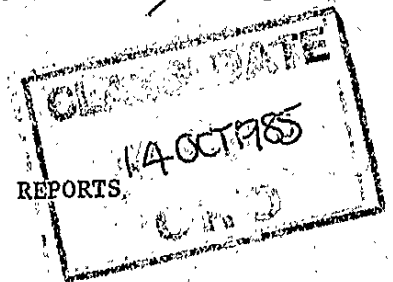
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OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

ACCOUNTS -- 31 MARCH 1985
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS.



OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1985

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 1985.

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 provision of diving services in the United Kingdom including its Continental Shelf.

The 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.

With effect from 31 March 1984, the company's subsidiary, Marinav Oceaneering Limited, ceased to trade and the activities previously carried on by it have since been carried on by the company.

During the year the group increased its turnover over the previous seventeen month period by £6,213,989 to £22,657,742. However, continued intensive competition and general pressure on margins again resulted in the group sustaining a post-tax loss. However, the loss of £6,557,983 was a significant improvement on the previous seventeen month period.

The directors expect the improvement in revenues and operating results to continue during the current financial year.

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:

Results and recommended transfers to reserves are as follows-

Accumulated deficit at 1 April 1984	£10,606,977
Loss for the year	6,557,983

Accumulated deficit at 31 March 1985	£17,164,960
	=====

No dividends have been paid or proposed in respect of the year and the directors recommend that the accumulated deficit of £17,164,960 be carried forward.

OCEANERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS:

The directors who served during the year were-

M D John
R H Holland
B A Smith

The directors do not have any interests required to be disclosed under Section 2 of Schedule 7 to the Companies Act 1985.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 10 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.

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

2 October 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 4 to 18 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 1985 and of the group loss and source and application of funds for the year then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co.

2 October 1985

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u> (Note 20)
TURNOVER	1k&2	£ 22,657,742	£ 16,443,753
Cost of sales		(22,824,919)	(20,891,046)
GROSS LOSS		(167,177)	(4,447,293)
Other operating expenses (net)	3	(6,652,949)	(4,828,202)
OPERATING LOSS		(6,820,126)	(9,275,495)
Investment income	4	232,726	114,534
Goodwill written off	5	-	(115,166)
Interest payable and similar charges	6	(20,856)	(1,545,289)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(6,608,256)	(10,821,416)
Tax on loss on ordinary activities	1h&9	50,273	10,418
LOSS FOR THE YEAR		(6,557,983)	(10,810,998)
(ACCUMULATED DEFICIT) RETAINED PROFIT at beginning of year		(10,606,977)	204,021
ACCUMULATED DEFICIT at end of year		£(17,164,960) =====	£(10,606,977) =====
LOSS FOR THE YEAR			
The company		£ (6,557,983)	£ (9,891,249)
Subsidiary companies		-	(919,749)
		£ (6,557,983) =====	£(10,810,998) =====

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 1985

		Group		Company	
	Notes	1985	1984	1985	1984
FIXED ASSETS					
Tangible assets	1c&10	£ 8,480,076	£ 7,439,519	£ 7,520,072	£ 6,439,519
Investments	1e&11	-	-	990,795	990,795
		8,480,076	7,439,519	8,510,867	7,430,314
CURRENT ASSETS					
Stocks	1d&12	1,219,129	821,613	1,219,129	821,613
Debtors	13	6,969,084	7,754,734	7,925,694	8,418,905
Investments	14	562	627	562	627
Cash		266,987	82,168	266,987	82,168
		8,455,762	8,659,142	9,412,372	9,323,313
CREDITORS: Amounts falling due within one year	15	(32,824,867)	(25,415,094)	(32,698,434)	(24,956,226)
NET CURRENT LIABILITIES		(24,369,105)	(16,755,952)	(23,286,062)	(15,632,913)
NET LIABILITIES		£(15,889,029)	£ (9,316,433)	£(14,775,195)	£ (8,202,599)
CAPITAL AND RESERVES					
Called-up share capital	16	£ 500,000	£ 500,000	£ 500,000	£ 500,000
Revaluation reserve	11&17	90,544	90,544	90,544	90,544
Other reserves	17	685,387	700,000	685,387	700,000
		1,275,931	1,290,544	1,275,931	1,290,544
Profit and loss account		(17,164,960)	(10,606,977)	(16,051,126)	(9,493,143)
TOTAL CAPITAL DEFICIT		£(15,889,029)	£ (9,316,433)	£(14,775,195)	£ (8,202,599)

