

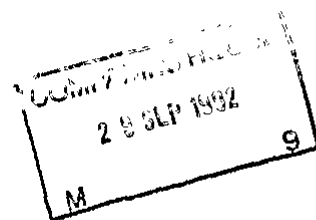
KPMG PEAT MARWICK
REGISTRAR'S COPY

NORTHERN OCEAN SERVICES LIMITED

Directors' report and accounts

31 March 1992

Registered number 1902584



NORTHERN OCEAN SERVICES LIMITED

Directors' report and financial statements

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NORTHERN OCEAN SERVICES LIMITED

Directors' report

The directors have pleasure in submitting their annual report and audited accounts for the year ended 31 March 1992.

Principal activities

The principal activity of the company is the provision of technical, engineering and construction services to the sub sea sector of the offshore construction industry.

Business review

During the year the Company has again enhanced and expanded its engineering and construction capability, increasing its range of services and market share and achieving a "world leader" position in the area of marine trenching.

In support of the Company's increasing leading industry position, a dedicated trenching support vessel was acquired by the Company during September 1991, the 12000 HP, 155 Te sustained bollard pull, multipurpose support vessel Explorer II, now renamed Northern Explorer.

The principal development of the year, the delivery of the Multi-role Service Vessel, Norlift, following an extensive conversion, refurbishment and systems enhancement programme, will enable the Company to move from its very strong foundation as a marine trenching contractor to a prime subsea construction contractor. The efficiencies expected from this truly multi-role vessel, capable of carrying out the full spectrum of subsea construction tasks - lifting, pipelay, cable lay, trenching and dive support - in a single mobilisation will make the Company's services highly competitive, clearly a vital factor in achieving the planned development and growth.

During March an order was placed for an advanced tractor mounted jet dredge trenching system for the deep burial (2.5m) of flexible submarine pipelines and cables. This state of the art machine will represent a considerable advance on other machines currently in the market. It not only completes the Company's range of trenching equipment, but provides a vital component for flexible pipeline installation capability.

In addition to the above developments, the Company entered into an agreement with the Wellstream Corporation of USA during March 1992; an alliance which provides clients with a total turnkey capability for the planning, manufacture and installation of flexible pipelines.

Turnover for the year under review amounted to £16m, an increase of 49% over the preceding year, generating a trading profit of £931,124 (1991: £7,934).

The Directors believe that the Company's success in achieving its planned development to date, with its continuing commitment to and application of "state of the art" technology, places it extremely well to achieve its objective of becoming a prime and leading integrated marine construction contractor and thus continue to look forward to a successful and secure future.

NORTHERN OCEAN SERVICES LIMITED

Directors' report *(continued)*

Proposed Dividend

The directors do not propose the payment of a dividend.

Fixed assets

Details of movement on fixed assets are detailed in notes 9 and 10 to the accounts.

Directors

The directors who served during the year and their interests in the share capital of the company at the end of the year were as follows:

	<i>Ordinary shares of £1 each</i>	
	1992	1991
RS Pitt - Chairman	-	-
AC Tompkins - Managing Director	22,500	22,500
DA Hughes	-	-
JJ Johnson	-	-
MA Bull	-	-
B Cocksedge (appointed 16.5.91)	-	-

The beneficial interest of the directors and their families in the shares of Cable and Wireless plc are as follows:

	<i>Ordinary shares of £1 each</i>			
	1992		1991	
RS Pitt	7,062		13,972	
	4,453	(a)	2,768	(a)
	61,456	(b)	61,456	(b)
AC Tompkins	-		-	
DA Hughes	48		513	
	2,137	(a)	3,412	(a)
	16,577	(b)	16,577	(b)
JJ Johnson	628	(a)	628	(a)
MA Bull	11,295		13,978	
	2,961	(a)	2,961	(a)
	17,658	(b)	17,658	(b)
B Cocksedge	-		-	

NORTHERN OCEAN SERVICES LIMITED

Directors' report *(continued)*

Directors *(continued)*

All interests are in ordinary shares unless marked as follows:


- a options to purchase ordinary shares under the Savings Related Share Option Scheme;
- b options to purchase ordinary shares under the Senior Employees' Share Option Scheme.

