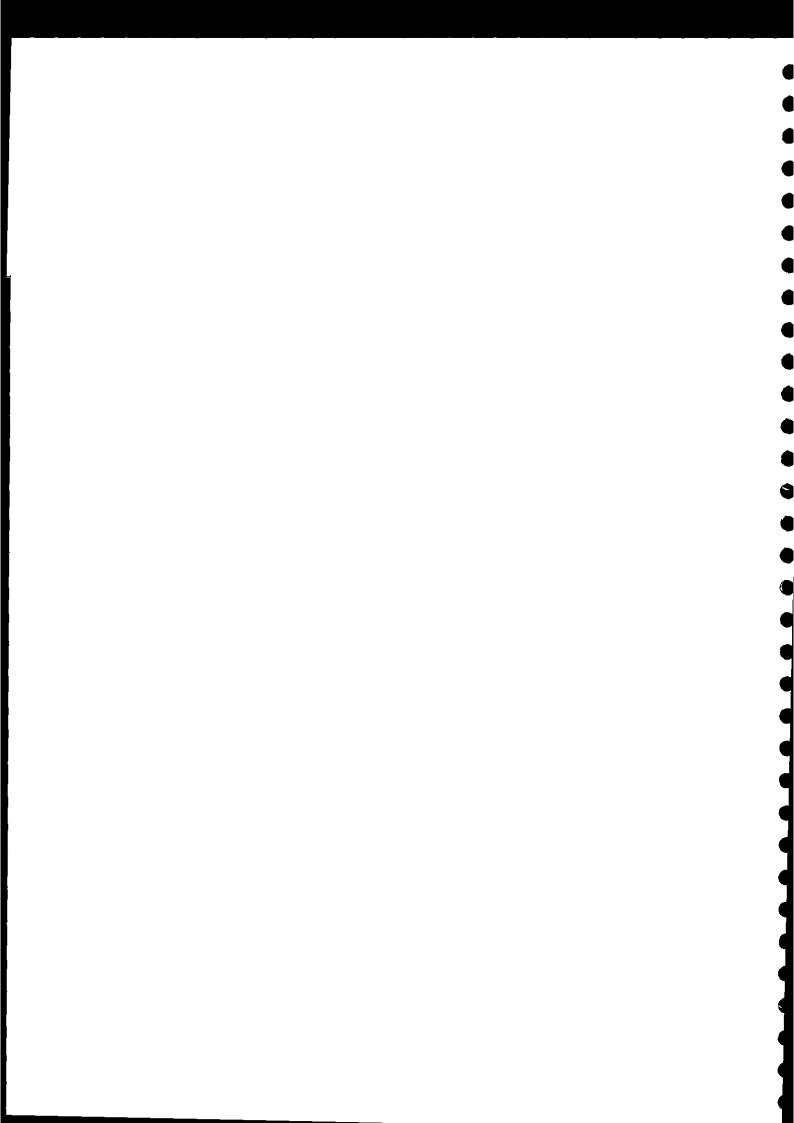
ARTHUR ANDERSEN

Oceaneering International Services Limited and subsidiary undertakings

Accounts 31 March 2000 together with directors' and auditors' reports

Registered number: 01023217





Directors' report

For the year ended 31 March 2000

The directors present their annual report on the affairs of the company and its subsidiary undertakings ("the Group"), together with the accounts and auditors' report, for the year ended 31 March 2000.

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. On 5 November 1999 the group acquired 100% of the issued share capital of Ian Murray Engineering Limited whose principal activity is the provision of mechanical, electrical, subsea and specialised project management services to the offshore oil and gas industry. On 31 March 2000 the trade and assets of Ian Murray Engineering were transferred into Oceaneering International Services Limited.

During the year, Group turnover excluding acquisitions decreased by £218,604 to £47,497,610. The Group profit before tax was £3,012,155 for the year ended 31 March 2000 (1999 – £6,997,754).

Results and dividends

Group results and accumulated deficit are as follows:

Accumulated deficit at 1 April 1999 (7,162,114)

Retained profit for the financial year 2,325,607

Accumulated deficit at 31 March 2000 (4,836,507)

£

No dividends have been paid or proposed in respect of the financial year (1999 - £nil).

Directors and their interests

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

R H Holland

A Westwood

J A Smith

J Morrison

A Atkinson

(resigned 17 May 2000)

J E Playford

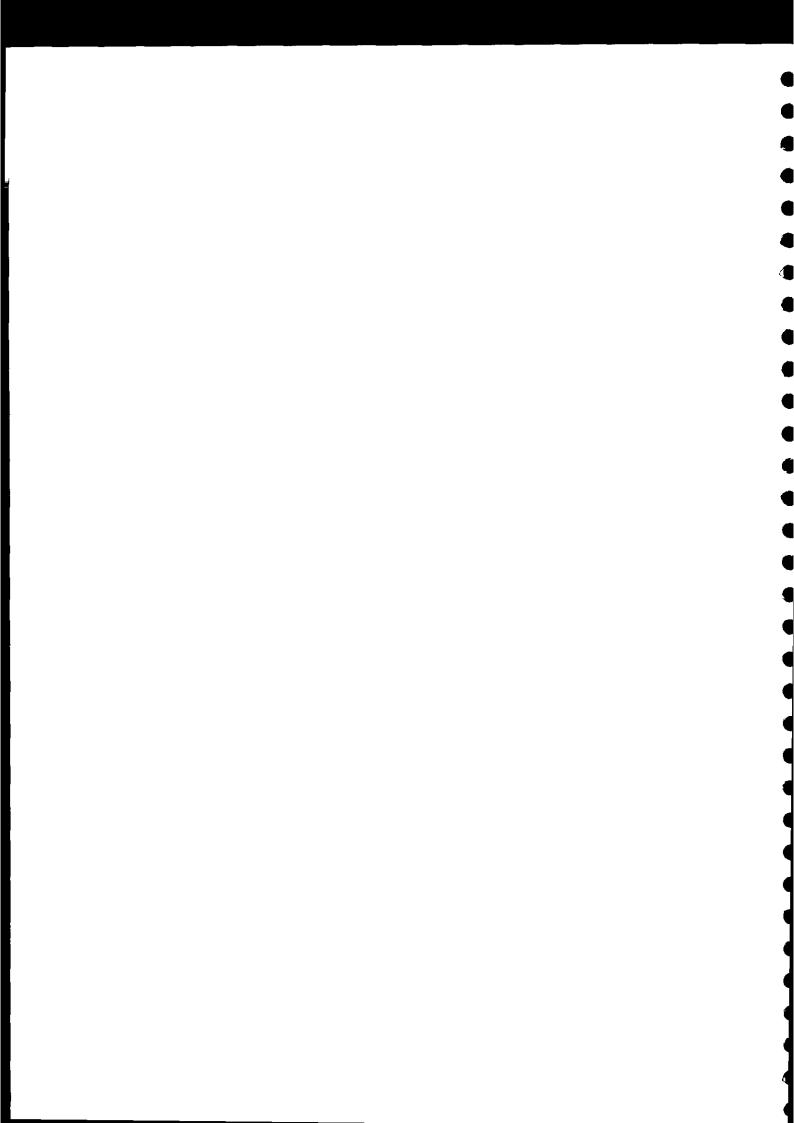
(appointed 17 May 2000)

The directors do not have any interests in the shares of Group companies required to be disclosed under Schedule 7 of the Companies Act 1985.

Supplier payment policy

The Group'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 year end represented 33 days' purchases (1999 – 63 days).

1 OCEANEERING INTERNATIONAL SERVICES LIMITED



Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and Group and of the profit or loss of the Group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will
 continue in business.

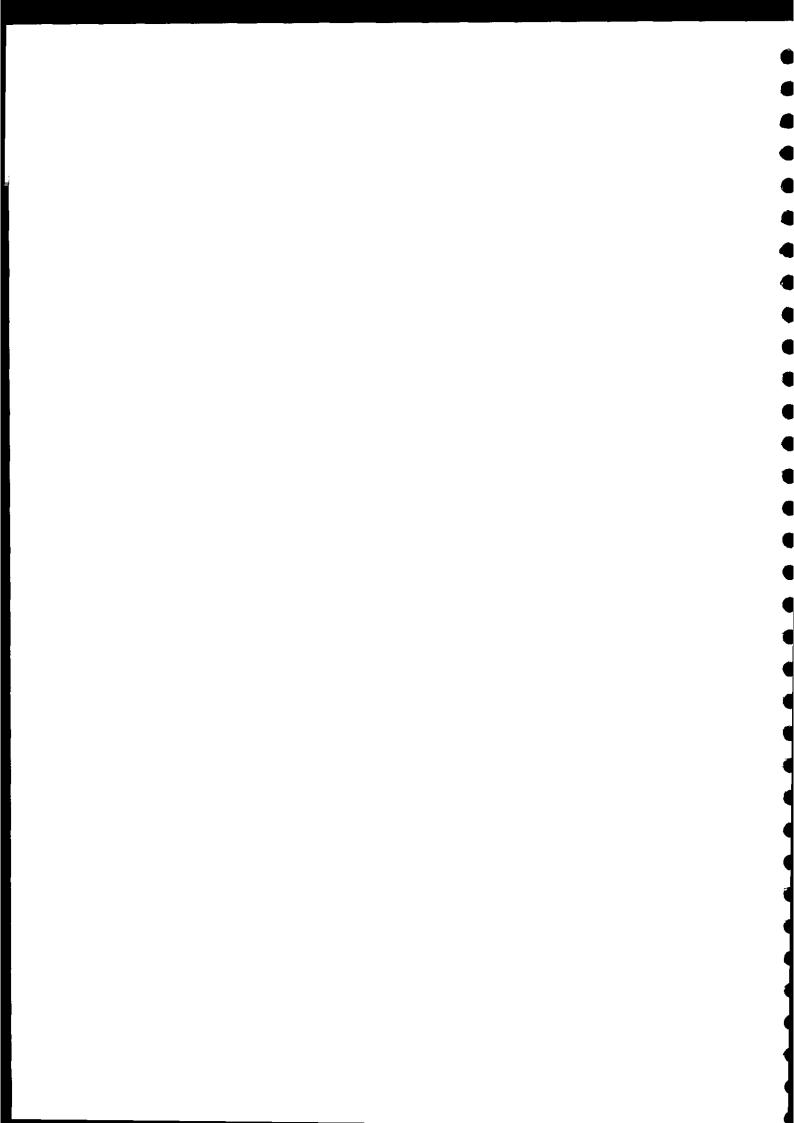
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disabled employees

