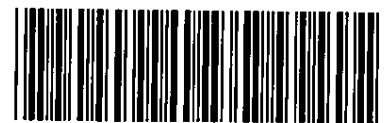


HUNTING AVIATION LIMITED

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

Registered No: 297743

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HUNTING AVIATION LIMITED

YEAR ENDED 31 DECEMBER 2007

COMPANY INFORMATION

Registered number	297743
Country of incorporation	England
Registered office	3 Cockspur Street London SW1Y 5BQ
Directors	P Rose C J P Gilmore
Secretary	C J P Gilmore
Auditors	PricewaterhouseCoopers LLP London

HUNTING AVIATION LIMITED
YEAR ENDED 31 DECEMBER 2007
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HUNTING AVIATION 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, a company registered in England and Wales

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

The Company did not trade during the year and no change in the activities of the Company is anticipated in 2008

RESULTS AND DIVIDENDS

The results and financial position of the Company are set out in the attached financial statements. The Company paid a dividend of £8,851,000 (2006: £nil) during the year, as shown in note 13. The Directors do not recommend the payment of a further dividend (2006: £nil).

The profit for the year of £2,203,000 (2006: £1,902,000) has been transferred to reserves

DIRECTORS

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

D L Clark
P Rose
C J P Gilmore

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

On 23 April 2008, D L Clark retired as a Director of the Company

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

DIRECTORS' INTERESTS

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

The interests of D L Clark in the shares of Hunting PLC, the ultimate parent company, are disclosed in the 2007 Annual Report and Accounts of that company. 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 25p each	Ordinary shares of 25p each
P Rose	2,500	2,500
C J P Gilmore	2,500	2,500

HUNTING AVIATION LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS (continued)

The following Directors hold options to subscribe for Ordinary shares pursuant to the rules of Hunting PLC's 2001 executive share option scheme

	Options at start of <u>year</u>	Options granted <u>during year</u>	Options exercised <u>during year</u>	Options at end of year	Exercise <u>price p</u>	Date <u>exercisable</u>	Expiry <u>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	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 prices during the year were 842 5p and 543p respectively

On 28 February 2008, D L Clark was awarded 70,957 shares under the Long Term Incentive Plan

On 28 February 2008, 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

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no charitable or political donations during the year (2006 £nil)

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

DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985 The Directors are also responsible for preparing the financial statements on a going concern basis unless this is inappropriate

HUNTING AVIATION LIMITED

DIRECTORS' REPORT (continued)

The Directors confirm that the financial statements, using applicable accounting standards, have been prepared on a going concern basis using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Companies Act requirements, all Directors in office, as at the date of this report, have confirmed so far as they are aware there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps necessary 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

A handwritten signature in black ink, appearing to be 'P. Rose', written over a horizontal line.

P. Rose
Director

28 April 2008

HUNTING AVIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING AVIATION LIMITED

We have audited the financial statements of Hunting Aviation 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, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 April 2008

HUNTING AVIATION LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	2007 £'000	2006 £'000
Other income		27	38
Administrative expenses		<u>(26)</u>	<u>(31)</u>
PROFIT FROM OPERATIONS	3	1	7
Interest income	4	<u>3,145</u>	<u>2,709</u>
PROFIT BEFORE TAX		3,146	2,716
Taxation	5	<u>(943)</u>	<u>(814)</u>
PROFIT FOR THE YEAR		<u>2,203</u>	<u>1,902</u>

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

The notes on pages 11 to 19 form part of these financial statements

HUNTING AVIATION LIMITED

**BALANCE SHEET
AT 31 DECEMBER 2007**

	<u>Notes</u>	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Trade and other receivables	6	<u>41,524</u>	<u>40,728</u>
Current assets			
Trade and other receivables	6	16	14
Cash and cash equivalents	7	<u>1,470</u>	<u>8,779</u>
		<u>1,486</u>	<u>8,793</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	(17)	(10)
Current tax liabilities		<u>(943)</u>	<u>(813)</u>
		<u>(960)</u>	<u>(823)</u>
Net current assets		<u>526</u>	<u>7,970</u>
Net assets		<u>42,050</u>	<u>48,698</u>
Shareholders' equity			
Share capital	11	41,500	41,500
Retained earnings	12	<u>550</u>	<u>7,198</u>
Total equity		<u>42,050</u>	<u>48,698</u>

