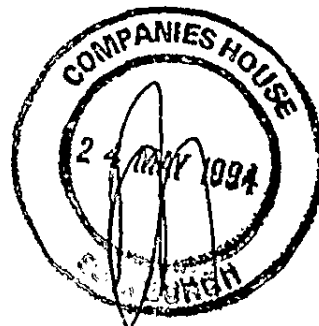


Aquatic Engineering & Construction Limited

Directors' report and financial statements

31 July 1993

Registered number 123734



Aquatic Engineering & Construction Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Statement of directors' responsibilities	3
Auditors' report	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Balance sheet	7
Consolidated cash flow statement	8
Notes	9-20

Aquatic Engineering & Construction Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 July 1993.

Principal activity

The principal activity of the company and the group is the provision of equipment and consultancy services to the offshore oil and gas industry.

Business review

As predicted in our last annual report, the results of the group for the year ended 31 July 1993 have been very pleasing despite the impact of partnering agreements between the main contractors and the major oil companies.

Trading for the financial year ending 31 July 1994 is however, expected to be very difficult. The partnering agreements continue to impact severely on our business.

Proposed dividend and transfer to reserves

The directors recommend that a final dividend of £10,080 be paid on the 12% preference shares making with the interim a total of £24,585. The directors also recommend that a final dividend of £31,926 be paid on the A ordinary shares making with the interim a total of £76,926 and that a final dividend of £74,498 be paid on the ordinary shares making with the interim a total of £179,498.

After deducting total dividends, the profit for the year retained by the group is £204,242.

Directors and directors' interests

The directors who held office during the year were as follows:

Derek Ian Edgley
Michael John Arnell
Frederick Edgley
Douglas Craigie

The directors who held office at the end of the financial year had the following interests in the ordinary share capital of the company as recorded in the register of directors' share interests:

	31 July 1993 No	31 July 1992 No
Derek Ian Edgley	30,000	30,000
Michael John Arnell	20,000	20,000
Frederick Edgley	30,000	30,000
Douglas Craigie	25,000	25,000

Aquatic Engineering & Construction Limited

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aquatic Engineering & Construction Limited

Directors' report (*continued*)

Significant changes in fixed assets

Movements in tangible fixed assets are set out in the notes to the financial statements.

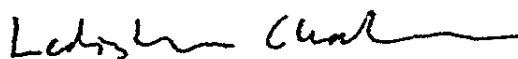
Share capital

In accordance with the company's articles of association 42,000 preference shares of £1 each were redeemed during the year at par value.

Auditors

In accordance with 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



Ledingham Chalmers
Secretaries

Palmerston Centre
29/31 Palmerston Road
Aberdeen

3 May 1994

Aquatic Engineering & Construction Limited

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the auditors to the members of
Aquatic Engineering & Construction Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 July 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

3 May 1994

Aquatic Engineering & Construction Limited

Consolidated profit and loss account for the year ended 31 July 1993

	Note	1993 £	1992 £
Turnover	2	11,869,523	9,013,947
Cost of sales		(10,233,690)	(7,834,549)
Gross profit		1,635,833	1,179,398
Administrative expenses		(805,658)	(744,135)
Trading profit	3-5	830,175	435,263
Interest receivable and similar income		7,792	-
Interest payable and similar charges	6	(68,703)	(52,126)
Profit on ordinary activities before taxation		769,264	383,137
Tax on profit on ordinary activities	7	(284,013)	(142,952)
Profit for the financial year	8	485,251	240,185
Dividends paid and proposed	9	(281,009)	(152,764)
Retained profit for the financial year		204,242	87,421

A statement of movements on reserves is given in note 19.

Turnover and trading profit arise wholly from continuing operations.

There are no recognised gains or losses other than the profit for the year.

