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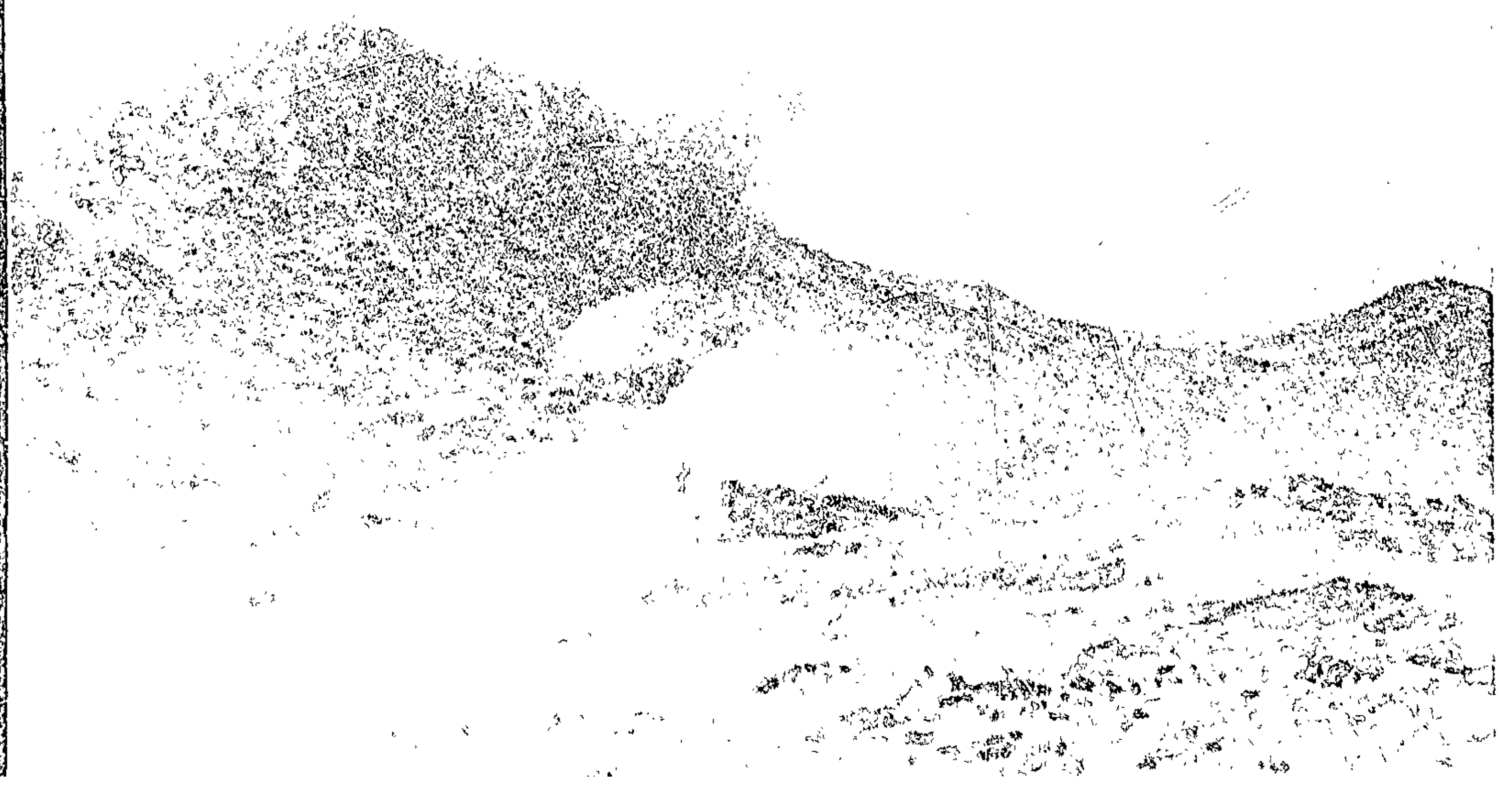

## Contents



The Board welcomes communication with shareholders. Questions concerning the Company's affairs should be directed to Sir Jeffrey Petersen, Chairman, or Philip Parker, Chief Executive, at

North Sea Assets PLC
Devon House, 12-16 Dartmouth Street
St James's Park, London SW1H 9BL

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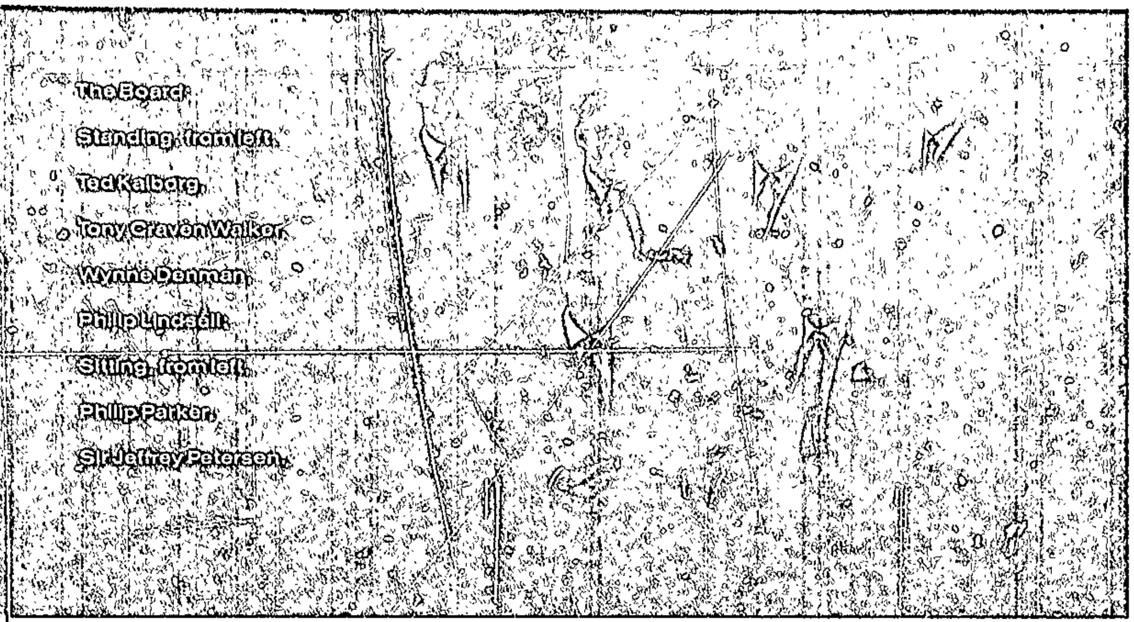

The Board:
Standing, from left,
Ted Kalborg,
Tony Craven Walker,
Wynne Denman,
Philip Lindsell;
Sitting, from left,
Philip Parker,
Sir Jeffrey Petersen.

**North Sea Assets is a group of companies providing specialist services to the energy industry with particular emphasis on offshore oil and gas.**

# Chairman's statement

**At nearly £30 million, turnover from continuing operations grew by 36 per cent over 1992. Operating profit, before the one-off costs I reported at the half year, grew by 11 per cent despite difficult market conditions. Acquisitions have been made and the underlying picture has been one of good progress and strong cash flow. We are proposing an improved dividend of 1.1p per share.**

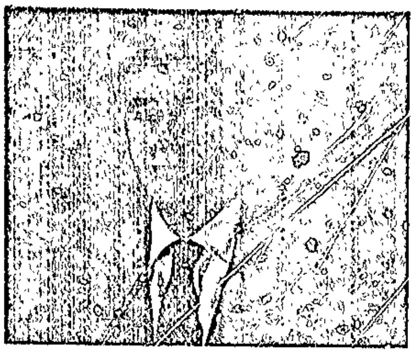
We moved forward in a number of areas. Hydra-Lok again produced strong results with much of its work undertaken outside the UK sector of the North Sea. HMB is emerging as a world player in the ROV market having increased revenues by well over 30 per cent in the past year. At the end of the year HMB acquired the business and assets of Scandive, a Norwegian ROV company, which will give the group a strong base in a market of increasing importance in the North Sea. SeaMark Systems, which suffered some contract difficulties earlier in the year, has fully absorbed its Wimpey Geotech acquisition. We hope to see further benefit from this in 1994. HER has faced a tough market by reducing costs and developing new services and we continue to examine ways to secure rationalisation in an over supplied market. Overall, earnings per share rose to 2.76p from 2.08p, although these results have been affected by a number of factors which are laid out in the Chief Executive's report.

Last year I expressed the hope that with prudent expansion and the backing of a secure profit stream we would demonstrate to the investment community the full value of your company's shares. It is a source of some frustration to your Board that we have seen no improvement in the share price during the past year and this, in turn, has hindered the process of growth on which we had embarked. Your Board has, therefore, determined that other ways of demonstrating the underlying worth of the Group will now also be considered.

As always the efforts of our management teams and staff in the past year have been exceptional and on your behalf I express my thanks to them all.

