

HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

Registered No: 1103530



HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT

The directors' present their report, together with the audited financial statements, for the year ended 31 December 1996.

ACTIVITIES

The Company is the parent undertaking of the Hunting PLC Group's Oil Division and is a wholly-owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales. The Company's income from investments in its subsidiary undertakings increased during 1996 due to the improvement in crude oil prices and higher levels of activity within the Oil Division.

The directors believe that subject to continued stability in oil prices, the Division is well placed to make further progress in 1997.

RESULTS AND DIVIDENDS

The results and financial position of the Company are set out in the attached financial statements. The directors recommend the payment of a dividend for 1996 of £6,851,359 (1995 : £3,113,000). The retained profit for the year of £36,310 has been transferred to reserves.

FIXED ASSETS

The movements in fixed asset investments during the year are shown in note 8 to the financial statements.

DIRECTORS'

The directors of the Company who served during the year were as follows:

K. W. Miller
D. L. Clark

No director had a material interest in any contract of significance to which either the Company or its subsidiary undertakings were a party.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Hunting PLC maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its directors and officers in the discharge of their duties.

HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

Neither of the directors had any interest in the shares of the Company during the year.

The interest of the directors in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed, in the 1996 Annual Report and Accounts of that company.

The market price of the ordinary shares at 31 December 1996 was 161p and the range during the year was 110p to 231p.

The movements in the interests of the directors between 25 March and 16 June 1997 are as follows:

	K. W. Miller	D. L. Clark
1997		
23 April		
Savings Related Options granted at 148p	7,039	7,039
Savings Related Options (granted at 205p) lapsed	(5,419)	(6,125)
1 May		
Executive Share Options (granted at 223.89p) lapsed	(22,109)	(17,687)
6 May		
Executive Incentive Options granted at nil cost	32,050	22,350

There were no other changes to the directors' interests between 25 March and 16 June 1997.

SHARE CAPITAL

There were no movements in the Company's share capital during the year as shown in note 13 to the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no payments during the year to charitable or political organisations (1995 : Nil).

AUDITORS

Price Waterhouse have indicated their willingness to continue in office. An elective resolution is in force which dispenses with the annual reappointment of auditors.

By Order of the Board

R. Fisher
Secretary



16 June 1997

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF 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 profit or loss of the Company.

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 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' REPORT
TO THE SHAREHOLDERS OF HUNTING OIL HOLDINGS LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 Company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors

16 June 1997

Southwark Towers
32 London Bridge Street
London
SE1 9SY

HUNTING OIL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
Administrative expenses		(26,597)	(44)
Income from shares in subsidiary undertakings		7,026,833	2,829,920
OPERATING PROFIT		7,000,236	2,829,876
Exceptional Item:			
Loss on disposal of fixed asset investment	5	-	(555,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		7,000,236	2,274,876
Interest receivable	3	84,209	89,750
Interest payable	4	-	(751)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,084,445	2,363,875
Taxation on profit on ordinary activities	7	(196,776)	(175,399)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,887,669	2,188,476
Dividend - proposed		(6,851,359)	(3,113,000)
RETAINED PROFIT (LOSS) FOR THE FINANCIAL YEAR	14	36,310	(924,524)

The profit for the year arises from the Company's continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
Profit for the financial year		6,887,669	2,188,476
Currency translation differences on foreign currency net investments		1,925,685	-
Revaluation of fixed asset investments	15	12,854,000	22,896,560
Total recognised gains and losses for the year		21,667,354	25,085,036

The notes on pages 8 to 14 form part of these financial statements.

HUNTING OIL HOLDINGS LIMITED

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1996**

	<u>1996</u> £	<u>1995</u> £
Reported profit on ordinary activities before taxation	7,084,445	2,363,875
Realisation of investment revaluation gains of previous years	-	257,000
	<hr/>	<hr/>
Historical cost profit on ordinary activity before taxation	7,084,445	2,620,875
	<hr/>	<hr/>
Historical cost retained profit (loss) for the year	36,310	(667,524)
	<hr/>	<hr/>

