Grant Thornton

Financial Statements Exterran Services (UK) Limited

For the Year Ended 31 December 2007

Company No. 5128575

Company information officers and professional advisers

Company registration number	5128575
Registered office	Westgate Aldridge Walsall West Midlands WS9 8EX
Directors	Mr D F Cook Mr N A McKay
Secretary	Mr J Tibbs
Auditor	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 year ended 31 December 2007

Principal activities of the company

The principal activity of the company during the year was to provide services for the extraction of natural gas in Pakistan

Results and dividends

The profit for the year, after taxation, amounted to $1,778,565 (2006 $112,809) The directors have not recommended a dividend

Business review

The company principle activity is the maintenance of a natural gas extraction plant in Pakistan For this, the company receives a maintenance fee from its customer and a monthly maintenance bonus if the planned plant productivity targets are achieved The key performance indicators for the company are therefore the gas output statistics which are used to determine the monthly billable revenue

Financial risk management objectives and policies

Financial risks are managed at both a company and a group level Management have invoked the following objectives and policies to deal with the financial risks facing the company and the UK group

Interest rate risk
The ultimate parent provides financing for the company through inter company loans Interest is charged on these loan at the agreed group rates

Credit risk
The company manages its credit risk exposure through the use of progress payments, letters of credit and close monitoring of the outstanding receivables

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The company is financed through retained earnings and support from the ultimate parent company

Currency risk
The company is not exposed to translation and transaction foreign exchange risk due to the presentational currency being the U S Dollar which is the currency the company trades in

Directors

The directors who served the company during the year were as follows

Mr D F Cook
Mr N A McKay

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 these 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,
- 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 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

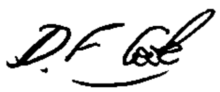
In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

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

ON BEHALF OF THE BOARD



Mr D F Cook
Director
7 October 2008

Grant Thornton

Report of the independent auditor to the members of Exterran Services (UK) Limited

We have audited the financial statements of Exterran Services (UK) Limited for the year ended 31 December 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet, cash flow statement and notes 1 to 21 These financial statements have been prepared under the accounting policies set out therein

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 auditor's 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of 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 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 auditor to the members of Exterran Services (UK) Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit 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 Report of the Directors is consistent with the financial statements

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM
9 October 2008

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

The currency in which the company operates is US Dollars and for this reason the functional currency of the company is US Dollars which is the currency these financial statements are presented in The major currency exchange rates to US Dollars used at 31 December 2007 were as follows

Pakistan Rupee $1 61 Rupees
UK Sterling $1 £0 51

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts

Turnover

The turnover shown in the profit and loss account represents the total amount receivable by the company for goods supplied and services provided during the year

Turnover includes revenue accrued on long term contracts based upon the degree of completion of the contracts at the year end as detailed in the work in progress policy

Maintenance revenue is recognised on a monthly basis The amount recognised is adjusted for contractual performance measures which are assessed on a monthly basis

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures & Fittings - 3 years

Stocks and work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on a normal level of activity Provision is made for any foreseeable losses where appropriate

No element of profit is included in the valuation of work in progress until the contract is substantially complete and the economic outcome can be seen with reasonable certainty

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

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 exceptions

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

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Exchange differences are taken into account in arriving at the operating profit

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2007 $	2006 $
Turnover	1	**4,945,287**	5,326,456
Cost of sales		**1,957,898**	3,211,555
Gross profit		**2,987,389**	2,114,901
Other operating charges	2	**758,845**	1,404,729
Operating profit	3	**2,228,544**	710,172
Interest receivable	5	**612,294**	215,020
Interest payable and similar charges	6	**(627,649)**	(428,625)
Profit on ordinary activities before taxation		**2,213,189**	496,567
Tax on profit on ordinary activities	7	**434,624**	383,758
Profit for the financial year	16	**1,778,565**	112,809
Balance brought forward		**(114,240)**	(227,049)
Balance carried forward		**1,664,325**	(114,240)

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 year as set out above

Balance sheet

	Note	2007 $	2006 $
Fixed assets			
Tangible assets	8	**19,506**	55,421
Current assets			
Stocks	10	**1,017,291**	973,653
Debtors	11	**14,965,095**	10,673,470
Cash at bank		**544,197**	313,880
		16,526,583	11,961,003
Creditors: amounts falling due within one year	12	**14,881,762**	12,130,662
Net current assets/(liabilities)		**1,644,821**	(169,659)
Total assets less current liabilities		**1,664,327**	(114,238)
Capital and reserves			
Called-up equity share capital	15	**2**	2
Profit and loss account	16	**1,664,325**	(114,240)
Shareholders' funds/(deficit)	17	**1,664,327**	(114,238)