**Jeffrey Petersen**, Chairman

## Chief Executive's review



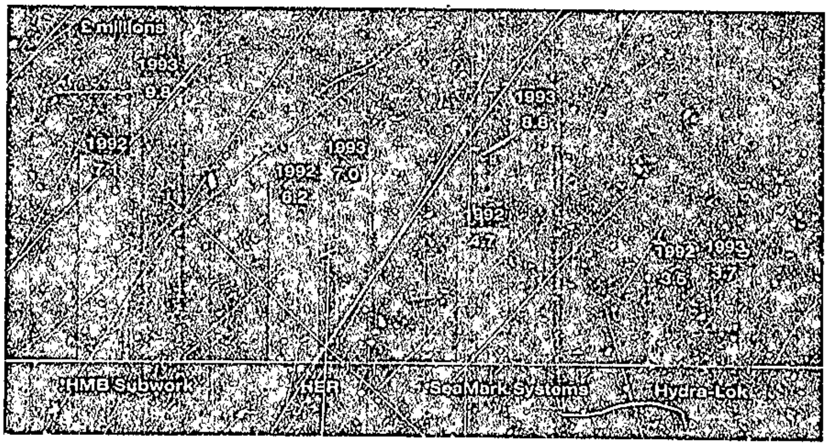
**In aggregate the businesses performed well. Significant profits were achieved in two of our units, sensible niche acquisitions were made, new marketing ventures established and costs kept under tight rein. The marked advance in turnover is testimony to the progress made on the trading front.**

All this was accomplished in a climate of some uncertainty as a result of changes made to the offshore tax regime, a continued decline in the level of exploration and appraisal drilling and an oil price which does not encourage heavy expenditures by the oil companies. 1994 is unlikely to see an improvement in market conditions, but offshore services' expenditures are huge and we are constantly looking for new opportunities.

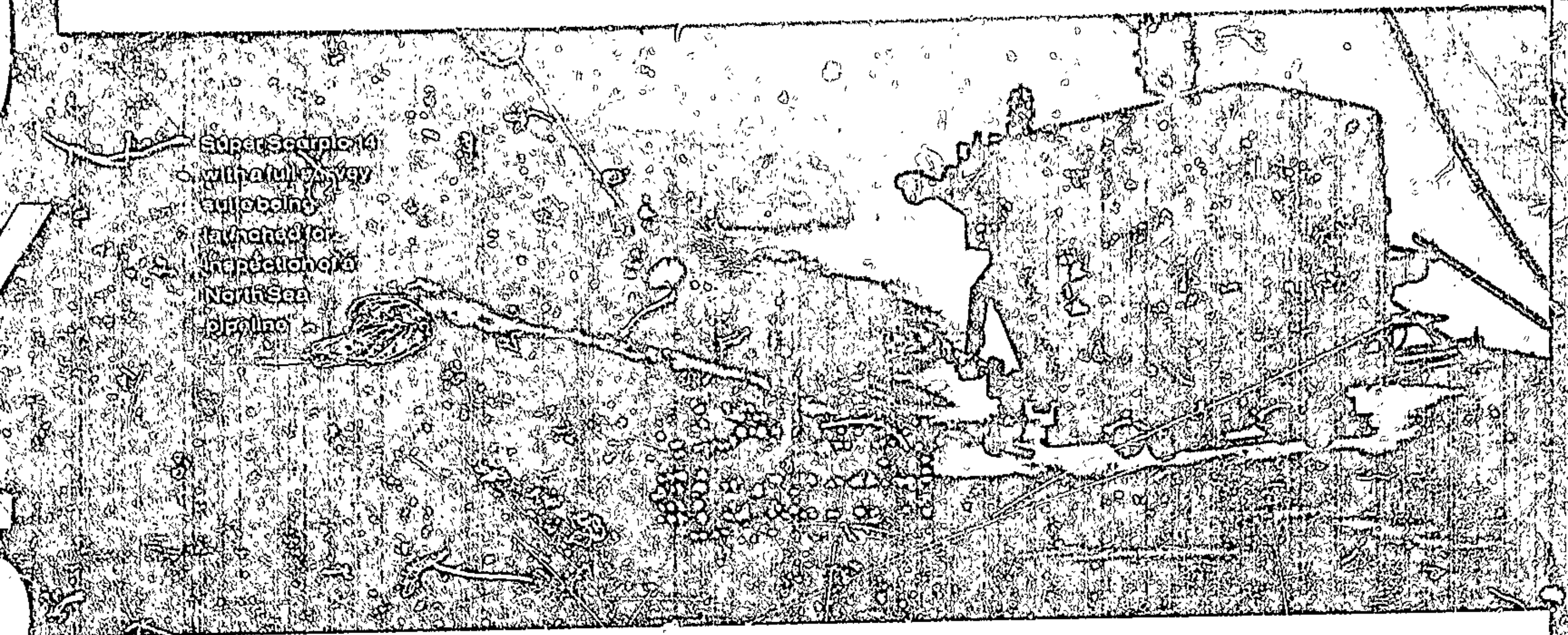
### Operating review

In the following pages we describe briefly the progress made in each of our operating subsidiaries. Three continue to maintain strong positions in their niche markets in subsea engineering, a sector of increasing importance, while HER held its own in very difficult market and trading conditions.

The subsidiaries' respective contributions to Group turnover can be seen below:



## HMB Subwork Limited



Super Scorpio 14 with a full survey suite being launched for inspection of a North Sea pipeline

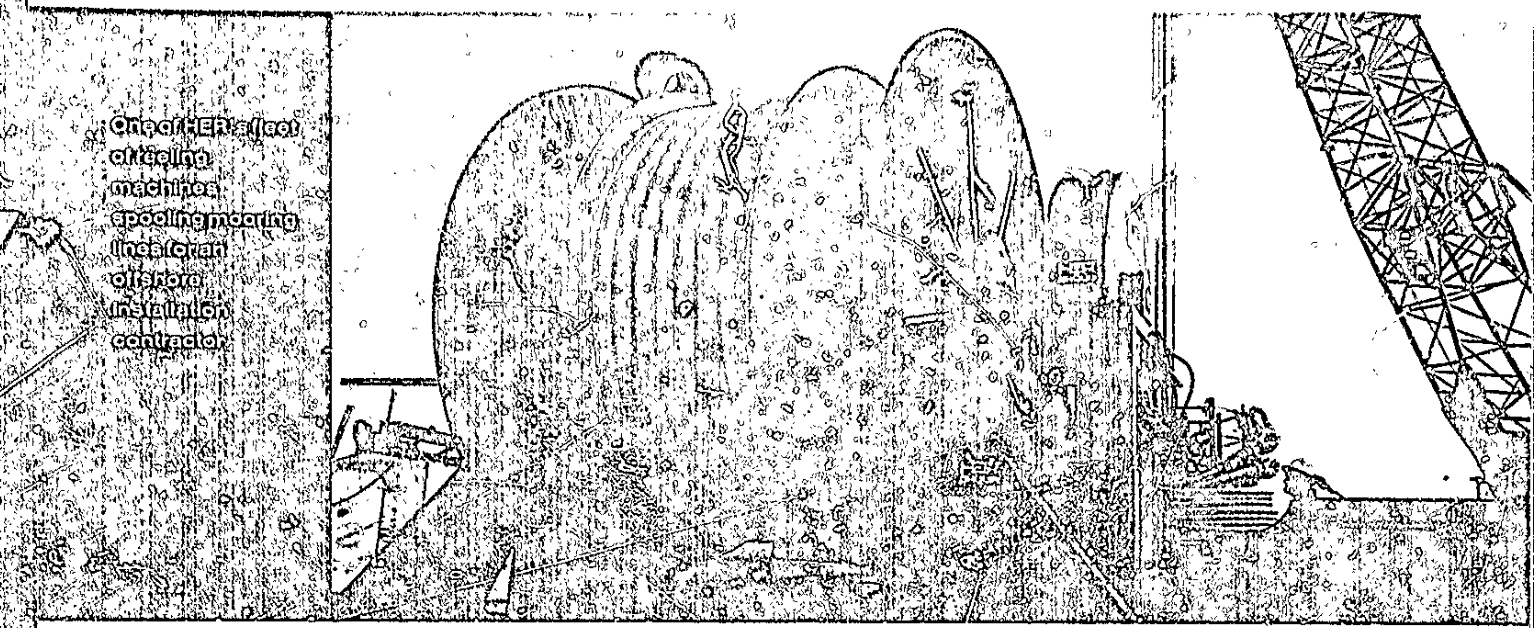
**HMB further established its position as the largest British operator of remotely operated vehicles (ROVs) through a process of significant investment and market penetration.**

During the year seven additional ROVs were purchased, bringing the total complement to 42 vehicles. At the very end of the year we acquired the business and assets of Scandive A/S, one of the few remaining independent ROV operators in Norway. This was an important strategic move for us since it provides a bridgehead to tackle the opportunities presented by the growing subsea sector there. Norway's deep waters and tough safety requirements demand increasing ROV supported activities.

Other new markets were added during the year. We secured an important contract in Tunisia, expanded our West African position and, through a joint venture, made some impact in the Arabian Gulf. Nearer to home, in the North Sea, the real success of the year was the introduction of a specialised ROV support vessel, which carries two ROVs for deployment in the inspection of platforms for a number of major operators. This has been a new and cost-effective solution for inspection work of this nature which we hope to expand further in 1994.

HMB's stature in the marketplace is a function of an organisation which pays the greatest attention to safety, service and quality standards. The company was accredited with the quality standard BS5750 during the year, a mark of the disciplined procedures and highly trained personnel evident in all stages of operations.

## HER Group Limited



One of HER's fleet of reeling machines spooling mooring lines for an offshore installation contractor.