None of the directors had any disclosable interest in any contracts or arrangements with the company either subsisting at the end of the year or entered into since the date of appointment. The company maintained directors' and officers' liability insurance throughout the year ended 31 March 1992.

Auditors

In accordance with the Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JV McDowell
Secretary

Offshore House
Tees Offshore Base
South Bank
MIDDLESBROUGH
TS6 6UZ

8 June 1992

Teeside Office
Northgate House
St Augustines Way
Darlington
Co Durham
DL1 1UZ

Report of the auditors to the members of Northern Ocean Services Limited

We have audited the accounts on pages 5 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 March 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

8 June 1992

NORTHERN OCEAN SERVICES LIMITED

Profit and loss account for the year ended 31 March 1992

	Note	1992 £	1991 £
Turnover	2	15,994,260	10,727,386
Cost of sales and administrative expenses		(15,063,136)	(10,719,452)
Trading profit		931,124	7,934
Interest receivable	5	71,617	71,948
Interest payable and similar charges	6	(1,224,764)	(660,786)
Loss on ordinary activities before taxation	7	(222,023)	(580,904)
Tax on loss on ordinary activities	8	2,801,464	210,211
Profit/(loss) for the financial year		2,579,441	(370,693)
Retained loss brought forward		(1,216,185)	(845,492)
Retained profit/(loss) carried forward		1,363,256	(1,216,185)

The notes on pages 7 to 15 form part of these accounts.

NORTHERN OCEAN SERVICES LIMITED

Balance sheet as at 31 March 1992

	Note	1992	1991
		£	£
Fixed assets			
Tangible assets	9	41,750,045	5,053,793
Investments	10	401	401
		<u>41,750,446</u>	<u>5,054,194</u>
Current assets			
Stocks	11	415,840	160,179
Debtors	12	8,051,053	4,046,543
Cash at bank and in hand		175,242	6,579
		<u>8,642,135</u>	<u>4,213,301</u>
Creditors: amounts falling due within one year	13	(4,848,947)	(3,144,644)
Net current assets		<u>3,793,188</u>	<u>1,068,657</u>
Total assets less current liabilities		<u>45,543,634</u>	<u>6,122,851</u>
Creditors: amounts falling due after more than one year	14	(33,302,878)	(6,461,536)
Net assets/(liabilities)		<u>12,240,756</u>	<u>(338,685)</u>
Capital and reserves			
Called up share capital	17	10,450,000	450,000
Share premium account		427,500	427,500
Profit and loss account		1,363,256	(1,216,185)
Shareholders' funds		<u>12,240,756</u>	<u>(338,685)</u>

The notes on page 7 to 15 form part of these accounts.

These financial statements were approved by the board of directors on 8 June 1992 and were signed on its behalf by:


RS Pitt
Director


AC Tompkins
Director

NORTHERN OCEAN SERVICES LIMITED

Notes

forming part of the financial statements

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

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

Depreciation

Depreciation on tangible fixed assets is charged at a rate appropriate to write off original costs over their estimated useful lives in equal instalments as follows:

Leasehold improvements	- Over the length of the lease
Motor vehicles	- 4 years
Plant and equipment	- Up to 20 years
Fixtures and fittings	- 5 to 10 years
Vessels	- Up to 30 years

Stocks and work in progress

Work in progress on contracts is stated at cost less foreseeable losses less progress payments received and receivable, any excess being included in creditors.

Deferred taxation

Deferred tax is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. Transactions arising during the year in foreign currencies are stated in sterling at the approximate rates of exchange ruling at the time they arise. Exchange differences are charged or credited to the profit and loss account.

NORTHERN OCEAN SERVICES LIMITED

Notes *(continued)*

1 Principal accounting policies *(continued)*

Assets held under finance leases and hire purchase contracts

Where assets are acquired by hire purchase and finance lease which give rights approximating to ownership the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off this net cost over the estimated useful lives of the assets.

The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the agreement in proportion to the balances outstanding.

