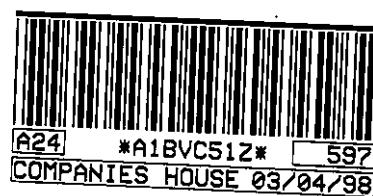


HUNTING OILFIELD SERVICES (UK) LIMITED
(Registered Number 908371)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997



HUNTING OILFIELD SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and audited financial statements of the group and of the company for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The group and company operates in the offshore oil and gas industry as part of the Hunting Oilfield Services (International) Limited group. Business is conducted in the new pipe joints, accessory equipment manufacture and general repair section of the oil industry.

The group and company continues to win business in the UK and Continental Europe. The results reflect the increased competition for business in this area, however, following significant capital expenditure we are well placed to compete and benefit from the high levels of exploration development we are experiencing at present.

RESULT AND DIVIDEND

The group's profit for the financial year amounted to £1,808,000 (1996 - £2,302,000). The company's profit for the financial year amounted to £1,517,000 (1996 - £1,853,000). The directors propose the payment of a final dividend of £904,000 (1996 - £1,153,000). The balance of £904,000 (1996 - £1,149,000) has been transferred to group reserves, and the balance of £613,000 (1996 - £700,000) has been transferred to company reserves.

RESEARCH AND DEVELOPMENT

A continuing programme of research and development is carried on by the group and the company where it is appropriate.

EMPLOYEE POLICY

Full and fair consideration is given to applications for employment for disabled persons and in their training, career development and promotion. Every effort is made to retain in employment those who become disabled.

The employment policies, degree of involvement by employees and the provision of information to them will vary. However, a common awareness of the financial and economic factors affecting the performance is encouraged by open management.

THE ENVIRONMENT

Hunting plc, the ultimate parent company, has established an environmental policy which is appropriate to the number of different markets and countries in which group companies operate. This is subject to regular review and incorporates new objectives as appropriate. In all group companies, there is a common awareness of the need to protect the environment by controlling emissions and waste. As a responsible employer, the company is conscious of its position and role within the community and is committed to continuously improving its environmental performance and providing working environments which meet the requirements of the Health and Safety at Work Act 1974.

HUNTING OILFIELD SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

J A McColl	(Chairman)
S McClements	(Managing Director)
S Greig	
Y Yakushiji	(Japan resigned 2 June 1997)
K Yamada	(Japan resigned 30 June 1997)
T Hirano	(Japan appointed 2 June 1997)
K Fukui	(Japan appointed 30 June 1997)

None of the directors had any notifiable interest in the shares of the company, or its fellow subsidiary undertakings, during the year.

The interests of the directors in the shares of Hunting plc are disclosed in the 1997 financial statements of Hunting Oilfield Services (International) Limited, the immediate parent undertaking.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for maintaining proper accounting records to enable them to prepare financial statements, as required by the Companies Act 1985, which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss for the company and the group.

The directors confirm that the financial statements, using applicable accounting standards, have been prepared on a going concern basis using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors are also responsible for safeguarding the assets of the group and the company and for preventing and detecting fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By Order of the Board


R. Davie
SECRETARY

27 MARCH 1998

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF HUNTING OILFIELD SERVICES (UK) LIMITED

We have audited the financial statements on pages 4 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 the group and the company as at 31 December 1997, the profit for the group and the company and the group's cashflows 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

27 MARCH 1998

HUNTING OILFIELD SERVICES (UK) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
TURNOVER (Note 2)	41,520	45,184
Cost of sales	<u>(33,239)</u>	<u>(36,414)</u>
GROSS PROFIT	8,281	8,770
Operating expenses (Note 3)	<u>(5,144)</u>	<u>(5,044)</u>
OPERATING PROFIT	3,137	3,726
Interest payable, net (Note 5)	<u>(533)</u>	<u>(242)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 6)	2,604	3,484
Taxation on profit on ordinary activities (Note 7)	<u>(796)</u>	<u>(1,182)</u>
PROFIT FOR THE FINANCIAL YEAR	1,808	2,302
Dividends - proposed	<u>(904)</u>	<u>(1,153)</u>
AMOUNT TRANSFERRED TO RESERVES (Note 16)	<u>904</u>	<u>1,149</u>
All operations are continuing		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
Profit for the financial year	1,808	2,302
Exchange rate adjustment	<u>(340)</u>	<u>(393)</u>
Total gains and losses recognised since last annual report	<u>1,468</u>	<u>1,909</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
TURNOVER (Note 2)	31,300	34,078
Cost of sales	<u>(24,862)</u>	<u>(28,113)</u>
GROSS PROFIT	6,438	5,965
Net operating expenses (Note 3)	<u>(4,123)</u>	<u>(3,705)</u>
OPERATING PROFIT	2,315	2,260
Income from shares in group undertakings	<u>234</u>	<u>451</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	2,549	2,711
Interest payable, net (Note 5)	<u>(416)</u>	<u>(138)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 6)	2,133	2,573
Taxation on profit on ordinary activities (Note 7)	<u>(616)</u>	<u>(720)</u>
PROFIT FOR THE FINANCIAL YEAR	1,517	1,853
Dividends - proposed	<u>(904)</u>	<u>(1,153)</u>
AMOUNT TRANSFERRED TO RESERVES (Note 16)	<u>613</u>	<u>700</u>