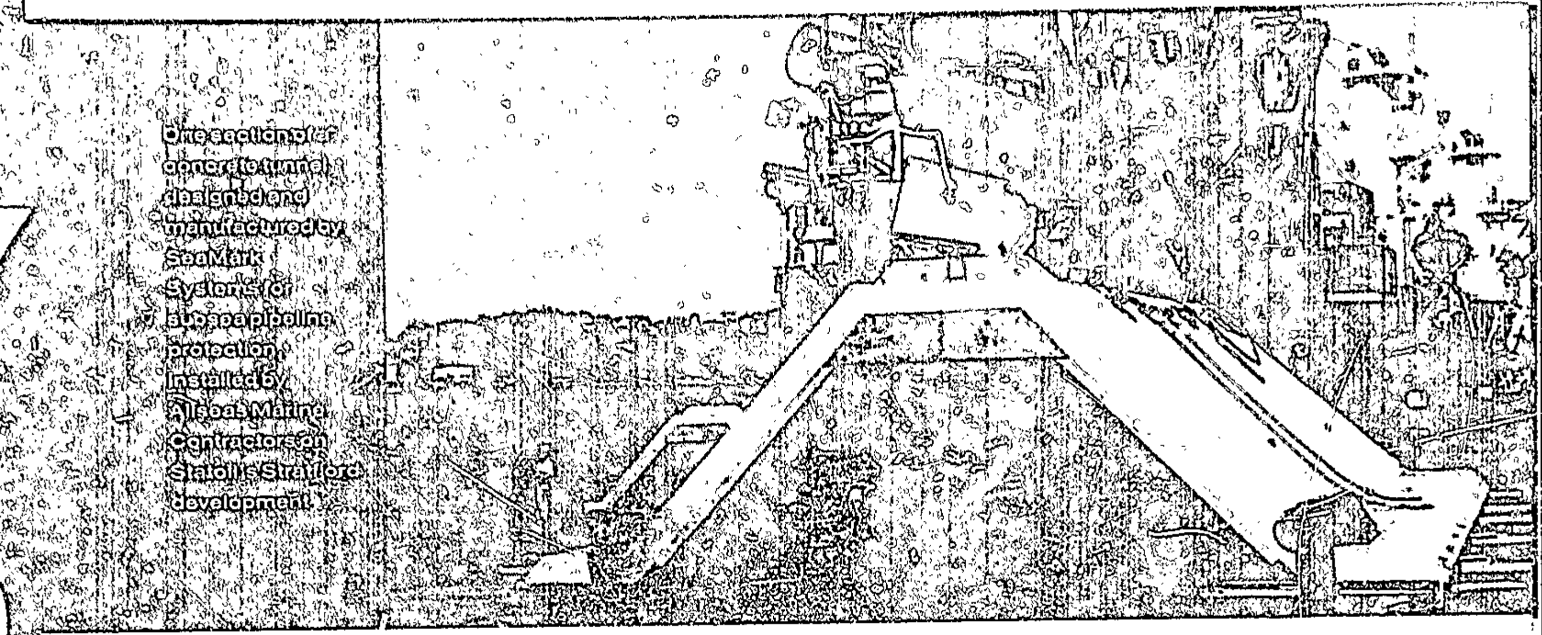
**HER had another difficult year as drilling activity in the UK sector of the North Sea remained weak.**

In the face of tough trading, costs were kept under tight control and new products and services introduced to offset a fall in the core marine rental division's income. Specialised machines, such as the high-tension reeler shown in the photograph, have been developed to customer requirements to create new revenue opportunities.

Much attention has been given to developing export sales. Several new overseas agents have been established, with positive results already apparent. The sourcing and sale of a wide range of marine equipment worldwide is an activity to which HER brings a great deal of knowledge and experience and, although this is a lower margin business, it carries lower capital requirements and provides a stable income stream.

There is unlikely to be any significant improvement in HER's North Sea market in 1994 and we will therefore run the business in as lean a fashion as possible while searching for other means of capitalising on the company's reputation, its small management team and excellent facilities.

## SeaMark Systems Limited



One section of concrete tunnel designed and manufactured by SeaMark Systems for subsea pipeline protection installed by Allseas Marine Contractors on Statoil's Stratford development.

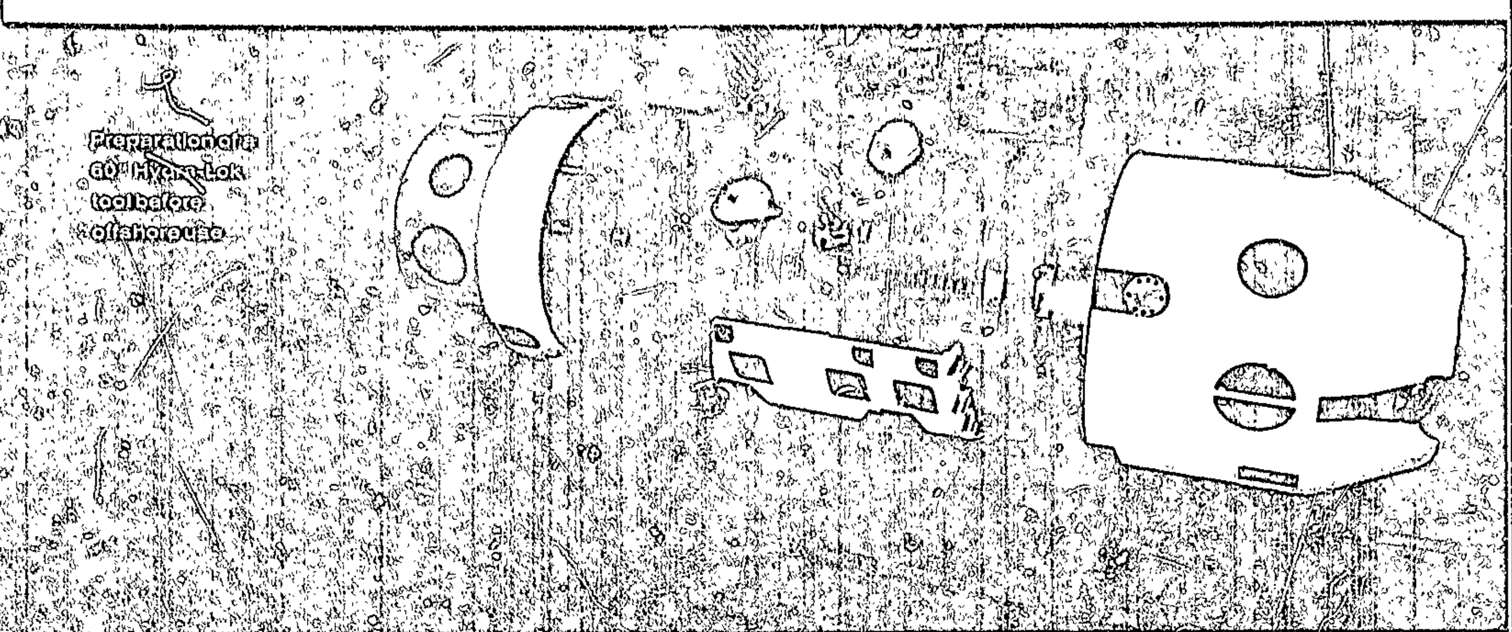
**SeaMark's turnover nearly doubled in 1993, benefiting from the Wimpey Geotech acquisition, announced in the first half, but more particularly from the completion of two major subsea pipeline protection projects for international clients.**

The company's largest ever contract was successfully undertaken for the national oil company in Abu Dhabi and, a little closer to home, a complex and unique protection system was installed for one of Statoil's projects offshore Norway.

The scope and geographic range of SeaMark's business has expanded considerably since the company was acquired three years ago. The focus remains subsea, where our specialist protection and marker products dominate. Beyond the two large projects, we achieved notable sales in North America, Australia, the Far East and, recently, China. In addition, the Caley marine handling systems division, while having had a disappointing year overall, has a worldwide reputation and is working at the leading edge in the design and installation of launch and retrieval systems and cable laying systems.

SeaMark has reached a size where prospects for further market penetration in the North Sea and other major offshore centres are good and where some improvement in margins can be expected.

# Hydra-Lok Limited



Preparation of a 60" Hydra-Lok tool before offshore use

**The technologically advanced and cost efficient process employed by Hydra-Lok to secure structures to the sea bed was deployed on many projects in 1993.**

During the year a greater number of structures was installed than in any previous year; these included the company's largest ever contract offshore Norway. Our joint venture operation in the US continued to serve us well and the unit completed a specialised project for Exxon off the coast of California.

The company's future prospects will rely increasingly on markets outside the North Sea and we are laying the foundations for this expansion. Our position in the Gulf of Mexico is strong, we continue to investigate the opportunities in, and means of entry to, the diverse markets of the Far East, and we expect to be involved in some large projects off West Africa.

The company's move to purpose built premises earlier in the year has brought the entire workforce under one roof for the first time and is improving the efficiency of operations. Like HMB, Hydra-Lok was accredited with quality standard BS5750 in 1993 with the result that all Group companies have now reached this exacting standard.

We will see a decrease in the number of structures to be installed in the current year, but the future for Hydra-Lok remains good and the number of offshore oil and gas developments worldwide likely to utilise its system appears promising.

# Financial review

## Capital expenditure and financing

Following the strengthening of the balance sheet in 1992, which we highlighted in last year's review, 1993 has been a year of investment for the Group Acquisitions and capital expenditure in the year totalled £5.8 million, of which £3.5 million was made through HMB Subwork. This expansion has been achieved with only a £2.4 million increase in net borrowings owing to the continuing strength of the Group's cash flow. Net cash inflow from operating activities was £3.2 million (1992: £3.4 million). The elimination of a cash outflow from discontinued activities was offset by an expansion of working capital of £1.2 million, compared with a contraction of £0.7 million in 1992. Our current plans indicate a significantly reduced level of investment in 1994.

