

Hanover Services (GB) Ltd

Financial statements

For the period ended 31 December 2004

Grant Thornton 



Company No. 5128575

Company information officers and professional advisers

Company registration number	5128575
Registered office	4 Aspen Farm Sheep Lane Woburn Milton Keynes Buckinghamshire MK17 9HD
Directors	Mr D F Cook Mr N A McKay
Secretary	Mr J Tibbs
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham B3 2HJ

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Report of the directors

The directors present their report and the financial statements of the company for the period from 14 May 2004 to 31 December 2004.

Principal activities and business review

The principal activity of the company during the period was to provide services for the extraction of oil and gas in Pakistan.

The company was incorporated on 14 May 2004 and began to trade from that date. The company operates, and has a branch based, in Pakistan to construct an oil and gas extraction plant.

There was a profit for the period after taxation amounting to \$187,611.

Results and dividends

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the period were as follows:

Mr D F Cook	(Appointed 14 May 2004)
Mr J E Jackson	(Appointed 14 May 2004, resigned 17 August 2005)
Mr N A McKay	(Appointed 17 August 2005)

None of the directors held any interests in the share of the company during the period.

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which 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. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Mr D F Cook
Director

A handwritten signature in black ink, appearing to read 'D F Cook', with a horizontal line underneath.

27.01.06.

Report of the independent auditors to the members of Hanover Services (GB) Ltd

We have audited the financial statements of Hanover Services (GB) Ltd for the period ended 31 December 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 16. These financial statements have been prepared under the accounting policies set out on pages 7 to 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 report of the directors 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 with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

Report of the independent auditors to the members of Hanover Services (GB) Ltd (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM

27 January 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The currency in which the company operates is US Dollars and for this reason the functional currency of the company is US Dollars. The major currency exchange rates to US Dollars used at 31 December 2004 were as follows:

Pakistan Rupee \$1: 59.50 Rupees
UK Sterling \$1: £0.51916

Turnover

Turnover represents the value of work performed during the period. Full provision is made for any foreseen losses.

Contract work in progress

Amounts recoverable on contracts, which are included in debtors, are stated at cost less progress payments receivable plus an appropriate amount of profit in the case of long term contracts to reflect the proportion of work completed at the accounting date.

Provisions are made for contingencies or losses incurred or anticipated in bringing long term contracts to completion.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into US Dollars at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Profit and loss account

	Note	2004 \$
Turnover	1	7,270,195
Cost of sales		6,714,282
Gross profit		<u>555,913</u>
Other operating charges	2	251,535
Operating profit	3	<u>304,378</u>
Interest payable and similar charges	5	639
Profit on ordinary activities before taxation		<u>303,739</u>
Tax on profit on ordinary activities	6	116,128
Retained profit for the financial period	11	<u>187,611</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2004 \$
Current assets		
Stocks	7	131,593
Debtors	8	5,339,019
Cash at bank and in hand		6,217
		<u>5,476,829</u>
Creditors: amounts falling due within one year	9	<u>5,289,216</u>
Net current assets		<u>187,613</u>
Net assets		<u>187,613</u>
Capital and reserves		
Called-up equity share capital	10	2
Profit and loss account	11	187,611
Shareholders' funds	12	<u>187,613</u>

These financial statements were approved by the directors on 27.1.06 and are signed on their behalf by:



Mr D F Cook
Director

Cash flow statement

	Note	2004 \$
Net cash inflow from operating activities	13	122,345
Taxation	13	(116,128)
Increase in cash	13	<u>6,217</u>

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2004 \$
Pakistan	<u>7,270,195</u>

2 Other operating charges

	2004 \$
Administrative expenses	<u>251,535</u>

3 Operating profit

Operating profit is stated after charging:

	2004 \$
Directors' emoluments	—
Auditors' remuneration:	
Audit fees	26,000
Accountancy fees	4,000
Operating lease costs:	
Land and buildings	4,250
Plant and equipment	465
Net loss on foreign currency translation	<u>1,250</u>

4 Directors and employees particulars of employees

The average number of staff employed by the company during the financial period amounted to:

	2004 No
Number of management staff	<u>3</u>

No salaries or wages have been paid to employees, including the directors, during the period.

