

Directors' Report and Accounts

HUNTING DRILLING INTERESTS
LIMITED

31 DECEMBER 1983

Price
Waterhouse



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HUNTING DRILLING INTERESTS
LIMITED

31 DECEMBER 1983



HUNTING DRILLING INTERESTS LIMITED

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the period from 27 October 1982 to 31 December 1983.

INCORPORATION AND CHANGE OF NAME

The company was incorporated on 27 October 1982 as Intercede 107 Limited. By a special resolution passed at an Extraordinary General Meeting of the company held on 13 December 1982 the name of the company was changed to Hunting Drilling Interests Limited.

DIRECTORS

The directors who held office during the period were:

NH Burgess	(appointed 13 December 1982)
PA Barber	(appointed 13 December 1982) (resigned 18 July 1983)
A Kane	(appointed 27 October 1982) (resigned 13 December 1982)
RJ Windmill	(appointed 27 October 1982) (resigned 13 December 1982)
RG Mutch	(appointed 10 November 1983)

None of the directors had at any time during the period any notifiable interest in the share capital of the company, its fellow subsidiaries or the ultimate holding company.

ACTIVITIES AND REVIEW OF THE BUSINESS

The company acts as an investment company.

During the period the company acquired at a cost of £3,202,944 the entire share capital of a number of group companies which provide drilling services. The company also acquired at a cost of £2,115,385 unsecured loan notes issued by a subsidiary. Details of these investments appear in Note 9.

RESULTS

The loss for the period after taxation is £989,451

The directors do not recommend payment of a dividend.

FUTURE DEVELOPMENTS

The company will continue to act as an investment company.

HUNTING DRILLING INTERESTS LIMITED

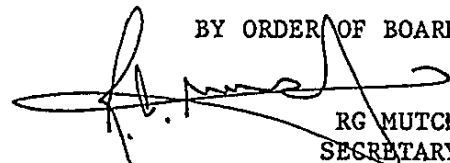
DIRECTORS' REPORT (CONTINUED)

SUBSEQUENT EVENTS

On 13 August 1984 the ultimate holding company, Hunting Petroleum Services plc, disposed of its directional drilling and associated businesses to Teleco Oilfield Services Inc, a wholly owned subsidiary of Sonat Inc. The total consideration was approximately £17,900,000 and the estimated net profit on the disposal was £7,200,000. As part of the disposal agreement the company sold its interests in the share capital of International Mud Services Inc and Hunting Drilltech Private Limited. That part of the total consideration payable by Teleco Oilfield Services Inc which will be paid to the company is dependent upon the audited net assets at 13 August 1984 of the subsidiaries sold and is yet to be determined. Under the terms of the agreement with Teleco Oilfield Services Inc the company's subsidiaries Hunting Drilltech NV, Hunting DF & E NV, and Hunting Drilltech SA are prevented from continuing directional drilling and related business. Hunting Drilltech NV is in the course of being liquidated.

AUDITORS

Price Waterhouse have expressed their willingness to be reappointed and a resolution concerning their appointment will be proposed at the annual general meeting.

BY ORDER OF BOARD

RG MUTCH
SECRETARY

24 September 1984

243 Knightsbridge
London
SW7 1DH



KINGS CLOSE
62 HUNTLY STREET
ABERDEEN AB1 1RS

AUDITORS' REPORT TO THE MEMBERS OF
HUNTING DRILLING INTERESTS LIMITED

We have audited the financial statements on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1983 and of its loss and source and application of funds for the period from 27 October 1982 to 31 December 1983 and comply with the Companies Acts 1948 to 1981.

A handwritten signature in cursive script that reads "Price Waterhouse". The signature is written in dark ink and is positioned above the printed name of the firm.

PRICE WATERHOUSE
Chartered Accountants

24 September 1984

HUNTING DRILLING INTERESTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 27 OCTOBER 1982
TO 31 DECEMBER 1983

	<u>1983</u>
INCOME	
Income from fixed asset investments (Note 3)	232,108
Interest receivable (Note 4)	38,018
Other income	<u>2,726</u>
	272,852
EXPENSES	
Interest payable (Note 5)	(298,091)
Provision for losses of subsidiaries (Note 9)	(1,011,981)
Other charges	<u>(1,926)</u>
	(1,311,998)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 6)	(1,039,146)
Taxation on loss on ordinary activities (Note 8)	<u>49,695</u>
LOSS FOR THE PERIOD (Note 14)	<u>£ (989,451)</u>

The notes on pages 7 to 12 form part of these financial statements.