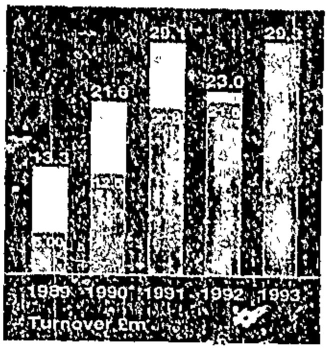
Year end net debt of £5.0 million (1992: £2.3 million), representing 53 per cent (1992: 25 per cent) of shareholders' funds, remains within a comfortable range even taking account of a seasonal rise each mid-year. As foreseen in last year's review, the net interest charge has reduced to £468,000 (1992: £656,000) and was covered 5.2 times (1992: 3.8 times) by operating profit. Interest rates on the majority of debt are at 1.5–2 per cent over base rate. Nearly all debt, other than £1.0 million effectively converted to Norwegian Kroner shortly after the year end, is in sterling and, apart from overdraft balances, capital repayments of £1.3 million, or 40 per cent of 1993 operating cash flow, are required in 1994.

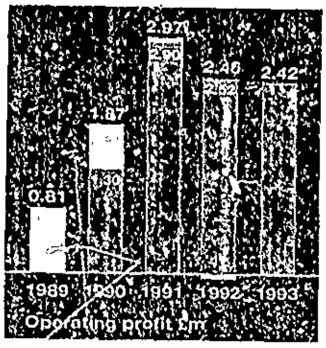
## Turnover and profitability

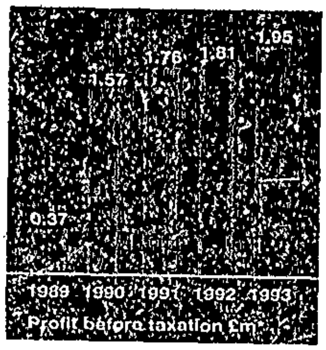
The Group's turnover on continuing operations rose by 36 per cent in 1993. This arose mainly from increased business at HMB Subwork and SeaMark Systems, the main beneficiaries of our investment programme. Contrary to the indication in last year's review, this was not translated into a commensurate increase in operating profit owing to certain project cost over-runs, which has led us to strengthen project management disciplines for the future, and to other factors which have increased costs. 38 per cent (1992: 33 per cent) of our business was undertaken outside the UK sector of the North Sea and this increase, while a necessary and welcome trend in our business, has brought its own challenges in controlling costs. A further factor reducing our operating profit in 1993 compared with 1992 is an increase of £317,000 in 1993 in the depreciation of rental stock in HER. Following a reduction in the level of drilling activity some fall in residual values can now be foreseen and accordingly it became appropriate to take account of this in computing the depreciation charge. Finally, as highlighted in the profit and loss account, we incurred a cost of £316,000 investigating a potential acquisition which we later aborted. This was a disappointment, but reflects the substantial efforts which are being made to expand and diversify the Group. By contrast, the increase in profit before taxation over the previous year in part reflects the loss on sale of assets in discontinued operations which depressed the 1992 results.

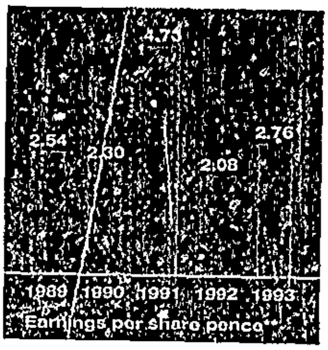
## Five year record

This is the first annual report in which we are obliged to comply with Financial Reporting Standard 3. Comparative profit and loss accounts for 1992 and earlier have been restated accordingly. The five year history shown below reveals continual growth in turnover of continuing activities. Over the same period operating profit on continuing activities has grown satisfactorily. Profit before taxation, including all trading results, but excluding prior year exceptional items, has grown steadily. Earnings per share calculated in accordance with Financial Reporting Standard 3 reflects the variability of one-off items.




Continuing activities

Discontinued activities, shipping

* Excluding prior year exceptional items and including trading results previously reported within *extraordinary items*

** As if Financial Reporting Standard 3 had been applied in all years

## Other matters

Tax is markedly higher in 1993 for two reasons: first, the amount of work carried out in the Norwegian sector has increased which has led to local tax liabilities which, in due course, can reduce future UK tax liabilities; secondly, it is necessary to write off advance corporation tax on dividends, which nonetheless remains available as a direct offset to future UK tax liabilities. There is no other charge to UK tax because of the availability of losses brought forward and other allowances available. Minority interests reflect the level of net profit earned in our joint venture companies MCS Hydra-Lok and GB Subwork. The reduction in 1993 reflects lower profit in MCS Hydra-Lok.

Earnings per share of 2.76p increased by 33 per cent or, on a normalised basis, dropped by 8 per cent and reflects the composite effect of the factors described in this review. Return on capital employed, based on operating profit and the book value of gross assets, dropped slightly from 19 per cent to 18 per cent.

P. G. Parker

**Philip Parker,** Chief Executive

# Directors and advisers

**Sir Jeffrey Petersen*†**, 73
Appointed Chairman in January 1989. Sir Jeffrey retired from the Diplomatic Service, where he had a distinguished career including three posts as Ambassador, in 1980. He is past Chairman of Barclays Bank Spain, GVA International and the Swedish Chamber of Commerce. He is currently Chairman of the British Materials Handling Board.

**Philip Parker†**, 48
Appointed Group Chief Executive in May 1990. Mr Parker joined the Company from The Plessey Company PLC where he was Group Director of Corporate Development. Prior to that appointment he held finance, marketing and general management positions with US multinationals.

**Philip Lindsell**, 40
Appointed Group Finance Director in September 1990. Mr Lindsell joined the Company from Coopers & Lybrand Deloitte where he was a principal associate in that firm's consultancy practice. Prior to that appointment he held finance and commercial positions in the oil and gas industry following a professional background.

**Wynne Denman†***, 64
Joined the Board as a non-executive Director in January 1989. Mr Denman is a former executive Director of The British & Commonwealth Shipping Company PLC and is a Director of three other listed companies.

**Tony Craven Walker***, 51
Joined the Board as a non-executive Director in January 1989. Mr Craven Walker is Chief Executive of Monument Oil and Gas PLC and of Nimex Resources Limited.

**Ted Kalborg***, 43
Joined the Board as a non-executive Director in December 1987. Mr Kalborg is a Director of Tufton Associates Limited and Reading & Bates Corporation.

* Non-executive, all of whom comprise the Audit Committee
†Member of the Remuneration Committee

**Secretary**
P E Lindsell FCA

**Registered office**
Level 2, Saltire Court, 20 Castle Terrace
Edinburgh EH1 2ET

**Registrars and transfer office**
The Royal Bank of Scotland plc
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

**Registered number**
50835

**Auditors**
Price Waterhouse

**Bankers**
Bank of Scotland
The Royal Bank of Scotland plc

**Brokers**
NatWest Wood Mackenzie & Co Limited

**Financial advisers**
NatWest Markets Limited

**Solicitors**
Berwin Leighton

# Directors' report

### Activities

North Sea Assets is a listed company with a number of subsidiaries engaged in selected segments of the worldwide offshore oil and gas industry support sector.

A review of the Company's business during the year and other material information is given on pages 2 to 9.

### Results and dividends

The results for the year are laid out in the Group profit and loss account on page 16. The Directors recommend that a final dividend of 1.1p per share (1992: 1.0p) amounting to £579,000 (1992: £527,000), be paid on 13 May 1994 to shareholders on the register at 14 April 1994. £877,000 has been transferred to reserves.

### Acquisitions and disposals

*During the year the Group made the following acquisitions:*

- the business, assets and obligations of Scandive A/S were acquired in December 1993 for a cash *consideration of £1,350,000.*
- the business and assets of Wimpey Geotech Limited were acquired in April 1993 for a cash consideration *of £805,000.*

### Directors

The following were Directors throughout the year ended 31 December 1993:
Sir Jeffrey Petersen, Chairman
Mr P H Parker, Chief Executive
Mr P E Lindsell, Finance Director
Mr A Craven Walker
Mr H W Denman
Mr T G Kalborg

The Directors retiring by rotation at the 1994 Annual General Meeting, in accordance with the Articles of Association, are Sir Jeffrey Petersen and Mr H W Denman and, being eligible, will offer themselves for re-election.

### Directors' Interests

The interests of Directors, together with those of their families, in the Ordinary Share capital of the Company, notified to the Company pursuant to Sections 324 and 328 of the Companies Act 1985, or required pursuant to Section 325 of that Act to be entered into the register referred to in that Section, at 1 January 1993 and at 31 December 1993 were as follows:

| | 31 December 1993 | | 1 January 1993 | |
|---|---|---|---|---|
| | Shares | Options | Shares | Options |
| Sir Jeffrey Petersen | 100,000 | – | 100,000 | – |
| Mr P H Parker | 30,000 | 1,054,691 | 30,000 | 1,054,691 |
| Mr P E Lindsell | 4,000 | 400,000 | 60,451 | 400,000 |

The interests were held beneficially. There were no non-beneficial interests. No other Director had any interest in the share capital of the Company. There has been no change in the interests of Directors between 31 December 1993 and 23 March 1994.

Mr Parker's options were granted on 12 June 1990 for a total consideration of £1 and are exercisable at 22.5p on or before 11 June 2000. Mr Lindsell's options were granted on 27 March 1991 for a total consideration of £1 and are exercisable at 29p on or before 26 March 2001.

No Director has any material interest in any contract or arrangement effected during the current or immediately preceding financial period to which the Company is a party or which was effected during an earlier financial period and remains in any respect outstanding or unperformed.

There are no service contracts or consultancy agreements, existing or proposed, between the Directors, or any company entitled to the services of any of the Directors, and the Company or any of its subsidiaries which are not terminable within one year.

