

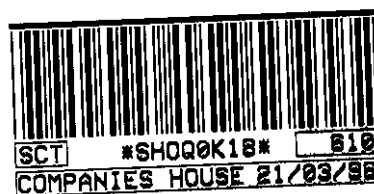
Aquatic Engineering & Construction Limited

Directors' report and financial statements

31 July 1995

Registered number 123734

3



Aquatic Engineering & Construction Limited

Directors' report and financial statements

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Aquatic Engineering & Construction Limited

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 July 1995.

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

Although during 1995 the North Sea market continued to be deflated, the group improved its trading performance in comparison to the prior year. This improvement is expected to continue in the financial year ending 31 July 1996.

Proposed dividend and transfer to reserves

The directors recommend that a final dividend of £3,940 (1994: £7,929) be paid on the 12% preference shares making with the interim a total of £11,500 (1994 : £17,539). The directors also recommend that final dividends be paid on the A Ordinary Shares of £14,560 (1994: £nil) and on the ordinary shares of £33,977 (1994 : £nil).

After deducting total dividends, the profit for the year retained by the group is £24,805.

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	
James Thomas	(appointed 17 November 1994)
Suzanne Morrison	(appointed 1 January 1995)

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 1995 No	31 July 1994 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

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

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG 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

8 March 1996

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 group and of the profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen AB9 1JE

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

We have audited the financial statements on pages 5 to 18.

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 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

19 March 1996

Aquatic Engineering & Construction Limited

Consolidated profit and loss account for the year ended 31 July 1995

	Note	1995 £	1994 £
Turnover	2	6,754,071	5,172,326
Cost of sales		(5,724,466)	(4,733,956)
Gross profit		1,029,605	438,370
Administrative expenses		(816,052)	(666,965)
Operating profit (loss)	3-5	213,553	(228,595)
Interest receivable and similar income		2,240	6,002
Interest payable and similar charges	6	(70,180)	(56,656)
Profit (loss) on ordinary activities before taxation		145,613	(279,249)
Tax on profit (loss) on ordinary activities	7	(60,771)	71,377
Profit (loss) for the financial year	8	84,842	(207,872)
Dividends paid and proposed	9	(60,037)	(17,539)
Retained profit (loss) for the financial year		24,805	(225,411)

A statement of movements on reserves is given in note 18.

Turnover and profit (loss) on ordinary activities arise wholly from continuing operations.

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

Aquatic Engineering & Construction Limited

Consolidated balance sheet at 31 July 1995

	Note	£	1995	£	£	1994	£
Fixed assets							
Intangible assets	10		45,339			45,339	
Tangible assets	11		423,521			372,072	
			<u>468,860</u>			<u>417,411</u>	
Current assets							
Debtors	13	1,937,814		1,528,457			
Cash at bank and in hand		85,253		10,348			
		<u>2,023,067</u>		<u>1,538,805</u>			
Creditors: amounts falling due within one year	14	(1,672,198)		(1,048,949)			
Net current assets			<u>350,869</u>			<u>489,856</u>	
Total assets less current liabilities			<u>819,729</u>			<u>907,267</u>	
Creditors: amounts falling due after more than one year	15		(297,417)			(334,282)	
			<u>522,312</u>			<u>572,985</u>	
Capital and reserves							
Called up share capital	16		234,000			276,000	
Capital redemption reserve	18		126,000			84,000	
Capital reserve	18		104,019			148,792	
Profit and loss account	18		58,293			64,193	
Shareholders' funds			<u>522,312</u>			<u>572,985</u>	

Shareholders' funds comprise £438,312 (1994: £446,985) relating to equity shareholders and £84,000 (1994: £126,000) relating to non-equity shareholders.