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

Employee consultation

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



Directors' report (continued)

Auditors

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

63 Lincoln's Inn Fields

London

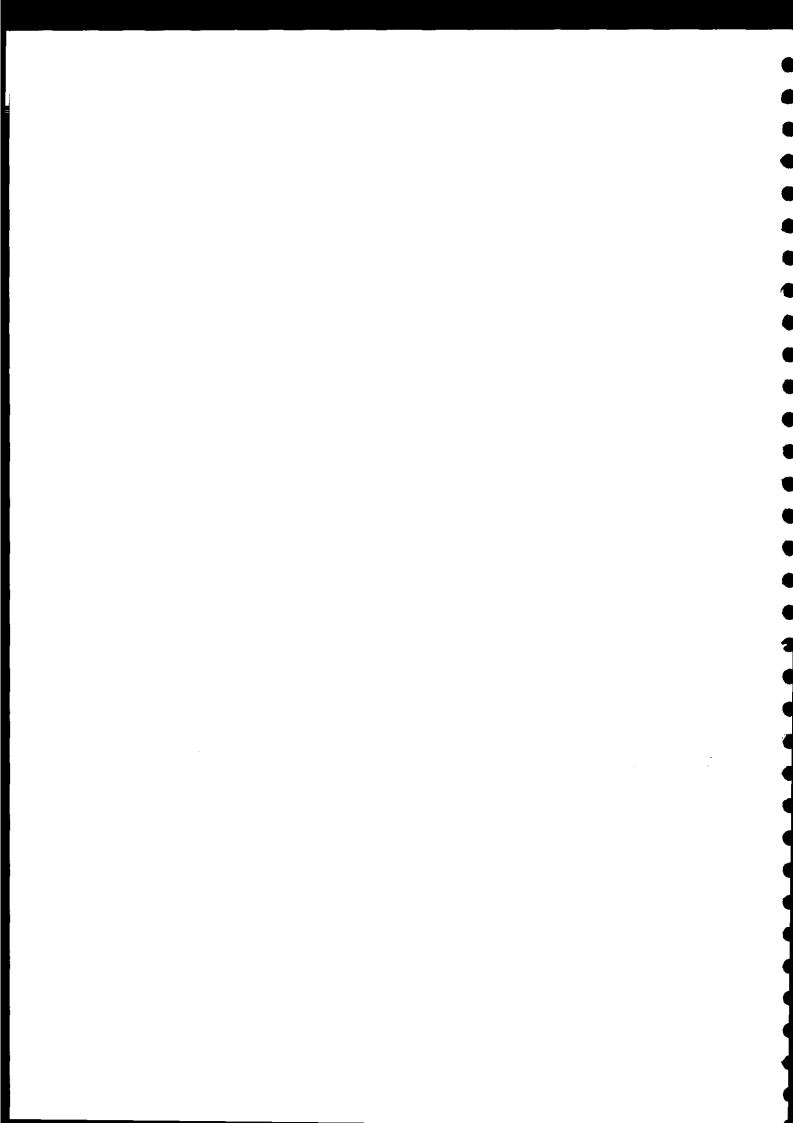
WC2A 3LW

By order of the Board,

J A Smith

Director

6 December 2000





To the Shareholders of Oceaneering International Services Limited:

We have audited the accounts on pages 5 to 28 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the Group at 31 March 2000 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

191 West George Street

Arthur Andersen

Glasgow

G2 2LB

6 December 2000

Consolidated profit and loss account

For the year ended 31 March 2000

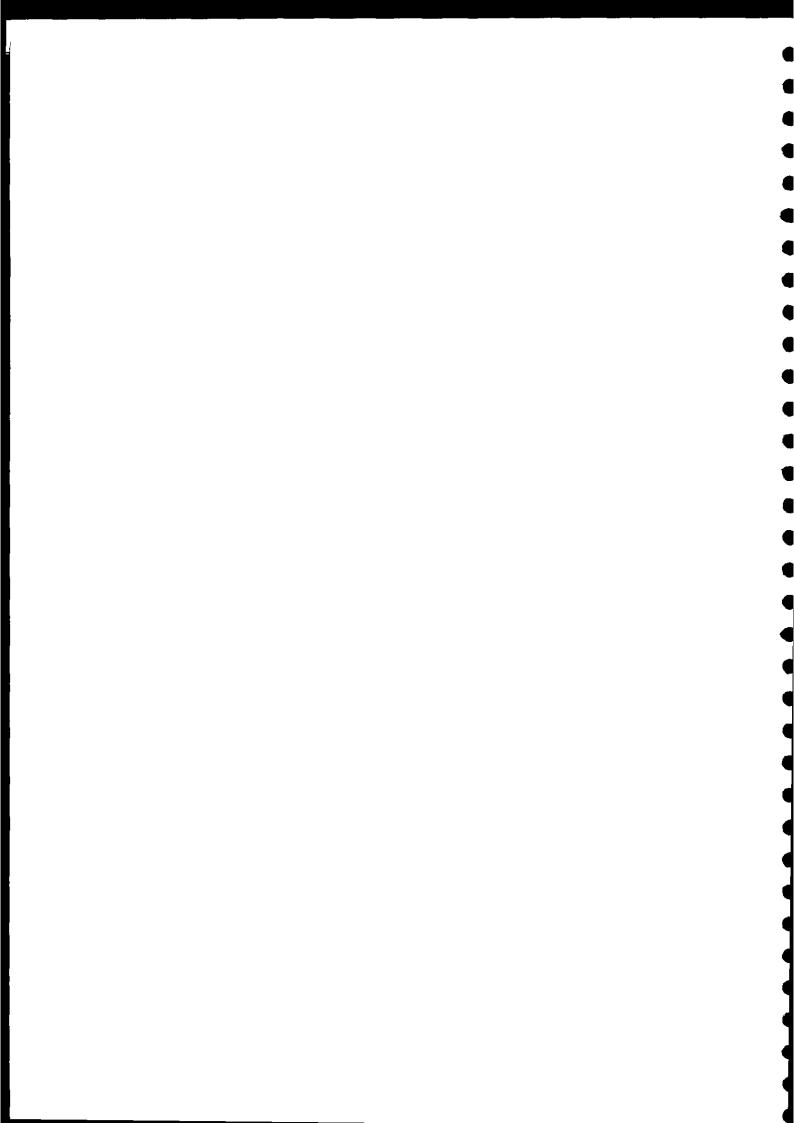
	Notes	2000 £	1999 £ As restated
Turnover	2		
Existing operations	·	47,497,610	47,716,214
Acquisitions		216,267	-
		47,713,877	47,716,214
Cost of sales		(40,895,890)	(35,526,467)
Gross profit	-	6,817,987	12,189,747
Net operating expenses	3	(5,019,119)	(5,314,466)
Operating profit (loss)		·	
Existing operations		1,893,155	6,875,281
Acquisitions		(94,287)	
		1,798,868	6,875,281
Share of associates operating profit		120,026	109,861
Gain on sale of tangible fixed assets	4	984,490	72,488
Investment income	5	232,629	152,475
Interest payable	6	(123,858)	(212,351)
Profit on ordinary activities before taxation	7	3,012,155	6,997,754
Tax on profit on ordinary activities	9	(686,548)	179,332
Retained profit for the financial year	21	2,325,607	7,177,086
Retained profit (loss) for the financial year			
The company		2,452,515	7,461,058
Group undertakings		(126,908)	(283,972)
		2,325,607	7,177,086

A statement of movements on reserves is given in note 21.

The Group's operating results for the year were wholly derived from continuing activities.

The reported profit on ordinary activities before taxation is not materially different from the historical cost profit on ordinary activities before taxation.

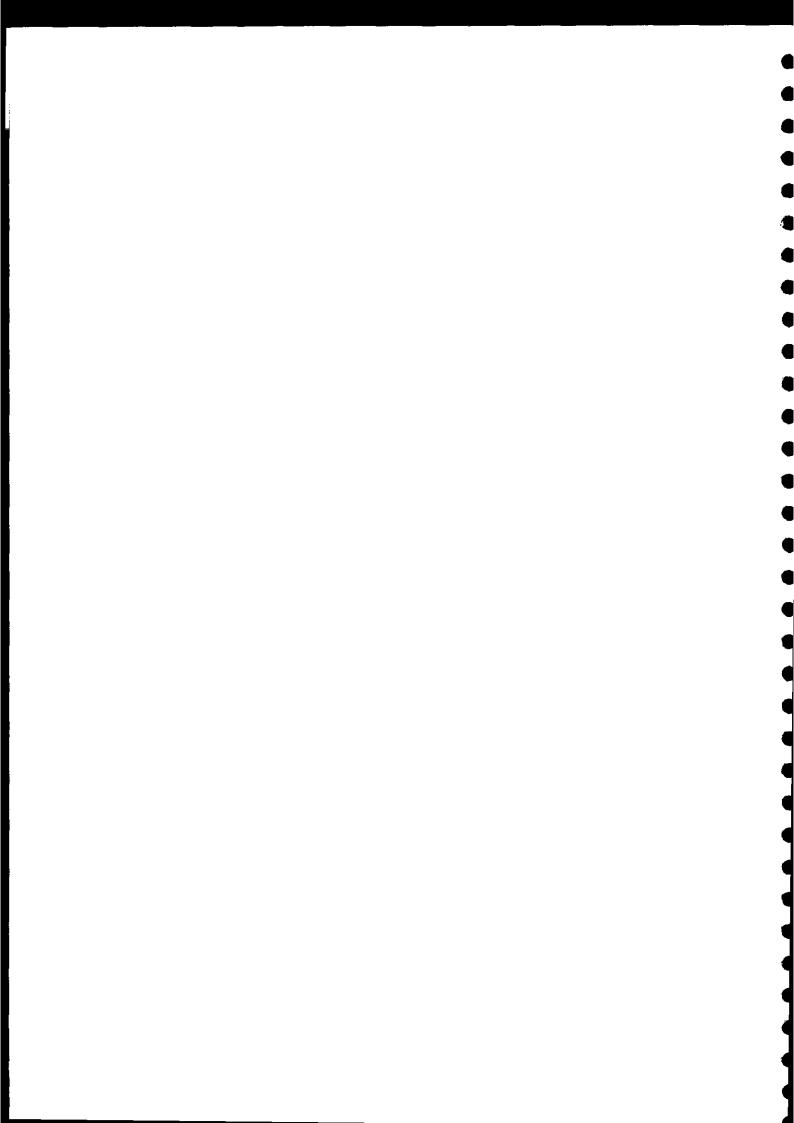
The accompanying notes are an integral part of this consolidated profit and loss account.