HUNTING DRILLING INTERESTS LIMITED

BALANCE SHEET - 31 DECEMBER 1983

1983

FIXED ASSETS

Investment in subsidiaries (Note 9) 4,717,205

CURRENT ASSETS

Debtors (Note 10) 682,802

CREDITORS - Amounts falling due within one year
(Note 11) (6,308,219)

NET CURRENT LIABILITIES (5,625,417)

TOTAL ASSETS LESS CURRENT LIABILITIES (908,212)

DEFERRED TAXATION (Note 12) (81,237)

£(989,449)

CAPITAL AND RESERVES

Called up share capital (Note 13) 2

Profit and loss account (Note 14) (989,451)

£(989,449)

Approved by the Board of Directors on 24 September 1984

NH Burgess, Director

RG Mutch, Director

The notes on pages 7 to 12 form part of these financial statements.

HUNTING DRILLING INTERESTS LIMITED

SOURCE AND APPLICATION OF FUNDS
FOR THE PERIOD FROM 27 OCTOBER 1982
TO 31 DECEMBER 1983

		<u>1983</u>
SOURCE OF FUNDS		
Loss on ordinary activities before taxation		(1,039,146)
Adjustment for items not involving the movement of funds:		
Provisions for losses of subsidiaries	1,011,981	
Exchange gains arising on foreign currency investments	(178,749)	
Income from fixed asset investments	<u>(232,108)</u>	
		<u>601,124</u>
FUNDS ABSORBED BY OPERATIONS		(438,022)
OTHER SOURCES		
Issue of share capital		<u>2</u>
		(438,020)
APPLICATION OF FUNDS		
Investment in subsidiaries - shares at cost	(3,202,944)	
Investment in subsidiaries - loan notes unsecured	<u>(2,115,385)</u>	
		(5,318,329)
		<u>£(5,756,349)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Inter company balances	(2,399,367)	
Debtors	189	
Creditors	<u>(59,707)</u>	
		(2,458,885)
MOVEMENT IN NET LIQUID FUNDS		
Bank overdraft	(883,671)	
Bank loan	<u>(2,413,793)</u>	
		(3,297,464)
		<u>£(5,756,349)</u>

The notes on pages 7 to 12 form part of these financial statements.

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983

1 FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis as the directors have received assurance from Hunting Drilling Services Limited, the immediate holding company, that it will continue to support the operations of the company and meet its obligations to third parties as they fall due.

2 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared on the historical cost basis. Group financial statements are not submitted as the company is a subsidiary of another body incorporated in Great Britain.

(b) Investments

Foreign currency investments are expressed in sterling at the exchange rate ruling at 31 December and exchange differences arising are taken to reserves. Other investments are valued at the lower of cost and market value.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies have been expressed in sterling at the market rates ruling at 31 December. Exchange differences arising on foreign currency borrowings used to finance overseas investments are taken to reserves. Exchange gains and losses arising on trading transactions are dealt with in the profit and loss accounts.

(d) Deferred taxation

Provision is made for deferred taxation except where there is a reasonable probability that a liability will not arise in the foreseeable future.

3 INCOME FROM FIXED ASSET INVESTMENTS

Premium on redemption of unsecured loan notes

1983

£232,108

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983 (CONTINUED)

4 INTEREST RECEIVABLE

1983

Interest receivable from subsidiary

£38,018

5 INTEREST PAYABLE

Interest payable on bank loans and overdrafts
repayable within five years

284,278

Interest payable to fellow subsidiary

13,813£298,091

6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

£

Auditors' remuneration

700

Directors' remuneration (Note 7)

NIL

7 DIRECTORS' REMUNERATION

None of the directors received remuneration for their services to the company. All of the directors are remunerated by other group companies and their remuneration is disclosed in the accounts of those companies.

8 TAXATION ON LOSS ON ORDINARY ACTIVITIES

Based on the loss for the period

Group relief receivable at 50.5%

(130,932)

Deferred taxation at 35%

81,237£(49,695)

Group relief receivable is computed on the loss for the period after deducting the provision for losses of subsidiaries of £1,011,981.

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983 (CONTINUED)

9 INVESTMENT IN SUBSIDIARIES

	<u>1983</u>
Shares in subsidiaries at cost	3,202,944
Loan notes - unsecured:	
Cost	2,115,385
Premium on redemption	<u>232,108</u>
	2,347,493
Exchange translation gain	<u>178,749</u>
	5,729,186
Provision for losses	<u>(1,011,981)</u>
	<u>£4,717,205</u>

In the opinion of the directors the value of the company's investment in subsidiaries is not less than the amount at which they are included in the balance sheet.

