

**HUNTING SPECIALISED PRODUCTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**Registered No: 164697**



**HUNTING SPECIALISED PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**COMPANY INFORMATION**

Registered number	164697
Country of incorporation	England
Registered office	3 Cockspur Street London SW1Y 5BQ
Directors	C J P Gilmore P Rose J Mactaggart
Independent Auditors	PricewaterhouseCoopers LLP Birmingham

**HUNTING SPECIALISED PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**CONTENTS**

Directors' Report	3
Independent Auditors' Report	6
Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Cash Flow Statement	10
Notes to the Financial Statements	11

## **HUNTING SPECIALISED PRODUCTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report, together with the audited financial statements for the year ended 31 December 2007

### **ACTIVITIES**

The Company is a wholly-owned subsidiary of Hunting Oil Holdings Limited. The Company previously manufactured linings and equipment and supplied consumables for pipeline rehabilitation and manufactured liquid specialised coatings for a wide range of customers in the building trade and construction industry.

On 9 November 2006, given the continued poor trading performance, a decision was taken by the parent company to close the business in an orderly manner.

The financial statements have therefore been prepared on a realisable or 'break up' value basis following the orderly realisation of assets and the payment of amounts due to creditors as they fall due.

The Company ceased production on 14 December 2006 and did not trade during 2007 other than to sell off any residual assets and close remaining activities. The Directors do not expect the Company to trade in the foreseeable future.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on page 14 of the Hunting PLC 2007 Annual Report and Accounts.

### **RESULTS AND DIVIDENDS**

The results and financial position of the Company are set out in the attached financial statements. The Directors do not recommend the payment of a dividend (2006: £nil).

The retained profit for the year of £126,000 (2006: £409,000) has been transferred to reserves.

### **DIRECTORS**

The Directors of the Company who served during the year were as follows:

D L Clark (resigned 16 05 07)  
C J P Gilmore (appointed 29 01 07)  
P Rose (appointed 16 05 07)  
J Mactaggart  
M Bates (resigned 05 04 07)  
N Whittle (resigned 31 01 07)

No Director had a material interest in any contract of significance to which the Company was a party.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Hunting PLC maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its Directors and officers in the discharge of their duties.

## HUNTING SPECIALISED PRODUCTS LIMITED

### DIRECTORS' REPORT (continued)

#### DIRECTORS' INTERESTS

None of the Directors had any interests in the shares of the Company during the year

The interests of the other Directors in the shares of Hunting PLC are as follows

	<u>At 31 December 2007</u>	<u>At 31 December 2006</u>
	Ordinary shares of <u>25p each</u>	Ordinary shares of <u>25p each</u>
P Rose	2,500	2,500
C J Gilmore	2,500	2,500

The following Directors hold options to subscribe for Ordinary shares pursuant to the rules of Hunting PLC's executive share option scheme

	<u>Options at start of year</u>	<u>Options granted during year</u>	<u>Options exercised during year</u>	<u>Options at end of year</u>	<u>Exercise price p</u>	<u>Date exercisable</u>	<u>Expiry date</u>
P Rose	8,190	-	-	8,190	194 0	28 03 04	27 03 11
	47,055	-	(47,055)	-	116 9	31 03 07	30 03 14
	29,454	-	-	29,454	220 7	09 03 08	08 03 15
	18,277	-	-	18,277	383 0	08 03 09	07 03 16
	-	15,000	-	15,000	640 0	06 03 10	05 03 17
C J P Gilmore	17,718	-	(2,635)	15,083	79 0	14 03 06	13 03 13
	13,689	-	(13,689)	-	116 9	31 03 07	30 03 14
	7,703	-	-	7,703	220 7	09 03 08	08 03 15
	4,700	-	-	4,700	383 0	08 03 09	07 03 16
	-	2,969	-	2,969	640 0	07 03 10	06 03 17
N T Whittle	26,522	-	-	-	116 9	31 03 07	30 03 14
	14,500	-	-	-	220 7	09 03 08	08 03 15
	8,355	-	-	-	383 0	08 03 09	07 03 16
J W Mactaggart	82,132	-	-	82,132	116 9	31 03 07	30 03 14
	43,502	-	-	43,502	220 7	09 03 08	08 03 15
	25,065	-	-	25,065	383 0	08 03 09	07 03 16
	-	7,500	-	7,500	640 0	06 03 10	05 03 17