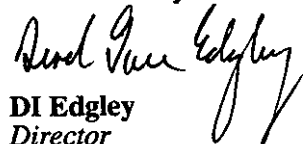
Aquatic Engineering & Construction Limited

Balance sheet at 31 July 1995

	Note	£	1995	£	£	1994	£
Fixed assets							
Intangible assets	10		45,339			45,339	
Tangible assets	11		423,521			372,072	
Investments	12		12,016			12,016	
			<u>480,876</u>			<u>429,427</u>	
Current assets							
Debtors	13	1,547,950		1,212,606			
Cash at bank and in hand		999		2,011			
		<u>1,548,949</u>		<u>1,214,617</u>			
Creditors: amounts falling due within one year	14	(1,249,717)		(758,383)			
Net current assets			<u>299,232</u>			<u>456,234</u>	
Total assets less current liabilities			<u>780,108</u>			<u>885,661</u>	
Creditors: amounts falling due after more than one year	15		(297,417)			(334,282)	
			<u>482,691</u>			<u>551,379</u>	
Capital and reserves							
Called up share capital	16		234,000			276,000	
Capital redemption reserve	18		126,000			84,000	
Capital reserve	18		75,461			117,378	
Profit and loss account	18		47,230			74,001	
Shareholders' funds			<u>482,691</u>			<u>551,379</u>	

Shareholders' funds comprise £398,691 (1994: £425,379) relating to equity shareholders and £84,000 (1994: £126,000) relating to non-equity shareholders.

These financial statements were approved by the board of directors on 8 March 1996 and were signed on its behalf by:


DI Edgley
Director

Aquatic Engineering & Construction Limited

Consolidated cash flow statement for the year ended 31 July 1995

	Note	£	1995 £	£	1994 £
Net cash (outflow) inflow from operating activities	20		(156,808)		832,512
Returns on investments and servicing of finance					
Interest received		2,240		11,759	
Interest paid		(70,180)		(56,656)	
Dividends paid		(15,121)		(126,115)	
Net cash outflow from returns on investments and servicing of finance			(83,061)		(171,012)
Taxation					
UK corporation tax paid (including advance corporation tax)		(5,646)		(193,740)	
Overseas tax paid		(29,219)		(27,677)	
Tax paid			(34,865)		(221,417)
Investing activities					
Purchase of tangible fixed assets		(278,002)		(68,105)	
Proceeds from disposal of fixed assets		16,073		22,465	
Net cash outflow from investing activities			(261,929)		(45,640)
Net cash (outflow) inflow before financing			(536,663)		394,443
Financing					
Hire purchase finance received	15	86,682		38,875	
Repayment of preference shares	17	(42,000)		(42,000)	
Repayment of bank loan	15	(22,351)		(25,076)	
Repayment of hire purchase finance	15	(98,965)		(63,723)	
Net cash outflow from financing			(76,634)		(91,924)
(Decrease) increase in cash and cash equivalents	21		(613,297)		302,519

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 (less goodwill 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	-	3-10 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 it is probable that an actual 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.

Pensions

The parent company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Aquatic Engineering & Construction Limited

Notes (continued)

1 Accounting policies (continued)

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:

	1995 £	1994 £
United Kingdom	5,193,325	2,764,068
Netherlands	689,879	1,278,363
Africa	870,867	1,129,895
	6,754,071	5,172,326

3 Operating profit (loss)

	1995 £	1994 £
<i>Operating profit (loss) is stated</i>		
<i>after charging</i>		

Hire of plant, machinery and vessels	983,777	570,419
Depreciation and amortisation	213,737	227,367
Auditors' remuneration	8,000	7,750
Exchange loss	-	146
<i>and after crediting</i>		
Gain on disposal of fixed asset	3,257	541
Exchange gain	37,708	-

Aquatic Engineering & Construction Limited

Notes (continued)

4 Staff numbers and costs

	1995 £	1994 £
Wages and salaries	1,541,220	1,284,347
Social security costs	115,604	68,364
Other pension costs	23,178	9,933
	1,680,002	1,362,644

	Number of employees 1995	1994
The average number of persons, including the directors, employed during the year was	83	58

5 Remuneration of directors

	1995 £	1994 £
<i>Directors' emoluments</i>		
As executives	302,273	203,830

The emoluments, excluding pension contributions, of the chairman were £56,943 (1994: £52,769) and those of the highest paid director were £58,664 (1994: £53,915).