These financial statements were approved by the directors and authorised for issue on 7 October 2008 and are signed on their behalf by

DF Cook

Mr D F Cook
Director

Cash flow statement

	Note	2007 $	2006 $
Net cash inflow from operating activities	18	**572,883**	269,874
Returns on investments and servicing of finance	18	**(15,355)**	(213,605)
Taxation	18	**(318,624)**	(383,758)
Capital expenditure and financial investment	18	**(8,587)**	(4,152)
Increase/(decrease) in cash	18	**230,317**	(331,641)

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

	2007	2006
	$	$
Pakistan	**4,945,287**	5,326,456

2 Other operating charges

	2007	2006
	$	$
Administrative expenses	**758,845**	1,404,729

3 Operating profit

Operating profit is stated after charging

	2007	2006
	$	$
Directors' emoluments	–	–
Depreciation of owned fixed assets	**35,286**	34,388
Loss on disposal of fixed assets	**9,216**	3,312
Impairment of investments	–	274,449
Auditor's remuneration		
Audit fees	**31,000**	29,800
Taxation fees	**5,000**	4,800
Operating lease costs		
Plant and equipment	**2,487**	1,531
Other	**63,780**	35,292
Net loss on foreign currency translation	**14,100**	11,729

4 Directors and employees

The average number of persons employed by the company during the financial year, including the directors, amounted to 42 (2006 - 36)

The aggregate payroll costs of the above were

	2007	2006
	$	$
Wages and salaries	721,882	656,661
Social security costs	80,209	72,962
	802,091	729,623

No salaries or wages have been paid to the directors during the year

5 Interest receivable

	2007	2006
	$	$
Interest on intra group loans	612,294	215,020

6 Interest payable and similar charges

	2007	2006
	$	$
Interest on intra group loans	627,649	428,625

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	$	$
United Kingdom current tax on income for the year	116,000	-
Foreign tax current tax on income for the year	318,624	383,758
Total current tax	434,624	383,758

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 30% (2006 - 30%)

During the year the company paid tax in Pakistan at 6% of gross income received for the execution of its contract The company is resident for corporation tax purposes in Pakistan

	2007	2006
	$	$
Profit on ordinary activities before taxation	**2,213,189**	496,567
Profit on ordinary activities by rate of tax	**663,957**	148,970
Capital allowances for year in excess of depreciation	**6,706**	3,310
Pakistan tax on income receipted in year	**318,624**	383,758
Double tax treaty relief	**(553,411)**	(20,670)
Other timing differences	**(1,252)**	-
Losses	-	(131,610)
Total current tax (note 7(a))	**434,624**	383,758

8 Tangible fixed assets

	Fixtures & Fittings
	$
Cost	
At 1 January 2007	106,021
Additions	8,587
Disposals	(39,730)
At 31 December 2007	74,878
Depreciation	
At 1 January 2007	50,600
Charge for the year	35,286
On disposals	(30,514)
At 31 December 2007	55,372
Net book value	
At 31 December 2007	**19,506**
At 31 December 2006	55,421

9 Investments

	$
Cost	
At 1 January 2007 and 31 December 2007	274,449
Amounts written off	
At 1 January 2007 and 31 December 2007	(274,449)
Net book value	
At 1 January 2007 and 31 December 2007	-

The company owns 70% of the ordinary share capital of Hanover Middle East LLC, a company incorporated in Oman that provides services for the extraction of oil and gas During the year ended 31 December 2006 the company's investment was impaired to a carrying value of £nil due to the losses made in the year by that company and the resulting net liabilities These have not reversed in the current year therefore the investment remains impaired

10 Stocks

	2007	2006
	$	$
Raw materials	**1,017,291**	973,653

11 Debtors

	2007	2006
	$	$
Trade debtors	**566,132**	425,767
Amounts owed by group undertakings	**14,376,249**	8,955,020
Amounts recoverable on contracts	**-**	1,177,087
Other debtors	**16,049**	15,937
Called up share capital not paid	**2**	2
Prepayments and accrued income	**6,663**	99,657
	14,965,095	10,673,470