No options were granted, lapsed or exercised during the year, other than as shown above

The market price of the ordinary shares at 31 December 2007 was 711p. The highest and the lowest mid market process during the year were 842 5p and 543p respectively

On 28 February P Rose was awarded 33,755 shares under the Long Term Incentive Plan, of which 10,505 were sold on 29 February 2008

Subsequent to the year end, on 4 March 2008 under the 2001 share option scheme, options were granted at 784 5p per Ordinary share to Directors as follows

C J P Gilmore	2,422
P Rose	21,670
J W Mactaggart	6,119

## **HUNTING SPECIALISED PRODUCTS LIMITED**

### **DIRECTORS' REPORT** (continued)

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made no payments to charitable or political organisations during the year (2006 £nil)

#### **RESEARCH AND DEVELOPMENT**

In the year £nil (2006 £15,000) was spent on research and development activities

#### **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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

#### **STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who are directors at the time when the report is approved, the following applies

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- b) he has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

#### **AUDITORS**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors. An elective resolution is in force which dispenses with the annual reappointment of auditors.

By order of the Board

P Rose  
Director



2 June 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING SPECIALISED PRODUCTS LIMITED**

We have audited the financial statements of Hunting Specialised Products Limited for the year ended 31 December 2007, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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). 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit 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 judgments 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, in accordance with IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows 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 Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

6 June 2008

# **HUNTING SPECIALISED PRODUCTS LIMITED**

## **INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	2007 £'000	2006 £'000
<b>REVENUE</b>		65	1,446
Cost of sales		<u>(56)</u>	<u>(764)</u>
<b>GROSS PROFIT</b>		9	682
Other income		5	-
Operating expenses*	3	<u>247</u>	<u>(526)</u>
<b>PROFIT FROM OPERATIONS</b>	4	261	156
Interest income	6	6	-
Interest expense and similar charges	7	<u>-</u>	<u>(7)</u>
<b>PROFIT BEFORE TAXATION</b>		267	149
Taxation	8	<u>(141)</u>	<u>260</u>
<b>PROFIT FOR THE YEAR</b>		<u>126</u>	<u>409</u>

The profit for the year arises from the Company's discontinued operations

\*Operating expenses include exceptional credits of £220,000 (2006 £156,000) as shown in note 5

The notes on pages 11 to 25 form part of these financial statements



# HUNTING SPECIALISED PRODUCTS LIMITED

## BALANCE SHEET AT 31 DECEMBER 2007

	<u>Notes</u>	2007 £'000	2006 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	9	-	-
Property, plant and equipment	10	-	100
		<u>-</u>	<u>100</u>
<b>Current assets</b>			
Inventories	11	-	56
Trade and other receivables	12	329	637
Current tax asset – group relief		60	260
Cash and cash equivalents	13	150	44
		<u>539</u>	<u>997</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	(20)	(267)
		<u>519</u>	<u>730</u>
<b>Net current assets</b>			
		<u>519</u>	<u>730</u>
<b>Non-current liabilities</b>			
Provisions	15	-	(437)
		<u>519</u>	<u>393</u>
<b>Net assets</b>			
		<u>519</u>	<u>393</u>
<b>Shareholders' equity</b>			
Share capital	18	40	40
Retained earnings	19	479	349
Capital reserve	20	-	4
		<u>519</u>	<u>393</u>
<b>Total equity</b>		<u>519</u>	<u>393</u>

Approved by the Board on 2 June 2008

P Rose  
Director



The notes on pages 11 to 25 form part of these financial statements

**HUNTING SPECIALISED PRODUCTS LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2007	40	4	349	393
Profit for the year	-	-	126	126
Transfer between reserves	-	(4)	4	-
At 31 December 2007	<u>40</u>	<u>-</u>	<u>479</u>	<u>519</u>

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2006	40	4	(60)	(16)
Profit for the year	-	-	409	409
At 31 December 2006	<u>40</u>	<u>4</u>	<u>349</u>	<u>393</u>