There are no recognised gains or losses for either year other than shown above and all operations are continuing.

HUNTING OILFIELD SERVICES (UK) LIMITED

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1997

	1997 £'000	1996 £'000
FIXED ASSETS		
Tangible assets (Note 8)	<u>4,507</u>	<u>3,597</u>
CURRENT ASSETS		
Stocks (Note 10)	10,181	8,622
Debtors (Note 11)	11,937	12,176
Cash at bank and in hand	<u>458</u>	<u>2,845</u>
	22,576	23,643
CREDITORS - Amounts falling due within one year (Note 12)	<u>(21,043)</u>	<u>(21,763)</u>
NET CURRENT ASSETS	<u>1,533</u>	<u>1,880</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	6,040	5,477
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	<u>(89)</u>	<u>(90)</u>
	<u>5,951</u>	<u>5,387</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	1,000	1,000
Profit and loss account (Note 16)	<u>4,951</u>	<u>4,387</u>
EQUITY SHAREHOLDERS' FUNDS (Note 17)	<u>5,951</u>	<u>5,387</u>

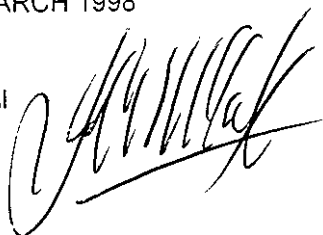
HUNTING OILFIELD SERVICES (UK) LIMITED

BALANCE SHEET - 31 DECEMBER 1997

	1997 £'000	1996 £'000
FIXED ASSETS		
Tangible assets (Note 8)	2,553	1,705
Investments in subsidiary undertakings (Note 9)	<u>850</u>	<u>850</u>
	<u>3,403</u>	<u>2,555</u>
CURRENT ASSETS		
Stocks (Note 10)	8,803	5,032
Debtors (Note 11)	10,508	10,615
Cash at bank and in hand	<u>31</u>	<u>742</u>
	19,342	16,389
CREDITORS - Amounts falling due within one year (Note 12)	(17,833)	(14,563)
NET CURRENT ASSETS	<u>1,509</u>	<u>1,826</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	4,912	4,381
CREDITORS - Amounts falling due after more than one year (Note 13)	(834)	(834)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 14)	<u>(89)</u>	<u>(90)</u>
	<u>3,989</u>	<u>3,457</u>
CAPITAL AND RESERVES		
Called up share capital (Note 15)	1,000	1,000
Profit and loss account (Note 16)	<u>2,989</u>	<u>2,457</u>
EQUITY SHAREHOLDERS' FUNDS (Note 17)	<u>3,989</u>	<u>3,457</u>

APPROVED BY THE BOARD OF DIRECTORS
ON 27 MARCH 1998

J A McColl



HUNTING OILFIELD SERVICES (UK) LIMITED

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £'000	1996 £'000
NET CASH INFLOWS FROM OPERATING ACTIVITIES (Note 18)	1,548	7,049
RETURNS ON INVESTMENT AND SERVICING OF FINANCE (Note 19)	(548)	(104)
TAXATION	(1,157)	(451)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT (Note 19)	(1,492)	(525)
EQUITY DIVIDENDS PAID	(1,153)	(770)
FINANCING (Note 19)	<u>(103)</u>	<u>(4,012)</u>
INCREASE/(DECREASE) IN CASH	<u>(2,905)</u>	<u>1,187</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The group has not prepared a cashflow statement as its cashflows are included in the cashflow statement prepared by its ultimate parent company, Hunting plc.

(2) Basis of consolidation

Goodwill arising on the acquisition of subsidiaries representing the excess of cost of shares over the value attributed to the net tangible assets at acquisition is charged directly to reserves.