12 Creditors: amounts falling due within one year

	2007	2006
	$	$
Trade creditors	**943**	24,241
Amounts owed to group undertakings	**13,826,895**	11,504,715
Accruals and deferred income	**937,924**	601,706
Corporation tax	**116,000**	-
	14,881,762	12,130,662

13 Commitments under operating leases

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & buildings 2007	2006
	$	$
Operating leases which expire		
Within 1 year	**40,260**	21,459

14 Related party transactions

The company has transacted with the following fellow group companies during the year

	Description of transaction	Transactions during 2007	Debtor/ (creditor) at 31 Dec 2007	Transactions during 2006	Debtor/ (creditor) at 31 Dec 2006
		$	$	$	$
Hanover Compression LP	Trade purchases	-	(10,618,510)	(1,955,149)	(10,680,654)
	Transfer	944,266		(1,349,687)	
	Recharges	(254,473)		(218,274)	
	Interest	(627,649)		(428,624)	
Exterran International SA	Trade purchases	-	(753,349)	(227,418)	(757,399)
	Recharges	4,050		41,803	
Hanover Middle East LLC	Transfer	2,800,001	12,367,315	8,740,000	8,955,020
	Interest	612,294		215,020	
Exterran UK Limited	Recharges	(43,457)	(110,119)	(66,662)	(66,662)
Exterran Compressor Services BV	Recharges	(352,206)	(352,206)	-	-
Exterran Eastern Hemisphere	Recharges	16,223	16,223	-	-
		3,099,049	549,354	4,751,009	(2,549,695)

15 Share capital

Authorised share capital

	2007	2006
	$	$
1,000 Ordinary shares of $1 80 each	**1,800**	1,800

Allotted and called up

	2007		2006	
	No	$	No	$
Ordinary shares of $1 80 each	**1**	**2**	1	2

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

	2007	2006
	$	$
Ordinary shares	**2**	2

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

16 Profit and loss account

	2007	2006
	$	$
Balance brought forward	**(114,240)**	(227,049)
Profit for the financial year	**1,778,565**	112,809
Balance carried forward	**1,664,325**	(114,240)

17 Reconciliation of movements in shareholders' funds/ (deficit)

	2007	2006
	$	$
Profit for the financial year	**1,778,565**	112,809
Opening shareholders' deficit	**(114,238)**	(227,047)
Closing shareholders' funds/(deficit)	**1,664,327**	(114,238)

18 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2007 $	2006 $
Operating profit	**2,228,544**	710,172
Depreciation	**35,286**	34,388
Loss on disposal of fixed assets	**9,216**	3,312
Impairment of investments	**-**	274,449
Increase in stocks	**(43,638)**	(166,129)
Increase in debtors	**(4,291,625)**	(4,680,108)
Increase in creditors	**2,635,100**	4,093,790
Net cash inflow from operating activities	**572,883**	269,874

Returns on investments and servicing of finance

	2007 $	2006 $
Income from group undertakings	**612,294**	215,020
Interest paid	**(627,649)**	(428,625)
Net cash outflow from returns on investments and servicing of finance	**(15,355)**	(213,605)

Taxation

	2007 $	2006 $
Taxation	**(318,624)**	(383,758)

Capital expenditure

	2007 $	2006 $
Payments to acquire tangible fixed assets	**(8,587)**	(4,152)
Net cash outflow from capital expenditure	**(8,587)**	(4,152)

18 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net funds

	2007 $	2006 $
Increase/(decrease) in cash in the year	**230,317**	(331,641)
Movement in net funds in the year	**230,317**	(331,641)
Net funds at 1 January 2007	**313,880**	645,521
Net funds at 31 December 2007	**544,197**	313,880

Analysis of changes in net funds

	At 1 Jan 2007 $	Cash flows $	At 31 Dec 2007 $
Net cash			
Cash in hand and at bank	**313,880**	**230,317**	**544,197**
Net funds	**313,880**	**230,317**	**544,197**

19 Contingent liabilities

The directors have confirmed that there were no contingent liabilities at 31 December 2007 or 31 December 2006

20 Capital commitments

The directors have confirmed that there were no capital commitments at 31 December 2007 or 31 December 2006

21 Ultimate parent company

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

The directors consider that the ultimate parent undertaking and controlling related party of this company is Exterran Holdings Inc which is registered in the United States

The largest group of undertakings for which group accounts have been drawn up for the 31 December 2007 is that headed by Exterran Holdings Inc which is incorporated in the United States Group accounts are available from the company's registered office at 12001 North Houston, Rosslyn, Houston, TX 77086 or the group's website www exterran com