

Registered Number: 01674180

Hunting Oilfield Services Limited
Annual report
for the year ended 31 December 2005



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for the year ended 31 December 2005
Contents

Directors' report for the year ended 31 December 2005	1
Independent auditors' report to the members of Hunting Oilfield Services Ltd	3
Income statement for the year ended 31 December 2005	4
Balance sheet	5
Cash flow statement	6
Notes to the financial statements	7

Hunting Oilfield Services Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Adoption of International Financial Reporting Standards (IFRS)

The Company has adopted International Financial Reporting Standard (IFRS) in these financial statements. The impact of adopting IFRS on the previously reported results has been included on pages 16 to 19. The main changes to the financial statements were to presentation and disclosure. Please refer to the statement of accounting policies on page 7 for further details.

Principal activities

The company supplies products and services to the oil and gas industry.

Review of the business and future developments

Pipe prices and demand for oil services were strong during 2005. The directors believe the company is well placed to meet the activity expected in 2006 and continues to identify opportunities for expansion.

Results and dividends

The profit for the financial year amounted to £2,035,000 (2004 : £149,000). The directors have proposed the payment of a dividend amounting to £157,000 (2004 : nil).

Research and development

A continuing programme of research and development is undertaken by the company where it is appropriate.

Directors and their interests

The directors who held office during the year were:

D L Proctor	Chairman
S McClements	
R J Davie	

None of the directors had any interest in the shares of the company during the year.

The interests of D L Proctor in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed in the 2005 financial statements of that company.

The interests of S McClements and R J Davie in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed in the 2005 financial statements of Hunting Energy Services (International) Limited, the immediate parent undertaking.

Hunting Oilfield Services Limited

Directors' report for the year ended 31 December 2005 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



S McClements
Director

25th August 2006

Hunting Oilfield Services Limited

Independent auditors' report to the members of Hunting Oilfield Services Ltd

We have audited the financial statements of Hunting Oilfield Services Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statement in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Director's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

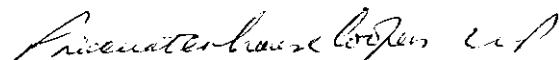
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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

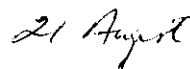
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Aberdeen



2006

Hunting Oilfield Services Limited

Income Statement for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Revenue		140	2
Cost of sales		(132)	-
Gross profit		8	2
Administrative (expenses) / income		(100)	42
(Loss) / gain on investments	2	(88)	88
Operating loss		(180)	132
Exceptional item – gain on intra group loans	3	2,068	-
Operating profit		1,888	132
Finance costs	5	(8)	(8)
Finance income	5	189	53
Profit before taxation	6	2,069	177
Taxation	7	(34)	(28)
Profit for the year		2,035	149

The current and prior year results have been derived wholly from continuing activities.

Hunting Oilfield Services Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000
Non-current assets			
Property, plant and equipment	8	9	1
Investment in associates	9	-	128
Deferred tax asset	13	25	24
		34	153
Current assets			
Other receivables	10	2,631	340
Cash and cash equivalents		7	147
		2,638	487
Liabilities			
Current liabilities			
Other payables	11	(220)	(218)
Current tax liabilities	12	(29)	(34)
		(249)	(252)
Net current assets		2,389	235
Net assets		2,423	388
Shareholders' equity			
Ordinary shares	14	-	-
Retained earnings	15	2,423	388
Total Equity		2,423	388

The financial statements on pages 4 to 19 were approved by the board of directors on 21st August 2006 and were signed on its behalf by:



S McClements
Director

Hunting Oilfield Services Limited

Cash Flow Statement for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Cash flows from operating activities			
Cash generated from continuing operations	16	(272)	119
Interest received		189	53
Interest paid		(8)	(8)
Tax paid		(40)	(20)
Net cash flows from operating activities		(131)	144
Cash flows from investing activities			
Purchase of property, plant and equipment		(9)	-
Net cash flows from investing activities		(9)	-
Net increase in cash and cash equivalents		(140)	144
Cash and cash equivalents at 1 January		147	3
Cash and cash equivalents at 31 December		7	147

Hunting Oilfield Services Limited

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

The principal accounting policies of the Group under IFRS are set out below.

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards and in accordance with the Companies Act 1985.