(3) Tangible assets and depreciation

Tangible assets are stated at cost and depreciation is provided in equal annual instalments over their estimated useful lives by using the following rates:

Leasehold buildings	Life of lease
Plant and equipment	20-33%
Assets in the course of construction	Nil

(4) Leases

Assets acquired under finance leases have been recorded in the balance sheet as tangible fixed assets at their equivalent capital value and depreciated over the useful life of the asset. Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

(5) Foreign currencies

Trading activities denominated in foreign currency are translated at the average rate for the year. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

(6) Deferred taxation

Provision is made for deferred taxation using the liability method except where there is a reasonable probability that a liability will not arise in the foreseeable future. Deferred taxation assets are recognised to the extent that there is certainty that the timing difference will reverse and not be replaced in the future.

(7) Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value. The cost of work in progress includes direct labour and material costs, production overheads and a proportion of administrative overheads.

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Research and development

Research and development expenditure is written off as incurred.

(9) Pensions

Contributions to the Hunting plc group schemes are assessed by a qualified actuary. Costs are not determined for each individual company hence contributions are charged to the profit and loss account for the period for which they become payable.

(10) Related party transactions

The company has taken advantage of the 90% owned subsidiary exemption not to disclose related party transactions with members of the group.

2 TURNOVER

Turnover represents the total amount receivable in the ordinary course of business for services provided and for goods sold, net of value added tax. The geographical analysis of turnover is as follows:

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
By origin:				
Europe	<u>41,520</u>	<u>31,300</u>	<u>45,184</u>	<u>34,078</u>
By destination:				
Europe	40,332	30,112	37,605	26,499
Africa	209	209	3,205	3,205
South America	336	336	3,109	3,109
United States of America	-	-	920	920
Other	<u>643</u>	<u>643</u>	<u>345</u>	<u>345</u>
	<u>41,520</u>	<u>31,300</u>	<u>45,184</u>	<u>34,078</u>

3 OPERATING EXPENSES

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Administrative expenses	(5,250)	(4,295)	(5,199)	(4,019)
Other operating income	<u>106</u>	<u>172</u>	<u>155</u>	<u>314</u>
	<u>(5,144)</u>	<u>(4,123)</u>	<u>(5,044)</u>	<u>(3,705)</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

4 EMPLOYEE COSTS

Employee costs, including directors, is analysed as follows:

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Wages and salaries	3,546	2,623	3,457	2,439
Social security costs	371	227	362	203
Other pension costs	<u>52</u>	<u>-</u>	<u>117</u>	<u>49</u>
	<u>3,969</u>	<u>2,850</u>	<u>3,936</u>	<u>2,691</u>

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

	Group 1997 Number	Company 1997 Number	Group 1996 Number	Company 1996 Number
UK	116	116	107	107
Other	<u>45</u>	<u>-</u>	<u>39</u>	<u>-</u>
	<u>161</u>	<u>116</u>	<u>146</u>	<u>107</u>

Directors' emoluments

The aggregate emoluments of the directors were £161,457 (1996 - £120,264).

5 INTEREST PAYABLE, NET

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Interest receivable and similar income				
Bank balances	26	5	45	6
Parent undertaking loans, net	<u>-</u>	<u>-</u>	<u>84</u>	<u>119</u>
	<u>26</u>	<u>5</u>	<u>129</u>	<u>125</u>
Interest payable and similar charges				
Bank overdraft and other short term loans	(47)	-	(18)	-
Parent undertaking loans	(112)	(82)	-	-
Other	<u>(400)</u>	<u>(339)</u>	<u>(353)</u>	<u>(263)</u>
	<u>(559)</u>	<u>(421)</u>	<u>(371)</u>	<u>(263)</u>
Interest payable, net	<u>(533)</u>	<u>(416)</u>	<u>(242)</u>	<u>(138)</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Depreciation	734	636	685	559
Operating leases	54	54	70	70
Auditors' remuneration:				
- audit	33	16	32	16
- other professional services	30	17	30	19
Research and development	<u>20</u>	<u>20</u>	<u>72</u>	<u>72</u>

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation is as follows:

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Current year				
- UK tax	608	608	670	670
- overseas tax	242	5	475	13
- deferred taxation (Note 14)	3	3	34	34
Adjustment in respect of prior years:				
- corporation tax	(53)	4	3	3
- deferred tax	<u>(4)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
	<u>796</u>	<u>616</u>	<u>1,182</u>	<u>720</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