The notes on pages 11 to 25 form part of these financial statements

# **HUNTING SPECIALISED PRODUCTS LIMITED**

## **CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £'000	2006 £'000
<b>Operating activities</b>		
Profit from operations	261	156
Profit on disposal of property, plant and equipment	(15)	-
Decrease in inventories	56	280
Decrease (increase) in receivables	308	(109)
Decrease in payables	(247)	(82)
Decrease in provisions	(437)	(578)
Taxation received	59	392
Other non-cash flow items	(2)	-
<b>Net cash (outflow) inflow from operating activities</b>	<b>(17)</b>	<b>59</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	117	23
Purchase of property, plant and equipment	-	(60)
<b>Net cash inflow (outflow) from investing activities</b>	<b>117</b>	<b>(37)</b>
<b>Financing activities</b>		
Interest received	6	-
Interest paid	-	(7)
<b>Net cash inflow (outflow) from financing activities</b>	<b>6</b>	<b>(7)</b>
<b>Net inflow in cash and cash equivalents</b>	<b>106</b>	<b>15</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>44</b>	<b>29</b>
<b>Cash and cash equivalents at end of year (note 13)</b>	<b>150</b>	<b>44</b>

The notes on pages 11 to 25 form part of these financial statements

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1. ACCOUNTING POLICIES

##### 1.1 Accounting convention

The financial statements for the year ended 31 December 2007 have been prepared under International Financial Reporting Standards (IFRSs) as adopted for use by the European Union (EU)

The financial statements have not been prepared on a going concern basis. On 9 November 2006, given the poor trading performance, a decision was taken by the parent company to close the business in an orderly manner. Following this decision to close the business, the financial statements have been prepared on a realisable value or 'break up' basis following the orderly realisation of assets and the payment of amounts due to creditors as they fall due. Accordingly, the Company's fixed assets and inventories have been stated in the financial statements at their estimated net recoverable amounts. Estimated costs associated with the decision to close the business have been provided for in these financial statements.

The financial statements have been prepared under the historical cost convention.

##### 1.2 Compliance with accounting standards

These financial statements have been prepared in accordance with the provisions of the Companies Act 1985 and those IFRS standards and IFRIC interpretations which are effective as at 31 December 2007. The following Standards, Interpretations and Amendments, which became effective for and were adopted during the year ended 31 December 2007, had no impact on the Company's results or financial position:

- IFRS 7 *Financial Instruments Disclosures*
- Amendment to IAS 1 *Presentation of Financial Statements*
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Re-assessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The following Standards, Interpretations and Amendments are effective subsequent to the year end and consequently have not been adopted for the year ended 31 December 2007:

- Amendment to IFRS 2 *Share-based Payments*
- IFRS 3 (revised) *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 1 (revised) *Presentation of Financial Statements*
- IAS 23 (revised) *Borrowing Costs*
- IAS 27 (revised) *Consolidated and Separate Financial Statements*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes Relating to IAS 18 Revenue*
- IFRIC 14 *The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction*

With the exception of IAS 23 (revised), it is not anticipated that the new requirements will impact the Company's results or financial position. IAS 23 (revised) requires the Company to capitalise those borrowing costs directly associated with qualifying assets, but as the Company cannot predict the cost of qualifying assets in 2009, when IAS 23 (revised) is expected to be adopted, it is currently not able to estimate the impact.

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 1.3 Revenue

Revenue represents the invoiced amount receivable, excluding sales related taxes, in respect of goods and services. Revenue is recognised in the income statement when title passes to the customer or when the service has been rendered by the Company.

##### 1.4 Interest

Interest income and expense is recognised in the income statement using the effective interest method.

##### 1.5 Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given exceeds the fair value of the net assets acquired.

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Impairments are recognised immediately in the income statement.

On the disposal of a business, goodwill relating to that business remaining on the balance sheet is included in the determination of the profit or loss on disposal.

##### 1.6 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, and depreciated to their expected residual values on a straight line basis over their estimated useful lives, at the following rates:

Leasehold buildings	33.3%
Plant and equipment	10%
Motor vehicles	25%
Computer equipment	33.3%
Furniture and fittings	20%

Property, plant and equipment are impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the income statement immediately.

##### 1.7 Taxation

The tax charge on the profit or loss for the year comprises current tax.

Current tax is the expected net tax payable on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to net tax payable in respects of prior years' net profits.

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

Deferred taxation is recognised in the income statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the income statement at the same time as the taxable transaction is recognised in the income statement.

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 1 8 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value.

##### 1 9 Impairments

The Company assesses whether there is any indication that an asset may be impaired at least once a year. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to the lower of value in use and fair value less costs to sell.

##### 1 10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

##### 1 11 Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

##### 1 12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business.

##### 1 13 Pension contributions

Payments to defined benefit and defined contribution schemes are charged to the income statement over the period benefitting from employees' services.