(i) Shares in subsidiaries

During the period the following subsidiaries were acquired from other group companies:

<u>Company</u>	<u>Country of incorporation</u>	<u>% Interest held</u>	<u>Business</u>
Hunting Drilltech NV	Netherlands Antilles	100	Directional drilling
International Mud Services Inc	Panama	100	Drilling fluid supplier

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983 (CONTINUED)

9 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(i) Shares in subsidiaries (Cont.)

<u>Company</u>	<u>Country of incorporation</u>	<u>% Interest held</u>	<u>Business</u>
Hunting DF & E NV	Netherlands Antilles	100	Drilling fluid supplier
Hunting Oilfield Services A/S	Norway	100	Drilling fluid supplier
Hunting Drilling Services Inc (formerly Hunting Drilltech Inc and Cody Martin International Inc)	USA	100	Drilling Services
Hunting Drilltech SA	Spain	100	Directional drilling
Hunting Drilltech Private Limited	Singapore	100	Directional drilling

(ii) Loan notes

The loan notes represent 10 unsecured notes 1988 of US \$600,000 each issued by Hunting Drilltech Inc at an issue price of US \$ 330,000 each. The notes, which are interest free, are repayable on 28 February 1988. Hunting Drilltech Inc may at its sole option redeem any or all of the notes on 31 August and 28 February in each year. The amount at which the notes are stated comprises the cost of the notes amounting to \$3,300,000 and premium on redemption of \$347,186.

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983 (CONTINUED)

9 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(iii) Subsequent events

On 13 August 1984 the ultimate holding company, Hunting Petroleum Services plc, disposed of its directional drilling and associated businesses to Teleco Oilfield Services Inc, a wholly-owned subsidiary of Sonat Inc. The total consideration was approximately £17,900,000 and the estimated net profit on the disposal was £7,200,000. As part of the disposal agreement the company sold its interests in the share capital of International Mud Services Inc and Hunting Drilltech Private Limited. That part of the total consideration payable by Teleco Oilfield Services Inc which will be paid to the company is dependent upon the audited net assets at 13 August 1984 of the subsidiaries sold and is yet to be determined. Under the terms of the agreement with Teleco Oilfield Services Inc the company's subsidiaries Hunting Drilltech NV, Hunting DF & E NV, and Hunting Drilltech SA are prevented from continuing directional drilling and related business. Hunting Drilltech NV is in the course of being liquidated.

10 DEBTORS

Amounts owing by subsidiaries	545,226
Amounts owing by holding company	6,455
Group relief receivable	130,932
Other debtors	<u>189</u>
	<u>£682,802</u>

All debtors are receivable within one year.

11 CREDITORS - Amounts falling due within one year

Bank overdraft - secured	883,671
Bank loans - secured	2,413,793
Amounts owing to fellow subsidiaries	2,951,048
Accruals	<u>59,707</u>
	<u>£6,308,219</u>

12 DEFERRED TAXATION

The liability for deferred taxation of £81,237 which has been fully provided in the financial statements represents tax at 35% on the premium on redemption of unsecured loan notes.

HUNTING DRILLING INTERESTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1983 (CONTINUED)

13 CALLED UP SHARE CAPITAL

1983

Authorised:

1,000,000 Ordinary shares of £1 each	<u>£1,000,000</u>
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Allotted and fully paid:

2 Ordinary shares of £1 each	<u>£2</u>
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The company was incorporated with two £1 Ordinary shares and an authorised share capital of 100 £1 Ordinary shares. At an Extraordinary General Meeting on 13 December 1982 the authorised share capital was increased from £100 to £1,000,000 by the creation of a further 999,900 Ordinary shares of £1 each ranking pari passu in all respects with the existing Ordinary Shares.

14 PROFIT AND LOSS ACCOUNT

1983

Loss for the period	(989,451)
Exchange gains arising on foreign currency investments	178,749
Exchange losses arising on foreign currency borrowings financing foreign currency investments	<u>(178,749)</u>
Adverse balance carried forward	<u>£(989,451)</u>

15 CONTINGENT LIABILITIES

The company together with other group companies has agreed under a letter of set-off that their United Kingdom bankers may at any time and without notice combine any or all of their bank accounts and in addition has granted a floating charge over the assets and undertaking of the business. At 31 December 1983 the group's net borrowing under this charge amounted to £851,272.

16 ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Hunting Petroleum Services plc which is registered in England.