SIGNED ON BEHALF OF THE BOARD ON 2 OCTOBER 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 YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u> (Note 20)
SOURCE OF FUNDS		
Proceeds from issue of ordinary shares	£ -	£ 499,900
Capital contribution	-	700,000
Proceeds from disposal and transfer of tangible fixed assets	1,415,211	2,491,310
Proceeds from disposal of investment in joint venture	-	23,130
Decrease in net current assets, as shown below	7,613,153	14,195,940
	<u>£ 9,028,364</u>	<u>£ 17,910,280</u>
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	£ 6,557,983	£ 10,810,998
Add (deduct) items not involving cash flow during the year		
- depreciation	(2,484,893)	(1,849,110)
- gain on disposal of tangible fixed assets	67,780	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	<u>4,140,870</u>	<u>9,272,528</u>
Transfers of tangible fixed assets at net book value	2,350,945	4,543,199
Purchase of tangible fixed assets at cost	2,521,936	4,094,553
Increase in accumulated translation differences	14,613	-
	<u>£ 9,028,364</u>	<u>£ 17,910,280</u>
(DECREASE) INCREASE IN NET CURRENT ASSETS		
Stocks	£ 397,516	£ 227,480
Debtors	(785,650)	(3,132,861)
Investments	(65)	627
Creditors falling due within one year	(7,836,588)	(10,898,847)
	<u>£ 184,819</u>	<u>£ 34,476</u>
	<u>426,815</u>	<u>(426,815)</u>
	<u>611,634</u>	<u>(392,339)</u>
	<u>£ (7,613,153)</u>	<u>£ (14,195,940)</u>

The accompanying notes are an integral part of this statement.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

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 accounts of the company and its subsidiary companies for the year ended 31 March 1985. Transactions and balances between these companies are excluded from the consolidated accounts.

c) Tangible fixed assets

Land and buildings 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
Freehold buildings	-	25 years
Plant and equipment	-	3-10 years

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 in the previous period.

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

1. ACCOUNTING POLICIES (Continued):

f) Goodwill

Goodwill, representing the excess of original cost over the appropriate share of the underlying net assets of each subsidiary and associated company at the dates of acquisition, is 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 by applying the rate of tax ruling when the accumulated timing differences are expected to reverse.

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 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.

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 1985

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 17).

m) Lease commitments

The company enters into operating leases as described in Note 18. 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 18.

2. SEGMENT INFORMATION:

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

3. OTHER OPERATING EXPENSES (NET):

	<u>1985</u>	<u>1984</u>
Administration expenses	£ 2,705,600	£ 3,276,850
Corporate overhead allocation	(830,000)	(1,854,011)
Operations costs	1,429,600	1,906,897
Selling costs	292,077	197,886
	<u>3,597,277</u>	<u>3,527,622</u>
Loss on sale of investment in associated company	-	77,297
Foreign currency exchange loss	3,164,793	1,067,365
Other operating (income) expenses (net)	(109,121)	155,918
	<u>£ 6,652,949</u>	<u>£ 4,828,202</u>
	=====	=====

4. INVESTMENT INCOME:

	<u>1985</u>	<u>1984</u>
Interest receivable on intercompany balances	£ 224,283	£ 114,534
Other interest receivable and similar income	8,443	-
	<u>£ 232,726</u>	<u>£ 114,534</u>
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

5. GOODWILL WRITTEN OFF:

	<u>1985</u>	<u>1984</u>
Goodwill on consolidation	£ -	£ 62,041
Goodwill attributable to investment in associated company	-	53,125
	-----	-----
	£ -	£ 115,166
	=====	=====

6. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>1985</u>	<u>1984</u>
On bank loans, overdrafts and other loans repayable within five years, not by instalment	£ 20,856	£ 113,324
On intercompany balances	-	1,431,965
	-----	-----
	£ 20,856	£ 1,545,289
	=====	=====

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

	<u>1985</u>	<u>1984</u>
Loss on ordinary activities before taxation is stated after crediting		
a) Gain on disposal of tangible fixed assets	£ 67,780	£ 460,373
and after charging-	=====	=====
b) Depreciation and amounts written off		
- Tangible fixed assets	£2,484,893	£1,849,110
- Goodwill	-	115,166
c) Hire of plant and machinery	2,293,867	6,704,408
d) Auditors' remuneration	17,000	19,750
e) Staff costs - (see Note 8)	10,242,639	10,229,616
	=====	=====

8. STAFF COSTS:

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

	<u>1985</u>	<u>1984</u>
Employee costs during the year amounted to-		
Wages and salaries	£ 9,344,795	£ 8,895,685
Social security costs	781,724	970,594
Other pension costs	116,120	363,337
	-----	-----
	£10,242,639	£10,229,616
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

8. STAFF COSTS (Continued):

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

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
Field staff	608	475
Sales and Administration	167	118
	=====	=====

Directors' remuneration-

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

	<u>1985</u>	<u>1984</u>
Other emoluments (including pension contributions) £	146,950	£ 175,962
	=====	=====

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

	<u>1985</u>	<u>1984</u>
Highest paid director	£ 59,000	£ 73,200
	=====	=====

No director was designated chairman during the year.