### Substantial Interests

The Directors have been notified as at 22 March 1994 of the following parties having interests each comprising 3 per cent or more of the issued share capital of the Company in issue at that date:

| | Ordinary Shares | % |
|---|---|---|
| Raffles Investments Ltd | 5,474,292 | 10.39 |
| The Causeway Smaller Quoted Companies Fund | 5,150,000 | 9.78 |
| Prudential Assurance Co Ltd | 5,052,367 | 9.59 |
| Ivory & Sime Enterprise Capital plc | 4,705,602 | 8.93 |
| The Equitable Life Assurance Society | 4,585,183 | 8.70 |
| Standard Life Assurance Co | 3,200,000 | 6.07 |
| Pensioenfonds PGGM | 2,050,000 | 3.89 |
| Morgan Grenfell UK Small Company Exempt Fund | 1,915,000 | 3.64 |

Ivory & Sime plc have declared a notifiable interest in 6,675 602 shares (12.67 per cent) and have advised that the interest comprises shares held on behalf of clients under discretionary management contracts including 4,705,602 shares (8.93 per cent) registered in the name of Ivory & Sime Enterprise Capital plc.

The Equitable Life Assurance Society has declared a notifiable interest in 5,785,183 shares (10.98 per cent) and have advised that the interest comprises 4,585,183 shares (8.70 per cent) registered in its own name of which it is the beneficial owner (as noted above) and 1,200,000 shares (2.28 per cent) registered in the name of Midland Bank Trust Co Ltd, A/c 19369204, the beneficial owner being stated as Midland Bank plc Trustee of Equitable Special Situations Trust.

**Health and safety**
It is the policy throughout the Group that health and safety standards are maintained at a high level by careful attention to good working practices.

**Disabled persons**
The Group ensures that disabled persons are given opportunities for suitable employment.

**Employees**
The Group operates a share option scheme under which options are granted to certain employees. Provision is made for employees' pensions, either through personal pension plans, to which the employing company contributes, or through schemes operated by subsidiaries.

The Directors believe that it is important to develop good working relations by the use of clear channels of communication. The Group operates through a number of subsidiaries and, in practice, the responsibility for communicating with the employees rests with the managers at each location.

**Charitable contributions**
During the year the Group made charitable donations totalling £1,087.

**Directors' and officers' liability insurance**
During the year a directors' and officers' liability insurance policy was maintained, covering the Directors and Secretary of the Company and the directors of its subsidiaries.

**Remuneration committee**
The Directors have appointed a remuneration committee to consist of any three Directors, of whom two at least are to be chosen from the Chairman and the non-executive Directors. The committee is empowered to make recommendations to the Board as to the fees, salaries and emoluments packages of each of the Directors and also of certain other senior executives of the Group.

**Cadbury code of best practice**
The Group complies, and has complied throughout the accounting period, with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (Cadbury Committee). This Report and Accounts includes all the disclosures currently required by the Code, except for two items (paragraphs 4.5 and 4.6 of the Code) for which official guidance is still awaited. The auditors, Price Waterhouse, have reviewed the Group's compliance with the specific matters in the Code which the London Stock Exchange requires that the auditors should review. They have reported that they are of the opinion that it is appropriate for the Directors to make the statement that the Group complied with those aspects of the Code.

**Share capital**
Resolutions will be proposed at the Annual General Meeting for the purpose of renewing the authority of the Directors to allot any unissued shares and to empower the Directors to allot shares up to a nominal value of £131,696 being 5 per cent of the nominal value of the current issued share capital for cash on a non pre-emptive basis. These authorities will expire at the conclusion of the next Annual General Meeting.

**Purchase by the Company of its own shares**
At the Annual General Meeting held in 1993, the Articles of Association of the Company were amended to include a power enabling the Company to purchase its own shares. As part of the same resolution passed at that meeting, shareholders also authorised the Board to exercise that power until the conclusion of the Annual General Meeting to be held in 1994. Your Directors believe it is appropriate to renew that authority and resolution 9, contained in the notice of Annual General Meeting enclosed with this Report, gives the Board the authority until the conclusion of the next Annual General Meeting to make market purchases on the London Stock Exchange up to 10 per cent of the existing issued Ordinary Share capital of the Company. In accordance with London Stock Exchange requirements, the maximum price (exclusive of expenses) that the Company may pay is not more than 5 per cent above the average of the middle market quotations as derived from the Stock Exchange Daily Official List for the ten business days immediately preceding the day of purchase. Any exercise of the power will take place within the limits of the available reserves of the Company. Your Board does not expect to proceed with any such purchase unless it is satisfied that it would be likely to result in an increase in the earnings per share or assets per share of the Company. Your Directors recommend shareholders to vote in favour of the resolution as they intend to.

**New Articles of Association**
In view of the revised listing rules of the London Stock Exchange and new statutory provisions introduced since the adoption on 28 October 1981 of the Articles of Association (as currently amended) of the Company, your Directors believe it is opportune to effect a general revision of the Articles of Association. Accordingly Resolution 10, contained in the notice of Annual General Meeting enclosed with this Report, proposes that new Articles of Association be adopted. Many of the differences between the new and existing Articles of Association are of a minor, technical or drafting nature; a summary of the principal differences are contained in the appendix attached to the notice of Annual General Meeting. Copies of the existing and proposed new Articles of Association are available for inspection as detailed in the footnote to the notice of Annual General Meeting.

**Income and Corporation Taxes Act 1988**
The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

**Statement of Directors' responsibilities**
The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Group for the period to that date. In preparing those financial statements the directors are required:

- to select suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements of the Company comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Auditors**
A resolution will be submitted to the Annual General Meeting to re-appoint Price Waterhouse, Chartered Accountants, as auditors of the Company.

**By order of the Board**
**P E Lindsell FCA** Secretary

23 March 1994

# Auditors' report

**To the shareholders of North Sea Assets Public Limited Company**
We have audited the financial statements on pages 16 to 31 which have been prepared under the historical cost convention and the accounting policies set out on pages 19 and 20.

**Respective responsibilities of directors and auditors**
As described on page 14, 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 Company'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 December 1993 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

**Price Waterhouse**
Chartered Accountants
*and Registered Auditors*

London
23 March 1994

# Group profit and loss account

| For the year ended 31 December 1993 | Note | £000 | 1993 £000 | 1992 Restated* £000 |
|---|---|---|---|---|
| **Turnover** | | | | |
| Continuing operations | | | **29,312** | 21,576 |
| Discontinued operations | | | **—** | 1,440 |
| **Total turnover** | 1 | | **29,312** | 23,016 |
| Cost of sales | 3(b) | | **(21,894)** | (16,618) |
| **Gross profit** | | | **7,418** | 6,398 |
| Administrative expenses | 3(b) | **(4,682)** | | (3,934) |
| Abortive acquisition investigation costs | | **(316)** | | — |
| Total administrative expenses | | | **(4,998)** | (3,934) |
| **Operating profit** | | | | |
| Continuing operations | 2 | | **2,420** | 2,523 |
| Discontinued operations | | | **—** | (59) |
| Total operating profit | 1 | | **2,420** | 2,464 |
| Loss on sale of assets in discontinued operations | 5 | | **—** | (478) |
| **Profit on ordinary activities before interest** | | | **2,420** | 1,986 |
| Interest receivable | | | **177** | 225 |
| Interest payable | 6 | | **(645)** | (881) |
| **Profit on ordinary activities before taxation** | 3(a) | | **1,952** | 1,330 |
| Taxation | 7 | | **(480)** | (114) |
| **Profit on ordinary activities after taxation** | | | **1,472** | 1,216 |
| Minority interests | | | **(16)** | (127) |
| **Profit attributable to shareholders** | | | **1,456** | 1,089 |
| Proposed dividend at 1.1p per share (1992: 1p) | | | **(579)** | (527) |
| Retained profit | 20 | | **877** | 562 |
| **Earnings per share** | 9 | | **2.76p** | 2.08p |
| Elimination of effect of loss on sale of assets in discontinued operations | | | **—** | 0.91p |
| **Normalised earnings per share** | 9 | | **2.76p** | 2.99p |

*The 1992 comparatives have been restated both to conform with the requirements of UK Financial Reporting Standard 3 and to reallocate certain costs between cost of sales and administrative expenses as referred to in note 3(b).

There were no recognised gains or losses other than the profit for the period set out above.