Aquatic Engineering & Construction Limited

Consolidated balance sheet at 31 July 1993

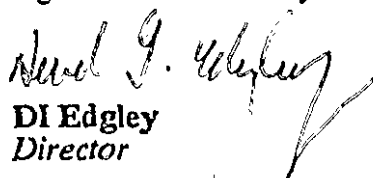
	Note	£	1993	£	£	1992	£
Fixed assets							
Intangible assets	10		85,815			129,157	
Tangible assets	11		512,783			401,692	
			<u>598,598</u>			<u>530,849</u>	
Current assets							
Work in progress			-		130,440		
Debtors	13	3,068,499			2,454,643		
Cash at bank and in hand		144,689			800		
			<u>3,213,188</u>		<u>2,585,883</u>		
Creditors: amounts falling due within one year	14	(2,557,670)			(2,086,635)		
			<u>655,518</u>		<u>499,248</u>		
Net current assets							
			<u>1,254,116</u>		<u>1,030,097</u>		
Total assets less current liabilities							
Creditors: amounts falling due after more than one year	15		(407,415)			(351,943)	
Provisions for liabilities and charges	16		(6,305)			-	
			<u>840,396</u>		<u>678,154</u>		
Capital and reserves							
Called up share capital	17		318,000			360,000	
Capital redemption reserve	19		42,000			-	
Capital reserve	19		162,319			175,846	
Profit and loss account	19		318,077			142,308	
			<u>840,396</u>		<u>678,154</u>		

Aquatic Engineering & Construction Limited

Balance sheet at 31 July 1993

	Note	£	1993	£	£	1992	£
Fixed assets							
Intangible assets	10		85,815			129,157	
Tangible assets	11		499,829			401,692	
Investments	12		12,016			12,016	
			<u>597,660</u>			<u>542,865</u>	
Current assets							
Work in progress			-		130,440		
Debtors	13	2,400,322		2,080,324			
Cash at bank and in hand		2,111		800			
		<u>2,402,433</u>		<u>2,211,564</u>			
Creditors: amounts falling due within one year	14	(1,813,481)		(1,741,430)			
		<u></u>		<u></u>			
Net current assets			588,952			470,134	
			<u></u>			<u></u>	
Total assets less current liabilities			1,186,612			1,012,999	
			<u></u>			<u></u>	
Creditors: amounts falling due after more than one year	15		(407,415)			(351,943)	
			<u></u>			<u></u>	
Provisions for liabilities and charges	16		(6,305)			-	
			<u>772,892</u>			<u>661,056</u>	
			<u></u>			<u></u>	
Capital and reserves							
Called up share capital	17		318,000			360,000	
Capital redemption reserve	19		42,000			-	
Capital reserve	19		128,049			138,720	
Profit and loss account	19		284,843			162,336	
			<u>772,892</u>			<u>661,056</u>	
			<u></u>			<u></u>	

These financial statements were approved by the board of directors on 3 May 1994 and were signed on its behalf by:


DI Edgley
 Director

Aquatic Engineering & Construction Limited

Consolidated cash flow statement for the year ended 31 July 1993

	Note	£	1993 £	£	1992 £
Net cash inflow (outflow) from operating activities	20		720,738		(132,454)
Returns on investments and servicing of finance					
Interest received		7,792		-	
Interest paid		(68,930)		(64,788)	
Dividends paid		(302,287)		(51,026)	
Net cash outflow from returns on investments and servicing of finance			(363,425)		(115,814)
Taxation					
UK corporation tax paid (including advance corporation tax)		(159,420)		(29,509)	
Overseas tax paid		(29,633)		-	
Tax paid			(189,053)		(29,509)
Investing activities					
Purchase of tangible fixed assets		(295,024)		(81,118)	
Proceeds from disposal of fixed assets		5,949		-	
Net cash outflow from investing activities			(289,075)		(81,118)
Net cash outflow before financing			(120,815)		(358,895)
Financing					
Hire purchase finance received	15	158,826		27,216	
Bank loan received	15	-		370,000	
Repayment of preference shares	17	(42,000)		-	
Repayment of bank loan	15	(28,232)		-	
Repayment of hire purchase finance	15	(45,117)		(16,408)	
Net cash (outflow) inflow from financing			43,477		380,808
(Decrease) increase in cash and cash equivalents	21		(77,338)		21,913

Aquatic Engineering & Construction Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

Consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary Aquatic Engineering & Construction BV.

In accordance with s230 of the Companies Act 1985, a separate profit and loss account of Aquatic Engineering & Construction Limited is not presented as the results for the company are disclosed in note 8.