Approved by the Board on 28 April 2008

P Rose
Director



The notes on pages 11 to 19 form part of these financial statements

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

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2007	41,500	7,198	48,698
Profit for the year	-	2,203	2,203
Dividends paid	-	(8,851)	(8,851)
At 31 December 2007	<u>41,500</u>	<u>550</u>	<u>42,050</u>

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2006	41,500	5,296	46,796
Profit for the year	-	1,902	1,902
At 31 December 2006	<u>41,500</u>	<u>7,198</u>	<u>48,698</u>

The notes on pages 11 to 19 form part of these financial statements

HUNTING AVIATION LIMITED

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

	2007 £'000	2006 £'000
Operating activities		
Profit from operations	1	7
Increase in receivables	(24)	(7)
Decrease in payables	7	(9)
Taxation paid	(813)	(791)
Net cash outflow from operating activities	(829)	(800)
Financing activities		
Interest received	3,171	2,701
Equity dividends paid	(8,851)	-
Issue of loans to fellow group companies	(800)	-
Loans to fellow group companies repaid	-	950
Net cash (outflow) inflow from financing activities	(6,480)	3,651
Net (outflow) inflow in cash and cash equivalents	(7,309)	2,851
Cash and cash equivalents at beginning of year	8,779	5,928
Cash and cash equivalents at end of year (note 7)	1,470	8,779

The notes on pages 11 to 19 form part of these financial statements

HUNTING AVIATION 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 been prepared on a going concern basis 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

1.3 Other income

Other income includes rentals receivable under operating leases, which are credited to the income statement on a straight line basis over the lease term

1.4 Interest

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

HUNTING AVIATION LIMITED

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

1. ACCOUNTING POLICIES

1.5 Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term. Rental receivable under operating leases is recognised in the income statement, excluding sales related taxes, as it is earned.

1.6 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.

1.7 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.

1.8 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.

1.9 Cash and cash equivalents

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

1.10 Financial assets

The Company classifies its financial assets into 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. 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.

HUNTING AVIATION LIMITED

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

1. ACCOUNTING POLICIES (continued)

1 10 Financial assets (continued)

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Interest accrued on loans that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and, therefore, included within the carrying value of those loans. Consequently, interest receivable within twelve months on loans due after more than one year is recognised in non-current trade and other receivables.

1 11 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 12 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 accruals.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2006 £nil). Remuneration received by Directors was for their services to Hunting PLC, the ultimate parent company acting in various Group capacities. The key management of Hunting Aviation Limited is its Directors.

The average number of persons employed by the Company during the year was nil (2006 nil).

3. PROFIT FROM OPERATIONS

	2007 £'000	2006 £'000
Profit from operations is stated after charging		
Operating lease payments		
Land and buildings	<u>24</u>	<u>24</u>

Auditors' remuneration, for audit services, has been dealt with in the financial statements of Hunting PLC, the Company's ultimate parent company.

4. INTEREST INCOME

	2007 £'000	2006 £'000
Bank	538	390
Fellow group companies	<u>2,607</u>	<u>2,319</u>
	<u>3,145</u>	<u>2,709</u>

HUNTING AVIATION LIMITED

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

5 TAXATION

	2007 £'000	2006 £'000
UK Corporation Tax		
Current tax on income for the year	943	813
Adjustments in respect of prior years	-	1
Total tax charge	<u>943</u>	<u>814</u>

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

	2007 £'000	2006 £'000
Profit before taxation	<u>3,146</u>	<u>2,716</u>
Taxation at the standard UK corporation tax rate of 30%	944	815
Other timing differences	(1)	(2)
Adjustments in respect of prior years	-	1
	<u>943</u>	<u>814</u>

Deferred tax assets of £6,000 (2006 £7,000) have not been recognised as there is insufficient evidence that they will be recoverable

6. TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Non-current		
Amounts owed by fellow group companies	<u>41,524</u>	<u>40,728</u>
Current		
Other receivables	9	8
Prepayments	<u>7</u>	<u>6</u>
	<u>16</u>	<u>14</u>

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 the majority of 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.

The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 9.

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

Non-current amounts owed by fellow group companies are unsecured. Interest is charged at 1% above UK base rate.

All of the Company's financial assets included in trade and other receivables are denominated in sterling.