First time adoption of IFRS

On transition to IFRS, an entity is generally required to apply IFRS retrospectively except where exemption is available under IFRS 1 "First Time Adoption of International Financial Reporting Standards". The company has not taken any of the key exemptions. Reconciliations on the transition to IFRS are on pages 16 to 19.

Revenue

Revenue represents the invoiced amount, excluding sales related taxes, of goods sold and services provided and is recognised when title passes to customer or when the service has been rendered.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided in equal annual instalments over their estimated useful lives by using the following rates:

Plant and equipment	-	33%
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Items of property, plant and equipment are impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the income statement immediately unless they arise on previously revalued assets, in which case they are recognised in the statement of recognised income and expense up to the amount of the revaluation and thereafter in the income statement.

Foreign currencies

Trading results are translated at the average rates for the period. Exchange differences arising from trading transactions are dealt with in the income statement.

Taxation

Corporation tax payable is provided on taxable profits at current rates in the respective taxation jurisdictions.

Investments in associated undertakings

Investments in associated undertakings are carried at the lower of their cost or net realisable value. Any impairment in carrying value which is deemed as being permanent is taken immediately as a cost to the Income Statement.

Hunting Oilfield Services Limited

2 Loss on investments

A loss of £88,000 has been recognised (2004: gain £88,000) in respect of an impairment in the carrying value of the Company's investment in associated undertakings.

3 Exceptional item

Amounts that had been owing to Group entities of £2,068,000 were forgiven by the respective entities creating an exceptional gain in 2005.

4 Employee costs

Employee costs, including directors, is analysed as follows:

	2005 £'000	2004 £'000
Wages and salaries	107	48
Social security costs	10	7
Retirement benefit costs	7	-
	124	55

The average number of persons employed during the year was 2 (2004: 1).

Directors' emoluments

No remuneration was paid to directors for their services to the company during the year (2004 : £Nil).

5 Net finance income

	2005 £'000	2004 £'000
Group interest payable	(8)	(8)
Total interest payable	(8)	(8)
Group interest receivable	183	46
Other interest receivable	6	7
Total interest receivable	189	53
Net interest receivable	181	45

Hunting Oilfield Services Limited

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging / (crediting):

	2005 £'000	2004 £'000
Depreciation	1	1
Auditors' remuneration:		
- audit fees	7	6
- other services	4	1
(Gain) / loss on Foreign exchange	(14)	10

7 Taxation

	2005 £'000	2004 £'000
Current tax - continuing operations		
- UK corporation tax	29	33
- Overseas tax	1	1
- Adjustment in respect of prior periods	5	1
	35	35
Deferred tax – continuing operations		
- Origination and reversal of timing differences	(1)	(7)
Taxation	34	28

Hunting Oilfield Services Limited

7 Taxation (continued)

The tax assessed for the period is higher (2004: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	2,069	177
Profit on ordinary activities multiplied by standard rate in the UK 30% (2004 : 30%)	621	53
Effects of:		
- Adjustment to tax in respect of prior periods	5	(1)
- Income not subject to tax	(593)	(34)
- Accelerated capital allowances and other timing differences	-	7
- Other	1	3
Total taxation charge from continuing operations	34	28

8 Property, plant and equipment

	Plant and equipment £'000
Cost	
At 1 January 2005	41
Additions	9
At 31 December 2005	50
Depreciation	
At 1 January 2005	40
Charge for the financial year	1
At 31 December 2005	41
Net book amount	
At 31 December 2005	9
At 31 December 2004	1

Hunting Oilfield Services Limited

9 Investments

Investment in Associate	£'000
At 1 January 2005	128
Impairment in carrying value	(88)
Transfer to other receivables – Amounts owed by group undertakings	(40)
At 31 December 2005	-

The associate involved in the group's principal activities, is as follows:

	Percentage interest in ordinary shares and proportion of voting rights held	Activity	Country of incorporation / registration
SCM Partners Limited	40	Provision of tubular services	England

10 Other receivables

	2005 £'000	2004 £'000
Amounts owed by group undertakings	2,320	135
Other receivables	309	203
Prepayments and accrued income	2	2
	2,631	340

11 Other payables

	2005 £'000	2004 £'000
Other payables	189	180
Amounts owed to group undertakings	31	38
	220	218

Hunting Oilfield Services Limited

12 Current liabilities – Corporation Tax

	2005	2004
	£'000	£'000
Corporation tax	29	34

13 Deferred Taxation

	2005	2004
	£'000	£'000
Deferred tax asset - Accelerated capital allowances	25	24

The full amount of the deferred tax asset has been recognised in the financial statements as it is expected to be realised in the foreseeable future.