Consolidated statement of total recognised gains and losses For the year ended 31 March 2000

	2000 £	1999 £ .As restated
Profit for the financial year	2,325,607	7,177,086
Movement in accumulated currency reserve during the year	58,237	219,190
Total recognised gains and losses relating to the year	2,383,844	7,396,276
Prior year adjustment (note 19)	880,123	
Total recognised gains and losses since last annual report and financial		
statements	3,263,967	

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.



Consolidated balance sheet

31 March 2000

Fixed assets	Notes	2000 £	1999 £ As restated
Intangible assets - Goodwill	10	418,454	_
Tangible assets	11	23,494,299	24,162,490
Investments	12	142,788	142,788
		24,055,541	24,305,278
Current assets			
Stocks	13	1,235,812	1,035,828
Debtors: Amounts falling due within one year	14	34,809,328	24,013,034
Investments	15	31,012	103
Cash at bank and in hand		704,880	1,829,546
		36,781,032	26,878,511
Creditors: Amounts falling due within one year			
- intercompany	16	(29,821,075)	(21,326,871)
- all other amounts	16	(8,225,868)	(8,748,303)
Net current liabilities		(1,265,911)	(3,196,663)
Total assets less current liabilities		22,789,630	21,108,615
Creditors: Amounts falling due after more than one year	17	(240,000)	(1,198,104)
Provisions for liabilities and charges	18	(211,733)	
Net assets		22,337,897	19,910,511
Capital and reserves			
Called-up equity share capital	20	3,070,500	3,070,500
Share premium account	21	23,134,500	23,134,500
Capital contribution reserve	21	1,085,642	1,042,100
Accumulated currency reserve	21	(116,238)	(174,475)
Profit and loss account	21	(4,836,507)	(7,162,114)
Total capital employed	22	22,337,897	19,910,511

The accounts on pages 5 to 28 were approved by the board of directors on 6 December 2000 and signed on its behalf by:

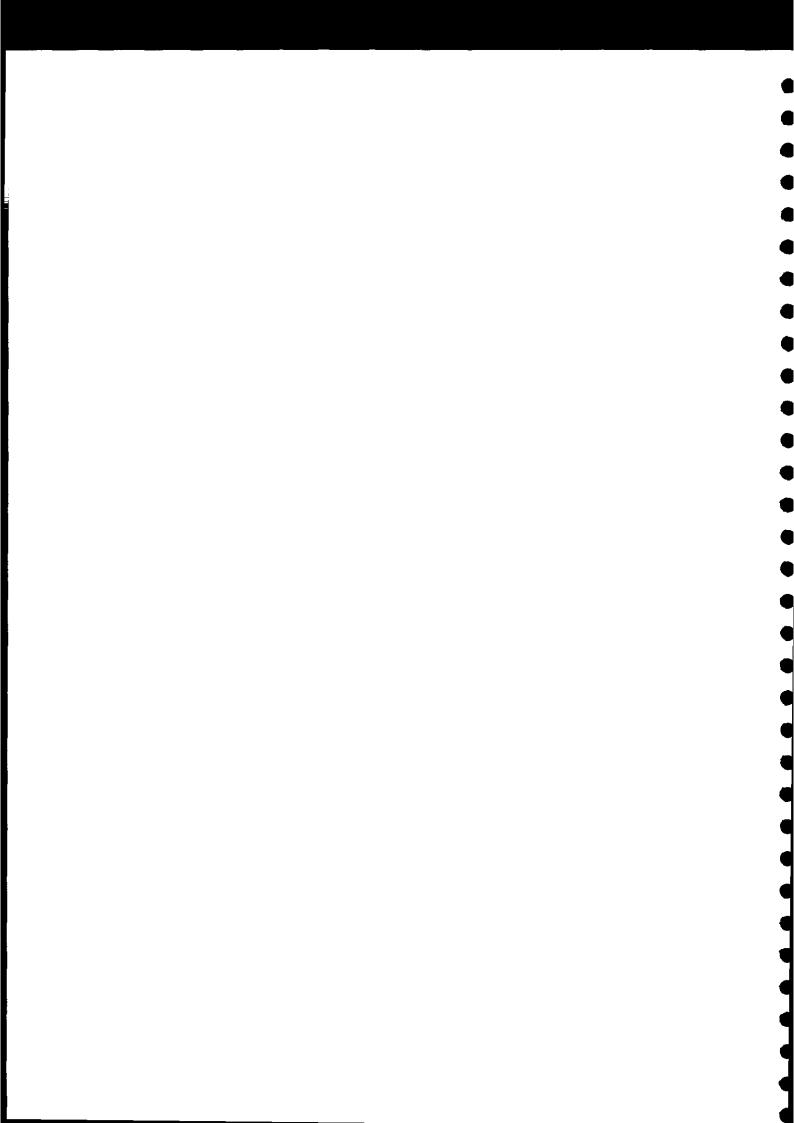
A Westwood, Almah Wtstuned Director

J A Smith,

VM

Director

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



Company balance sheet

31 March 2000

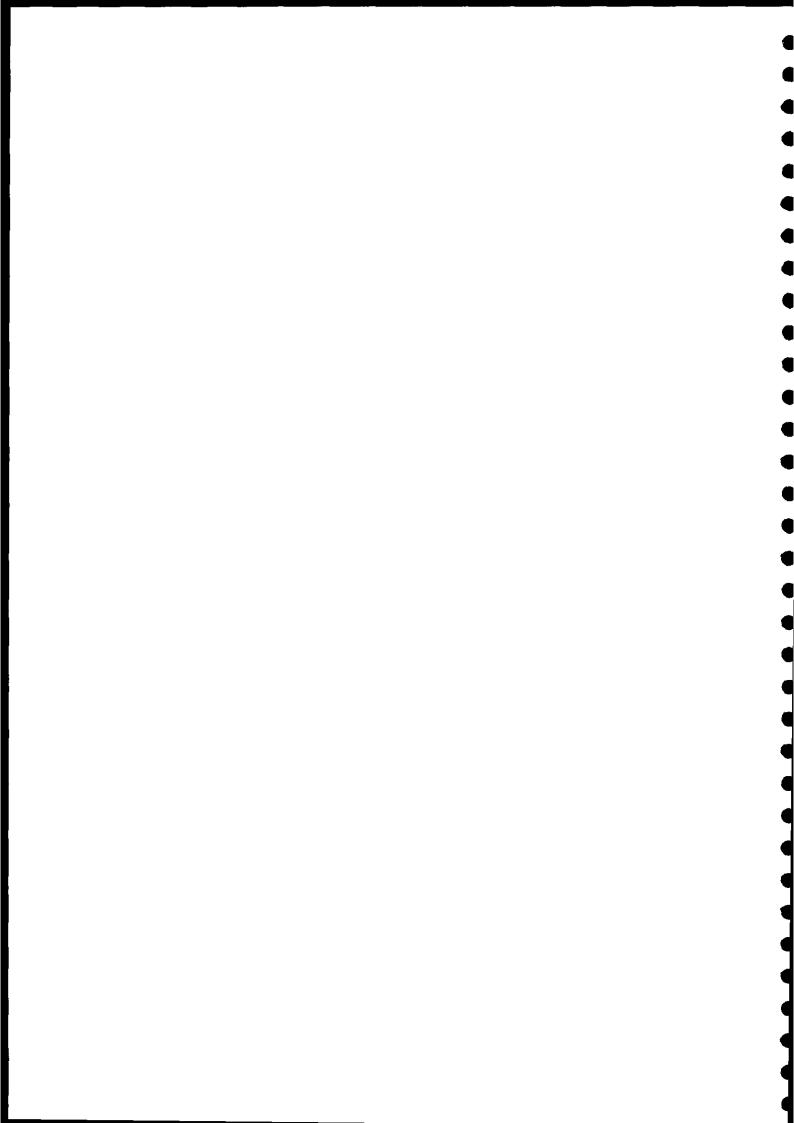
Fixed assets	Notes	2000 £	1999 £ As restated
Tangible assets	11	23,494,299	24,162,490
Investments	12	3,379,635	3,004,635
IIIVESTIFICITIES	12		
		26,873,934	27,167,125
Current assets			
Stocks	13	1,235,812	1,035,828
Debtors: Amounts falling due within one year	14	34,903,075	24,060,911
Investments	15	31,012	103
Cash at bank and in hand		639,846	1,668,615
		36,809,745	26,765,457
Creditors: Amounts falling due within one year			
- intercompany	16	(32,254,362)	(23,776,876)
- all other amounts	16	(8,198,355)	(8,737,465)
Net current liabilities		(3,642,972)	(5,748,884)
Total assets less current liabilities		23,230,962	21,418,241
Creditors: Amounts falling due after more than one year	17	(240,000)	(1,198,104)
Provisions for liabilities and charges	18	(211,733)	<u>-</u>
Net assets		22,779,229	20,220,137
Capital and reserves			
Called-up equity share capital	20	3,070,500	3,070,500
Share premium account	21	23,134,500	23,134,500
Capital contribution reserve	21	1,085,642	1,042,100
Accumulated currency reserve	21	(62,859)	(125,894)
Profit and loss account	21	(4,448,554)	(6,901,069)
Total capital employed	22	22,779,229	20,220,137

The accounts on pages 5 to 28 were approved by the board of directors on 6 December 2000 and signed on its behalf by:

A Westwood, All Whole With Director

J A Smith, J. J. S. Director

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



Notes to accounts

31 March 2000

1 Accounting policies

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

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated balance sheet and consolidated profit and loss account include the accounts of the company and its subsidiary undertakings for the year ended 31 March 2000. Transactions and balances between these companies are excluded from the consolidated accounts.