Capital reserves arising on acquisition are credited directly to reserves and transferred to the profit and loss account over a period of 15 years.

Fixed assets and depreciation

Depreciation or amortisation is provided to write off the cost less the estimated residual value of tangible and intangible fixed assets by equal instalments over their estimated useful economic lives. The rates are as follows:

Plant and equipment	-	4-10 years
Motor vehicles	-	4 years
Patents	-	5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that a liability will crystallise.

Finance leases and hire purchase agreements

Assets purchased under finance leases or hire purchase agreements are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract on a straight-line basis. Rentals paid under operating leases are charged to income over the terms of the lease.

Aquatic Engineering & Construction Limited

Notes (continued)

1 Accounting policies (continued)

Work in progress

Work in progress is stated at the lower of cost and net realisable value and comprises cost of direct materials and labour incurred on jobs not completed at the period end.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities other than investments denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Investments, not supported by foreign loans, are translated at the rate of exchange ruling at the time when the investment was made. All differences are taken to the profit and loss account.

Turnover

Turnover represents the total invoiced value of services provided excluding Value Added Tax.

2 Analysis of turnover

All turnover is derived from the provision of equipment and consultancy services to the offshore oil and gas industry to the following geographical locations:

	1993 £	1992 £
United Kingdom	4,972,996	5,946,635
Netherlands	5,301,808	3,067,312
Africa	1,594,725	-
	11,869,523	9,013,947

Aquatic Engineering & Construction Limited

Notes (continued)

3 Profit on ordinary activities before interest

	1993 £	1992 £
<i>Profit on ordinary activities before interest is stated after charging</i>		
Hire of plant, machinery and vessels	1,296,857	127,318
Depreciation and amortisation	220,699	187,956
Auditors' remuneration:		
- audit fees	7,500	7,500
Loss on disposal of fixed assets	627	-
<i>and after crediting</i>		
Exchange gains	9,432	-

4 Staff numbers and costs

	1993 £	1992 £
Wages and salaries	2,595,612	2,336,197
Social security costs	78,813	141,936
Other pension costs	18,939	15,399
	2,693,364	2,493,532

Number of employees 1993 1992

The average number of persons, including the directors,
employed during the year was

101 65

5 Remuneration of directors

	1993 £	1992 £
<i>Directors emoluments</i>		
As executives - Salaries	208,401	219,984
- Pensions	12,666	12,666
- Other	15,243	14,150
	236,310	246,800

The emoluments, excluding pension contributions, of the highest paid director were
£58,668 (1992: £64,574).

Aquatic Engineering & Construction Limited

Notes (continued)

5 Remuneration of directors

The emoluments, excluding pension contributions, of all the directors were within the following ranges:

	Number of directors	
	1993	1992
£50,001 - £55,000	1	1
£55,001 - £60,000	3	2
£60,001 - £65,000	-	1

6 Interest payable and similar charges

	1993 £	1992 £
On bank loans, overdrafts and other loans wholly repayable within five years	27,420	12,575
On bank loans repayable outwith five years	36,431	36,430
Finance charges on hire purchase contracts	4,852	3,121
	<u>68,703</u>	<u>52,126</u>

7 Taxation

	1993 £	1992 £
UK corporation tax at 32.9 %	216,220	130,909
Double tax relief	(43,830)	(8,270)
	<u>172,390</u>	<u>122,639</u>
Overseas taxation	110,219	32,818
Deferred taxation	1,509	(12,505)
	<u>284,118</u>	<u>142,952</u>
Adjustment relating to prior years	(105)	-
	<u>284,013</u>	<u>142,952</u>

8 Profit for the financial year

The profit dealt with in the accounts of the parent company was £434,845 (1992: £226,035).

