

HUNTING OILFIELD SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1993

(Registered Number 1674180)



AJY9Q2Y5

A05 RECEIPT DATE:15/07/94

HUNTING OILFIELD SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993

The directors present their report and audited financial statements for the year ended 31 December 1993.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were:

| | |
|----------------|---------------------|
| J A McColl | (Chairman) |
| S McClements | (Managing Director) |
| R J Daly | |
| M J Mackie | |
| M J McCafferty | |

None of the directors had at any time any notifiable interest in the share capital of the company. The notifiable interests of the directors in the shares of Hunting PLC, the ultimate parent undertaking, are as follows:

| | <u>Executive Share Options</u> | | <u>Savings Related Share Options</u> | | <u>Ordinary Shares</u> | <u>Preference Shares</u> |
|----------------|--------------------------------|------------------|--------------------------------------|------------------|----------------------------------|----------------------------------|
| | <u>31 December</u> | <u>1 January</u> | <u>31 December</u> | <u>1 January</u> | <u>1 January and 31 December</u> | <u>1 January and 31 December</u> |
| J McColl | - | - | - | - | - | - |
| S McClements | 52,020 | 50,000 | 1,932 | 1,857 | - | - |
| M J McCafferty | 15,606 | 15,000 | 1,609 | 1,547 | - | - |
| M J Mackie | 10,404 | 10,000 | - | - | - | - |
| R J Daly | - | - | - | - | 37 | 58 |

As a result of 2 for 9 Rights Issue at 185p per share announced by Hunting PLC on 7 April 1993 and in accordance with the rules of the schemes shares under option were increased by a factor of 1.0404 and option prices were reduced by the same factor. There were no new options granted during the year.

Options in the Executive Share Option Scheme are exercisable at various prices between 173p and 201p per share in whole or in part at various dates after 1 January 1994 and before 15 December 1999.

Options in the Savings Related Share Option Scheme are exercisable at the price of 182p per share, normally on 25 August 1997 or 25 August 1999 and during the six months thereafter, as defined at the date the options were granted.

HUNTING OILFIELD SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993

ACQUIRED TRADE, RESULT AND DIVIDEND

On 1 January 1993, the company acquired from its parent company Hunting Oilfield Services (International) Limited, the trade, assets and liabilities of the Engineering and Connector Products Divisions of that company. The loss for the financial year amounted to £591,000 (1992 - Profit £24,000), which has been transferred from reserves. The directors do not propose the payment of a dividend in respect of the year.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company operates in the offshore oil and gas industry supplying connector products and engineering services to the industry.

The results for 1993 were affected by lower activity by customers in the North Sea but the company is well placed for 1994 with a good order book.

RESEARCH AND DEVELOPMENT

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

INSURANCE

Hunting PLC holds a group directors' and officers' liability insurance policy.

TANGIBLE ASSETS

A summary of the movement in tangible assets is shown in Note 9 to the financial statements.

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.

HUNTING OILFIELD SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1993

AUDITORS

Price Waterhouse have expressed their willingness to be re-appointed and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

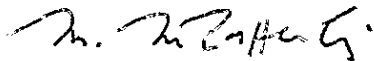
DIRECTORS' RESPONSIBILITIES

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 for 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 safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.

By Order of the Board



M J McCafferty
SECRETARY

14 JUNE 1994

AUDITORS' REPORT TO THE SHAREHOLDERS OF HUNTING OILFIELD SERVICES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 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 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 1993 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS
14 JUNE 1994

King's Close
62 Huntly Street
Aberdeen.

HUNTING OILFIELD SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1993

| | <u>1993</u> £'000 | <u>1992</u> £'000 |
|---|----------------------|----------------------|
| TURNOVER - acquisitions (Note 2) | 14,581 | - |
| Cost of sales (Note 3) | <u>(10,739)</u> | <u>-</u> |
| GROSS PROFIT - acquisitions | 3,842 | - |
| Net operating expenses - acquisitions (Note 3) | <u>(4,068)</u> | <u>-</u> |
| OPERATING LOSS BEFORE REORGANISATION COSTS - acquisitions | (226) | - |
| Reorganisation costs (Note 5) | <u>(137)</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST | (363) | - |
| Interest payable and similar charges (Note 6) | <u>(480)</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 7) | (843) | - |
| Taxation on result on ordinary activities (Note 8) | <u>252</u> | <u>24</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR (Note 16) | <u>(591)</u> | <u>24</u> |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR YEAR ENDED 31 DECEMBER 1993

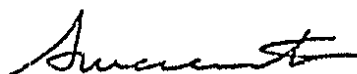
| | <u>1993</u> £'000 | <u>1992</u> £'000 |
|--|----------------------|----------------------|
| (Loss)/profit for the financial year | (591) | 24 |
| Exchange rate adjustment | <u>(11)</u> | <u>-</u> |
| Total gains and losses recognised since last annual report | <u>(602)</u> | <u>24</u> |