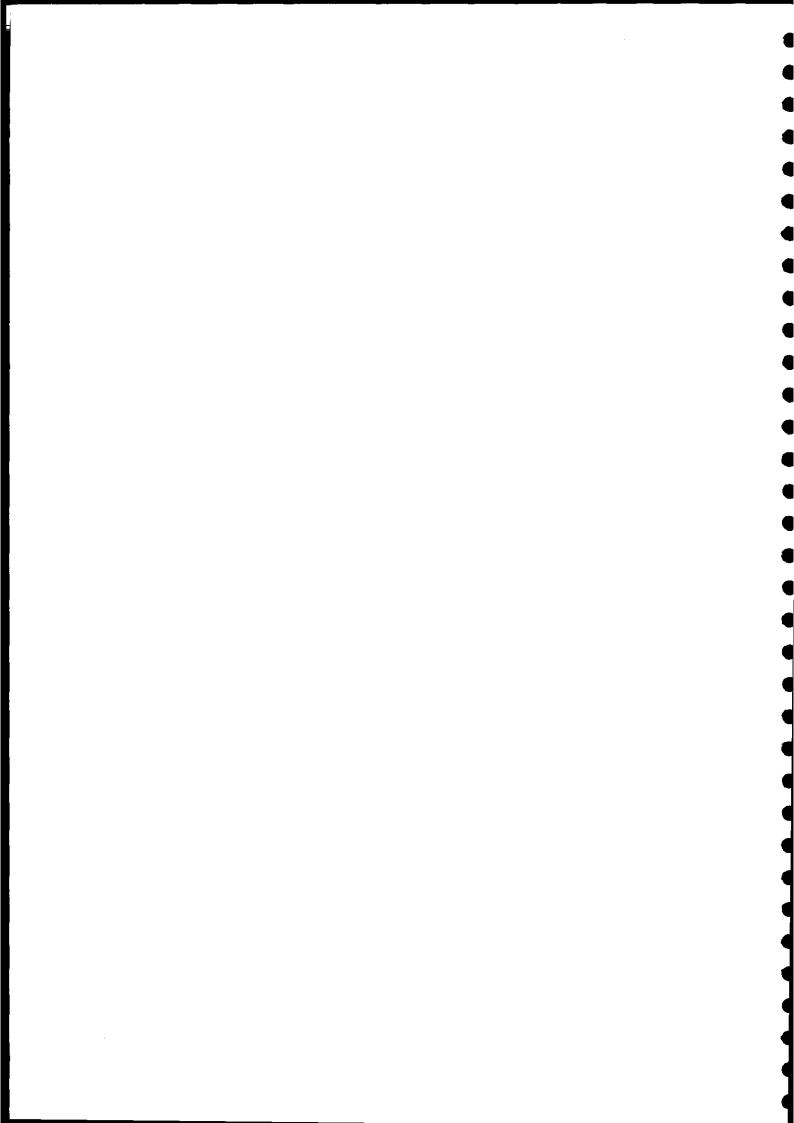
Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation relating to acquisitions arising in previous years (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition and has not been reinstated as permitted by FRS 10 "Goodwill and Intangible Assets". Goodwill arising on acquisitions arising in the current year is capitalised and written off on a straight line basis over its useful economic life which is twenty years. Provision is made for any impairment. Any excess of the aggregate of the fair value of the consideration given (negative goodwill) is credited direct to reserves. Negative goodwill in the future will be similarly capitalised and credited to the profit and loss account in periods expected to benefit. On disposal of a previously acquired business, the attributable amount of goodwill written off or negative goodwill credited to reserves is included in determining the gain or loss on disposal.

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

No profit and loss account is presented for Oceaneering International Services Limited as provided by Section 230 of the Companies Act 1985. The company only profit for the financial year, determined in accordance with the Act and approved by the directors was £2,452,515 (1999 - £7,461,058).

c) Tangible fixed assets

All fixed assets are shown at original historical cost as set out in Note 11.



1 Accounting policies (continued)

c) Tangible fixed assets (continued)

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 estimated useful life, as follows:

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

Residual value is calculated on prices prevailing at the date of acquisition where this has taken place.

d) Investments

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

Current asset investments are stated at lower of cost and net realisable value.

e) Interests in associated undertakings and joint ventures

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

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

f) Stocks

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.

1 Accounting policies (continued)

g) Taxation

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

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

h) Pension costs

The Group operates a defined benefits pension scheme. Pension liabilities are funded, based on the advice of external actuaries, by payments to insurance companies. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members. Further information on the pension schemes are given in note 23d).

i) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end or, if appropriate, at the forward contract rate.

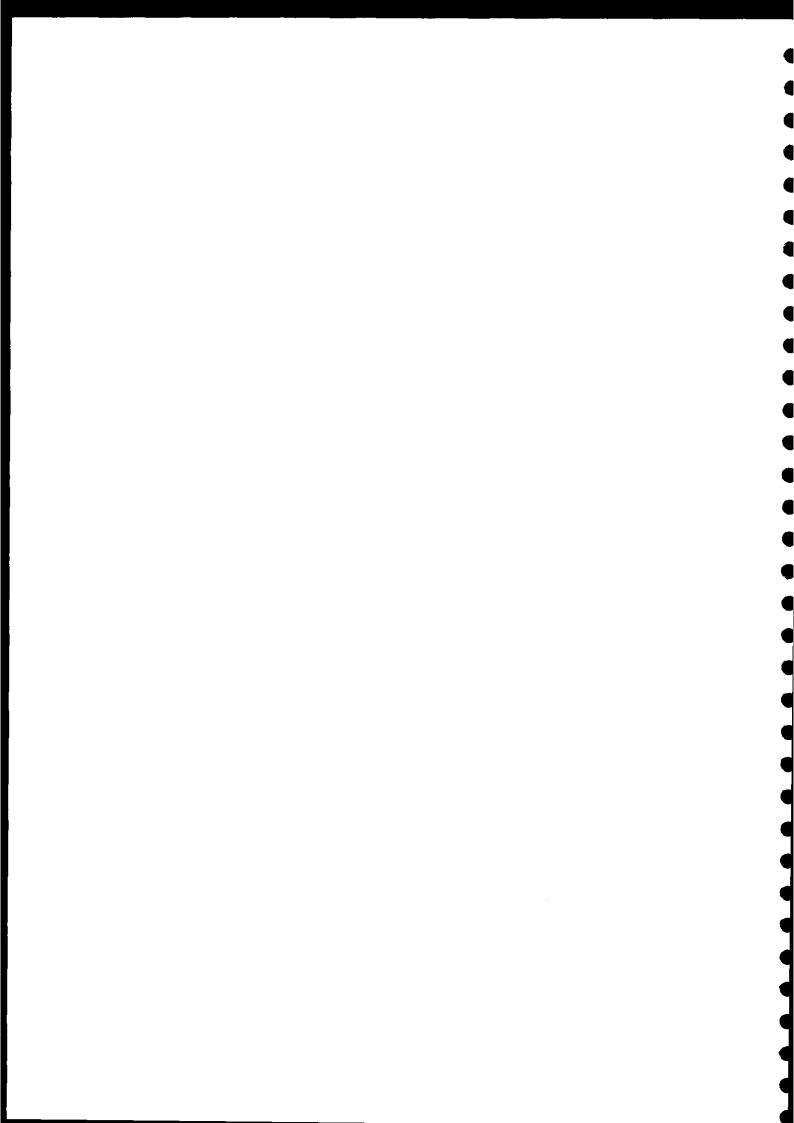
The results of overseas operations are translated at the average rate of exchange during the period and their balance sheets ruling at the balance sheet date. Exchange differences arising on the translation of the opening net assets and results of overseas operations are dealt with through reserves.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

j) Tumover

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

k) Vessel dry-docking costs

Costs relating to the repair or refurbishment of vessels are expensed or capitalised as appropriate when incurred. In previous years, prior to the introduction of FRS12 "Provisions, contingent liabilities and contingent assets", such costs had been accrued between scheduled dry-dockings based on estimates of the costs to be incurred. The comparative figures in the primary statements have been restated to reflect the new policy. The effect is to increase net assets and retained earnings by £880,123 by way of a prior year restatement (see note 19). The effect on the current year is to debit the profit and loss account by £159,349.



1 Accounting policies (continued)

I) Leases

The Group enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

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 23c).

m) 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.