	£'000
As at 1 January 2005	24
Charged to profit and loss (Note 7)	1
At 31 December 2005	25

14 Ordinary shares

	2005	2004
	£'000	£'000
Authorised:		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	-	-

Hunting Oilfield Services Limited is a private limited company incorporated and domiciled in England.

Hunting Oilfield Services Limited

15 Retained earnings

	2005	2004
	£'000	£'000
At 1 January	388	239
Retained income for the financial year	2,035	149
At 31 December	2,423	388

16 Cash flow

Reconciliation of net profit to net cash (outflow)/inflow from operating activities:

	2005	2004
	£'000	£'000
Net profit before tax	2069	177
Adjustments for:		
Depreciation	1	1
Net finance income	(181)	(45)
Movement on investments balances	88	(88)
Gain on intra-group loans	(2068)	-
Changes in working capital excluding acquisitions/disposals:		
(Increase)/decrease in other receivables	(202)	1,455
Increase/(decrease) in other payables	21	(1,381)
Cash (absorbed)/generated from continuing operations	(272)	119

17 Banking arrangements

The company is party to a group set-off arrangement with Barclays Bank PLC.

18 Retirement benefit arrangements

Retirement benefit arrangements exist for employees. Under these arrangements, which apply to the majority of employees, the company makes contributions based on actuarial advice to a funded pension scheme. The contributions payable are charged against the profit and loss account. The total cost of contributions made by the group during the year was £7,000 (2004 : nil).

Hunting Oilfield Services Limited

18 Retirement benefit arrangements (continued)

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 the latest actuarial valuation as at 5 April 2005, the value of the assets was in excess of the value of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries and for increases to pension payments. Further details of the scheme are contained within the financial statements of Hunting PLC, the ultimate parent company, as per the extract below.

Within the UK, Hunting Oilfield Services Limited participates in a funded defined benefit plan (providing benefits based on final salary) and a defined contribution plan. With effect from 31 December 2002, the defined benefit plan was closed to new UK employees who are offered membership of the defined contribution plan.

The net defined benefit cost for the plan as a whole is determined in accordance with IAS19 and appears in the Hunting PLC consolidated accounts. There is no policy for charging the net defined benefit cost for the plan as a whole to the subsidiary employers. Accordingly a cost has been recognised equal to the employer's contributions for the accounting period of £7,000 (2004: nil). Contributions are determined as a percentage of pensionable salaries, which depends on the benefits being provided. The percentage rates are generally reviewed on a triennial basis. For 2006, Hunting Oilfield Services Limited will pay estimated contributions of £10,000 to the plans.

A triennial actuarial valuation of the Group's UK plans was made at 5 April 2005 and updated to 31 December 2005. The following information relates to the plan as a whole.

The main assumptions used for IAS19 purposes at 31 December were:	2005	2004	2003
Rate of increase in salaries	4.8%	4.9%	4.8%
Rate of increase in pensions	2.8%	2.9%	2.8%
Discount rate	4.8%	5.3%	5.4%
Inflation	2.8%	2.9%	2.8%

The post-retirement mortality assumptions allow for future improvements in mortality. The mortality table used implies that a 65 year old male currently has an expected lifetime of 20.8 years (2004 19.4 years). Based upon past experience, pension increases have been assumed to be in line with inflation.

Long term rates of return expected at 31 December:	2005	2004	2003
Equities	7.3%	7.5%	7.8%
Bonds	4.3%	5.0%	4.9%
Other	4.8%	5.3%	4.8%

Scheme assets

The proportions of the total assets in the defined benefit plan for each asset class were:

	2005	2004
Equities	13%	35%
Bonds	87%	65%
	100%	100%

Hunting Oilfield Services Limited

18 Retirement benefit arrangements (continued)

Movements in the present value of the defined benefit obligation	2005	2004
Change in present value of obligation:	£m	£m
Present value of obligation at start of the year	164.1	159.4
Current Service cost (employer)	1.8	1.7
Interest Cost	8.6	8.5
Contributions by plan participants	0.5	0.4
Actuarial (gains)/losses	15.5	1.2
Benefits paid	(7.5)	(7.1)
Present value of obligation at end of the year	183.0	164.1