Assets held under operating leases

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund. The employer's contributions are charged to the profit and loss account in the period to which they relate.

2 Turnover

Turnover represents the invoiced value of goods and services provided to external customers, excluding VAT and trade discounts.

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

3 Staff numbers and costs

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

	1992	1991
Management	5	4
Administration	6	5
Operations	81	33
	<u>92</u>	<u>42</u>

The aggregate payroll costs of these persons was as follows:

	1992 £	1991 £
Wages and salaries	2,307,241	791,022
Social security costs	228,213	88,341
Other pension costs	76,597	44,010
	<u>2,612,051</u>	<u>923,373</u>

4 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman were £Nil (1991: £Nil) and the emoluments of the highest paid director were £87,338 (1991: £79,127); the emoluments of the other directors were within the following ranges:

	1992	1991
£ 0 - £ 5,000	2	2
£25,001 - £30,000	-	1
£35,001 - £40,000	-	1
£40,001 - £45,000	2	-

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

5 Interest receivable

	1992 £	1991 £
Interest on short term bank deposits	<u>71,617</u>	<u>71,948</u>

6 Interest payable

	1992 £	1991 £
Group undertakings	1,057,563	439,067
Hire purchase and finance leases	<u>167,201</u>	<u>221,719</u>
	<u>1,224,764</u>	<u>660,786</u>

7 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging the following:

	1992 £	1991 £
Depreciation of tangible fixed assets		
- owned assets	896,692	290,184
- finance leases	203,474	207,664
Directors' emoluments	201,986	168,258
Auditors' remuneration	3,000	3,500
Hire of plant and machinery	<u>310,215</u>	<u>197,589</u>

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

8 Tax on loss on ordinary activities

The tax credit is based on the company's loss before tax after adjusting for certain expenses not allowable for tax. The credit comprises UK corporation tax at 33% (1991: 34%):

	1992 £	1991 £
<i>Group relief receivable</i>		
Current year	2,729,214	210,211
Prior year	72,250	-
	<u>2,801,464</u>	<u>210,211</u>

9 Tangible Fixed assets

	Leasehold improvements £	Vessels £	Motor vehicles £	Plant & equipment £	Fixtures & fittings £	Total £
<i>Cost</i>						
At 1 April 1991	13,816	-	215,398	5,324,999	297,397	5,851,610
Additions	18,234	36,265,000	137,478	1,171,800	174,865	37,817,377
Disposals	-	-	(53,560)	-	-	(53,560)
At 31 March 1992	<u>32,050</u>	<u>36,265,000</u>	<u>349,316</u>	<u>6,496,799</u>	<u>472,262</u>	<u>43,615,427</u>
<i>Depreciation</i>						
At 1 April 1991	336	-	64,973	651,702	80,896	797,817
Charge for year	4,462	334,987	68,160	620,780	71,777	1,100,166
Disposals	-	-	(32,601)	-	-	(32,601)
At 31 March 1992	<u>4,798</u>	<u>334,987</u>	<u>100,532</u>	<u>1,272,482</u>	<u>152,583</u>	<u>1,865,382</u>
<i>Net book value</i>						
At 31 March 1992	<u>27,252</u>	<u>35,930,013</u>	<u>248,784</u>	<u>5,224,317</u>	<u>319,679</u>	<u>41,750,045</u>
At 31 March 1991	<u>13,480</u>	<u>-</u>	<u>150,425</u>	<u>4,673,297</u>	<u>216,591</u>	<u>5,053,793</u>

The net book value of tangible fixed assets includes an amount of £1,372,667 (1991: £1,565,000) in respect of assets held under finance leases and similar hire purchase contracts and £221,191 (1991: £1,020,966) in respect of assets not yet in service.

NORTHERN OCEAN SERVICES LIMITED

Notes to the accounts (continued)

10 Investments

	1992 £	1991 £
Investment in shares in an undertaking in which the company has a participating interest at cost	<u>401</u>	<u>401</u>

The investment represents a 50% equity shareholding of Northern Contractors Limited, a company registered in England and Wales.