##### 1 14 Share-based payments

IFRS 2 *Share-based Payments* has been applied from 1 January 2004 to grants of equity instruments issued after 7 November 2002 that had not vested by 1 January 2005. The estimated cost of these instruments is spread evenly over the vesting period.

##### 1 15 Research and development costs

Research and development expenditure is written off as it is incurred unless all of the relevant criteria under paragraph 57 of IAS 38 *Intangible Assets* have been achieved. In such instances where the criteria are met the costs are capitalised as an intangible asset and amortised over the expected life of the asset.

##### 1 16 Financial assets

The Company has classified its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs.

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 1. ACCOUNTING POLICIES (continued)

#### 1 16 Financial assets (continued)

The Company assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with the present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised in the income statement immediately.

Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant.

#### 1 17 Financial liabilities

Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Company subsequently re-measures all of its financial liabilities, including trade payables, at amortised cost.

#### 1 18 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in determining the carrying value of property, plant and equipment, provisions and accruals.

### 2. DIRECTORS AND EMPLOYEES

Staff costs during the year comprise	2007 £'000	2006 £'000
Wages and salaries	-	322
Social security costs	-	46
Share options – value of employee services	-	11
Pension costs	-	36
	<hr/>	<hr/>
	-	415
Average number of employees	2007 No	2006 No
Administration	-	13
Production	-	3
	<hr/>	<hr/>
	-	16

# **HUNTING SPECIALISED PRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

### **2. DIRECTORS AND EMPLOYEES (continued)**

	2007 £'000	2006 £'000
Directors emoluments included in wages and salaries (excluding pension contributions)	-	154

During 2006 the Company contributed to a defined benefit pension scheme in respect of two directors. No contributions were made in 2007. The key management of Hunting Specialised Products are its Directors.

### **3. OPERATING EXPENSES**

	2007 £'000	2006 £'000
Distribution costs	-	25
Administrative expenses	(247)	501
	<u>(247)</u>	<u>526</u>

### **4. PROFIT FROM OPERATIONS**

	2007 £'000	2006 £'000
Profit from operations is stated after charging (crediting)		
Closure costs provision (note 5)	(220)	(156)
Profit on disposal of property, plant and equipment	(15)	-
Operating lease payments		
- Property	-	57
- Other	-	1
Research and development	-	15
Auditors remuneration		
- audit fees for statutory audit	14	21
- non-audit fees	6	6

### **5. EXCEPTIONAL ITEMS**

	2007 £'000	2006 £'000
Closure cost provision – release of amounts previously charged	<u>220</u>	<u>156</u>

### **6. INTEREST INCOME**

	2007 £'000	2006 £'000
Bank interest	<u>6</u>	<u>-</u>

### **7. INTEREST EXPENSE AND SIMILAR CHARGES**

	2007 £'000	2006 £'000
Bank interest	<u>-</u>	<u>7</u>



# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 10. PROPERTY, PLANT AND EQUIPMENT

	2007		
	Plant, equipment and motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<u>Cost</u>			
At 1 January 2007	638	169	807
Disposals	(638)	(169)	(807)
At 31 December 2007	-	-	-
<u>Depreciation</u>			
At 1 January 2007	(556)	(151)	(707)
Disposals	556	151	707
At 31 December 2007	-	-	-
<u>Net book amount</u>			
At 31 December 2007	-	-	-

  

	2006		
	Furniture and office equipment £'000	Motor vehicles £'000	Total £'000
<u>Cost</u>			
At 1 January 2006	694	171	865
Additions	42	18	60
Disposals	(98)	(20)	(118)
At 31 December 2006	638	169	807
<u>Depreciation</u>			
At 1 January 2006	(640)	(171)	(811)
Disposals	84	20	104
At 31 December 2007	(556)	(151)	(707)
<u>Net book amount</u>			
At 31 December 2006	82	18	100

Following a decision to close the business on 9 November 2006, property, plant and equipment was written down to their net recoverable amount. As a consequence of this, no depreciation was charged during the year ended 31 December 2007 (2006: £nil).