Movements in the fair value of plan assets	2005	2004
Change in plan assets:	£m	£m
Fair value of plan assets at the start of the year	187.9	177.7
Expected return on plan assets	10.4	10.2
Actuarial gain/(loss) on plan assets	11.0	4.9
Contributions by plan participants	0.5	0.4
Contributions by employer	1.8	1.8
Benefits paid	(7.5)	(7.1)
Fair value of plan assets at the end of the year	204.1	187.9

19 Operating lease commitments

Land and Buildings	2005	2004
	£'000	£'000
Annual commitments under operating leases which expire between two to five years	-	78

20 Parent companies

Hunting Energy Services (International) Limited, is the immediate parent undertaking of the company. Hunting PLC is the parent undertaking of the largest group to consolidate these financial statements, and is also the ultimate parent company.

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

Hunting Oilfield Services Limited

21 Reconciliation of net assets and profit under UK GAAP to IFRS

There was no adjustment required to net equity caused by the transition from UK GAAP to IFRS.

The reconciliations below show the effects of transition on the presentation of the Company's Income Statement and Balance for the prior year comparatives as at 31 December 2004 and shows the effect of adopting IFRS on the balance sheet at 1 January 2004.

		UK GAAP	Transition adjustment	IFRS
	Note	£'000	£'000	£'000
Revenue		2	-	2
Cost of sales		-	-	-
Gross profit		2	-	2
Administrative income		52	(10)	42
Investment income	a)	221	(133)	88
Operating profit		275	(143)	132
Net finance income		(65)	110	45
Profit before taxation		210	(33)	177
Taxation	a)	(51)	23	(28)
Retained profit for the year		159	(10)	149

Hunting Oilfield Services Limited

21 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of net assets and equity as at 31 December 2004

	Note	UK GAAP £'000	Transition adjustment £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		1	-	1
Investment in associates		128	-	128
Deferred tax asset	b)	-	24	24
		129	24	153
Current assets				
Trade and other receivables	b) c)	4,210	(3,870)	340
Cash and cash equivalent		147	-	147
		4,357	(3,870)	487
Liabilities				
Current liabilities				
Trade and other payables	d)	(2,498)	2,280	(218)
Current tax liabilities	d)	-	(34)	(34)
		(2,498)	2,246	(252)
Net current assets		1,859	(1,624)	235
Non-current liabilities – Borrowings	c)	(1,600)	1,600	-
Net assets		388	-	388
Shareholders' equity				
Ordinary shares		-	-	-
Retained earnings		388	-	388
Total Equity		388	-	388

Hunting Oilfield Services Limited

21 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of net assets and equity at 1 January 2004

	Note	UK GAAP £'000	Transition adjustment £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		2	-	2
Investment in associates		40	-	40
Deferred tax asset	b)	-	17	17
		42	17	59
Current assets				
Trade and other receivables	b) c)	5,658	(5,233)	425
Cash and cash equivalent		3	-	3
		5,661	(5,233)	428
Liabilities				
Current liabilities				
Trade and other payables	c) d)	(3,864)	3,635	(229)
Current tax liabilities	d)	-	(19)	(19)
		(3,864)	3,616	(248)
Net current assets		1,797	(1,617)	180
Non-current liabilities – Borrowings	c)	(1,600)	1,600	-
Net assets		239	-	239
Shareholders' equity				
Ordinary shares		-	-	-
Retained earnings		239	-	239
Total Equity		239	-	239

Notes

The following presentation changes were required to be made to the Balance Sheet on transition from UK GAAP to IFRS:

- Income from investments was previously shown net of taxation and interest prior to transition to IFRS.
- Under IFRS, Deferred tax assets are disclosed separately on the face of the Balance Sheet. Prior to the adoption of IFRS deferred tax assets were reported within Trade and other Receivables balances.
- Intra-group balances have been off-set where there is a legal right of offsetting amounts owing to and from intra-group entities.

Hunting Oilfield Services Limited

- d) Under IFRS, Current tax liabilities are disclosed separately on the face of the Balance Sheet. Prior to the adoption of IFRS current tax liabilities were reported within Trade and other payables balances.