8 TANGIBLE ASSETS

Group	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost				
1 January 1997	1,836	811	8,473	11,120
Exchange adjustments	(208)	-	(314)	(522)
Additions	4	-	1,863	1,867
Disposals	-	-	(13)	(13)
31 December 1997	<u>1,632</u>	<u>811</u>	<u>10,009</u>	<u>12,452</u>
Depreciation				
1 January 1997	245	734	6,544	7,523
Exchange adjustments	(27)	-	(279)	(306)
Charge	24	10	700	734
Disposals	-	-	(6)	(6)
31 December 1997	<u>242</u>	<u>744</u>	<u>6,959</u>	<u>7,945</u>
Net book amount				
31 December 1997	<u>1,390</u>	<u>67</u>	<u>3,050</u>	<u>4,507</u>
31 December 1996	<u>1,591</u>	<u>77</u>	<u>1,929</u>	<u>3,597</u>
Company		Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost				
1 January 1997		811	5,540	6,351
Additions		-	1,484	1,484
31 December 1997		<u>811</u>	<u>7,024</u>	<u>7,835</u>
Depreciation				
1 January 1997		734	3,912	4,646
Charge		<u>10</u>	<u>626</u>	<u>636</u>
31 December 1997		<u>744</u>	<u>4,538</u>	<u>5,282</u>
Net book amount				
31 December 1997		<u>67</u>	<u>2,486</u>	<u>2,553</u>
31 December 1996		<u>77</u>	<u>1,628</u>	<u>1,705</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

9 FIXED ASSET INVESTMENTS

In the opinion of the directors the value of the company's investments, which relate to shares held in its subsidiary undertakings, is not less than the amount at which it is included in the balance sheet.

The subsidiary undertakings, all of which are wholly-owned and involved in the group's principal activities, are as follows:

Hunting Oilfield Dutch Holdings Limited
Hunting Oilfield Services BV (indirect holding)
Hunting Oilfield Equipment Services Limited (dormant)

10 STOCKS

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Raw materials	5,411	4,966	3,659	1,924
Work in progress	641	235	1,379	451
Finished goods	<u>4,129</u>	<u>3,602</u>	<u>3,584</u>	<u>2,657</u>
	<u>10,181</u>	<u>8,803</u>	<u>8,622</u>	<u>5,032</u>

The replacement cost of stock is not materially different from the amount stated in the financial statements.

11 DEBTORS

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Trade debtors	8,720	7,047	6,775	4,814
Amounts owed by group undertakings:				
- parent	2,940	2,940	5,275	5,272
- subsidiaries	-	340	-	451
Other debtors	172	157	85	70
Prepayments and accrued income	<u>105</u>	<u>24</u>	<u>41</u>	<u>8</u>
	<u>11,937</u>	<u>10,508</u>	<u>12,176</u>	<u>10,615</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Trade creditors	10,056	8,602	14,568	9,022
Accruals and deferred income	7,805	7,719	4,079	3,979
Dividend proposed	904	904	1,153	1,153
Corporation tax	733	608	1,093	593
Other creditors	304	-	274	(184)
Amounts owed to group undertakings:				
- parent	-	-	402	-
- fellow subsidiaries	299	-	-	-
Other taxation and social security	185	-	194	-
Bank overdraft, unsecured	<u>757</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>21,043</u>	<u>17,833</u>	<u>21,763</u>	<u>14,563</u>

13 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The company has a loan from a subsidiary undertaking of £834,000 (1996 - £834,000) for which there are no set repayment terms.

14 PROVISION FOR LIABILITIES AND CHARGES - DEFERRED TAXATION

	Group and Company	
	1997 £'000	1996 £'000
Capital allowances	92	59
Other timing differences	<u>(3)</u>	<u>31</u>
	<u>89</u>	<u>90</u>

The full amount of the deferred tax liability has been recognised in the financial statements.

An analysis of the movement on deferred tax is as follows:

	£'000
1 January 1997	90
Provided during the year (Note 7)	<u>(1)</u>
31 December 1997	<u>89</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised, allotted and fully paid: 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16 PROFIT AND LOSS ACCOUNT

	Group 1997 £'000	Company 1997 £'000
1 January 1997	4,387	2,457
Exchange loss	(340)	(81)
Profit for the financial year	<u>904</u>	<u>613</u>
31 December 1997	<u>4,951</u>	<u>2,989</u>

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 1997 £'000	Company 1997 £'000	Group 1996 £'000	Company 1996 £'000
Profit for the financial year	1,808	1,517	2,302	1,853
Other recognised losses relating to the year	(340)	(81)	(393)	-
Dividends	<u>(904)</u>	<u>(904)</u>	<u>(1,153)</u>	<u>(1,153)</u>
Net additions to shareholders' funds	564	532	756	700
Opening shareholders' funds	<u>5,387</u>	<u>3,457</u>	<u>4,631</u>	<u>2,757</u>
Closing shareholders' funds	<u>5,951</u>	<u>3,989</u>	<u>5,387</u>	<u>3,457</u>