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

	<u>1985</u> <u>Number</u>	<u>1984</u> <u>Number</u>
£ 5,001 - £10,000	-	1
£10,001 - £15,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£40,001 - £45,000	1	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>1985</u> <u>(Number)</u>	<u>1984</u> <u>(Number)</u>
£30,000 - £35,000	21	1
£35,001 - £40,000	3	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

9. TAX ON LOSS ON ORDINARY ACTIVITIES:

	<u>1985</u>	<u>1984</u>
The tax credit comprises-		
Reversal of prior year taxes due to agreement of losses	£ (50,273)	£ -
Overseas taxation	-	(10,418)
	£ (50,273)	£ (10,418)
	=====	=====

No deferred taxation has been provided at 31 March 1985 (1984 - 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.

Tax losses available at 31 March 1985 for offset against future taxable trading income amount to approximately £20,500,000 (1984 - £9,800,000). 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 taxation may be required in equal amounts.

10. TANGIBLE FIXED ASSETS:

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

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Land and buildings				
- freehold	£1,084,394	£1,130,000	£ 124,390	£ 130,000
Leasehold improvements	366,382	393,957	366,382	393,957
Plant and machinery	7,029,300	5,915,562	7,029,300	5,915,562
	-----	-----	-----	-----
Net tangible fixed assets	£8,480,076	£7,439,519	£7,520,072	£6,439,519
	=====	=====	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS — 31 MARCH 1985

• TANGIBLE FIXED ASSETS (Continued):

a) The movement in the year 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 year	£1,130,000	£130,000	£420,820	£420,820	£11,618,043	£11,618,043	£13,168,863	£12,168,863
Additions	—	—	—	—	2,521,936	2,521,936	2,521,936	2,521,936
Disposals	—	—	—	—	(1,411,128)	(1,411,128)	(1,411,128)	(1,411,128)
Transfers	—	—	—	—	2,229,993	2,229,993	2,229,993	2,229,993
End of year	1,130,000	130,000	420,820	420,820	14,958,844	14,958,844	16,509,664	15,509,664
DEPRECIATION—								
Beginning of year	—	—	26,863	26,863	5,702,481	5,702,481	5,729,344	5,729,344
Charge	45,606	5,610	27,575	27,575	2,411,712	2,411,712	2,484,893	2,444,897
Disposals	—	—	—	—	(63,697)	(63,697)	(63,697)	(63,697)
Transfers	—	—	—	—	(120,952)	(120,952)	(120,952)	(120,952)
End of year	45,606	5,610	54,438	54,438	7,929,544	7,929,544	8,029,588	7,989,592
NET BOOK VALUE								
beginning of year	£1,130,000	£130,000	£393,957	£393,957	£ 5,915,562	£ 5,915,562	£ 7,439,519	£ 6,439,519
NET BOOK VALUE								
end of year	£1,084,394	£124,390	£366,382	£366,382	£ 7,029,300	£ 7,029,300	£ 8,480,076	£ 7,520,072

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

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

11. FIXED ASSETS INVESTMENTS:

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

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Subsidiaries	£ - =====	£ - =====	£990,795 =====	£990,795 =====

The company has interests in the following unquoted companies-

	<u>Percentage of each class of share held</u>		<u>Where registered</u>
	<u>1985</u>	<u>1984</u>	
DHB Construction Limited - Ordinary shares of £1 each	100%	100%	England
Marinav Oceaneering Limited - Ordinary shares of £1 each	100%	100%	England
John K Gordon (Transport) Limited - Ordinary shares of £1 each	100%	100%	Scotland
3% of non-cumulative, non-voting preference shares of £1 each	100%	100%	

The movement in the year was as follows-

	<u>1985</u>	<u>1984</u>
COST-		
Beginning of year	£1,108,760	£ 27,672
Additions	-	1,081,088
End of year	£1,108,760	£1,108,760
AMOUNTS WRITTEN OFF-		
Beginning of year	£ 117,965	£ 55,924
Goodwill on consolidation written off	-	62,041
End of year	£ 117,965	£ 117,965
Net book value	£ 990,795 =====	£ 990,795 =====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