11 Stocks

	1992 £	1991 £
Raw materials and consumables	229,783	-
Work in progress	<u>186,057</u>	<u>160,179</u>
	<u>415,840</u>	<u>160,179</u>

12 Debtors

	1992 £	1991 £
Trade debtors	2,271,649	1,950,769
Amounts owed by group undertakings	-	588,969
Group taxation relief	3,286,750	485,286
Other debtors	218,078	177,910
Prepayments and accrued income	<u>2,274,576</u>	<u>743,609</u>
	<u>8,051,053</u>	<u>4,046,543</u>

13 Creditors: amounts falling due within one year

	1992 £	1991 £
Bank overdraft	-	18,206
Trade creditors	1,568,982	1,783,066
Amounts owed to group undertakings	<u>2,117,058</u>	<u>150,000</u>
Amounts owed to undertakings in which the company has a participating interest	2,281	2,281
Other creditors including taxation and social security	210,923	221,619
Accruals and deferred income	<u>949,703</u>	<u>969,472</u>
	<u>4,848,947</u>	<u>3,144,644</u>

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

13 Creditors: amounts falling due within one year (continued)

Other creditors including taxation and social security comprise:

	1992 £	1991 £
Other taxes	76,105	33,534
Obligations under finance leases and hire purchase contracts (note 15)	134,438	185,768
Other creditors	380	2,317
	<u>210,923</u>	<u>221,619</u>

14 Creditors: amounts falling due after more than one year

	1992 £	1991 £
Amount owed to group undertakings	31,856,025	4,933,760
Obligations under finance leases and hire purchase contracts (note 15)	1,446,853	1,527,776
	<u>33,302,878</u>	<u>6,461,536</u>

A loan balance of £16,720,000, received to fund a vessel acquisition, is owed to a group undertaking. This balance, bearing interest at 7½% per annum, is repayable by instalments under the following schedule:

	1992 £
<i>Included within note 13</i>	
Within one year	1,967,058
<i>Included within note 14</i>	
Between two and five years	7,868,235
In more than five years	6,884,707
	<u>16,720,000</u>

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

15 Obligations under finance leases and hire purchase contracts

	1992 £	1991 £
<i>Obligations under finance leases are repayable as follows:</i>		
Within one year	134,438	185,768
Between two and five years	689,107	683,424
In more than five years	757,746	844,352
	<u>1,581,291</u>	<u>1,713,544</u>

16 Deferred taxation

No amounts have been provided for deferred taxation in these accounts. The total potential liability is as follows:

	<i>Amounts provided</i>		<i>Total potential liability</i>	
	1992 £	1991 £	1992 £	1991 £
Excess capital allowances	-	238,418	3,728,283	238,418
Other	-	(238,418)	(1,088,748)	(278,080)
	<u>-</u>	<u>-</u>	<u>2,639,535</u>	<u>(39,662)</u>

NORTHERN OCEAN SERVICES LIMITED

Notes (continued)

17 Share capital

	1992 £	1991 £
Authorised:		
10,500,000 ordinary shares of £1 each	<u>10,500,000</u>	<u>500,000</u>
Allotted, called up and fully paid:		
10,450,000 ordinary shares of £1 each	<u>10,450,000</u>	<u>450,000</u>

An ordinary resolution was passed during the year to increase the company's authorised share capital to £10,500,000 by the creation of an additional 10,000,000 ordinary shares of £1 each, ranking pari passu in all respects with the existing issued ordinary shares of £1 each.

During the year 10,000,000 ordinary shares of £1 each were issued at par, in order to provide funds towards the acquisition of fixed assets as set out in note 9 to the accounts.

18 Future capital commitments

	1992 £	1991 £
Commitments in respect of contracts placed	1,700,000	641,550
Amounts authorised in addition to commitments	<u>240,000</u>	<u>87,484</u>
	<u>1,940,000</u>	<u>729,034</u>

19 Ultimate holding company

The company's ultimate holding company is Cable & Wireless plc, registered in England and Wales.

Copies of the financial statements of Cable & Wireless plc may be obtained from:

New Mercury House
26 Red Lion Square
LONDON WC1R 4UQ