

HUNTING AVIATION LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 2002**

(Registered Number : 297743)



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HUNTING AVIATION LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts of the Company for the year ended 31 December 2002.

ACTIVITIES

The Company is a wholly owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales.

The Company has not traded during the year.

The Directors will review the future of the Company during 2003.

RESULTS AND DIVIDENDS

The results and financial position of the Company are set out in the attached financial statements. No dividend was paid in the year (2001: £27,500,000).

The retained profit for the year of £1,645,000 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 (appointed 14 June 2002)
R. Fisher (resigned 1 August 2002)

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.

DIRECTORS' INTERESTS

None of the directors had any interest in the shares of the Company during the year.

The interests of D.L. Clark in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed in the 2002 Annual Report and Accounts of that company. The interests of the other Director in the shares of Hunting PLC are as follows:

	<u>At 31 December 2002</u>	<u>At 31 December 2001</u>
	Ordinary shares of <u>25p each</u>	Ordinary shares of <u>25p each</u>
P. Rose	2,000	2,000
C.J.P. Gilmore	2,000	-

HUNTING AVIATION LIMITED

DIRECTORS' REPORT (CONTINUED)

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

	Subscription price p	Option period expires in	Options at 31 December 2002	Options at 31 December 2001
P. Rose	207.50	2011	43,855	43,855
	179.00	2012	27,933	-
C.J.P. Gilmore	179.00	2012	7,821	-

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

The market price of the ordinary shares at 31 December 2002 was 85.75p and the range during the year was 81p to 204.6p.

Subsequent to the year end, on 14 March 2003 under the 2001 share option scheme, options were granted at 84.5p per ordinary share to Directors as follows:

D.L. Clark	236,391
P. Rose	62,722
C.J.P. Gilmore	16,568

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no charitable or political donations during the year (2001 : £Nil).

AUDITORS

Following the conversion of the auditors PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 30 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board



D L Clark
Director

19 June 2003

HUNTING AVIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING AVIATION LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

19 June 2003

HUNTING AVIATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £'000	<u>2001</u> £'000
TURNOVER (Discontinued operations)	2	-	9,189
Cost of sales		-	(7,583)
GROSS PROFIT		-	1,606
Administrative expenses - discontinued		-	(543)
- continuing		(30)	-
Other income		564	68
OPERATING PROFIT - continuing		534	1,063
- discontinued		-	68
		534	1,131
EXCEPTIONAL ITEMS			
Profit on disposal of discontinued operations	3	-	54,828
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		534	55,959
Interest receivable	5	112	1,108
Interest payable	5	(62)	(324)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
	6	584	56,743
Tax credit/(charge) on profit on ordinary activities	7	1,061	(4,631)
PROFIT FOR THE FINANCIAL YEAR		1,645	52,112
Dividends		-	(27,500)
RETAINED PROFIT FOR THE FINANCIAL YEAR TAKEN TO RESERVES	13	1,645	24,612

There are no recognised gains or losses, or historical cost profits or losses, other than those stated above. Consequently separate statements of total recognised gains and losses and historical cost profits and losses are not presented.

The notes on pages 6 to 10 form part of these accounts.

HUNTING AVIATION LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £'000	<u>2001</u> £'000
FIXED ASSETS			
Tangible assets	8	-	562
Investments	9	-	7,747
		<u>-</u>	<u>8,309</u>
CURRENT ASSETS			
Debtors	10	65,041	80,358
CREDITORS: amounts falling due within one year	11	<u>(17,383)</u>	<u>(42,654)</u>
NET CURRENT ASSETS		<u>47,658</u>	<u>37,704</u>
		<u>47,658</u>	<u>46,013</u>
CAPITAL AND RESERVES			
Called up share capital	12	41,500	41,500
Profit and loss account	13	<u>6,158</u>	<u>4,513</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>47,658</u>	<u>46,013</u>

Approved by the Board on 19 June 2003.



D L Clark
Director

The notes on pages 6 to 10 form part of these accounts.

HUNTING AVIATION LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002

1 ACCOUNTING POLICIES

Basis of accounting

These accounts have been prepared under the historical cost convention, in compliance with the Companies Act 1985 and in accordance with applicable UK Accounting Standards.

Group accounts

The Company has taken advantage of the exemption from preparing group accounts under s228(2) of the Companies Act 1985 as it is a wholly owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales, in whose consolidated financial statements the Company is included.

Deferred taxation

The Company has changed its accounting policy for deferred taxation for the adoption of FRS19 'Deferred Tax'. Full provision is made for deferred taxation on the excess of capital allowances over depreciation and other timing differences. Deferred tax assets are recognised only to the extent that they are regarded as recoverable. In prior years provision was made to the extent that it was probable that a liability would crystallise in the foreseeable future.

Foreign currencies

Assets and liabilities denominated in foreign currencies have been expressed in sterling at the market rates ruling at the period end. Trading results are translated at average rates for the year.

Exchange differences arising from trading transactions are dealt with in the profit and loss account, exchange differences on foreign currency loans are dealt with through reserves.

2 TURNOVER

Turnover represents the total amount receivable from customers for services provided and goods sold excluding Value Added Tax. Turnover in 2001 was wholly derived from services provided in the United Kingdom.

3 DISPOSAL OF OPERATIONS

On the 9 March 2001 the Company sold its two operating divisions Hunting Contract Services and Hunting Technical Support, together with its subsidiaries Hiberna FM Limited and Acetech Personnel Limited. The profit on disposal of these operations amounted to £54,828,000.