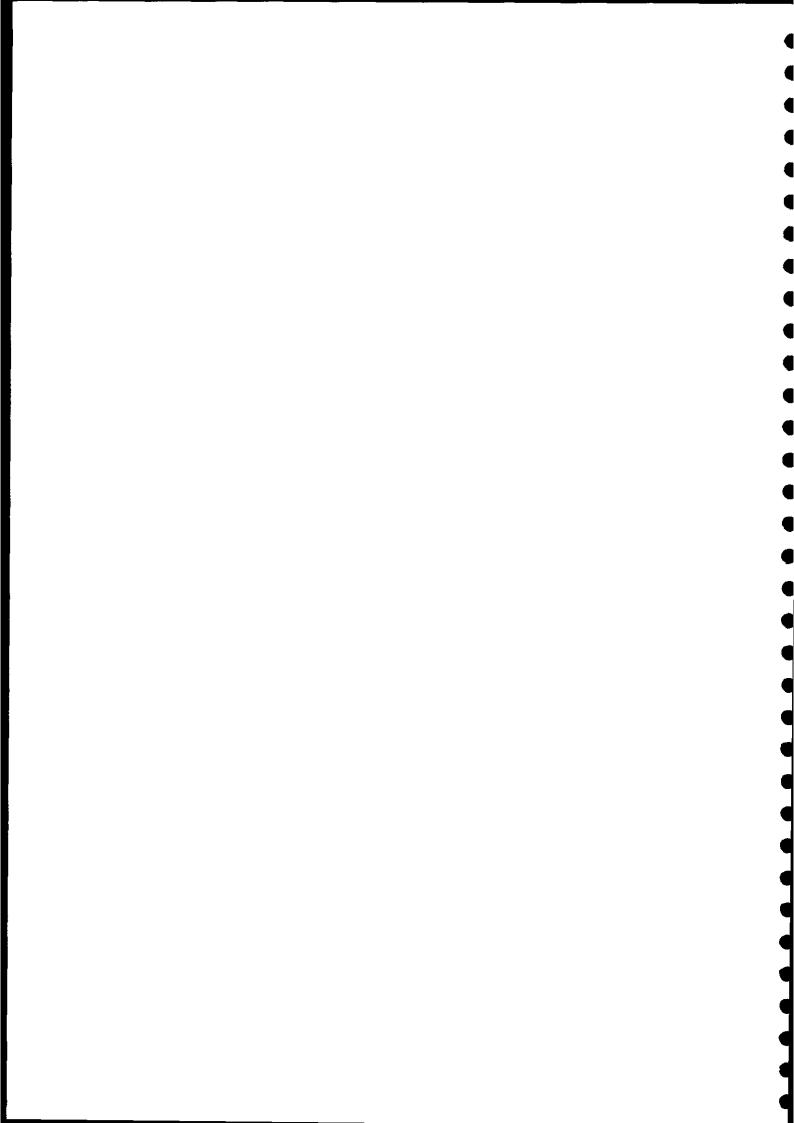
2 Segment information

The analyses of turnover by activity and geographical location have been omitted as, in the opinion of the directors, the disclosure of this information would be prejudicial to the interests of the Group.

3 Cost of sales, gross profit and other operating expenses

The following have arisen from continuing operations:

	Existing 2000 £	Acquisitions 2000 £	Total 2000 £	Existing 1999 £ As restated
Cost of sales	40,705,121	190,769	40,895,890	35,526,467
Gross profit	6,792,489	25,498	6,817,987	12,189,747
Administration expenses	2,389,147	119,785	2,508,932	1,992,632
Operating costs	2,107,925		2,107,925	2,880,934
Selling costs	244,395	-	244,395	246,940
	4,741,467	119,785	4,861,252	5,120,506
Foreign currency exchange loss (gain)	157,867	-	157,867	193,960
Net operating expenses	4,899,334	119,785	5,019,119	5,314,466
4 Gain on sale of tangible fixed assets			2000 £	1999 £
Gain on sale of vessels, plant and equipment			984,490	72,488



5	Invest	ment	inco	me
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Investment income comprises:

	2000 £	1999 £
Intercompany interest receivable	189,433	31,395
Other interest receivable and similar income	43,196	121,080
	232,629	152,475
6 Interest payable		
	2000 £	1999 £
		_
On intercompany balances	123,858	212,351
7 Profit on ordinary activities before taxation Profit on ordinary activities before taxation is stated after charging:		
	2000	1999
	£	£
Amortisation of goodwill	6,670	-
Depreciation of tangible fixed assets - owned	5,371,425	4,887,999
Hire of plant and machinery	525,623	1,013,282
Auditors' remuneration		
- audit fees	48,775	47,250
- other	62,650	34,600
Staff costs (see note 8)	9,742,229	12,005,972

8 Staff costs

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

		2000	1999
Employee costs during the year amounted to:		£	£
Wages and salaries		8,580,656	11,072,588
Social security costs		906,480	923,384
Other pension costs (see note 23d)		255,093	10,000
		9,742,229	12,005,972
The average monthly number of persons employed	d by the Group during the year was	s as follows:	
		2000 Number	1999 Number
Offshore		102	104
Field staff		28	37
Sales and administration		149	147
Production	- -	80	75
		359	363
Directors' remuneration:			
Remuneration			
The remuneration of the directors was as follows:			
		2000 £	1999 £
Emoluments		331,458	247,847
Company contributions to money purchase pension	n schemes	10,000	10,000
		341,458	257.847

No directors exercised share options in the current year (1999 - Nil) and no directors received shares under long term incentive schemes (1999 - Nil).

8 Staff costs (continued)

Pensions

The number of directors who were members of pension schemes was as follows:	2000	1999
Money purchase schemes	Number 3	Number 3
woney purchase scrientes	ა	

Defined benefit schemes 2 2 2 5 5

Highest-paid director

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

	2000	1999
	£	£
Emoluments	97,408	89,010
Company contributions to money purchase schemes	10,000	10,000
	107,408	99,010

9 Tax on profit on ordinary activities

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

2000 £	1999 £
686,548	96,842
-	(276,174)
686,548	(179,332)
	£ 686,548

No deferred taxation has been provided on existing operations at 31 March 2000 (1999 - £Nil) since the Group had losses at that date available for offset against future trading income in excess of timing differences between book and taxable income.

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

10 Intangible fixed assets - Goodwill

		Total £
Cost		~
At 1 April 1999		-
Additions (see note 12c)		425,124
At 31 March 2000		425,124
Amortisation		
At 1 April 1999		-
Charge for the year		6,670
At 31 March 2000	•	6,670
Net book value		
At 31 March 1999		•
At 31 March 2000		418,454

The company has no intangible fixed assets.

11 Tangible fixed assets

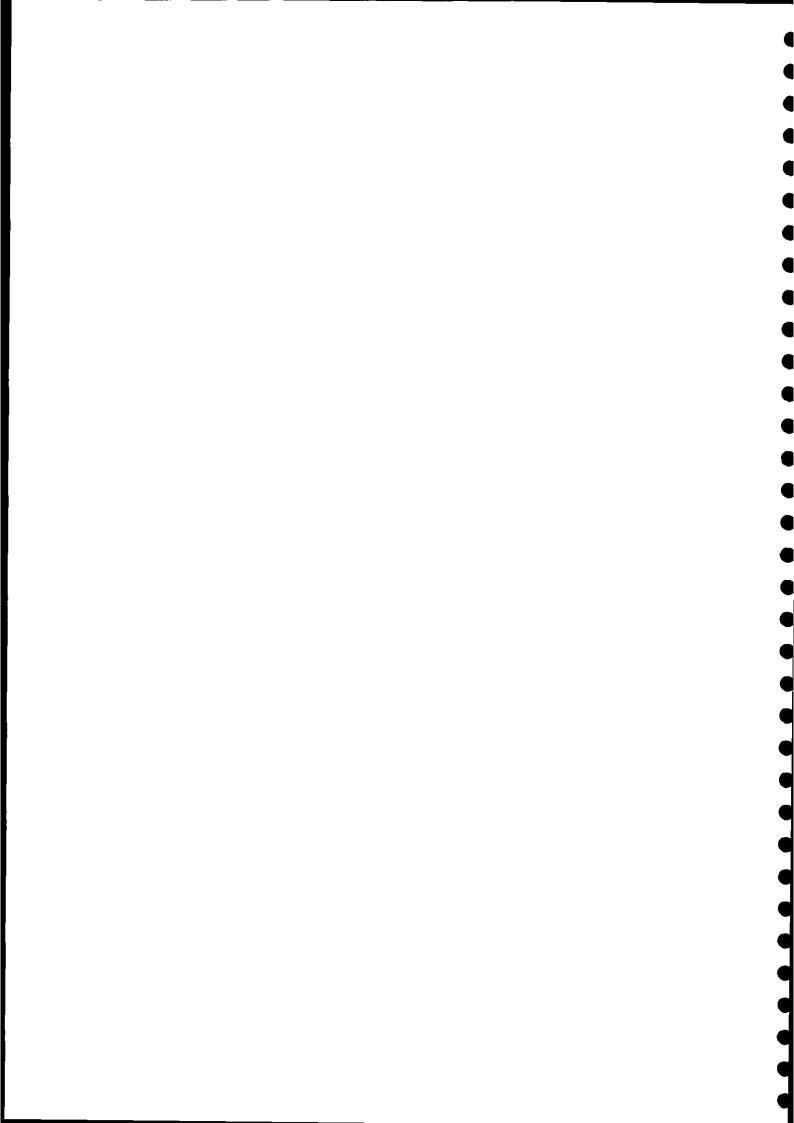
The following are included in the net book value of tangible fixed assets:

	Group	Group & Company		
	2000	1999		
	9	£		
Land and buildings				
- freehold	81,182	81,182		
- leasehoid	96,789	108,203		
Plant and equipment	11,263,058	10,421,937		
Vessels (as restated)	12,053,270	13,551,168		
Net tangible fixed assets	23,494,299	24,162,490		

11 Tangible fixed assets (continued)

The movement in the year was as follows:

_	Land and	buildings	Leasehold	Plant and		
•	Freehold	Leasehold	improvements	equipment	Vessels	Total
Group and Company	£	£	£	£	£	£
Cost						
Beginning of year	81,182	162,194	153,274	20,609,905	25,678,236	46,684,791
Additions	-	-	-	2,560,020	2,451,197	5,011,217
Acquisition of subsidiary						
undertakings	-	-	-	81,475	-	81,475
Disposals	-	-	-	(1,988,684)	(940,045)	(2,928,729)
Exchange adjustment	-			-	56,742	56,742
End of year	81,182	162,194	153,274	21,262,716	27,246,130	48,905,496
Depreciation						
Beginning of year (as						
restated)	-	53,991	153,274	10,187,968	12,127,068	22,522,301
Charge for year	-	11,414	•	1,557,568	3,802,443	5,371,425
Acquisition of subsidiary						
undertakings	•	-	-	58,783	-	58,783
Disposals	-	-	-	(1,804,661)	(745,513)	(2,550,174)
Exchange adjustment	-			<u> </u>	8,862	8,862
End of year		65,405	153,274	9,999,658	15,192,860	25,411,197
Net book value						
Beginning of year	81,182	108,203		10,421,937	13,551,168	24,162,490
End of year	81,182	96,789		11,263,058	12,053,270	23,494,299



12 Fixed asset investments

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

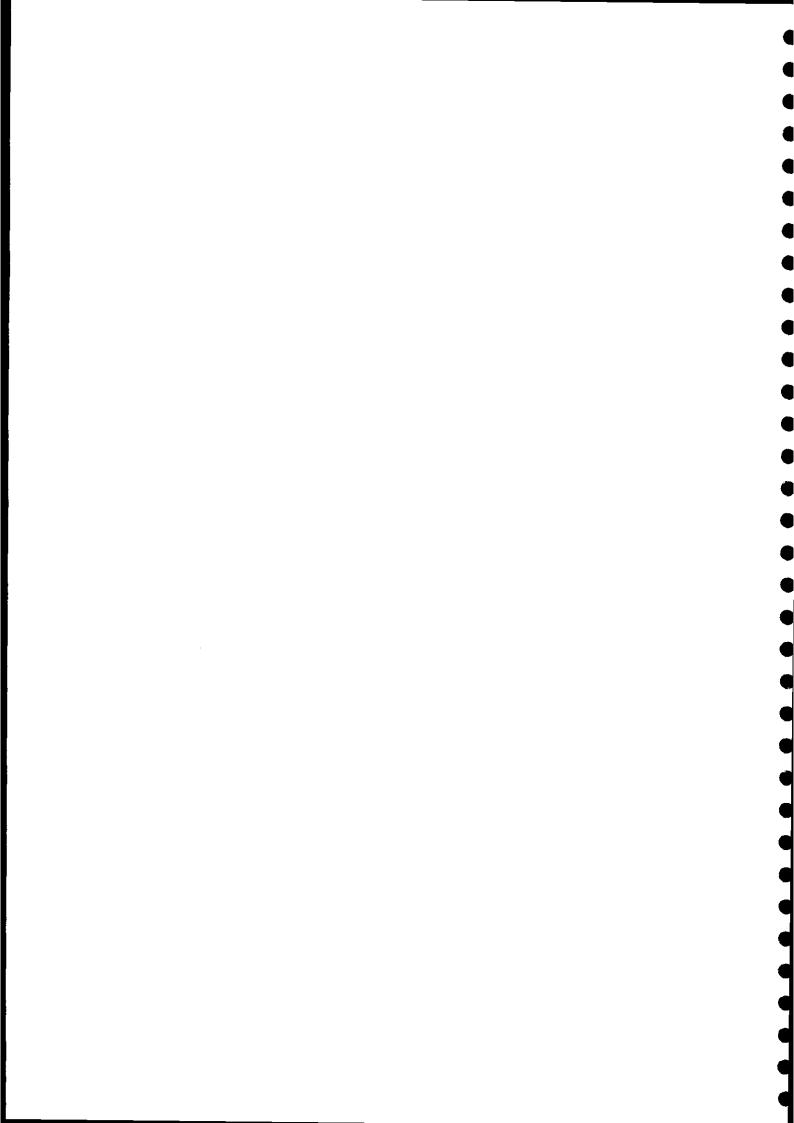
		2000	1999
Group		£	£
Associated undertaking		142,788	142,788
Company	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
At 1 April 1999 Additions (note 12c)	259,634	2,745,001 375,000	3,004,635 375,000
At 31 March 2000	259,634	3,120,001	3,379,635

Principal Group investments:

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

	Percentage of each class held		Country of registration	Principal activity
	2000	1999		
Ocean Systems Engineering Limited			•	
Ordinary shares of £1 each	100%	100%	England	Diving services
Multiflex Limited				
Ordinary shares of £1 each	100%	100%	Scotland	Dormant
UEC 789 Limited				
Ordinary shares of £1 each	100%	100%	Scotland	Dormant
3% non-cumulative, non-voting preference	100%	100%		
shares of £1 each				
Norsk Subsea Cable AS (indirect holding)				
Ordinary shares of £1 each	49%	49%	Norway	Manufacture of subsea umbilicals
lan Murray Engineering Limited				
Ordinary shares of £1 each	100%	-	Scotland	Non-trading

In addition, the Group was involved in two joint venture agreements in non-corporate operating entities in Papua New Guinea and Nigeria respectively. The Group has a 50% share in the Papua New Guinea joint venture and a 67% share in the Nigeria joint venture. The principal activity of both ventures is the provision of oil related services.



12 Fixed asset investments (continued)

a) Investment in associated undertakings:

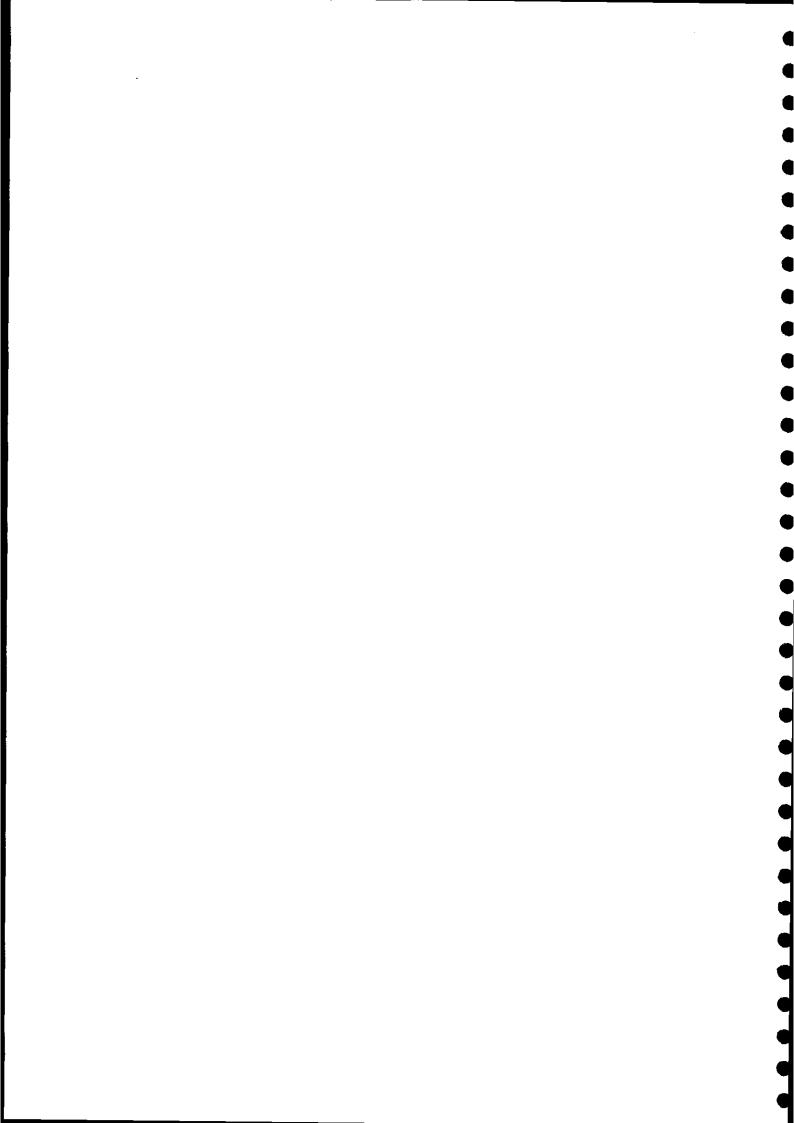
Group	2000 £	1999 £
Beginning of year	142,788	142,788
Share of profits in year	120,026	109,861
Dividends received	(120,026)	(109,861)
End of year	142,788	142,788

b) Joint ventures - Group:

The Group has a 50% joint venture interest in an entity whose principal place of business is in Papua New Guinea and a 67% joint venture interest in an entity whose principal place of business is in Nigeria. Both of these entities ceased trading in year ended 31 March 1999. These interests have been proportionally consolidated and the following amounts have been included in the consolidated accounts for 2000:

	Papua New Guinea		Nigeria	
	2000	1999	2000	1999
	£	£	£	£
Profit and loss account:		• .		
Turnover	-	-	-	-
Gross loss	•	(63,828)	-	(208,077)
Loss on ordinary activities before taxation	•	(63,828)	-	(208,077)
Loss for the financial year	<u> </u>	(63,828)	•	(208,077)
	Papua New	Guinea	Nige	ria
	2000	1999	2000	1999
	£	£	£	£
Balance sheet:				
Debtors	59,236	59,236	111,743	111,743
Cash in hand	-	-	131	131
Creditors: Amounts falling due within one year	(1,021)	(1,021)	-	-

The basis of the joint management of these ventures is participation in operating and financial activity and share of revenues and profits in accordance with the agreed percentage profit share.