Aquatic Engineering & Construction Limited

Notes (continued)

9 Dividends

	1993 £	1992 £
Ordinary shares:		
Interim paid	105,000	-
Final proposed	74,498	89,250
A ordinary shares:		
Interim paid	45,000	-
Final proposed	31,926	38,314
Preference shares:		
Interim paid	14,505	14,982
Final proposed	10,080	10,218
	281,009	152,764

10 Intangible fixed assets

Group and company

Cost

At beginning and end of year

Patents
£

184,000

Amortisation

At beginning of year

54,843

Charge for year

43,342

At end of year

98,185

Net book amount

At 31 July 1993

85,815

At 31 July 1992

129,157

Aquatic Engineering & Construction Limited

Notes (continued)

11 Tangible fixed assets

Group	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>			
At beginning of year	544,275	63,792	608,067
Additions	278,981	16,043	295,024
Disposals	-	(13,350)	(13,350)
At end of year	823,256	66,485	889,741
<i>Depreciation</i>			
At beginning of year	183,689	22,686	206,375
Charge for year	158,919	18,438	177,357
On disposals	-	(6,774)	(6,774)
At end of year	342,608	34,350	376,958
<i>Net book value</i>			
At 31 July 1993	480,648	32,135	512,783
At 31 July 1992	360,586	41,106	401,692
Company	Plant and equipment £	Motor vehicles £	Total £
<i>Cost</i>			
At beginning of year	544,275	63,792	608,067
Additions	264,588	16,043	280,631
Disposals	-	(13,350)	(13,350)
At end of year	808,863	66,485	875,348
<i>Depreciation</i>			
At beginning of year	183,689	22,686	206,375
Charge for year	157,480	18,438	175,918
On disposals	-	(6,774)	(6,774)
At end of year	341,169	34,350	375,519
<i>Net book value</i>			
At 31 July 1993	467,694	32,135	499,829
At 31 July 1992	360,586	41,106	401,692

Aquatic Engineering & Construction Limited

Notes (continued)

11 Tangible fixed assets (continued)

Group and company

Included in the total net book value is £173,803 (1992: £24,569) in respect of assets held under hire purchase contracts, the depreciation charge thereon being £32,168 (1992: £14,198).

12 Fixed asset investments

Shares in subsidiary undertaking (unlisted)

Cost

At beginning and end of year

£
12,016

The company's subsidiary undertaking is as follows:

	Country of registration	Percentage of ordinary shares held	Principal activity
Aquatic Engineering and Construction BV	Netherlands	100%	Offshore Oilfield Services

Aquatic Engineering and Construction BV has been included in the consolidated accounts.

13 Debtors

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Trade debtors	2,888,221	2,260,046	1,627,503	1,249,177
Other debtors	180,278	194,597	154,032	190,049
Amounts owed by subsidiary undertakings	-	-	618,787	641,098
	<u>3,068,499</u>	<u>2,454,643</u>	<u>2,400,322</u>	<u>2,080,324</u>

All debtors are considered recoverable within one year.

Aquatic Engineering & Construction Limited

Notes (continued)

14 Creditors: amounts falling due within one year

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Bank loan (note 15)	26,100	31,000	26,100	31,000
Bank overdrafts (note 15)	550,467	329,240	253,866	285,333
Trade creditors	1,153,198	736,184	900,313	639,890
Obligations under hire purchase contracts	53,963	19,058	53,963	19,058
Other creditors including taxation and social security:				
Corporation tax	259,074	259,057	259,074	259,057
Other taxation and social security	221,262	179,283	72,778	50,794
Other creditors	177,102	395,031	130,883	305,010
Dividends proposed	116,504	137,782	116,504	137,782
Amounts owed to subsidiary undertakings	-	-	-	13,506
	<u>2,557,670</u>	<u>2,086,635</u>	<u>1,813,481</u>	<u>1,741,430</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Bank loan:				
Amounts due in the second to fifth years	128,200	108,000	128,200	108,000
Amounts due outwith five years	187,468	231,000	187,468	231,000
	<u>315,668</u>	<u>339,000</u>	<u>315,668</u>	<u>339,000</u>
Obligations under hire purchase contracts:				
Amounts due in the second to fifth years	91,747	12,943	91,747	12,943
	<u>407,415</u>	<u>351,943</u>	<u>407,415</u>	<u>351,943</u>

The bank loan and overdrafts are secured by a bond and floating charge over the assets of the parent company.

The bank loan is repayable quarterly over a period of 10 years and bears interest at rates which vary with bank base lending rates.