HUNTING OILFIELD SERVICES LIMITED

BALANCE SHEET - 31 DECEMBER 1993

| | <u>1993</u> £'000 | <u>1992</u> £'000 |
|---|----------------------|----------------------|
| FIXED ASSETS | | |
| Tangible Fixed Assets (Note 9) | <u>1,387</u> | <u>-</u> |
| CURRENT ASSETS | | |
| Stocks (Note 10) | 4,475 | - |
| Debtors (Note 11) | 4,218 | - |
| Cash at bank and in hand | <u>41</u> | <u>-</u> |
| | 8,734 | - |
| CREDITORS - Amounts falling due within one year (Note 12) | <u>(9,880)</u> | <u>(65)</u> |
| NET CURRENT LIABILITIES | <u>(1, 146)</u> | <u>(65)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 241 | (65) |
| CREDITORS - Amounts falling due after more than one year (Note 13) | (1,423) | (515) |
| | <u>(1,182)</u> | <u>(580)</u> |
| CAPITAL AND RESERVES | | |
| Called up share capital (Note 15) | - | - |
| Profit and loss account (Note 16) | <u>(1,182)</u> | <u>(580)</u> |
| | <u>(1,182)</u> | <u>(580)</u> |

APPROVED BY THE BOARD OF DIRECTORS
ON 14 JUNE 1994



S. McClements

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

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 accounts have been prepared under the going concern concept as the company has obtained assurance from its parent undertaking that it will support the company to enable it to meet its obligations for the foreseeable future.

(2) Tangible assets and depreciation

Tangible assets are stated at cost after deducting government grants, 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% |

(3) 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. All other leases are operating leases, and the rental of these is charged to the profit and loss account on a straight line basis over the life of the lease.

(4) Foreign currencies

Trading activities denominated in foreign currency are translated at the exchange rate ruling at the time of the transaction occurring. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

(5) 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.

(6) 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. For long-term contract work in progress for contracts where the supply of goods and services or construction of an asset falls into more than one year, a due proportion of the estimated sales revenue, costs and attributable profit is included in each year's result. Profits on other contracts are taken on completion. If it appears likely that a contract will prove unprofitable, full provision is made for the anticipated loss.

(7) Research and development

Research and development expenditure is written off as incurred.

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

(8) 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 in which they become payable.

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:

| | <u>1993</u> | <u>1992</u> |
|--------------------------|---------------|-------------|
| | £'000 | £'000 |
| United Kingdom | 7,721 | - |
| Europe | 6,626 | - |
| Africa | 106 | - |
| Far East | 83 | - |
| United States of America | 41 | - |
| Middle East | 4 | - |
| | <u>14,581</u> | <u>-</u> |

3 OPERATING COSTS

| | <u>1993</u> | <u>1992</u> |
|-------------------------|-----------------|-------------|
| | £'000 | £'000 |
| Cost of sales | <u>(10,739)</u> | <u>-</u> |
| Net operating expenses: | | |
| Administrative expenses | (4,098) | - |
| Other operating income | 30 | - |
| | <u>(4,068)</u> | <u>-</u> |

The cost of sales and net operating expenses relate wholly to acquired activities.

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

4 DIRECTORS AND EMPLOYEES

Directors

None of the directors received any remuneration for services rendered during the year. (1992 - 7 directors - £Nil)

Employees

| | <u>1993</u> | <u>1992</u> |
|-----------------------|--------------|-------------|
| | £'000 | £'000 |
| Wages and salaries | 3,658 | - |
| Social security costs | 283 | - |
| Other pension costs | 88 | - |
| | <u>4,029</u> | <u>-</u> |

The average number of persons, including directors, employed during the year was 95 (1992 - 7).

5 REORGANISATION COSTS

| | <u>1993</u> | <u>1992</u> |
|----------------------|-------------|-------------|
| | £'000 | £'000 |
| Reorganisation costs | <u>137</u> | <u>-</u> |

The reorganisation costs are due to redundancies.

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1993</u> | <u>1992</u> |
|------------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Interest payable on group balances | <u>480</u> | <u>-</u> |

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

7 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

| | <u>1993</u> | <u>1992</u> |
|-------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Depreciation | 430 | - |
| Operating leases | 44 | - |
| Auditor's remuneration: | | |
| - audit fees | 15 | - |
| - other professional services | 6 | - |
| Hire of plant and equipment | <u>107</u> | <u>-</u> |

8 TAXATION ON LOSS ON ORDINARY ACTIVITIES

The (credit)/charge for taxation based on the loss for the year is as follows:

| | <u>1993</u> | <u>1992</u> |
|--------------------------------------|--------------|-------------|
| | £'000 | £'000 |
| Corporation tax at 33% | (258) | - |
| Overseas tax | 6 | - |
| Adjustment in respect of prior years | - | 24 |
| | <u>(252)</u> | <u>24</u> |