# Balance sheets

| At 31 December 1993 | Note | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | **13,978** | 11,730 | **39** | 52 |
| Investments | 11 | **15** | 46 | **9,946** | 12,414 |
| **Total fixed assets** | | **13,993** | 11,776 | **9,985** | 12,466 |
| **Current assets** | | | | | |
| Stocks | 12 | **1,065** | 1,142 | **—** | — |
| Debtors | 13 | **5,663** | 4,908 | **2,801** | 1,654 |
| Cash at bank and in hand | 14 | **2,553** | 4,410 | **2,054** | 1,382 |
| **Total current assets** | | **9,281** | 10,460 | **4,855** | 3,036 |
| **Creditors falling due within one year** | 15 | **(9,399)** | (8,947) | **(3,215)** | (2,919) |
| **Net current (liabilities)/assets** | | **(118)** | 1,513 | **1,640** | 117 |
| **Total assets less current liabilities** | | **13,875** | 13,289 | **11,625** | 12,583 |
| Creditors falling due after more than one year | 16 | **(4,044)** | (3,899) | **(471)** | (480) |
| Provisions for liabilities and charges | 18 | **(177)** | (115) | **—** | — |
| | | **9,654** | 9,275 | **11,154** | 12,103 |
| **Capital and reserves** | | | | | |
| Called up share capital | 19 | **2,634** | 2,634 | **2,634** | 2,634 |
| Share premium account | 20 | **4,248** | 4,248 | **4,248** | 4,248 |
| Profit and loss account | 20 | **2,666** | 2,303 | **4,272** | 5,221 |
| Shareholders' funds | 20 | **9,548** | 9,185 | **11,154** | 12,103 |
| Minority interest | | **106** | 90 | **—** | — |
| | | **9,654** | 9,275 | **11,154** | 12,103 |

The financial statements on pages 16 to 31 were approved by the Board of Directors on 23 March 1994 and were signed on its behalf by:

**Sir Jeffrey Petersen** Chairman Jeffrey Petersen

**P H Parker** Chief Executive P Parker

# Group cash flow statement

*For the year ended 31 December 1993*

| | Notes | 1993 £000 | [illegible] |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash inflow from continuing operations | 2 | 3,223 | 4,426 |
| Net cash outflow in respect of discontinued operations | | – | (1,021) |
| **Net cash inflow from operating activities** | | 3,223 | 3,405 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 177 | 225 |
| Interest paid | | (471) | (601) |
| Interest element of finance lease rental payments | | (193) | (203) |
| Dividends paid | | (527) | (395) |
| **Net cash outflow from returns on investments and servicing of finance** | | (1,014) | (974) |
| **Taxation** | | | |
| UK corporation tax (paid)/received | | (12) | 22 |
| Overseas tax paid | | (108) | (93) |
| **Taxation paid** | | (120) | (71) |
| **Investing activities** | | | |
| Purchase of tangible fixed assets | | (3,322) | (2,281) |
| Purchase of businesses and subsidiary undertakings | | (2,453) | (1,656) |
| Sale of plant and machinery | | 798 | 5,143 |
| Sale of investment (net) | | 30 | 178 |
| Other | | 117 | 41 |
| **Net cash (outflow)/inflow from investing activities** | | (4,830) | 1,425 |
| **Net cash (outflow)/inflow before financing** | | (2,741) | 3,785 |
| **Financing** | | | |
| New loans taken out | | (1,840) | (140) |
| Loan repayments | | 1,154 | 2,730 |
| Capital element of finance lease rental payments | | 519 | 670 |
| **Net cash (inflow)/outflow from financing** | 17 | (167) | 3,260 |
| **(Decrease)/increase in net cash balances** | 14 | (2,574) | 525 |
| | | (2,741) | 3,785 |

# Accounting policies

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

### Group consolidation
The Group accounts include the accounts of North Sea Assets PLC and its subsidiaries, all of which are made up to 31 December each year. The Company has not presented its own Profit and Loss Account as permitted under Section 230(1)(b) of the Companies Act 1985.

### Acquisitions
The results of acquired companies are consolidated from the date of acquisition. The excess of the cost of shares in subsidiaries over the fair value of net assets acquired is written off against reserves in the year of acquisition. Where the costs of shares includes deferred consideration and this can be determined with reasonable certainty, it is included in arriving at the cost of shares in the year of acquisition. Revisions to the cost of shares arising in subsequent years are included when they can be determined.

Where such revisions are settled by way of shares after the year end, the nominal value of those shares is included within deferred share consideration. The premium and related additional goodwill arising are not accounted for at the balance sheet date as they eliminate within other reserves upon the application of share premium relief on issue of the shares.

### Investments
Investments are stated at cost less provisions.

### Turnover
Group turnover comprises the value of sales excluding value added tax and trade discounts.

### Tangible fixed assets and depreciation
Fixed assets are stated at cost less accumulated depreciation. No depreciation is charged in respect of freehold land. Depreciation on other fixed assets is calculated so as to write off their cost in equal annual instalments over their expected useful lives with the principal exception of submersibles which are expected to have a residual value of 10% of cost. The principal asset lives are as follows:

| | |
|---|---|
| Freehold buildings | – 15 to 50 years |
| Leasehold properties | – Term of lease up to a maximum of 25 years |
| Submersibles | – 3 to 7 years |
| Plant, machinery and rental stock | – 5 to 15 years |
| Motor vehicles | – 4 years |

Depreciation was not charged on certain rental stock up to 31 December 1992 because the Directors did not consider that it would have been material in view of the equipment's residual value. As a result of a reappraisal in 1993 of future residual values, depreciation is now being charged on these assets at a rate of 10% per annum. The impact on the results for the year is an additional charge of £317,000.

### Grants
Capital-based grants and funding are carried in the balance sheet as deferred income, which is credited to the profit and loss account in equal instalments over the estimated useful lives of the related assets. Amounts not yet released to the profit and loss account are included in the balance sheet as deferred income.

### Leased assets

Assets obtained under finance leases are included in fixed assets at an amount equal to the cost at which the assets could have been purchased, and depreciated in the same manner as other fixed assets. The related lease obligations, excluding finance charges allocated to future periods, are included in creditors. Finance charges are amortised over the life of the lease on the sum of the digits method.

Rental costs under operating leases are charged to the profit and loss account as incurred.

### Stocks

Stocks are valued at the lower of cost and estimated net realisable value after providing for foreseeable losses.

### Long-term contracts

Long-term contracts are reflected in the profit and loss account by recording sales and related costs as contract activity progresses.

Work in progress is stated in the balance sheet at cost net of amounts transferred to cost of sales, less payments on account received and receivable, and after deducting any known or anticipated losses.

### Pensions

The expected cost in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of qualified actuaries.

Payments to defined contribution schemes on behalf of certain other employees are accounted for on the basis of payments made during the year.

### Deferred taxation

Provision for deferred taxation is made on the liability method to take account of timing differences arising from the different treatments of certain items for accounting and taxation purposes, only to the extent that it is expected that the differences will reverse in the foreseeable future.

### Foreign currencies

The results of subsidiaries whose operations are denominated in foreign currencies are translated into sterling at average rates ruling through the year. Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the relevant transactions' dates and any gains and losses on exchange are dealt with in the profit and loss account.

Assets and liabilities at the balance sheet date which are denominated in foreign currencies are translated into sterling at the year-end rate of exchange. Differences on exchange arising from translating the closing balance sheets of overseas subsidiaries at the year-end rates of exchange are dealt with as movements on reserves.

# Notes to the accounts

## 1(a) Segmental report – geographical

| | United Kingdom 1993 £000 | United Kingdom 1992* £000 | Norway 1993 £000 | Norway 1992* £000 | Rest of western Europe 1993 £000 | Rest of western Europe 1992* £000 | Rest of world 1993 £000 | Rest of world 1992* £000 | Group 1993 £000 | Group 1992* £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Turnover** | | | | | | | | | | |
| Segment sales by destination | **18,290** | 15,389 | **3,400** | 2,022 | **2,803** | 2,937 | **4,819** | 2,668 | **29,312** | 23,016 |
| Segment sales by origin | **25,970** | 19,594 | **768** | 795 | **539** | 1,353 | **2,035** | 1,274 | **29,312** | 23,016 |
| **Profit before taxation** | | | | | | | | | | |
| Segment gross profit | **5,460** | 4,849 | **221** | 241 | **631** | 495 | **1,106** | 813 | **7,418** | 6,398 |
| Common costs | | | | | | | | | **(4,998)** | (3,934) |
| Operating profit | | | | | | | | | **2,420** | 2,464 |
| Loss on sale of assets in discontinued operations | | | | | | | | | **—** | (478) |
| Net interest | | | | | | | | | **(468)** | (656) |
| Profit before taxation | | | | | | | | | **1,952** | 1,330 |
| **Net assets** | | | | | | | | | | |
| Segment net assets | **8,578** | 8,888 | **78** | 24 | **547** | 163 | **451** | 200 | **9,654** | 9,275 |

It may not be appropriate to compare the net profit by location with the corresponding net assets because those assets are mobile and in some cases are based in one location while serving other geographical areas.

*The 1992 comparatives have been restated to conform with the requirements of UK Financial Reporting Standard 3 and to reallocate certain costs as referred to in note 3(b).

## 1(b) Analysis of continuing and discontinued operations

| | Continuing operations 1993 £000 | Continuing operations 1992 £000 | Discontinued operations 1993 £000 | Discontinued operations 1992 £000 | Group 1993 £000 | Group 1992 £000 |
|---|---|---|---|---|---|---|
| **Turnover** | **29,312** | 21,576 | **—** | 1,440 | **29,312** | 23,016 |
| Cost of sales | **(21,894)** | (15,130) | **—** | (1,488) | **(21,894)** | (16,618) |
| **Gross profit** | **7,418** | 6,446 | **—** | (48) | **7,418** | 6,398 |
| Administrative expenses | **(4,682)** | (3,923) | **—** | (11) | **(4,682)** | (3,934) |
| Abortive acquisition investigation costs | **(316)** | — | **—** | — | **(316)** | — |
| **Operating profit** | **2,420** | 2,523 | **—** | (59) | **2,420** | 2,464 |

It is not practicable to determine the post-acquisition results of the activities of Wimpey Geotech because they were merged with existing operations. Accordingly an indication only of its contribution to the turnover and operating profit of continuing operations is given in note 22. The acquisition of the business and assets of Scandive A/S had no effect on the results because it occurred on 31 December 1993.

