

Registered Number: 01674180

Hunting Oilfield Services Limited
Annual report
for the year ended 31 December 2006

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Hunting Oilfield Services Limited
Annual report
for the year ended 31 December 2006
Contents

Directors' report for the year ended 31 December 2006	1
Independent auditors' report to the members of Hunting Oilfield Services Limited	3
Income Statement for the year ended 31 December 2006	4
Balance Sheet as at 31 December 2006	5
Cash Flow Statement for the year ended 31 December 2006	6
Notes to the financial statements for the year ended 31 December 2006	7

Hunting Oilfield Services Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

Business review and principal activities

The results for the company show a pre-tax profit of £239,000 (2005 £2,069,000) and sales of £5,106,000 (2005 £140,000). The significant reduction in pre-tax profit is mainly attributable to the exceptional gain of £2,068,000 in 2005 which resulted from amounts forgiven that had been due to Group companies.

The increase in revenues is primarily due to the expansion of the operations in Dubai during 2006. This resulted in a significant increase in trading for the company.

For the year to 31 December 2006 a profit of £135,000 (2005 £2,035,000) was transferred to reserves. The company has net assets of £2,401,000 (2005 £2,423,000). A dividend totalling £71,500 was declared in 2006 (2005 £157,000). The financial statements for the year are set out on pages 4 to 14.

Pipe prices and demand for oil services were strong during 2006. The directors believe the company is well placed to meet the activity expected in 2007 and continues to identify opportunities for expansion.

Principal Risks and Uncertainties

The key business risks and uncertainties affecting the company are considered to relate to oil price and the escalating cost base within the industry. Risks are formally reviewed and appropriate processes and policies put in place to monitor and mitigate them.

Key Performance Indicators

	2006	2005	
Revenue increase	£4,966,000	£138,000	This illustrates the year-on-year increase in company turnover
Gross profit margin	8%	6%	This measures the average gross margin made on turnover during the year

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
S McClements
R J Davie

None of the directors had any interest in the share capital of the company.

Hunting Oilfield Services Limited

Directors' report for the year ended 31 December 2006 (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 2006 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 and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

23 August 2007

Hunting Oilfield Services Limited

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

We have audited the financial statements of Hunting Oilfield Services Limited for the year ended 31 December 2006 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 financial statements 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other 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

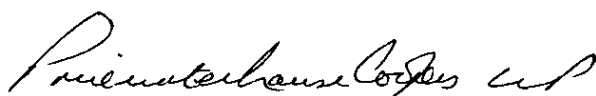
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen

23 August 2007

Hunting Oilfield Services Limited

Income Statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Revenue		5,106	140
Cost of sales		(4,681)	(132)
Gross profit		425	8
Administrative expenses		(316)	(100)
Loss on investments		-	(88)
Operating profit/(loss)		109	(180)
Exceptional item – gain on intra group loans		-	2,068
Operating profit		109	1,888
Finance costs	3	(2)	(8)
Finance income	3	131	189
Profit before tax	4	238	2,069
Tax	5	(96)	(34)
Profit for the year	12	142	2,035

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

There were no recognised gains or losses other than those shown above


There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year above and their historical cost equivalents

Hunting Oilfield Services Limited

Balance Sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Non-current assets			
Property, plant and equipment	6	6	9
Deferred tax asset	10	-	25
		6	34
Current assets			
Trade and other receivables	7	2,950	2,631
Cash and cash equivalents		44	7
		2,994	2,638
Liabilities			
Current liabilities			
Trade and other payables	8	(518)	(220)
Current tax liabilities	9	(74)	(29)
		(592)	(249)
Net current assets		2,402	2,389
Net assets		2,408	2,423
Shareholders' equity			
Ordinary shares	11	-	-
Retained earnings	12	2,408	2,423
Total equity		2,408	2,423

The financial statements on pages 4 to 14 were approved by the board of directors on 23 August 2007 and were signed on its behalf by


S McClements
Director

Hunting Oilfield Services Limited

Cash Flow Statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Cash flows from operating activities			
Cash generated from / (used in) continuing operations	17	91	(272)
Interest received		131	189
Interest paid		(2)	(8)
Tax paid		(26)	(40)
Net cash flows from operating activities		194	(131)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(9)
Net cash flows from investing activities		-	(9)
Cash flows from financing activities			
Dividends paid		(157)	-
Net cash used in financing activities		(157)	-
Net increase/(decrease) in cash and cash equivalents		37	(140)
Cash and cash equivalents at 1 January		7	147
Cash and cash equivalents at 31 December		44	7

Hunting Oilfield Services Limited

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

The principal accounting policies applied by the company are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention and 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.