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 8 TAXATION

	2007 £'000	2006 £'000
UK Corporation Tax		
Current tax on income for the year	(60)	(84)
Adjustments in respect of prior periods – group relief	201	(176)
Total tax charge (credit)	141	(260)

The tax charge for the year is higher (2006 lower) from the UK standard rate for corporation tax of 30% for the following reasons

	2007 £'000	2006 £'000
Profit before taxation	267	149
Taxation at the standard UK corporation tax rate of 30% (2006 30%)	80	45
Adjustments in respect of prior periods	201	(176)
Expenses not deductible for tax purposes	(76)	(25)
Other timing differences	(64)	(104)
Tax charge (credit)	141	(260)

Deferred tax assets of £129,000 (2006 £194,000) have not been recognised as realisation of the tax benefit on the tax losses is not probable

A number of changes to the UK corporation tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of the changes has been recognised in these financial statements.

Certain other changes, such as a change in the corporation tax rates from 30% to 28%, are expected to be enacted in the Finance Act 2008. The impact of these changes will be recognised in the period in which the Finance Act 2008 is substantively enacted, which is expected to be in the year to 31 December 2008.

### 9. GOODWILL

	2007 £'000	2006 £'000
<u>Cost</u>		
At 1 January and 31 December	75	75
<u>Impairments</u>		
At 1 January and 31 December	(75)	(75)
<u>Net book amount</u>		
At 31 December	-	-

The Company acquired the trade and net liabilities of Waterline Equipment Company Limited, a fellow subsidiary of the Company's immediate parent Hunting Oil Holdings Limited, with effect from 31 December 2005. IFRS 3 *Business Combinations* does not apply to the acquisition as it was a combination involving businesses under common control.

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

Fixed assets that are held under hire purchase contracts or finance leases are as follows

	Plant and machinery	
	2007	2006
	£'000	£'000
<u>Cost</u>		
At 1 January	25	25
Disposals	(25)	-
At 31 December	-	25
<u>Depreciation</u>		
At 1 January	(25)	(25)
Disposals	25	-
At 31 December	-	(25)
<u>Net book amount</u>		
At 31 December	-	-

### 11. INVENTORIES

	2007	2006
	£'000	£'000
Raw materials	-	12
Finished goods	-	44
	-	56

Following the decision to close the business on 9 December 2006, the inventory in 2006 was written down to its estimated net recoverable amount. A provision of £25,000 was recorded against finished goods in 2006. The inventory was subsequently sold for £65,000.

### 12. TRADE AND OTHER RECEIVABLES

	2007	2006
	£'000	£'000
Current		
Trade receivables	-	333
Less provision for impairment of receivables	-	(25)
Net trade receivables	-	308
Amounts owed by group companies	329	329
	329	637

At 31 December 2007, none of the Company's trade and other receivables were past due and the Company does not consider it necessary to provide for any impairment, as all receivables are due from fellow group companies. Trade and other receivables are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no receivables (2006: none) whose terms have been renegotiated and would otherwise be past due or impaired.

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 12. TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2007, £nil (2006 £330,000) were not past due but were impaired. Impaired trade receivables relate to debtors in financial difficulty where defaults in payment have occurred, or there has been a history of slow payment and debtors that have entered into bankruptcy. Trade receivables are impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. However, the Company expects a portion of these receivables to be recovered.

Movements on the provision for trade receivables are shown below

	2007 £'000	2006 £'000
At 1 January	25	10
Provision for receivables impairment	-	25
Unused amounts reversed	(25)	(10)
At 31 December	-	25

The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 16.

The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

Current amounts owed by group companies are unsecured, interest free and repayable on demand.

All financial assets included in trade and other receivables at the year end are denominated in sterling.

#### 13. CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
Cash at bank and in hand	150	44

Cash and cash equivalents have been deposited with a bank that has a Fitch rating of F1+ and are expected to be fully recovered. Cash and cash equivalents at the year end are denominated in sterling.

#### 14. TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Current		
Trade payables	-	171
Social security and other taxes	-	29
Accruals	20	39
Other payables	-	28
	20	267

All financial liabilities included in trade and other payables at the year end are denominated in sterling.