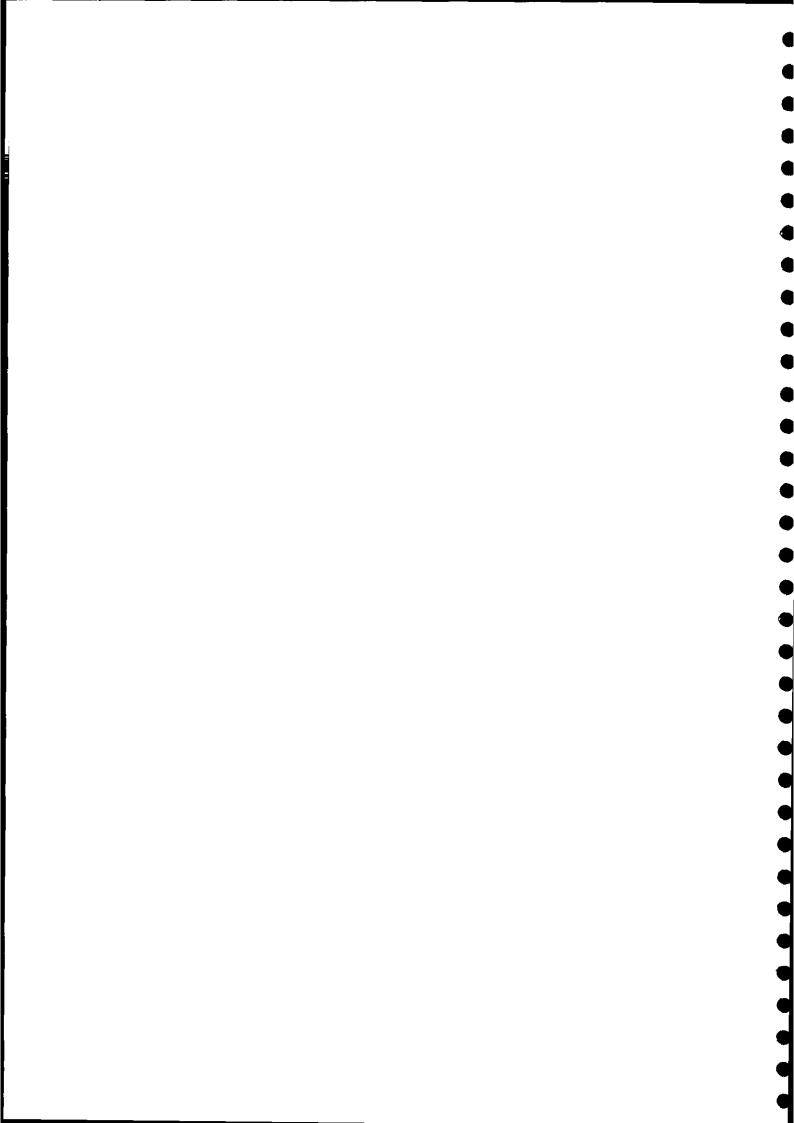
12 Fixed asset investments (continued)

c) Acquisition of subsidiary undertakings

On 5 November 1999 the company acquired 100% of the issued share capital of Ian Murray Engineering Limited for £250,000 in cash. In addition, deferred consideration of £125,000 is payable in equal instalments of £62,500 at the end of two and three years after acquisition, dependent on certain conditions which the directors believe will be fulfilled.

The fair value of the assets acquired are outlined below:

	Book value & fair value
	£
Fixed assets	
Tangible	22,692
Current assets	
Stock	145,134
Debtors	87,250
Investments	30,909
Cash at bank and in hand	100
Total assets	286,085
Creditors: Amounts falling due within one year	
Bank overdraft	144,850
Trade creditors	1,641
Accruals	57,564
Creditors: Amounts falling due after more than one year	132,154
Total liabilities	336,209
Net liabilities	(50,124)
Goodwill	425,124
	375,000
Satisfied by	
Cash	250,000
Deferred consideration	125,000
	375,000



12 Fixed asset investments (continued)

c) Acquisition of subsidiary undertakings (continued)

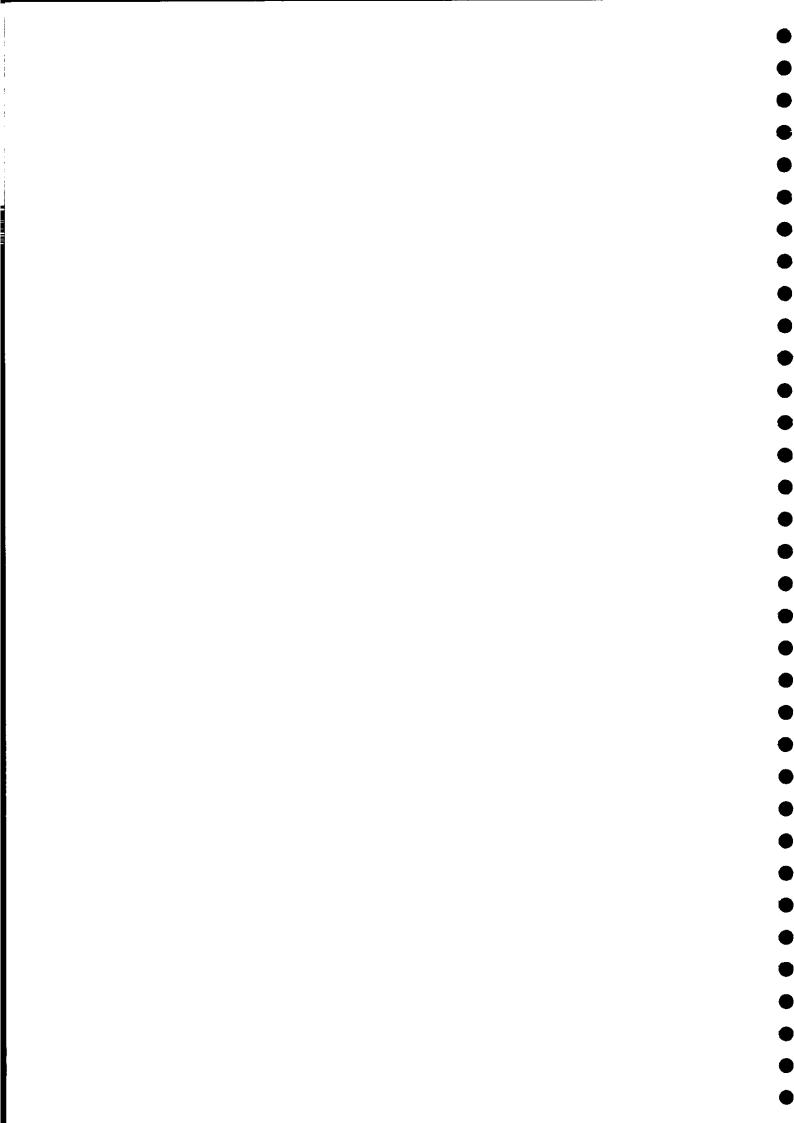
The results for the 15 months ended 31 March 2000, for the pre-acquisition period from 1 January 1999 to 4 November 1999 and for the post-acquisition period from 5 November 1999 to 31 March 2000 are shown below:

Profit and Loss account		Pre- acquisition £	Post- acquisition £	15 months ended 31 March 2000 £
From and Loss account		T.	T.	£
Turnover		343,524	216,267	559,791
Cost of sales		(327,253)	(190,769)	(518,022)
Gross profit		16,271	25,498	41,769
Other operating expenses		(153,211)	(119,785)	(266,327)
Operating loss		(136,940)	(94,287)	(224,558)
Interest payable		(1,675)	(371)	(2,046)
Loss on ordinary activities before taxation		(138,615)	(94,658)	(226,604)
Taxation		<u>.</u>	-	•
Loss for the financial period	÷	(138,615)	(94,658)	(226,604)
13 Stocks			•	
				Company
			2000	1999
			£	£
Raw materials and consumables			1,235,812	1,035,828

14 Debtors

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

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	17,067,037	12,041,272	16,806,070	11,790,923
Amounts owed by other Group undertakings	17,076,648	11,233,744	17,431,362	11,531,970
VAT	135,390	80,025	135,390	80,025
Other debtors	372,524	576,543	372,524	576,543
Prepayments and accrued income	157,729	81,450	157,729	81,450
	34,809,328	24,013,034	34,903,075	24,060,911



14 Debtors (continued)

All amounts owed by other Group companies are repayable on demand. Included within amounts owed by other group undertakings is a balance of £3,584,384 (1999 - £1,589,537) on which interest is applied at the US short-term Applicable Federal Rate, quarterly compounded. Interest receivable in the current year amounted to £189,433 (1999 - £31,395). All other amounts owed by other group companies bear no interest.

15 Current asset investments

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

	Group & Cor	mpany
	2000	1999
	£	£
Unlisted UK investments	30,909	-
Listed UK investments	103	103
	31,012	103

The company holds a 9% (1999 - 0%) holding in the ordinary share capital of Controlled Variable Buoyancy Systems Limited, which is involved in the development of a new sea buoyancy system.