4 STAFF COSTS AND DIRECTORS' REMUNERATION

	<u>2002</u> £'000	<u>2001</u> £'000
Staff costs, including those of directors, comprise:		
Wages and salaries	-	4,779
Social security costs	-	407
Other pension costs	-	221
	<u>-</u>	<u>5,407</u>

The average number of persons employed by the company during the year was Nil (2001: 262).

The Directors received no emoluments, in respect of their services to the Company during the year (2001 :£70,000).

HUNTING AVIATION LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

5 INTEREST PAYABLE AND RECEIVABLE

The interest payable relates to the Company's bank overdraft.

The interest receivable is interest earned on amounts owed by group undertakings.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>2002</u> £'000	<u>2001</u> £'000
Depreciation		
- owned assets	-	50
- assets held under finance leases	-	22
Auditors' remuneration:		
- as auditors	5	10
- other services	30	189
Operating lease rentals and other hire charges:		
- plant and machinery	-	212
- land and buildings	-	58
Operating lease rental income:		
- aircraft	(25)	(68)
Gain on liquidation of subsidiary undertakings	(228)	-

7 TAXATION

(a) Analysis of charge in period

	<u>2002</u> £'000	<u>2001</u> £'000
Current tax:		
UK Corporation tax on profits of the period	(78)	133
UK Corporation tax on exceptional item	-	(4,100)
Prior period adjustment	1,128	483
Total current tax	1,050	(3,484)
Deferred tax – current year	(33)	(667)
Deferred tax – prior year	44	(480)
Total tax (charge)/credit for the period	<u>1,061</u>	<u>(4,631)</u>

HUNTING AVIATION LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

7 TAXATION (continued)

(b) Factors affecting the tax charge for the period

The tax assessed for the period is different from that calculated when the standard rate of corporation tax of 30% is applied to the total return.

The differences are explained below.

	<u>2002</u> £'000	<u>2001</u> £'000
Profit on ordinary activities before taxation	584	56,743
Total return for the period before taxation multiplied by the standard rate of corporation tax	(175)	(17,023)
Effect of:		
Prior period adjustment	1,128	483
Non taxable income	69	12,350
Permanent differences	(5)	39
Accelerated capital allowances	-	467
Other short term timing differences	33	200
Current tax charge/(credit) for the period	<u>1,050</u>	<u>(3,484)</u>
(c) Provision for deferred tax		
Accelerated capital allowances	11	(21)
Other short-term timing differences	-	21
	<u>11</u>	<u>-</u>
Provision at start of period	-	1,147
Prior year adjustment	44	(480)
Deferred tax charge in period	(33)	(667)
Provision at end of period	<u>11</u>	<u>-</u>

8 TANGIBLE ASSETS

	<u>Aircraft</u> £'000
Cost	
At 1 January 2002	562
Disposals	<u>(562)</u>
At 31 December 2002	<u>-</u>
Net book amount	
At 31 December 2002	<u>-</u>
At 31 December 2001	<u>562</u>

HUNTING AVIATION LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

9 INVESTMENTS

	Shares in subsidiary undertakings £'000	Loans to fellow subsidiary undertakings £'000	Total £'000
Cost and net book amount			
At 1 January 2002	239	7,508	7,747
Transfer to current assets	-	(7,508)	(7,508)
Liquidations	(239)	-	(239)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	-	-

At 31 December 2002, the company owned 100% of Form and Design Associates Limited, a dormant subsidiary undertaking registered in England and Wales.

Until its liquidation on 3 January 2002 the Company owned 100% of Air Bridge Carriers (Channel Islands) Limited a dormant subsidiary undertaking incorporated in Jersey.

10 DEBTORS

	<u>2002</u> £'000	<u>2001</u> £'000
Amounts owed by group undertaking	65,022	79,587
Deferred taxation	11	-
Other debtors	8	771
	<hr/>	<hr/>
	65,041	80,358

11 CREDITORS: amounts falling due within one year

	<u>2002</u> £'000	<u>2001</u> £'000
Bank overdraft	(1,231)	(215)
Amounts owed to group undertakings	(13,158)	(37,445)
Corporation tax	(2,953)	(4,648)
Accruals and deferred income	(41)	(346)
	<hr/>	<hr/>
	(17,383)	(42,654)

12 CALLED UP SHARE CAPITAL

	<u>2002</u> £'000	<u>2001</u> £'000
Authorised, allotted and fully paid: 41,500,000 ordinary share of £1 each	41,500	41,500

HUNTING AVIATION LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (CONTINUED)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The movements during the year were as follows:

	<u>Share Capital</u> £'000	<u>Profit and Loss account</u> £'000	<u>2002</u> <u>Total</u> £'000	<u>2001</u> <u>Total</u> £'000
Profit for the financial year		1,645	1,645	52,112
Dividends		-	-	(27,500)
		1,645	1,645	24,612
Opening shareholders' funds	<u>41,500</u>	<u>4,513</u>	<u>46,013</u>	<u>21,401</u>
Closing shareholders' funds	<u>41,500</u>	<u>6,158</u>	<u>47,658</u>	<u>46,013</u>

14 BANKING ARRANGEMENTS

The Company is a party to a group set-off arrangement with Lloyds TSB Bank plc.

15 CASH FLOW STATEMENT

The Hunting PLC financial statements for the year ended 31 December 2002 contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by FRS 1 (revised) whereby it is not required to publish its own cash flow statement.

16 ULTIMATE PARENT COMPANY

The ultimate parent undertaking 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.

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures not to disclose transactions with other group undertakings on the basis that the company is a wholly owned subsidiary of Hunting PLC, the accounts of which are publicly available.