## 2 Reconciliation of operating profit to net cash inflow from operating activities

| | Note | 1993 £000 | 1992 £000 |
|---|---|---|---|
| Operating profit from continuing operations | 1(b) | 2,420 | 2,523 |
| Depreciation | 3 | 2,171 | 1,510 |
| Profit on sale of tangible fixed assets | | (162) | (247) |
| (Increase)/decrease in stocks | 12 | 210 | 404 |
| (Increase)/decrease in debtors | 13 | (536) | 128 |
| Increase/(decrease) in creditors | 15 | (827) | 137 |
| Increase/(decrease) in provisions | 18 | (53) | (29) |
| Net cash inflow from continuing operations | | 3,223 | 4,426 |
| Net cash outflow from discontinued activities | | — | (1,021) |
| Net cash inflow from operating activities | | 3,223 | 3,405 |

## 3 Costs

### (a) Profit on ordinary activities before taxation is stated after charging/(crediting):

| | 1993 | 1992 |
|---|---|---|
| Staff costs: | | |
| — Wages and salaries | 7,009 | 5,060 |
| — Social security costs | 593 | 472 |
| — Pension costs | 198 | 153 |
| Depreciation: | | |
| — Continuing operations | 2,171 | 1,510 |
| — Discontinued operations | — | 126 |
| Released from deferred income | (57) | (29) |
| Hire of equipment | 640 | 604 |
| Other operating lease rentals | 44 | 55 |
| Auditors' remuneration | | |
| — Audit services | 89 | 105 |
| — Non-audit services — in UK | 267 | 158 |
| — in rest of world | 6 | 7 |

### (b) Cost of sales and administrative expenses

The Directors have reassessed the basis on which costs can more fairly be allocated between cost of sales and administrative expenses. The comparative figures in respect of 1992 have been restated accordingly by transferring £981,000 from administrative expenses to cost of sales. There is no resulting net effect on operating profit.

## 4 Directors' remuneration

| | 1993 | 1992 |
|---|---|---|
| Fees as Directors | 45 | 45 |
| Other emoluments | 202 | 196 |
| | 247 | 241 |

The emoluments for the Chairman, for whom no pension contributions were made, were £17,880 (1992: £17,830).
The emoluments, excluding pension contributions of £7,880 (1992: £7,650), of the highest paid Director, being the Chief Executive, were £113,760 (1992: £109,943).

## 4 Directors' remuneration continued

| Other Directors received emoluments, excluding pension contributions, in the following ranges: | 1993 | 1992 |
|---|---|---|
| £5,001 – £10,000 | 3 | 3 |
| £70,001 – £75,000 | — | 1 |
| £75,001 – £80,000 | 1 | — |

No share options were granted to Directors in the year, and no performance related payments were due (1992: £nil) under a bonus scheme for the year for executive Directors based on the achievement of certain levels of earnings per share. Details of the options held by the Directors over the Company's ordinary shares are given in the Directors' report.

## 5 Loss on sale of assets in discontinued operations

| | 1993 £000 | 1992 £000 |
|---|---|---|
| Loss on sale of vessels, redundancy and other costs | — | (657) |
| Net proceeds on sale of investment | — | 179 |
| | — | (478) |

## 6 Interest payable

| | | |
|---|---|---|
| Bank interest | | |
| — Loans wholly repayable within 5 years | 270 | 351 |
| — Loans repayable after 5 years | 115 | 186 |
| Interest element of payments under finance leases | 181 | 218 |
| Other interest | 79 | 126 |
| | 645 | 881 |

## 7 Taxation

| | | |
|---|---|---|
| UK advance corporation taxation written off | 138 | 19 |
| Overseas taxation — current year | 246 | 61 |
| — prior year | 96 | 34 |
| | 480 | 114 |

No further charge for UK taxation arises as the profits for the year are fully relieved by losses brought forward and other allowances available. There was no unprovided deferred taxation liability at 31 December 1993.

## 8 Company profit and loss account

The loss for the year dealt with in the accounts of the Company is £(370,000) (1992: £304,000).

## 9 Earnings per share

Earnings per share is calculated on the profit attributable to shareholders amounting to £1,456,000 (1992: £1,089,000). This amount has been divided by 52,678,520 (1992: 52,413,058) being the weighted average number of Ordinary Shares in issue during the year.

Normalised earnings per share has been calculated on the basis of profit attributable to shareholders exclusive of the loss on sale of assets in discontinued operations in 1992. This is consistent with Statement of Investment Practice No. 1 issued by the Institute of Investment Management and Research.

Fully diluted earnings per share is not materially different from basic earnings per share.

# Notes to the accounts *continued*

## 10 Tangible fixed assets

| | Freehold properties £000 | Leasehold properties £000 | Submersibles and equipment £000 | Plant, machinery, rental stock and equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 January 1993 | 627 | 528 | 9,416 | 8,302 | 18,873 |
| On acquisition | — | — | 990 | 468 | 1,458 |
| Additions | 476 | — | 2,129 | 992 | 3,597 |
| Disposals | — | — | (291) | (547) | (838) |
| At 31 December 1993 | 1,103 | 528 | 12,244 | 9,215 | 23,090 |
| **Depreciation** | | | | | |
| At 1 January 1993 | (12) | (66) | (5,115) | (1,950) | (7,143) |
| Charge for the year | (45) | (27) | (1,080) | (1,019) | (2,171) |
| Disposals | — | — | 156 | 46 | 202 |
| At 31 December 1993 | (57) | (93) | (6,039) | (2,923) | (9,112) |
| **Net book value** | | | | | |
| At 31 December 1993 | **1,046** | **435** | **6,205** | **6,292** | **13,978** |
| At 31 December 1992 | 615 | 462 | 4,301 | 6,352 | 11,730 |

During the year the Group entered into finance lease arrangements in respect of tangible fixed assets included above as additions with a total capital value at the inception of the leases of £13,000 (1992: £1,139,000). Included in the net book value of tangible fixed assets at 31 December 1993 is an amount totalling £1,694,000 (1992: £2,028,000) relating to assets held under finance leases. The amount of depreciation charged on these assets, principally submersibles, during the year was £296,000 (1992: £306,000).

| | Freehold properties £000 | Leasehold properties £000 | Submersibles and equipment £000 | Plant, machinery, rental stock and equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost** | | | | | |
| At 1 January 1993 | — | 26 | — | 66 | 92 |
| Additions | — | — | — | 12 | 12 |
| Disposals | — | — | — | (12) | (12) |
| At 31 December 1993 | — | 26 | — | 66 | 92 |
| **Depreciation** | | | | | |
| At 1 January 1993 | — | (5) | — | (35) | (40) |
| Charge for the year | — | (3) | — | (15) | (18) |
| Disposals | — | — | — | 5 | 5 |
| At 31 December 1993 | — | (8) | — | (45) | (53) |
| **Net book value** | | | | | |
| At 31 December 1993 | **—** | **18** | **—** | **21** | **39** |
| At 31 December 1992 | — | 21 | — | 31 | 52 |

Leasehold properties held by the Company are for a term of less than 50 years. All other leasehold properties are for a term of more than 50 years.

## 11 Investments

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Unquoted investments | **15** | 46 | **—** | — |
| Investments in subsidiary undertakings | **—** | — | **9,946** | 12,414 |
| | **15** | 46 | **9,946** | 12,414 |

| | Unquoted investments Group £000 | Unquoted investments Company £000 | Investment in subsidiary undertakings Company £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 1993 | 4,310 | 4,264 | 13,860 |
| Additions | 9 | — | 901 |
| Disposal | (40) | — | — |
| Share repurchase by subsidiary undertaking | — | — | (2,575) |
| At 31 December 1993 | 4,279 | 4,264 | 12,186 |
| **Provisions** | | | |
| At 1 January 1993 | (4,264) | (4,264) | (1,446) |
| Increase in provision | — | — | (794) |
| At 31 December 1993 | (4,264) | (4,264) | (2,240) |
| **Net book value** | | | |
| At 31 December 1993 | **15** | **—** | **9,946** |
| At 31 December 1992 | 46 | — | 12,414 |

The principal subsidiary undertakings and other investments, all of which operate mainly in the United Kingdom unless otherwise stated, are:

| Name | Country of *registration and* operation | Principal activity | *Equity* held | % |
|---|---|---|---|---|
| HMB Subwork Limited* | Scotland | Remotely operated vehicles | Ord | 100 |
| GB Subwork BV | Holland | Remotely operated vehicles | Ord | 50 |
| Scandive AS | Norway | Remotely operated vehicles | Ord | 100 |
| Hydra-Lok Limited* | England | Offshore construction | Ord | 100 |
| MCS Hydra-Lok Inc | USA | Offshore construction | Ord | 51 |
| HER Group Limited* | Scotland | Holding company | Ord | 100 |
| Huntly Equipment Rental Limited** | Scotland | Marine equipment rental | Ord | 100 |
| Ecosse Wire Ropes Limited | Scotland | Wire rope products | Ord | 100 |
| Seafast Limited | Scotland | Marine equipment sale | Ord | 100 |
| SeaMark Systems Limited* | Scotland | Subsea and marine products and services | Ord | 100 |
| *SeaMark Systems Norge AS* | Norway | Subsea products and services | Ord | 100 |

*Held directly by the Company

***88.24% held directly by the Company, 11.76% held by HER Group Ltd*

# Notes to the accounts continued

## 12 Stocks

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Raw materials and consumables | 662 | 792 | — | — |
| Work in progress | 175 | 187 | — | — |
| Finished goods | 228 | 163 | — | — |
| At 31 December | 1,065 | 1,142 | — | — |
| At 1 January | 1,142 | 1,517 | | |
| The movement in the year related to: | | | | |
| Operating activities: | | | | |
| –Continuing operations | (210) | (404) | | |
| –Discontinued operations | — | (64) | | |
| Acquisitions | 133 | 93 | | |
| | (77) | (375) | | |

The Directors do not consider the replacement value of stocks to be materially different from the amounts stated above.