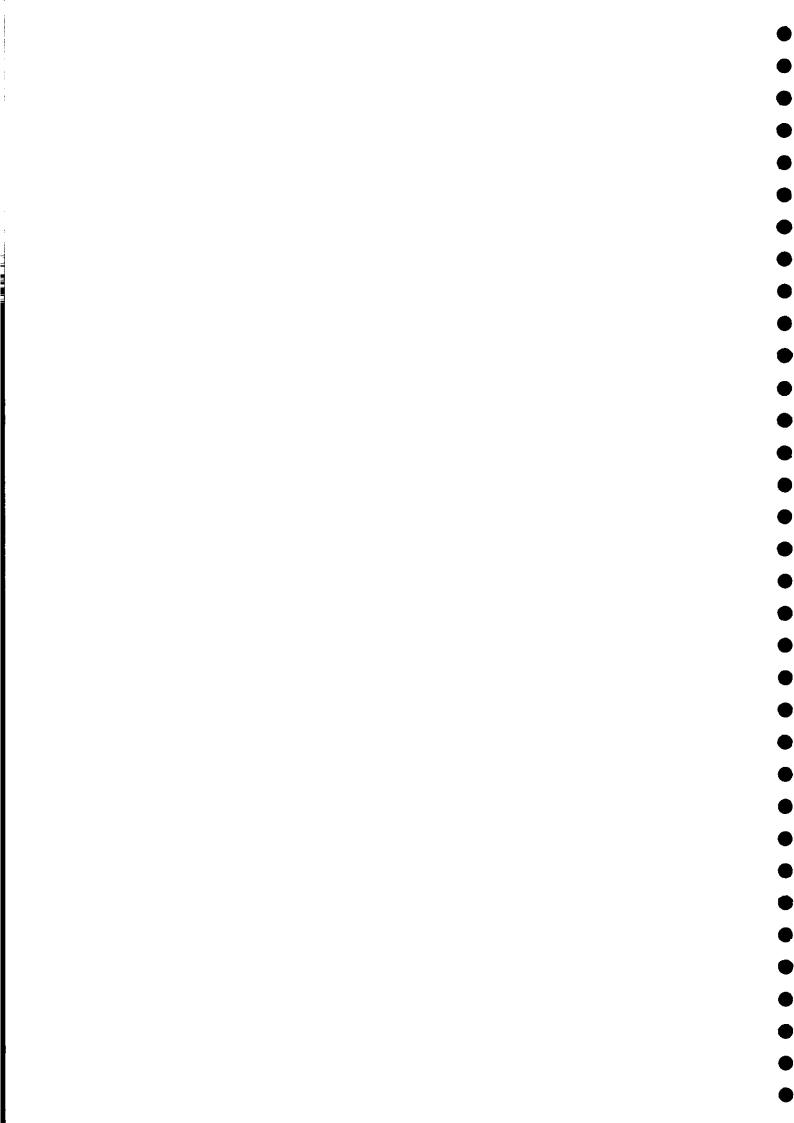
16 Creditors: Amounts falling due within one year

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

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Amounts owed to other Group undertakings	28,733,316	19,054,821	31,166,603	21,504,826
Intercompany loan	1,087,759	2,272,050	1,087,759	2,272,050
Total intercompany balances	29,821,075	21,326,871	32,254,362	23,776,876
Trade creditors	2,751,901	4,251,469	2,751,588	4,256,282
Other creditors				
- overseas taxes payable	518,031	229,379	518,031	214,749
- social security and PAYE	264,491	327,261	264,491	327,261
- VAT	188,410	120,421	188,410	120,421
Accruals and deferred income	4,503,035	3,819,773	4,475,835	3,818,752
Total non-intercompany balances	8,225,868	8,748,303	8,198,355	8,737,465
	38,046,943	30,075,174	40,452,717	32,514,341

Amounts owed to other Group undertakings are repayable on demand and bear no interest.

The intercompany loan is due to be repaid in the year to 31 March 2000 and bears interest calculated at the US midterm Applicable Federal Rate, quarterly compounded.



17 Creditors: Amounts falling due after more than one	year			
			Group & C	ompany
			2000	1999
			£	£
Long term element of loan payable to ultimate parent under	ertaking		-	1,198,104
Accruals and deferred income			240,000	-
			240,000	1,198,104
18 Provisions for liabilities and charges				•
	Pension	Deferred taxation	Deferred Consideration	Total
Group and Company	£	£	£	£

(160,093)

245,093

85,000

1,733

1,733

125,000

125,000

(160,093)

245,093

126,733

211,733

As required by SSAP 24, a provision has been made for unfunded pension commitments and the liability for such commitments has been valued by a qualified actuary (see note 23d).

The provision for deferred consideration is in respect of the acquisition of lan Murray Engineering Limited and is payable in equal instalments of £62,500 during the years ended 31 March 2002 and 2003, dependent on fulfilment of certain conditions laid out at time of acquisition.

Deferred taxation provided and deferred taxation not provided are as follows:

At 1 April 2000 (included within other debtors in prior year)

Charged to profit and loss account

At 31 March 2000

Acquisitions of subsidiary undertakings

	Provided		Not provided	
Group and Company	2000	1999	2000	1999
	£	£	£	£
Accelerated capital allowances	1,733	-	-	-

19 Dry-docking costs

As discussed in note 1k), the company's policy for accounting for dry-docking costs has changed as a result of FRS12. The prior year comparatives in the primary statements and notes have been restated to reflect the changes arising from the implementation of FRS12. These changes are summarised below:

	2000 £	1999 £
Profit and loss account:		
Credit to accumulated losses	720,774	880,123
Balance sheet:		
Increase in fixed assets	720,774	880,123

The effect on the profit and loss account for the year ended 31 March 2000 was an additional charge of £159,349. (1999 – additional credit of £690,219).

20 Called-up equity share capital

	2000 £	1999 £
Authorised		
15,000,000 (1999 - 15,000,000) ordinary shares of £1 each	15,000,000	15,000,000
Allotted, called-up		
3,070,500 (1999 – 3,070,500) ordinary shares of £1 each	3,070,500	3,070,500

Share capital consists entirely of equity shares.

21 Reserves

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

		Non-dis	stributable		
	Share	Capital	Accumulated		-
	premium	contribution	currency	Profit and	
_	account	reserve	reserve	loss account	Total
Group	£	£	£	£	£
Beginning of year (as restated)	23,134,500	1,042,100	(174,475)	(7,162,114)	16,840,011
Retained profit for the year	<u>-</u>	•	-	2,325,607	2,325,607
Currency reserve movement	-	•	58,237	-	58,237
Other		43,542	<u></u>	**	43,542
End of year	23,134,500	1,085,642	(116,238)	(4,836,507)	19,267,397
		Non-dis	stributable		_
	Share	Capital	Accumulated		
	Premium	contribution	currency	Profit and	
	Account	reserve	reserve	loss account	Total
Company	£	£	£	£	£
Beginning of year (as restated)	23,134,500	1,042,100	(125,894)	(6,901,069)	17,149,637
Retained profit for the year	-	-	-	2,452,515	2,452,515
Currency reserve movement	-	-	63,035	-	63,035
Other	-	43,542	_	-	43,542

22 Reconciliation of movements in shareholders' funds

End of year

	Gre	oup	Com	pany			
	2000	1999	1999 2000		2000	1999	
	£	£	£	£			
Profit for the financial year (as restated)	2,325,607	7,177 <u>,</u> 086	2,452,515	7,461,058			
Capital contributions	43,542	-	43,542	-			
Accumulated currency reserve movement	58,237	219,190	63,035	236,210			
Net addition to shareholders' funds	2,427,386	7,396,276	2,559,092	7,697,268			
Opening shareholders' funds	19,910,511	12,514,235	20,220,137	12,522,869			
Closing shareholders' funds	22,337,897	19,910,511	22,779,229	20,220,137			

1,085,642

(62,859)

(4,448,554)

19,708,729

23,134,500

23 Guarantees and other financial commitments

a) Capital commitments

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

	2000 £	1999 £
Contracted for but not provided for2,	784,813	5,214,264

b) Contingent liabilities - general

- i. The company has granted various bank guarantees and indemnities for amounts approximating £15,000 to £232,000 respectively in the ordinary course of business.
- ii. A division of the company performs a number of contracts under warranty. The total potential warranty claim under these warrants is £28,818,000 expiring between June 2000 and September 2003 (1999 £32,955,000).
- iii. HM Customs and Excise also hold a deferred duty bond with a value of £100,000.

c) Lease commitments

The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total annual rental (including interest) for 2000 was £52,300 (1999 - £75,970), all applicable to the company. The lease agreements provide that the company will pay all insurance, maintenance and repairs. The Group may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the Group leases certain land and buildings on short and long-term leases. The annual rental on these leases was £590,600 (1999 - £329,050). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

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

	Group &	Company
	Property £	Plant & machinery £
2000		
Operating leases which expire		
- within 1 year	-	12,000
- within 2-5 years	-	49,540
- after 5 years	578,060	
	578,060	61,540

23 Guarantees and other financial commitments (continued)

c) Lease commitments (continued)

1999 Operating leases which expire - within 1 year 60,00 - within 2-5 years - after 5 years 600,96	Group & Company	
Operating leases which expire - within 1 year - within 2-5 years - after 5 years 600,96	-	Plant & machinery
- within 1 year 60,00 - within 2-5 years 600,96 - after 5 years	£ .	£
- within 2-5 years - after 5 years 600,96		
- after 5 years 600,96)	29,010
- after 5 years 600,96	-	48,590
	<u> </u>	<u>-</u>
660,96	0	77,600

d) Pension arrangements

4

• • • •

•

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

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was at 1 April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be at 7.5% per annum, that salary increases would average 5% per annum and that present and future pensions would increase in line with statutory requirements.

The net pension cost of the Group for the year was £245,093 (1999 - £Nil). A provision of £85,000 (1999 - prepayment of £160,093) is included within provisions for liabilities and charges being the excess of the accumulated pension credit over the amount funded.

The most recent actuarial valuation showed that the market value of the scheme's assets was £6,570,473 and the actuarial value of those assets represented 120% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The company also makes contributions to the personal pension schemes of directors and certain other staff amounting to £10,000 (1999 - £10,000).

24 Cash flow statement

The company is exempt from the requirement of FRS 1 to include a cash flow statement as part of its accounts because its accounts are consolidated within Oceaneering International Inc., whose accounts are publicly available.

25 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 accounts of this group are available to the public and may be obtained from 11911 FM529, Houston, Texas 77041-3011.