18 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS

	1997 £'000	1996 £'000
Operating profits	3,137	3,726
Depreciation	734	685
Increase in stock	(1,520)	(2,423)
Decrease/(increase) in debtors	278	(2,882)
(Decrease)/increase in creditors	<u>(1,081)</u>	<u>7,943</u>
Net cash inflow	<u>1,548</u>	<u>7,049</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

19 ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

	1997 £'000	1996 £'000
Returns on investment and servicing of finance		
Interest received	26	129
Interest paid	<u>(574)</u>	<u>(233)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(548)</u>	<u>(104)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,499)	(557)
Sale of plant and machinery	<u>7</u>	<u>32</u>
Net cash outflow for capital expenditure and financial investment	<u>(1,492)</u>	<u>(525)</u>
Financing		
Decrease in short term group borrowings	<u>(103)</u>	<u>(4,012)</u>
Net cash inflow/(outflow) from financing	<u>(103)</u>	<u>(4,012)</u>

20 ANALYSIS OF NET DEBT

(1) Reconciliation of net cashflow to movement in net funds/(debt)

	1997 £'000
Decrease in cash for the period	(2,905)
Cash outflows from financing	<u>103</u>
Change in net debt resulting from cashflows	(2,802)
Translation difference	<u>(239)</u>
Movement in net debt	(3,041)
Net funds at 1 January 1997	<u>2,443</u>
Net debt at 31 December 1997	<u>(598)</u>

(2) Analysis of net funds/(debt)

	At 1 January 1997 £'000	Cashflows £'000	Exchange Movement £'000	At 31 December 1997 £'000
Cash at bank and in hand	2,845	(2,148)	(239)	458
Overdrafts	<u>-</u>	<u>(757)</u>	<u>-</u>	<u>(757)</u>
Debt < one year	2,845	(2,905)	(239)	(299)
	<u>(402)</u>	<u>103</u>	<u>-</u>	<u>(299)</u>
Total	<u>2,443</u>	<u>(2,802)</u>	<u>(239)</u>	<u>(598)</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

21 PENSION ARRANGEMENTS

Pension arrangements exist for employees. Under these arrangements, which apply to the majority of employees, the company makes contributions based on actuarial advice to funded pension schemes. The contributions are charged against the profit and loss account.

Employees of the company are members of the Hunting plc Scheme, contributions to which are determined by the aggregate membership and funding of the scheme. On the basis of a recent actuarial valuation the value of assets was in excess of the benefits that had accrued to members after allowing for expected future increases in pensionable earnings. Further details of the scheme are contained within the financial statements of Hunting plc, the ultimate parent company.

22 OPERATING LEASE COMMITMENTS

The group and the company have the following annual commitments in respect of operating leases:

	Group Land and buildings £'000	Group Others £'000	Company Land and buildings £'000	Company Others £'000
Leases which expire:				
Within one year	-	3	-	3
Between two and five years	<u>373</u>	<u>38</u>	<u>373</u>	<u>38</u>

23 RELATED PARTY TRANSACTIONS

Hunting Oilfield Services (UK) Ltd is a 60% subsidiary of Hunting Oilfield Services (International) Ltd. The remaining 40% of the ordinary share capital is held 20% by Itochu (Europe) plc and 20% by Itochu Corporation Japan. Transactions with these related parties comprise:

	1997 £'000	1996 £'000
Itochu		
- sale of finished goods	(1,021)	(478)
- purchase of raw materials	<u>12,152</u>	<u>12,353</u>
Other subsidiary companies within Hunting Oilfield Services (International) Limited	<u>2,493</u>	<u>2,118</u>

In addition, the following amounts are (payable to)/receivable from related parties at 31 December.

	1997 £'000	1996 £'000
Trading with Itochu	(5,385)	(5,568)
Trading balances with other subsidiary companies within the Hunting Oilfield Services (International) Limited Group	<u>-</u>	<u>9</u>

HUNTING OILFIELD SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (CONTINUED)

24 CONTINGENT LIABILITY

As part of its normal operating environment the company enters into performance bonds with its customers. At 31 December 1997 the amounts under performance bonds are £10,000 (1996 - £Nil).

25 PARENT COMPANIES

Hunting Oilfield Services (International) Limited, a company registered in England, is the parent undertaking of the smallest group to consolidate these financial statements.

Hunting PLC, is the parent undertaking of the largest group to consolidate these financial statements and is the ultimate parent company.

Copies of the group financial statements of Hunting PLC may be obtained from the Company Secretary, Hunting PLC, 3 Cockspur Street, London SW1Y 5BQ.