Aquatic Engineering & Construction Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Movements during the year have been as follows:

Group and company	Bank loan		Obligations under hire purchase contracts	
	1993 £	1992 £	1993 £	1992 £
At beginning of year	370,000	-	32,001	21,193
Amounts received	-	370,000	158,826	27,216
Amounts repaid	(28,232)	-	(45,117)	(16,408)
At end of year	341,768	370,000	145,710	32,001
<i>Of which:</i>				
Falling due within one year	26,100	31,000	53,963	19,058
Falling due after more than one year	315,668	339,000	91,747	12,943
	341,768	370,000	145,710	32,001

16 Provisions for liabilities and charges

Group and company

The full potential liability for deferred tax, all of which has been provided in these accounts is:

	Accelerated capital allowances £	Advance corporation tax £	Total £
At beginning of year	18,307	(18,307)	-
Charge for the year	1,509	-	1,509
Advance corporation tax recoverable	-	4,796	4,796
At end of year	19,816	(13,511)	6,305

Deferred tax is not provided in respect of the accumulated reserves of overseas subsidiary undertakings as no additional tax charge would arise on the remittance of these reserves to the United Kingdom.

Aquatic Engineering & Construction Limited

Notes (continued)

17 Called up share capital

	1993 £	1992 £
<i>Authorised</i>		
Ordinary shares of £1 each	105,000	105,000
A Ordinary shares of £1 each	45,000	45,000
Preference shares of £1 each	255,000	255,000
	405,000	405,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	105,000	105,000
A Ordinary shares of £1 each	45,000	45,000
Preference shares of £1 each	168,000	210,000
	318,000	360,000

The first tranche of £42,000 preference shares was redeemed on 31 January 1993 at £1 per share. The remaining preference shares are to be redeemed at £1 per share as follows:

	£
31 January 1994	42,000
31 January 1995	42,000
31 January 1996	42,000
31 January 1997	42,000

Dividends are payable on the preference shares at 12% of the subscription price of those shares. The holders of the A ordinary shares are entitled to 10% of adjusted profit on ordinary activities before taxation plus the equivalent of an equal share in salary and dividends payable to ordinary shareholders in excess of specified levels. The above percentages are calculated net of advance corporation tax.

Aquatic Engineering & Construction Limited

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	1993 £	1992 £	1993 £	1992 £
Profit for the financial year	485,251	240,185	434,845	226,035
Dividends payable	(281,009)	(152,764)	(281,009)	(152,764)
Redemption of share capital	(42,000)	-	(42,000)	-
Net addition to shareholders' funds	162,242	87,421	111,836	73,271
At beginning of year	678,154	590,733	661,056	587,785
At end of year	840,396	678,154	772,892	661,056

19 Reserves

	Capital redemption reserve £	Capital reserve £	Profit and loss account £
Group			
At beginning of year	-	175,846	142,308
Retained profit for year	-	-	204,242
Transfer	-	(13,527)	13,527
Arising on redemption of shares	42,000	-	(42,000)
At end of year	42,000	162,319	318,077
Company			
At beginning of year	-	138,720	162,336
Retained profit for year	-	-	153,836
Transfer	-	(10,671)	10,671
Arising on redemption of shares	42,000	-	(42,000)
At end of year	42,000	128,049	284,843

Aquatic Engineering & Construction Limited

Notes (continued)

20 Reconciliation of trading profit to net cash inflow (outflow) from operating activities

	1993 £	1992 £
Trading profit	830,175	435,263
Depreciation and amortisation	220,699	187,956
Loss on sale of tangible fixed assets	627	-
Decrease (increase) in work in progress	130,440	1,085
Increase in debtors	(621,163)	(924,039)
Increase in creditors	159,960	167,281
Net cash inflow (outflow) from operating activities	720,738	(132,454)

21 Analysis of changes in cash and cash equivalents

	1993 £	1992 £	Change in year £
Cash at bank and in hand	144,689	800	143,889
Bank overdraft	(550,467)	(329,240)	(221,227)
	(405,778)	(328,440)	(77,338)

22 Commitments

At the end of the financial year the group had annual commitments under non-cancellable operating leases as follows:

	1993		1992	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Operating leases which expire:</i>				
Within 1 year	-	2,554	-	7,003
Within 2-5 years	9,784	-	31,228	-
Outwith 5 years	30,251	-	-	-
	40,035	2,554	31,228	7,003