# **HUNTING SPECIALISED PRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**

### **15. PROVISIONS**

	Closure costs £'000	Property costs £'000	Total £'000
At 1 January 2007	264	173	437
Utilisation of provision	(256)	(1)	(257)
Unused amounts reversed	(8)	(172)	(180)
At 31 December 2007	-	-	-

The closure costs provision related to costs associated with the decision to close the business and the property costs provision related to various property-related costs

All of the Company's provisions are denominated in sterling

### **16. FINANCIAL INSTRUMENTS**

The carrying amounts of each measurement category of the Company's financial assets and financial liabilities are stated below, together with a comparison of the fair value and carrying amount for each class of financial asset and financial liability

	2007			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Current assets				
Amounts owed by group companies	329	-	329	329
Cash and cash equivalents	150	-	150	150
Current liabilities				
Accruals	-	(20)	(20)	(20)
	479	(20)	459	459

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 16. FINANCIAL INSTRUMENTS (continued)

	2006			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Current assets				
Net trade receivables	308	-	308	308
Amounts owed by group companies	329	-	329	329
Cash and cash equivalents	44	-	44	44
Current liabilities				
Trade payables	-	(171)	(171)	(171)
Other payables	-	(28)	(28)	(28)
Accruals	-	(39)	(39)	(39)
Provisions	-	(437)	(437)	(437)
	681	(675)	6	6

The fair value of financial instruments that are not traded in an active market is determined using standard valuation techniques, predominantly based on discounted cash flows. The carrying amounts of current financial assets and liabilities are a reasonable approximation of their fair values, as the impact of discounting is not significant.

### 17. FINANCIAL RISK FACTORS

The Company's activities expose it to certain financial risks, namely market risk (including cash flow interest risk and fair value interest risk), credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

#### a) Interest rate risk

The Company is exposed to cash flow interest rate risk from its cash and cash equivalents, which are at variable interest rates, and from fair value interest risk from its amounts due from group companies, which are interest free.

#### b) Credit risk

The Company's credit risk arises from its cash and cash equivalents and outstanding receivables. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities.

The Company's outstanding receivables are due from fellow group companies and funds are only invested with approved financial institutions. No losses are expected from non-performance of these counterparties.

#### c) Liquidity risk

The Company has sufficient funds available to satisfy its requirements.

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 17. FINANCIAL RISK FACTORS (continued)

Below is a maturity analysis of the Company's financial liabilities at the year end, which will be settled on a net basis. The amounts presented in the table are the *undiscounted* cash flows, whereas the carrying amounts in the balance sheet are the *discounted* amounts. The timing of the maturities in the table shows the *earliest contractual repayment date*, whereas the balance sheet classification between current and non-current reflects *management's intentions*. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

	On demand or within 1 year	
	2007	2006
	£'000	£'000
Non-derivative financial liabilities		
Trade payables	-	171
Other payables	-	28
Accruals	20	39
Provisions	-	437
	<u>20</u>	<u>675</u>

The Company did not have any derivative financial instruments.

#### d) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments, and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and cash equivalents. The sensitivity analysis relates to the position as at 31 December 2007.

The sensitivity analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt remain unchanged at 31 December 2007.

The analysis excludes the impact of movements in market variables on the carrying value of non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analysis:

- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

#### (i) Interest rate sensitivity

At 31 December, if UK interest rates had been 0.5% higher or lower, with all other variables held constant, the post-tax effects on profit or loss and equity for the year would have been as follows:

	2007		2006	
	Income statement	Equity	Income statement	Equity
	£'000	£'000	£'000	£'000
UK interest rates +0.5%	1	-	-	-
UK interest rates -0.5%	(1)	-	-	-

The movements arise from the sterling denominated cash and cash equivalents.

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 18 SHARE CAPITAL

	Authorised		Allotted and fully paid	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Unclassified shares of £1 each	10	10	-	-
'A' Ordinary Shares of £1	24	24	24	24
'B' Ordinary Shares of £1	16	16	16	16
	<u>50</u>	<u>50</u>	<u>40</u>	<u>40</u>

The 'A' Ordinary shares and the 'B' Ordinary shares are identical and rank pari passu in all respects, except that if at a General Meeting the number of votes exercised by all or any holders of 'A' Ordinary shares in respect of a resolution proposed at that meeting exceeds the number of votes exercised by all holders of 'B' Ordinary shares ("the minority") then the minority shall be deemed to be entitled to exercise and to have exercised sufficient additional votes in respect of the 'B' Ordinary shares as would have resulted in an equality of votes

### 19. RETAINED EARNINGS

	2007	2006
	£'000	£'000
At 1 January	349	(60)
Profit for the year	126	409
Transfer from capital reserve	<u>4</u>	<u>-</u>
At 31 December	<u>479</u>	<u>349</u>