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

	Number of directors 1995	1994
£15,001 - £20,000	1	-
£40,001 - £45,000	1	1
£45,001 - £50,000	-	1
£50,001 - £55,000	1	2
£55,001 - £60,000	3	-
	3	4

6 Interest payable and similar charges

	1995 £	1994 £
On bank loans, overdrafts and other loans wholly repayable within five years	35,957	25,813
On bank loans repayable outwith five years	31,361	28,320
Finance charges on hire purchase contracts	2,862	2,523
	70,180	56,656

Aquatic Engineering & Construction Limited

Notes (continued)

7 Taxation

	1995 £	1994 £
UK corporation tax at 33%	41,115	(35,105)
Less: Double tax relief	(5,467)	-
Overseas taxation	35,648	(35,105)
Deferred taxation	25,123	(16,456)
	-	(19,303)
Adjustment relating to prior years deferred taxation	60,771	(70,864)
	-	(513)
	60,771	(71,377)

8 Profit (loss) for the financial year

The profit dealt with in the accounts of the parent company was £66,827 (1994:£161,974 loss).

9 Dividends

	1995 £	1994 £
Equity		
Ordinary shares:		
Final proposed	33,977	-
 A ordinary shares:		
Final proposed	14,560	-
 Non Equity		
Preference shares:		
Interim paid	7,560	9,610
Final proposed	3,940	7,929
	60,037	17,539

Aquatic Engineering & Construction Limited

Notes (continued)

10	Intangible fixed assets			Patents
	Group and company			£
	<i>Cost</i>			
	At beginning and end of year			184,000
	<i>Amortisation</i>			
11	Tangible fixed assets			
		Plant and equipment	Motor vehicles	Total
	Group and company	£	£	£
	<i>Cost</i>			
	At beginning of year	826,458	97,082	923,540
	Additions	227,402	50,600	278,002
	Disposals	-	(41,593)	(41,593)
	At end of year	1,053,860	106,089	1,159,949
	<i>Depreciation</i>			
	At beginning of year	500,390	51,078	551,468
	Charge for year	185,658	28,079	213,737
	On disposals	-	(28,777)	(28,777)
	At end of year	686,048	50,380	736,428
	<i>Net book value</i>			
	At 31 July 1995	367,812	55,709	423,521
	At 31 July 1994	326,068	46,004	372,072

Included in the total net book value is £194,225 (1994: £175,215) in respect of assets held under hire purchase contracts, the depreciation charge thereon being £56,706 (1994: £36,278).

Aquatic Engineering & Construction Limited

Notes (continued)

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

13 Debtors

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Trade debtors	1,742,461	1,304,682	1,235,879	806,549
Other debtors	157,537	223,775	121,840	183,954
Corporation tax recoverable	37,816	-	37,816	-
Amounts owed by subsidiary undertaking	-	-	152,415	222,103
	<u>1,937,814</u>	<u>1,528,457</u>	<u>1,547,950</u>	<u>1,212,606</u>

All debtors are considered recoverable within one year.

14 Creditors: amounts falling due within one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Bank loan (note 15)	28,476	39,587	28,476	39,587
Bank overdrafts (note 15)	801,809	113,607	534,303	35,424
Trade creditors	424,753	499,694	327,208	429,017
Obligations under hire purchase contracts	77,026	63,685	77,026	63,685
Other creditors including taxation and social security:				
Corporation tax	-	4,772	-	4,772
Other taxation and social security	86,051	132,432	64,952	58,581
Other creditors	188,027	187,243	151,696	119,388
Dividends proposed	52,845	7,929	52,845	7,929
ACT payable	13,211	-	13,211	-
	<u>1,672,198</u>	<u>1,048,949</u>	<u>1,249,717</u>	<u>758,383</u>

Aquatic Engineering & Construction Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Bank loan:				
Amounts due in the second to fifth years	146,244	158,346	146,244	158,346
Amounts due outwith five years	119,620	118,759	119,620	118,759
	<u>265,864</u>	<u>277,105</u>	<u>265,864</u>	<u>277,105</u>
Obligations under hire purchase contracts:				
Amounts due in the second to fifth years	31,553	57,177	31,553	57,177
	<u>297,417</u>	<u>334,282</u>	<u>297,417</u>	<u>334,282</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.