## 13 Debtors

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Trade debtors | 5,132 | 4,296 | — | — |
| Amounts owed by subsidiary undertakings | — | — | 2,775 | 1,604 |
| Prepayments and accrued income | 226 | 257 | 11 | 12 |
| Other debtors | 305 | 355 | 15 | 38 |
| At 31 December | 5,663 | 4,908 | 2,801 | 1,654 |
| At 1 January | 4,908 | 5,176 | | |
| The movement in the year related to: | | | | |
| Operating activities: | | | | |
| –Continuing operations | 536 | (128) | | |
| –Discontinued operations | — | (873) | | |
| Acquisitions | 219 | 848 | | |
| Other items | — | (115) | | |
| | 755 | (268) | | |

## 14 Cash and overdraft balances

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Cash | **2,553** | 4,410 | **2,054** | 1,382 |
| Overdraft balances (see note 15) | **(2,413)** | (1,696) | **—** | — |
| Net balances at 31 December | **140** | 2,714 | **2,054** | 1,382 |
| Net balances at 1 January | 2,714 | 2,189 | | |
| Movement in the year | **(2,574)** | 525 | | |

There was no material effect of foreign exchange rate changes in the year on net cash and overdraft balances.

## 15 Creditors falling due within one year

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Overdrafts (secured) | **2,413** | 1,696 | **—** | — |
| Bank and other loans | **669** | 447 | **—** | — |
| Trade creditors | **2,074** | 3,027 | **—** | — |
| Advance payments on contracts | **114** | 255 | **—** | — |
| Obligations under finance leases | **467** | 503 | **—** | — |
| Taxes and social security | **741** | 324 | **179** | 39 |
| Accruals | **2,182** | 1,728 | **236** | 285 |
| Amounts due to subsidiary undertakings | **—** | — | **2,061** | 1,628 |
| Deferred consideration | **—** | 280 | **—** | 280 |
| Loan stock | **160** | 160 | **160** | 160 |
| Proposed dividend | **579** | 527 | **579** | 527 |
| At 31 December | **9,399** | 8,947 | **3,215** | 2,919 |
| At 1 January | 8,947 | 10,976 | | |
| The movement in the year related to: | | | | |
| Operating activities: | | | | |
| –Continuing operations | **(827)** | 137 | | |
| –Discontinued operations | **—** | (1,628) | | |
| Acquisitions | **(280)** | 1,451 | | |
| Other items | **1,559** | (1,989) | | |
| | **452** | (2,029) | | |

## 16 Creditors: falling due after more than one year

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Bank and other loans (secured) | **2,724** | 2,100 | **—** | — |
| Obligations under finance leases | **849** | 1,319 | **—** | — |
| Loan stock | **320** | 480 | **320** | 480 |
| Deferred consideration | **151** | — | **151** | — |
| At 31 December | **4,044** | 3,899 | **471** | 480 |

| | Group 1993 Total £000 | Due within 1–2 years £000 | Due within 2–5 years £000 | Due after 5 years £000 |
|---|---|---|---|---|
| Bank and other loans (secured) | 2,724 | 799 | 1,430 | 495 |
| Obligations under finance leases | 849 | 416 | 433 | — |
| Loan stock | 320 | 160 | 160 | — |
| Deferred consideration | 151 | 151 | — | — |
| | 4,044 | 1,526 | 2,023 | 495 |

Loans carry interest at commercial rates, generally 1.5–2% over base rates. Bank loans, other loans and overdrafts are secured by way of fixed and floating charges over certain of the assets of subsidiary undertakings. Repayments of the loan stock are guaranteed by a bank which holds a floating charge over certain assets of the Company.

## 17 Analysis of changes in financing during the year

| | Group Share capital (including premium) £000 | Loans and finance lease obligations £000 |
|---|---|---|
| At 1 January 1993 | 6,882 | 5,009 |
| Net cash inflow from financing | — | 167 |
| Inception of finance lease contracts | — | 13 |
| At 31 December 1993 | **6,882** | **5,189** |

The amounts included under loans and finance lease obligations comprise bank and other loans, loan stock and obligations under finance leases. The inception of finance lease contracts amounting to £13,000 (1992: £1,139,000) referred to above is classified as a major non-cash transaction under Financial Reporting Standard 1.

## 18 Provisions for liabilities and charges

| | Group 1993 £000 | Group 1992 £000 | Company 1993 £000 | Company 1992 £000 |
|---|---|---|---|---|
| Deferred income at 31 December | **177** | 115 | **—** | — |
| At 1 January | **115** | 176 | | |
| The movement in the year related to: | | | | |
| Operating activities: | | | | |
| – Continuing operations | **(53)** | (29) | | |
| – Discontinued operations | **—** | (32) | | |
| Other items | **115** | — | | |
| | **62** | (61) | | |

## 19 Called up share capital

| | Group and Company 1993 £000 | Group and Company 1992 £000 |
|---|---|---|
| **Authorised share capital:** | | |
| *75,000,000 (31 December 1992: 75,000,000)* Ordinary Shares of 5p each | **3,750** | 3,750 |
| **Allocated, called up and fully paid:** | | |
| *52,678,520 (31 December 1992: 52,678,520)* Ordinary Shares of 5p each | **2,634** | 2,634 |

At 31 December 1993 2,624,691 options were outstanding, exercisable at prices in the range 22.5p to 32p between, in normal circumstances, 1 January 1994 and 12 April 2003.

## 20 Reconciliation of movement in reserves and shareholders' funds

| | Company profit and loss account £000 | Group and Company share premium £000 | Group profit and loss account £000 | Group Total reserves £000 | Group and Company Share capital £000 | Group Shareholders' funds £000 |
|---|---|---|---|---|---|---|
| At 1 January 1993 | 5,221 | 4,248 | 2,303 | 6,551 | 2,634 | 9,185 |
| Retained profit/(loss) | (949) | — | 877 | 877 | — | 877 |
| Goodwill written off | — | — | (514) | (514) | — | (514) |
| At 31 December 1993 | **4,272** | **4,248** | **2,666** | **6,914** | **2,634** | **9,548** |

Included in goodwill written off in the year is £345,000 relating to the acquisition of Scandive and Wimpey Geotech as set out in note 22.

The cumulative amount of goodwill, resulting from acquisitions in the year and earlier years, which has been written off directly to the Group profit and loss account (above) and other reserves at 31 December 1993 was £5,644,000 (1992: £5,130 000).

## 21 Commitments and contingent liabilities

| | Group 1993 £000 | Group 1992 £000 |
|---|---|---|
| **(a) Capital commitments** | | |
| Contracted for but not provided | 149 | 407 |
| *Authorised but not contracted* | 248 | 267 |
| | 397 | 674 |

**(b) Operating leases**

The Group is subject to the following obligations in 1994 under operating leases (including land and buildings) having the following remaining terms:

| | Plant £000 | Land and buildings £000 |
|---|---|---|
| Up to one year | 9 | 25 |
| Two to five years | 29 | 2 |
| Over five years | — | 191 |

**(c) Bank guarantees**

At 31 December 1993 the Company had outstanding guarantees to banks and other financial institutions in respect of its subsidiaries amounting to £5,021,000 (1992: £5,610,000).

**(d) Other guarantees and contingencies**

At 31 December 1993 the Company had outstanding guarantess in respect of the performance of contracts by subsidiaries for amounts not exceeding £3,001,000 (1992: £2,428,000) in aggregate.

## 22 Acquisitions

On 7 April 1993 SeaMark Systems Limited acquired the business and assets of Wimpey Geotech Limited for a cash consideration of £805,000. On 31 December 1993 HMB Subwork Norge AS, an existing subsidiary undertaking, purchased the business and assets of Scandive AS and was itself renamed Scandive AS. The table below shows the book value of the net assets and liabilities acquired and the goodwill arising on the acquisitions.

| | *Wimpey Geotech* £000 | *Scandive* £000 | *Total* £000 |
|---|---|---|---|
| Fixed assets | 443 | 1,015 | 1,458 |
| Stock | 133 | — | 133 |
| Debtors | 219 | — | 219 |
| | 795 | 1,015 | 1,810 |
| Fair value of consideration, including costs | 805 | 1,350 | 2,155 |
| Goodwill arising | 10 | 335 | 345 |

An indication of the contribution of Wimpey Geotech to the turnover, operating profit and cash flow of the Group is as follows:

| | |
|---|---|
| Turnover | 1,206 |
| Operating profit | 181 |
| Net cash inflow from continuing operating activities | 407 |
| Cash outflow from investing activities | 78 |

Scandive AS had no effect on the profit and cash flow of the Group as it was purchased on 31 December 1993.

## 23 Pensions

Certain employees are members of pension schemes operated by the Group, and other employees entitled to a pension benefit have contributions paid by the Group to individual personal pension schemes. The Group operates two pension schemes which are of the defined benefit type. The main scheme has assets held in a separately administered fund. The total net pension cost for this scheme was £53,000 (1992: £49,000). The Company's contributions are assessed in accordance with the advice of The Standard Life Assurance Company who act as trustees and independent actuaries. The latest actuarial valuation of the scheme was performed as at 5 April 1993 using the projected unit method. The principal actuarial assumptions adopted in the valuation were that, over the long term, the "average effective rate of interest" would be at the rate of 8.5% pa, and that this would exceed the rate of salary increase by 1.5% pa At the date of the latest actuarial valuation at 5 April 1993 the market value of the assets of this scheme was £2.0 million and the actuarial value of the assets was sufficient to cover 99% of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries.

## 24 Employees

The average number of persons employed during the year was 305 (1992: 251).

One officer had an outstanding loan from the Company at 31 December 1993 amounting to £2,740.

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