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Hunting Oilfield Services Limited
Annual report
for the year ended 31 December 2003



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for the year ended 31 December 2003
Contents

Directors' report for the year ended 31 December 2003	1
Independent auditors' report to the members of Hunting Oilfield Services Ltd	3
Profit and loss account for the year ended 31 December 2003	4
Statement of total recognised gains and losses for the year ended 31 December 2003	4
Balance sheet as at 31 December 2003	5
Notes to the financial statements for the year ended 31 December 2003	6

Hunting Oilfield Services Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

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 2003. The directors believe the company is well placed to meet the activity expected in 2004 and continues to identify opportunities for expansion.

Results and dividends

The profit for the financial year amounted to £42,000 (2002 : £410,000). The directors do not propose to pay a dividend (2002 : £204,000). The balance has been transferred to reserves.

Research and development

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

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. A common awareness of the financial and economic factors affecting the performance is encouraged by open management.

The environment

Hunting PLC, the ultimate parent company, has established an environmental policy, which is appropriate to the number of different markets and countries in which group companies operate. This is subject to regular review and incorporates new objectives as appropriate. In all group companies, there is a common awareness of the need to protect the environment by controlling emissions and waste. As a responsible employer, the company is conscious of its position and role within the community and is committed to continuously improving its environmental performance and providing working environments which meet the requirements of the Health and Safety at Work Act 1974.

Hunting Oilfield Services Limited

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 2003 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 2003 financial statements of Hunting Energy Services (International) Limited, the immediate parent undertaking.

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 2003 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

18/07/ 2004

Hunting Oilfield Services Limited

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

We have audited the financial statements on pages 4 to 13, which comprises the profit and loss account, the balance sheet and the related notes

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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.

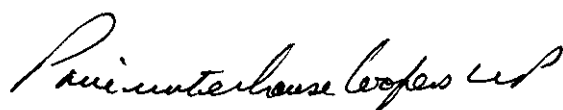
Basis of audit opinion

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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen 12 July 2004



Hunting Oilfield Services Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	191	12,879
Cost of sales		(189)	(11,632)
Gross profit		2	1,247
Administrative expenses		(1)	(363)
Operating profit		1	884
Net interest receivable /(payable)	4	60	(258)
Profit on ordinary activities before taxation	5	61	626
Tax on profit on ordinary activities	6	(19)	(216)
Profit for the financial year		42	410
Dividends – proposed		-	(204)
Retained profit for the financial year	14	42	206

All operations are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2003

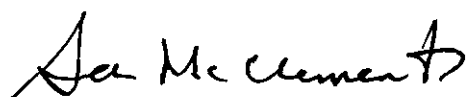
	2003 £'000	2002 £'000
Profit for the financial year	42	410
Exchange rate adjustment	(13)	(15)
Total gains recognised since last annual report	29	395

Hunting Oilfield Services Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	7	2	7
Investments	8	40	-
		42	7
Current assets			
Debtors	9	5,658	7,443
Cash at bank and in hand		3	-
		5,661	7,443
Creditors: amounts falling due within one year	10	(3,864)	(5,640)
Net current assets		1,797	1,803
Total assets less current liabilities		1,839	1,810
Creditors : amounts falling due after more than one year	11	(1,600)	(1,600)
Net assets		239	210
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	239	210
Equity shareholder's funds	15	239	210

The financial statements on pages 4 to 13 were approved by the board of directors on 19/07 2004 and were signed on its behalf by:



S McClements
Director

Hunting Oilfield Services Limited

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

Basis of accounting

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

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.

Tangible fixed assets

Tangible fixed assets are stated at cost and depreciation is provided in equal annual instalments over their estimated useful lives by using the following rates:

Plant and equipment	14-33%
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Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the life of the lease.

Foreign currencies

Trading activities denominated in foreign currency are translated at the average rate for the year. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on trading transactions are dealt with in the profit and loss account.

Taxation

Corporation tax payable is provided on taxable profits at current rate of taxation.

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.

Research and development

Research and development expenditure is written off as incurred.

Hunting Oilfield Services Limited

Cash flow statement

In accordance with Financial Reporting Standard No.1 (Revised 1996), the company is not required to prepare a cash flow statement being a wholly owned subsidiary of Hunting PLC. The cash flows of the company are included in the consolidated cash flow statement for that group.

Group financial statements

In accordance with Section 228 of the Companies Act 1985 the company has not prepared group financial statements. The results of the company and its subsidiaries are consolidated in the financial statements of Hunting Energy Services (International) Limited, a company registered in England.