### 20 CAPITAL RESERVE

	2007	2006
	£'000	£'000
At 1 January	4	4
Transfer to retained earnings	<u>(4)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>4</u>

### 21. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents

It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate and currency risks and the availability of borrowing facilities. The gearing ratio, which is net debt expressed as a percentage of total equity, is monitored periodically against both internal targets and external requirements

Changes in equity arise from the retention of earnings and, from time to time, issues of share capital. Net debt is monitored on a periodic basis and is managed by the control of dividend payments



## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 21. CAPITAL RISK MANAGEMENT (continued)

At the year end, capital comprised

	2007 £'000	2006 £'000
Total equity	519	393
Net cash	<u>(150)</u>	<u>(44)</u>
Gross capital employed	<u>369</u>	<u>349</u>

There have been no significant changes in the Company's funding policy during the year

#### 22. BANKING ARRANGEMENTS

The Company is party to a Group set-off arrangement with Barclays Bank Plc

#### 23. OPERATING LEASES

Operating lease payments in the income statement of £nil (2006 £57,000) represent rentals payable by the Company for properties

Total future minimum lease payments under non-cancellable operating leases expiring

	2007 £'000	<u>Property</u> 2006 £'000
Within one year	<u>-</u>	<u>17</u>
Total lease payments	<u>-</u>	<u>17</u>

#### 24. SHARE BASED PAYMENTS

##### Equity-settled share option plans Executive share options

The Company participates in the Hunting PLC executive share option scheme, which grants options to eligible employees. Vesting of options granted is subject to the achievement of performance targets over a three year period, as described in the Remuneration Committee's Report in Hunting PLC's 2007 Annual Report and Accounts. Thereafter the employee, subject to continued employment, has seven years in which to exercise the option.

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 24. SHARE BASED PAYMENTS (continued)

Options are valued using an option pricing model based on the binomial model, but adjusted to model the particular features of the options. The assumptions used in calculating the charge to the income statement, which only relates to options granted after November 2002 as permitted by IFRS 2, are as follows

	2007	2006	2005	2004	2003
	06 03 07	08 03 2006	09 03 2005	31 03 2004	14 03 2003
Date of grant					
Exercise price (p)	640 0	383 0	220 7	116 9	79 0
Share price at grant (p)	640 0	383 0	236 0	125 0	84 5
Expected volatility (% pa)	36	38	38	39	41
Dividend yield (% pa)	1 17	1 31	1 59	3 07	3 88
Risk-free interest rate (% pa)	4 9	4 3	4 9	4 6	3 9
Turnover rates (% pa)	5	5	5	5	5
Fair value at grant (p)	248 4	149 8	91 0	44 0	28 0
Fair value adjusted for rights issue (p)	n/a	n/a	85 1	41 1	26 2
Assumed likelihood of satisfying performance condition at					
31st December 2006	n/a	75%	75%	100%	100%
31st December 2007	75%	75%	75%	100%	100%

The assumption for early exercise is 50% when options are 20% in the money

The expected volatility is calculated as the historic volatility of the Hunting PLC share return over the 5 years prior to each grant date

The charge to the income statement attributable to Executive Share Options is £nil (2006 £11,000)

#### 25. PENSIONS

Pension arrangements under the Hunting PLC Scheme existed for employees up to the date of cessation of their employment. Contributions charged to the income statement during the year amounted to £nil (2006 £36,000). The defined benefit scheme is a multi-employer scheme and it is not possible for the company to separately identify its share of the underlying assets and liabilities. Further details of the scheme and the disclosures required by IAS 19 *Employee Benefits* are shown in Hunting PLC's Annual Report and Accounts for 2007 in note 29.

#### 26. ULTIMATE PARENT COMPANY

The immediate parent company is Hunting Oil Holdings Limited, a company registered in England and Wales.

The ultimate parent and controlling company is Hunting PLC, a company registered in England and Wales. The only group of which the Company is a member and for which consolidated financial statements are prepared is Hunting PLC. The consolidated financial statements of Hunting PLC can be obtained from its registered office at 3 Cockspur Street, London, SW1Y 5BQ.

#### 27. RELATED PARTY TRANSACTIONS

	2007	2006
	£'000	£'000
Trade purchases and cash collected on behalf of parent	-	(11)
Research and development costs to be reimbursed by parent	-	136
Amounts receivable from related parties at 31 December	329	329