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

9 TANGIBLE FIXED ASSETS

| | Short leasehold buildings £'000 | Plant and equipment £'000 | Total £'000 |
|-----------------------|--|------------------------------------|----------------|
| Cost | | | |
| At 1 January 1993 | - | - | - |
| Inter group transfers | 325 | 5,261 | 5,586 |
| Additions | 5 | 345 | 350 |
| Disposals | - | (401) | (401) |
| At 31 December 1993 | <u>330</u> | <u>5,205</u> | <u>5,535</u> |
| Depreciation | | | |
| At 1 January 1993 | - | - | - |
| Inter group transfers | 260 | 3,859 | 4,119 |
| Charge for year | 18 | 412 | 430 |
| Disposals | - | (401) | (401) |
| At 31 December 1993 | <u>278</u> | <u>3,870</u> | <u>4,148</u> |
| Net book amount | | | |
| At 31 December 1993 | <u>52</u> | <u>1,335</u> | <u>1,387</u> |
| At 31 December 1992 | <u>-</u> | <u>-</u> | <u>-</u> |

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

10 STOCKS

| | <u>1993</u> | <u>1992</u> |
|------------------|--------------|-------------|
| | £'000 | £'000 |
| Raw materials | 1,589 | - |
| Work in progress | 1,837 | - |
| Finished goods | <u>1,049</u> | <u>-</u> |
| | <u>4,475</u> | <u>-</u> |

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

11 DEBTORS

| | <u>1993</u> | <u>1992</u> |
|--|--------------|-------------|
| | £'000 | £'000 |
| Trade debtors | 2,449 | - |
| Amounts owed by fellow subsidiary undertakings | 1,320 | - |
| Group relief recoverable | 206 | - |
| Other debtors | 179 | - |
| Prepayments and accrued income | <u>64</u> | <u>-</u> |
| | <u>4,218</u> | <u>-</u> |

12 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>1993</u> | <u>1992</u> |
|--|--------------|-------------|
| | £'000 | £'000 |
| Trade creditors | 669 | - |
| Amounts owed to fellow subsidiary undertakings | 555 | 15 |
| Amounts owed to parent undertaking | <u>4,909</u> | <u>-</u> |
| Other creditors | 32 | - |
| Corporation tax | - | 46 |
| Other taxation and social security | 53 | - |
| Accruals and deferred income | <u>3,662</u> | <u>4</u> |
| | <u>9,880</u> | <u>65</u> |

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

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13 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | <u>1993</u> | <u>1992</u> |
|-------------------------------|--------------|-------------|
| | £'000 | £'000 |
| Loans from parent undertaking | <u>1,423</u> | <u>515</u> |

There are no set repayment terms for the loans owed to the parent undertaking which are non-interest bearing.

14 PROVISION FOR LIABILITIES AND CHARGES

A potential deferred tax asset which has not been recognised in these financial statements is as follows.

| | <u>1993</u> | <u>1992</u> |
|-------------------------------|-------------|-------------|
| | £'000 | £'000 |
| Accelerated capital allowance | (12) | - |
| Timing differences | <u>32</u> | <u>-</u> |
| | <u>20</u> | <u>-</u> |

15 CALLED UP SHARE CAPITAL

| | <u>1993</u> | <u>1992</u> |
|--------------------------------------|------------------|------------------|
| | £ | £ |
| Authorised: | | |
| 1,000,000 ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, issued and fully paid: | | |
| 2 ordinary shares of £1 each | <u>2</u> | <u>2</u> |

16 PROFIT AND LOSS ACCOUNT

| | £'000 |
|-------------------------------|----------------|
| At 1 January 1993 - deficit | (580) |
| Loss for the financial year | (591) |
| Exchange rate adjustment | (11) |
| At 31 December 1993 - deficit | <u>(1,182)</u> |

HUNTING OILFIELD SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

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17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

| | 1993 | 1992 |
|--|---------|-------|
| | £'000 | £'000 |
| (Loss)/profit for the financial year | (591) | 24 |
| Other recognised (losses)/gains relating to the year (net) | (11) | - |
| Net (reduction)/addition to shareholders' funds | (602) | 24 |
| Opening shareholders' funds | (580) | (604) |
| Closing shareholders' funds | (1,182) | (580) |

18. CASH FLOW

The company has not prepared a cashflow statement as its cashflows are included in the cashflow statement prepared by its ultimate parent company, Hunting PLC.

19. 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, contribution to which are determined by the aggregate membership and funding of the scheme. On the basis of a recent actuarial valuation the value of the 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 accounts of Hunting PLC, the ultimate parent company.

20. PARENT COMPANIES

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

Hunting plc, a company registered in England 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.