12. STOCKS:

The following are included in stocks-

	<u>1985</u>	<u>1984</u>
Consumables and spares	£ 976,753	£579,237
Work-in-progress	242,376	242,376
	<u>£1,219,129</u>	<u>£821,613</u>
	=====	=====

13. DEBTORS:

The following are included in debtors-

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Amounts falling due within one year-				
Trade debtors	£3,102,961	£2,504,540	£3,102,961	£2,504,540
Amounts owed by holding company and fellow subsidiaries	2,509,291	3,320,506	3,465,901	3,984,677
VAT	170,169	49,383	170,169	49,383
Other debtors	215,686	73,657	215,686	73,657
Deposits	3,686	54,739	3,686	54,739
Prepayments	111,632	165,950	111,632	165,950
Accrued income	855,659	1,585,959	855,659	1,585,959
	<u>£6,969,084</u>	<u>£7,754,734</u>	<u>£7,925,694</u>	<u>£8,418,905</u>
	=====	=====	=====	=====

14. CURRENT ASSET INVESTMENTS:

The following amounts are included in current asset investments-

	<u>Group and Company</u>	
	<u>1985</u>	<u>1984</u>
Listed UK investments	£ 562	£ 627
	=====	=====

OCEANEERING INTERNATIONAL SERVICES LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS -- 31 MARCH 1985

5. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

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

	Group		Company	
	1985	1984	1985	1984
Bank loans and overdrafts £	-	£ 426,815	£ -	£ 426,815
Trade creditors	2,414,306	2,549,714	2,414,306	2,549,714
Amounts owed to holding company and fellow subsidiaries	28,407,103	19,888,030	28,280,670	19,429,162
Other creditors				
- UK corporation tax payable	52,473	44,508	52,473	44,508
- Norwegian corporation tax payable	121,992	121,992	121,992	121,992
- social security and PAYE	503,273	383,097	503,273	383,097
Accruals	1,325,720	2,000,938	1,325,720	2,000,938
	<u>£ 32,824,867</u>	<u>£ 25,415,094</u>	<u>£ 32,698,434</u>	<u>£ 24,956,226</u>

Details of the security granted to secure the amounts due to its ultimate holding company are given in Note 18.

6. CALLED-UP SHARE CAPITAL:

	1985	1984
Authorised, allotted, called-up and fully-paid-		
500,000 ordinary shares of £1 each	£500,000	£500,000

7. RESERVES:

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

	Group		Company	
	1985	1984	1985	1984
Non-distributable				
- profit and loss account	£(17,164,960)	£(10,606,977)	£(16,051,126)	£ (9,493,143)
- revaluation reserve	90,544	90,544	90,544	90,544
- capital contribution reserve	700,000	700,000	700,000	700,000
- accumulated translation difference	(14,613)	-	(14,613)	-
Total deficit	<u>£(16,389,029)</u>	<u>£ (9,816,433)</u>	<u>£(15,275,195)</u>	<u>£ (8,702,599)</u>

OCEANEERING INTERNATIONAL SERVICES LIMITED

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NOTES TO ACCOUNTS -- 31 MARCH 1985

18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

At the end of the year, capital commitments were-

	<u>1985</u>	<u>1984</u>
Contracted for	£ 24,200	£147,000
Authorised but not contracted for	278,400	138,000
	-----	-----
	£302,600	£285,000
	=====	=====

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 1986 to 1988. Annual rentals under these leases currently amount to approximately £244,000.

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

	<u>Group and Company</u>
Payable year to 31 March 1986	£ 244,000
1987	161,000
1988	116,000
1989	92,000
1990	92,000
1991 - 1995	458,000
1996 - 2000	458,000
2001 - 2004	236,000

	£1,857,000
	=====

c) Contingent liabilities

1) In consideration of a Credit Agreement entered into by its ultimate holding company with certain US banks on 8 February 1985, the company has granted a floating charge over all its present and future book and other debts in favour of these banks.

OCEANEERING INTERNATIONAL SERVICES LIMITED

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18. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

c) Contingent liabilities (Continued):

ii) The company has also granted a floating charge subordinated to that granted to the banks over all its assets and undertakings in favour of its ultimate holding company to secure all sums due and to become due from the company to its ultimate holding company on any account whatsoever.

Subsequent to granting these floating charges the company has received a letter of continuing financial support from its ultimate holding company. Accordingly these accounts have been prepared on a going concern basis.

19. ULTIMATE HOLDING COMPANY:

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

20. COMPARATIVE FIGURES:

The comparative figures are for the period from 1 November 1982 to 31 March 1984.