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%

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. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the end of the financial period. Exchange gains or losses on monetary assets and liabilities are taken to the income statement.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

Hunting Oilfield Services Limited

1 Accounting policies (continued)

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.

2 Employee information and directors' remuneration

Employee costs are analysed as follows:

	2006 £'000	2005 £'000
Wages and salaries	148	107
Social security costs	7	10
Other retirement benefit costs	10	7
	165	124

The number of company employees during the year was three (2005: one). All company employees are based overseas. No remuneration was paid to directors for services to the company during the year (2005: £nil).

3 Finance income and costs

	2006 £'000	2005 £'000
Finance income		
From balances relating to Group undertakings	124	183
Other interest receivable	7	6
	131	189
Finance costs		
From balances relating to Group undertakings	(2)	(8)
	(2)	(8)
Net finance income	129	181

Hunting Oilfield Services Limited

4 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging

	2006 £'000	2005 £'000
Depreciation	3	1
Auditors' remuneration		
- audit fees	2	7
- other services	3	4

5 Tax

	2006 £'000	2005 £'000
Current tax		
UK corporation tax	76	29
Overseas tax	-	1
Adjustment in respect of prior periods	(5)	5
Total current tax	71	35
Deferred tax:		
Origination and reversal of timing differences	25	(1)
Total deferred tax	25	(1)
Total tax charge	96	34

Hunting Oilfield Services Limited

5 Tax (continued)

The tax assessed for the period is higher (2005 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £'000	2005 £'000
Profit before tax	238	2,069
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	71	621
Effects of		
- Adjustment to tax in respect of prior periods	(5)	5
- Income/(Expenses) not deductible for tax purposes	10	(593)
- Accelerated capital allowances and other timing differences	(5)	-
- Deferred tax movement	25	1
Tax charge	96	34

6 Property, plant and equipment

	Plant and equipment £'000
Cost	
At 1 January 2006	50
At 31 December 2006	50
Depreciation	
At 1 January 2006	41
Charge for the financial year	3
At 31 December 2006	44
Net book amount	
At 31 December 2006	6
At 31 December 2005	9

Hunting Oilfield Services Limited

7 Trade and other receivables

	2006	2005
	£'000	£'000
Amounts owed by group undertakings	2,765	2,320
Other receivables	167	309
Prepayments	18	2
	2,950	2,631

8 Other payables

	2006	2005
	£'000	£'000
Trade payables	5	-
Accruals and other creditors	461	189
Amounts owed to group undertakings	52	31
	518	220

9 Current tax liability

	2006	2005
	£'000	£'000
Current tax liability	74	29

Hunting Oilfield Services Limited

10 Deferred Taxation

	2006 £'000	2005 £'000
Accelerated capital allowances	13	25
Deferred tax asset not recognised	(13)	-
	-	25
		£'000
As at 1 January 2006		25
Charged to profit and loss (Note 5)		(25)
At 31 December 2006		-

Other than as set out above the company has no unrecognised deferred tax assets or liabilities

11 Ordinary shares

	2006 £'000	2005 £'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

12 Retained earnings

	2006 £'000	2005 £'000
At 1 January	2,423	388
Dividend payments	(157)	-
Retained profit for the financial year	142	2,035
At 31 December	2,408	2,423

Hunting Oilfield Services Limited

13 Banking Arrangements

The company is party to the Hunting Plc group set-off arrangement with Barclays Bank Plc

14 Significant investment

The significant investments of the company are as follows

	Percentage interest in ordinary shares and proportion of voting rights held	Country of Incorporation/ Registration
SCM Partners Limited (Joint Venture) (Direct Holding)	40	England

The carrying value of the investment in SCM Partners Limited is £nil (2005 £nil)

15 Related party transactions

	2006 £'000	2005 £'000
Dividends paid to Hunting Energy Services (International) Limited	157	-
Interest received on intra-group balances receivable	124	183
Interest paid on intra-group balances payable	(2)	(8)
Intra-group balances receivable at 31 December	2,765	2,320
Intra-group balances payable at 31 December	(52)	(31)

16 Parent companies

Hunting Energy Services (International) Limited is the company's immediate parent undertaking

The results of the company are included in the consolidated group statutory financial statements of Hunting Plc, which is 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

17 Cash generated from / (used in) operations

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

	2006	2005
	£'000	£'000
Net profit after tax	142	2,035
Adjustments for		
Depreciation	3	1
Net finance income	(129)	(181)
Movement on investments balances	-	88
Gain on intra-group loans	-	(2,068)
Tax charge	96	34
Increase in other receivables	(319)	(202)
Increase in other payables	298	21
Cash generated from / (used in) operations	91	(272)