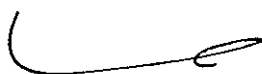
HUNTING OIL HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Investments	8	67,474,000	54,620,000
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	9	29,061,823	24,027,674
Cash at bank and deposits		883,565	1,345,880
		<hr/>	<hr/>
		29,945,388	25,373,554
CREDITORS: amounts falling due within one year	10	(7,678,911)	(3,141,614)
		<hr/>	<hr/>
NET CURRENT ASSETS		22,266,477	22,231,940
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		89,740,477	76,851,940
CREDITORS: amounts falling due after more than one year	11	(35,175,923)	(37,101,606)
DEFERRED TAXATION	12	-	(1,775)
		<hr/>	<hr/>
		54,564,554	39,748,559
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up equity share capital	13	16,880,550	16,880,550
Profit and loss account	14	2,190,444	228,449
Revaluation reserve	15	35,493,560	22,639,560
		<hr/>	<hr/>
		54,564,554	39,748,559
		<hr/>	<hr/>

Approved by the Board of Directors on 16 June 1997.

D. L. Clark
Director



The notes on pages 8 to 14 form part of these financial statements.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention adjusted for the revaluation of fixed asset investments and in accordance with applicable accounting standards.

Group accounts

The Company has taken advantage of the exemption from preparing group accounts under s228(2) of the Companies Act 1985 as it is a wholly owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales, in whose consolidated financial statements the Company is included.

Income from shares in group undertakings

Income from shares in group undertakings is accounted for on a receivable basis. Overseas dividends are stated in the profit and loss account inclusive of overseas withholding taxes but net of underlying overseas taxation attributable to dividends.

Foreign currencies

Assets and liabilities denominated in foreign currencies have been expressed in sterling at market rates ruling at 31 December. Exchange differences on foreign currency borrowings used to finance overseas investments and exchange differences on those investments are dealt with through reserves. Any other exchange differences are dealt with in the profit and loss account.

Investments

Investments in subsidiary undertakings are stated at directors' valuation based on the net asset values of the subsidiary undertakings at 31 December. The investments are revalued annually on a portfolio basis and surpluses and deficits arising on revaluation are dealt with through revaluation reserve.

2 DIRECTORS AND EMPLOYEES

Neither director received any remuneration during the year in respect of their services to the Company (1995 : £ Nil).

There were no employees during the year (1995 : None).

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

3 INTEREST RECEIVABLE

	<u>1996</u> £	<u>1995</u> £
Bank interest	84,209	89,750
	<u> </u>	<u> </u>

4 INTEREST PAYABLE

	<u>1996</u> £	<u>1995</u> £
Bank overdraft interest	-	751
	<u> </u>	<u> </u>

5 EXCEPTIONAL ITEM

	<u>1996</u> £	<u>1995</u> £
Loss on disposal of Hunting Marine Limited to a fellow group undertaking	-	555,000
	<u> </u>	<u> </u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u> £	<u>1995</u> £
Auditors' remuneration	-	-
	<u> </u>	<u> </u>

Auditors' remuneration has been dealt with in the consolidated financial statements of Hunting PLC (the Company's ultimate parent undertaking).

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
UK Corporation tax at 33%	1,054,430	953,624
Less: relief for overseas taxation	(1,024,879)	(926,000)
Deferred taxation (Note 12)	(1,775)	1,775
	<hr/>	<hr/>
Overseas withholding tax	27,776	29,399
	169,000	146,000
	<hr/>	<hr/>
	196,776	175,399
	<hr/> <hr/>	<hr/> <hr/>

8 INVESTMENTS

	Shares in subsidiary <u>undertakings</u> £
<u>Valuation</u>	
At 1 January 1996	54,620,000
Exchange movements (Note 15)	(3,234,450)
Increase in underlying net assets (Note 15)	16,088,450
	<hr/>
At 31 December 1996	67,474,000
	<hr/> <hr/>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

8 INVESTMENTS (continued)

The principal subsidiary undertakings comprise:

	<u>Country of incorporation and operations</u>	<u>% interest in ordinary shares</u>	<u>Business</u>
*Gibson Crude Oil Purchasing Co. Limited	Canada	100	Holding company
Gibson Holdings Limited +	Canada	64	Holding company
Gibson Petroleum Company Limited +	Canada	64	Oil marketing and distribution
Gibson Gas Liquids Limited +	Canada Note (3)	75	Propane and butane trading
Gibson Gas Processing Limited +	Canada Note (3)	64	Fractionation plant
Artesian Enterprises Limited +	Canada Note (3)	64	Oil transportation
*E A Gibson Shipbrokers Limited	England	100	Shipbroking
*Hunting Petroleum France SA +	France	100	Holding company
Société Internationale d'Equipments et de Réalisations Pétrolières et Chimiques SA +	France	100	Refinery and pipeline equipment
Larco SA +	France	100	Petroleum equipment
Hunting Industrial Coatings Limited	England	100	Industrial coatings
Enviro Pac Limited	England	100	Industrial coatings
*Hunting Oilfield Services (International) Limited	England	100	Oilfield services
Hunting Oilfield Services (UK) Limited	England	60	Oilfield services
Leach Colour Group Limited +	England	100	Photographic and printing services

Notes

- (1) Certain subsidiary undertakings and associated companies have been excluded where, in the opinion of the directors, they do not have a material bearing on the profits or assets of the Company.
- (2) Subsidiary undertakings and associated companies marked + are audited by firms other than Price Waterhouse.
- (3) Owned by Gibson Petroleum Company Limited.
- (4) Interests in companies marked * are held directly by Hunting Oil Holdings Limited.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

9 DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Due within one year:		
Amount owed by parent undertaking	121,826	121,826
Amounts owed by subsidiary undertakings	7,649,360	2,613,000
Amounts owed by fellow subsidiary undertakings	21,287,471	21,287,371
Other debtors	3,166	5,477
	<hr/>	<hr/>
	29,061,823	24,027,674

10 CREDITORS: amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£	£
Amount owed to parent undertaking	798,000	-
Corporation tax	29,552	28,614
Proposed dividend	6,851,359	3,113,000
	<hr/>	<hr/>
	7,678,911	3,141,614
	<hr/>	<hr/>

11 CREDITORS: amounts falling due after more than one year

	<u>1996</u>	<u>1995</u>
	£	£
Amount owed to parent undertaking	5,200,913	5,200,913
Amounts owed to fellow subsidiary undertakings	29,975,010	31,900,693
	<hr/>	<hr/>
	35,175,923	37,101,606
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

12 DEFERRED TAXATION

	Short-term timing differences
	£
At 1 January 1996	1,775
Transfer to profit and loss account (Note 7)	(1,775)
	<hr/>
At 31 December 1996	-
	<hr/>

There was no unprovided deferred taxation at 31 December 1996 (1995 : Nil). There is a contingent liability to capital gains tax if fixed asset investments were to be disposed of at their revalued amounts but the directors do not anticipate this liability arising in the foreseeable future and therefore no provision has been made in the financial statements.

13 SHARE CAPITAL

	£
Ordinary equity shares of £1 each:	
Authorised, allotted and fully paid	
At 1 January and 31 December 1996	16,880,550
	<hr/>

14 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1996	228,449
Retained profit for the year	36,310
Foreign exchange movements	1,925,685
	<hr/>
At 31 December 1996	2,190,444
	<hr/>

15 REVALUATION RESERVE

	£
At 1 January 1996	22,639,560
Surplus on revaluation of investments in subsidiary undertakings (Note 8)	12,854,000
	<hr/>
At 31 December 1996	35,493,560
	<hr/>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	6,887,669	2,188,476
Dividends	(6,851,359)	(3,113,000)
	<hr/>	<hr/>
	36,310	(924,524)
Other recognised gains and losses for the year	14,779,685	4,322,000
	<hr/>	<hr/>
Net increase in shareholders' funds	14,815,995	3,397,476
Opening shareholders' funds	39,748,559	36,351,083
	<hr/>	<hr/>
Closing shareholders' funds	<u>54,564,554</u>	<u>39,748,559</u>

17 BANKING ARRANGEMENTS

The Company is a party to a Group set-off arrangement with Lloyds Bank Plc and Barclays Bank Plc.

18 CASH FLOW STATEMENT

The Hunting PLC financial statements for the year ended 31 December 1996 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS 1 (revised) whereby it is not required to publish its own cash flow statement.

19 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Hunting PLC, a company registered in England and Wales. The only group of which the Company is a member and for which consolidated financial statements are prepared is Hunting PLC. The consolidated financial statements of Hunting PLC can be obtained from its registered office at 3 Cockspur Street, London SW1Y 5BQ.