HUNTING AVIATION LIMITED

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

7. CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
Cash at bank and in hand	<u>1,470</u>	<u>8,779</u>

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

8. TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Current		
Accruals	10	10
Deferred income	<u>7</u>	<u>-</u>
	<u>17</u>	<u>10</u>

All of the Company's financial liabilities included in trade and other payables are denominated in sterling

9. 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

	Loans and receivables £'000	2007 Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Non-current assets				
Amounts owed by fellow group companies	41,524	-	41,524	41,524
Current assets				
Other receivables	9	-	9	9
Cash and cash equivalents	1,470	-	1,470	1,470
Current liabilities				
Accruals	<u>-</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
	<u>43,003</u>	<u>(10)</u>	<u>42,993</u>	<u>42,993</u>

HUNTING AVIATION LIMITED

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

9. FINANCIAL INSTRUMENTS (continued)

		2006		
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Non-current assets				
Amounts owed by fellow group companies	40,728	-	40,728	40,728
Current assets				
Other receivables	8	-	8	8
Cash and cash equivalents	8,779	-	8,779	8,779
Current liabilities				
Accruals	-	(10)	(10)	(10)
	<u>49,515</u>	<u>(10)</u>	<u>49,505</u>	<u>49,505</u>

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.

10. FINANCIAL RISK FACTORS

The Company's activities expose it to certain financial risks, namely market risk (including cash flow 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.

b) Credit risk

The Company's credit risk arises from its 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 majority of the Company's outstanding receivables are due from fellow group companies, and no losses are expected from non-performance of these counterparties.

Funds are only invested with approved financial institutions and no losses are expected from non-performance of the counterparty.

c) Liquidity risk

The Company has sufficient facilities available to satisfy its requirements.

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*.

HUNTING AVIATION LIMITED

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

10. FINANCIAL RISK FACTORS (continued)

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		
Accruals	<u>10</u>	<u>10</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 receivables and 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%	150	-	173	-
UK interest rates -0.5%	(150)	-	(173)	-

The movements arise from the sterling denominated floating rate loans to fellow group companies and bank accounts.

11. SHARE CAPITAL

	2007	2006
	£'000	£'000
Ordinary equity shares of £1 each		
Authorised	<u>41,500</u>	<u>41,500</u>
Allotted, issued and fully paid	<u>41,500</u>	<u>41,500</u>

There are no restrictions to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights.

HUNTING AVIATION LIMITED

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

12. RETAINED EARNINGS

	2007 £'000	2006 £'000
At 1 January	7,198	5,296
Profit for the year	2,203	1,902
Dividends paid	(8,851)	-
At 31 December	<u>550</u>	<u>7,198</u>

13. DIVIDENDS PAID

	Pence per share	2007 £'000	Pence per share	2006 £'000
2007 dividend	21 33	<u>8,851</u>	-	<u>-</u>

14. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents and amounts owed by fellow group companies

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 covenant 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.

At the year end, capital comprised:

	2007 £'000	2006 £'000
Total equity	42,050	48,698
Net cash	<u>(42,994)</u>	<u>(49,507)</u>
Gross capital employed	<u>(944)</u>	<u>(809)</u>

Equity has fallen during the year mainly due to the payment of a dividend of £8,851,000. There have been no significant changes in the Company's funding policy during the year.

15. BANKING ARRANGEMENTS

The Company is party to a Group set-off arrangement with Lloyds TSB Bank Plc.

HUNTING AVIATION LIMITED

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

16. OPERATING LEASES

Operating lease payments in the income statement of £24,000 (2006 £24,000) represent rentals payable by the Company for properties

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

	2007 £'000	2006 £'000
Within one year	24	24
Between two and five years	<u>50</u>	<u>74</u>
	<u>74</u>	<u>98</u>

Property rental earned during the year was £25,000 (2006 £25,000)

Total future minimum lease income receivable under non-cancellable operating leases expiring

	2007 £'000	2006 £'000
Within one year	<u>25</u>	<u>25</u>

17. ULTIMATE PARENT COMPANY

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

The ultimate parent 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.

18. RELATED PARTY TRANSACTIONS

During the year the Company charged Hunting Energy Holdings Limited, a fellow group company, £173,000 (2006 £204,000) interest. At the year end the company was owed £2,708,000 (2006 £2,709,000).

The Company charged Hunting Knightsbridge Holdings Limited, a fellow group company, £2,425,000 (2006 £2,115,000) interest during the year. At the year end the company was owed £38,007,000 (2006 £38,019,000).

During the year the Company issued an interest bearing loan of £800,000 to Hunting PLC, its ultimate parent company. The company received interest of £9,000 on the loan during the year. At the year end the Company was owed £809,000.