Related party disclosures

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with entities that are part of the Hunting PLC group.

2 Turnover

The geographical analysis of turnover is as follows:

	2003 £'000	2002 £'000
By origin:		
Europe	191	12,879
By destination:		
United Kingdom	151	12,865
Middle East	40	-
Europe	-	14
	191	12,879

3 Employee costs

Employee costs, including directors, is analysed as follows:

	2003 £'000	2002 £'000
Wages and salaries	73	-
Social security costs	6	-
	79	-

The average number of persons employed during the year was 1 (2002: nil).

Hunting Oilfield Services Limited

Directors' emoluments

No remuneration was paid to directors for their services to the company during the year (2002 : £Nil).

4 Net interest receivable/(payable)

	2003 £'000	2002 £'000
Group interest payable	(3)	(245)
Other interest payable	-	(20)
Total interest payable	(3)	(265)
Group interest receivable	58	7
Other interest receivable	5	-
Total interest receivable	63	7
Net interest receivable/(payable)	60	(258)

5 Profit on ordinary activities before taxation

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

	2003 £'000	2002 £'000
Depreciation	5	28
Operating lease rentals	78	78
Auditors' remuneration:		
- audit fees	6	5
- other services	9	21
Profit on sale of tangible fixed assets	(8)	-

Hunting Oilfield Services Limited

6 Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on profits of the year	10	213
Overseas tax	2	-
Adjustment in respect of previous periods	(1)	3
Total current tax	11	216
Deferred tax:		
Origination and reversal of timing differences	8	-
Tax on profit on ordinary activities	19	216

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

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	61	626
<i>Profit on ordinary activities multiplied by standard rate in the UK 30% (2002 : 30%)</i>	18	188
Effects of:		
Goodwill write off not deductible for tax purposes	-	25
Expenses not deductible for tax purposes	1	-
Accelerated capital allowances and other timing differences	(7)	-
Adjustment in respect of previous periods	(1)	3
Current tax charge for the year	11	216

Hunting Oilfield Services Limited

7 Tangible assets

	Plant and equipment £'000
Cost	
At 1 January 2003	36
Disposals	(20)
At 31 December 2003	16
Depreciation	
At 1 January 2003	29
Charge for the financial year	5
Disposals	(20)
At 31 December 2003	14
Net book amount	
At 31 December 2003	2
At 31 December 2002	7

8 Investments

Investments in Joint Ventures	£'000
At 1 January 2003	-
Additions	40
At 31 December 2003	40

The joint venture undertaking, which is 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

Hunting Oilfield Services Limited

9 Debtors

	2003	2002
	£'000	£'000
Trade debtors	70	1,534
Amounts owed by group undertakings	5,366	5,684
Other debtors	202	200
Deferred tax asset (note 12)	17	25
Prepayments and accrued income	3	-
	5,658	7,443

Deferred tax asset is recoverable after more than one year.

10 Creditors – amounts falling due within one year

	2003	2002
	£'000	£'000
Trade creditors	1	3
Corporation tax	19	221
Dividends proposed	-	204
Accruals and deferred income	5	10
Other creditors	223	1,658
Amounts owed to group undertakings	3,616	3,544
	3,864	5,640

11 Creditors – amounts falling due after more than one year

	2003	2002
	£'000	£'000
Loans from parent undertaking	1,600	1,600

There are no set repayment terms for the loans owed to the parent undertaking, which are unsecured and interest free.

Hunting Oilfield Services Limited

12 Deferred Taxation

	2003	2002
	£'000	£'000
Deferred tax asset - Accelerated capital allowances	17	25

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 2003	25
Charged to profit and loss (Note 6)	(8)
At 31 December 2003	17

13 Called up share capital

	2003	2002
	£'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	-	-

14 Profit and loss account

	£'000
At 1 January 2003	210
Retained profit for the financial year	42
Exchange rate adjustment	(13)
At 31 December 2003	239

Hunting Oilfield Services Limited

15 Reconciliation of movements in shareholder's funds

	2003	2002
	£'000	£'000
Profit for the financial year	42	410
Dividends	-	(204)
Exchange rate adjustment	(13)	(15)
Net increase to shareholder's funds	29	191
Opening shareholder's funds	210	19
Closing shareholder's funds	239	210

16 Banking arrangements

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

17 Operating lease commitments

Land and Buildings	2003	2002
	£'000	£'000
Annual commitments under operating leases which expire between two to five years	78	78

18 Parent companies

Hunting Energy Services (International) Limited, is the parent undertaking of the smallest group to consolidate the financial statements 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.