5 Interest payable and similar charges

2004
\$

Other similar charges payable

639

6 Taxation on ordinary activities

(a) Analysis of charge in the period

2004
\$

Foreign tax

Current tax on income for the period

116,128

Total current tax

116,128

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30%.

2004
\$

Profit on ordinary activities before taxation

303,739

Profit on ordinary activities by rate of tax

91,122

Foreign Pakistan tax on income receipted in period

116,128

Double tax treaty relief

(91,122)

Total current tax (note 6(a))

116,128

During the period the company paid tax in Pakistan at 6% on income received for the execution of its contract. The company is resident for corporation tax in Pakistan.

7 Stocks

2004
\$

Raw materials

131,593

8 Debtors

2004
\$

Amounts recoverable on contracts

5,270,300

Other debtors

68,717

Called up share capital not paid

2

5,339,019

9 Creditors: amounts falling due within one year

	2004 \$
Amounts owed to group undertakings	5,234,112
Accruals and deferred income	55,104
	<u>5,289,216</u>

10 Share capital

Authorised share capital:

	2004 \$
1,000 Ordinary shares of \$1.80 (£1.00) each	<u>1,800</u>

Allotted and called up:

	No	\$
Ordinary shares of \$1.80 (£1.00) each	<u>1</u>	<u>2</u>

The value of 1 ordinary share is £1 however it has been converted into US Dollars at a rate of \$1.80:£1.00 as the figures within the statutory accounts are presented in US Dollars.

The amounts of paid up share capital for the following categories of shares differed from the called up share capital stated above due to unpaid calls and were as follows:

	2004 \$
Ordinary shares	<u>2</u>

11 Profit and loss account

	2004 \$
Retained profit for the financial period	187,611
Balance carried forward	<u>187,611</u>

12 Reconciliation of movements in shareholders' funds

	2004 \$
Profit for the financial period	187,611
New equity share capital subscribed	2
	<hr/>
Net addition to shareholders' equity funds	187,613
Closing shareholders' equity funds	<u>187,613</u>

13 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2004 \$
Operating profit	304,378
Increase in stocks	(131,593)
Increase in debtors	(5,339,017)
Increase in creditors	<u>5,288,577</u>
Net cash inflow from operating activities	<u>122,345</u>

Taxation

	2004 \$
Taxation paid	<u>(116,128)</u>

Reconciliation of net cash flow to movement in net funds

	2004 \$
Increase in cash in the period	6,217
Movement in net funds in the period	<u>6,217</u>
Net funds at incorporation	—
Net funds at 31 December 2004	<u>6,217</u>

Analysis of changes in net funds

	At incorporation	Cash flows	At 31 Dec 2004
	\$	\$	\$
Net cash:			
Cash in hand and at bank	—	6,217	6,217
Net funds	—	6,217	6,217

14 Contingencies

The directors have confirmed that there were no contingent liabilities at 31 December 2004.

15 Ultimate parent company

The company is a wholly owned subsidiary of Hanover Compressor Holdings Company NL B.V., a company registered in the Netherlands.

However, the directors consider that the ultimate parent undertaking and controlling related party of this company is Hanover Compressor Company which is registered in the United States.

The largest group of undertakings for which group accounts have been drawn up is that headed by Hanover Compressor Company which is incorporated in the United States.

16 Related party transactions

The group has transacted with the following fellow group companies during the period:

	Description of transaction	Transaction gross value for the period ended 31.12.04	Debtor at 31.12.04	Creditor at 31.12.04
	\$	\$	\$	\$
Hanover Compression LP	Trade purchases	(11,430)	-	(5,059,069)
	Transfer	(332,613)		
	Recharges	1,999,895		
	Recharges	(6,714,282)		
	Interest	(639)		
Hanover International SA	Trade purchases	(172,043)	-	(175,043)
	Transfer	(3,000)		