Movements during the year have been as follows:

Group and company	Bank loan		Obligations under hire purchase contracts	
	1995 £	1994 £	1995 £	1994 £
At beginning of year	316,692	341,768	120,862	145,710
Amounts received	-	-	86,682	38,875
Amounts repaid	(22,351)	(25,076)	(98,965)	(63,723)
	<u>294,341</u>	<u>316,692</u>	<u>108,579</u>	<u>120,862</u>
At end of year	294,341	316,692	108,579	120,862
Of which:				
Falling due within one year	28,477	39,587	77,026	63,685
Falling due after more than one year	265,864	277,105	31,553	57,177
	<u>294,341</u>	<u>316,692</u>	<u>108,579</u>	<u>120,862</u>

Aquatic Engineering & Construction Limited

Notes (continued)

16 Called up share capital

	1995 £	1994 £
Authorised		
Ordinary shares of £1 each	105,000	105,000
A Ordinary shares of £1 each	45,000	45,000
Cumulative redeemable preference shares of £1 each	255,000	255,000
	405,000	405,000
Allotted, called up and fully paid		
Equity		
Ordinary shares of £1 each	105,000	105,000
A Ordinary shares of £1 each	45,000	45,000
Non-Equity		
Cumulative redeemable preference shares of £1 each	84,000	126,000
	234,000	276,000

Rights attaching to the various classes of shares are as follows:

(i) Cumulative redeemable preference shares

The cumulative redeemable preference shares carry a fixed cumulative dividend of 12% per annum, net of advance corporation tax. They are redeemable at par as follows:

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

The holders of these shares are not entitled to vote in general meeting.

The preference shareholders would rank before the 'A' ordinary shareholders and ordinary shareholders on a winding up of the company. In such circumstances they are entitled to the subscription price paid for the shares together with any dividend arrears.

(ii) 'A' ordinary shares

The 'A' ordinary shares are entitled to a participating dividend based on adjusted profit on ordinary activities before taxation and amounts payable to ordinary shareholders.

The 'A' ordinary shares may be converted to a like number of ordinary shares at any time.

The holders of these shares are entitled to attend and vote at general meetings and are entitled to the same voting rights as the ordinary shareholders.

The 'A' ordinary shareholders would rank before the ordinary shareholders on a winding up of the company. In such circumstances they are entitled to the subscription price paid for the shares plus all dividend arrears. Any capital surplus remaining after distribution to ordinary shareholders is payable to both 'A' ordinary and ordinary classes of shares as if all shares were of the same class.

Aquatic Engineering & Construction Limited

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Profit (loss) for the financial year	84,842	(207,872)	66,827	(161,974)
Dividends to equity shareholders	(48,537)	-	(48,537)	-
Dividends to non-equity shareholders	(11,500)	(17,539)	(11,500)	(17,539)
Redemption of share capital	(42,000)	(42,000)	(42,000)	(42,000)
Goodwill netted against capital reserves	(33,478)	-	(33,478)	-
Net reduction in shareholders' funds	(50,673)	(267,411)	(68,688)	(221,513)
At beginning of year	572,985	840,396	551,379	772,892
At end of year	522,312	572,985	482,691	551,379

18 Reserves

	Capital redemption reserve	Capital reserve	Profit and loss account
	£	£	£
Group			
At beginning of year	84,000	148,792	64,193
Retained profit for year	-	-	24,805
Transfer	-	(11,295)	11,295
Arising on redemption of shares	42,000	-	(42,000)
Goodwill	-	(33,478)	-
At end of year	126,000	104,019	58,293
Company			
At beginning of year	84,000	117,378	74,001
Retained profit for year	-	-	6,790
Transfer	-	(8,439)	8,439
Arising on redemption of shares	42,000	-	(42,000)
Goodwill	-	(33,478)	-
At end of year	126,000	75,461	47,230

19 Pension scheme

The parent company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £23,178 (1994: £9,933).

Aquatic Engineering & Construction Limited

Notes (continued)

20 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £	1994 £
Operating profit (loss)	213,553	(228,595)
Depreciation and amortisation	213,737	227,367
Gain on sale of tangible fixed assets	(3,257)	(541)
Goodwill	(33,478)	-
(Increase) decrease in debtors	(433,920)	1,523,111
Decrease in creditors	(113,443)	(688,830)
Net cash (outflow) inflow from operating activities	(156,808)	832,512

21 Analysis of changes in cash and cash equivalents

	1995 £	1994 £	Change in year £
Cash at bank and in hand	85,253	10,348	74,905
Bank overdraft	(801,809)	(113,607)	(688,202)
	(716,556)	(103,259)	(613,297)

22 Commitments

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

	1995		1994	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Operating leases which expire:</i>				
Within 1 year	-	1,830	-	2,178
Within 2-5 years	41,164	-	9,784	-
Outwith 5 years	-	-	31,922	-
	41,164	1,830	41,706	2,178