

**HUNTING OIL HOLDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**Registered No: 1103530**



## **HUNTING OIL HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report, together with the audited financial statements for the year ended 31 December 2004.

### **ACTIVITIES**

During the year, the Company sold its principal operating oil companies to a fellow subsidiary undertaking, Hunting Energy Holdings Ltd (formerly Hunting American Holdings Ltd).

The Company continues to be the parent undertaking of the former defence division and certain other subsidiaries of the Hunting PLC Group and is a wholly-owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales.

No change in the current activities of the Company is anticipated in 2005.

### **SHARE CAPITAL**

As shown in Note 14, the Company issued 68,778,738 Ordinary equity shares of £1 each at par during the year.

### **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 (2003: £Nil).

The retained loss for the year of £14,483,312 has been transferred to reserves.

### **DIRECTORS**

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

D. L. Clark  
D.L. Proctor  
R.H. Hunting

No Director had a material interest in any contract of significance to which either the Company or its subsidiary undertakings were 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 OIL HOLDINGS 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 Directors in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed in the 2004 Annual Report and Accounts of that company.

The market price of the ordinary shares at 31 December 2004 was 182.5p and the range during the year was 107p to 193.5p.

Subsequent to the year end, on 9 March 2005 under the 2001 share option scheme, options were granted at 236p per ordinary share to Directors as follows:

D.L. Clark	94,915
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D.L. Proctor	160,593
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#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made no payments to charitable or political organisations during the year (2003 : £Nil).

#### **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



D.L. Clark  
Director

3 June 2005

## **HUNTING OIL HOLDINGS LIMITED**

### **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.

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.

## **HUNTING OIL HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 7.

#### **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 2004 and of its loss 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

3 June 2005

# HUNTING OIL HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
Other operating (expenses) income	2	(78,051)	196,999
Administrative expenses (including exceptional losses of £13,780,211 (2003 : £Nil))	4	(14,650,454)	-
Income from shares in subsidiary undertakings		<u>1,681</u>	<u>3,670,372</u>
<b>OPERATING (LOSS) PROFIT</b>		<b>(14,726,824)</b>	<b>3,867,371</b>
Interest receivable	5	138,364	9,180
Interest payable	6	<u>(7,076)</u>	<u>(10,772)</u>
<b>(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	<b>(14,595,536)</b>	<b>3,865,779</b>
Tax on (loss) profit on ordinary activities	8	<u>112,224</u>	<u>(315,905)</u>
<b>RETAINED (LOSS) PROFIT FOR THE FINANCIAL YEAR</b>	16	<b><u>(14,483,312)</u></b>	<b><u>3,549,874</u></b>

The loss for the year arises from the Company's continuing operations.

There are no differences between the results shown above and the results on an unmodified historical cost basis.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
(Loss) profit for the financial year		(14,483,312)	3,549,874
Revaluation of fixed asset investments	15	<u>(2,010,893)</u>	<u>9,161,999</u>
<b>Total recognised gains and losses for the year</b>		<b><u>(16,494,205)</u></b>	<b><u>12,711,873</u></b>


The notes on pages 7 to 12 form part of these financial statements.

# HUNTING OIL HOLDINGS LIMITED

## BALANCE SHEET AT 31 DECEMBER 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Investments	9	<u>77,991,607</u>	<u>104,096,000</u>
<b>CURRENT ASSETS</b>			
Debtors	10	82,154,512	26,574,366
Investments	11	11,096,955	11,096,955
Cash at bank and in hand		<u>-</u>	<u>473,809</u>
		93,251,467	38,145,130
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(58,208,810)</u>	<u>(19,474,215)</u>
<b>NET CURRENT ASSETS</b>		<u>35,042,657</u>	<u>18,670,915</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		113,034,264	122,766,915
<b>CREDITORS: amounts falling due after more than one year</b>	13	<u>(517,630)</u>	<u>(62,534,814)</u>
<b>NET ASSETS</b>		<u>112,516,634</u>	<u>60,232,101</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	14	85,659,288	16,880,550
Revaluation reserve	15	864,036	42,073,905
Profit and loss account	16	<u>25,993,310</u>	<u>1,277,646</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>112,516,634</u>	<u>60,232,101</u>

Approved by the Board on 3 June 2005.

  
D. L. Clark  
Director

The notes on pages 7 to 12 form part of these financial statements.

## **HUNTING OIL HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

#### **1 ACCOUNTING POLICIES**

##### Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of fixed asset investments, and in accordance with the Companies Act 1985 and UK applicable 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.

##### Income from shares in group undertakings

Income from shares in group undertakings is accounted for on a receivable basis. Overseas dividends are stated in the profit and loss account gross of overseas withholding taxes but net of underlying overseas taxation attributable to dividends.

##### Foreign currencies

Assets and liabilities denominated in foreign currencies have been expressed in sterling at market rates ruling at 31 December. Exchange differences on foreign currency borrowings used to finance overseas investments and exchange differences on those investments are dealt with through reserves. Any other exchange differences are dealt with in the profit and loss account.

##### Investments

Investments in subsidiary undertakings are stated at Directors' valuation at 31 December. Surpluses and the reversal of surpluses above historic cost are dealt with in the revaluation reserve and deficits below historic cost are dealt with in the profit and loss account. Investments in subsidiary undertakings pending liquidation are stated at the lower of cost and net realisable value and are dealt with as current assets.

#### **2 OTHER OPERATING (EXPENSES) INCOME**

Other operating (expenses) income comprise principally foreign exchange gains and losses realised during the year.

#### **3 DIRECTORS AND EMPLOYEES**

None of the Directors received any remuneration during the year in respect of their services to the Company (2003: £Nil).

There were no employees during the year (2003: Nil).



# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

### 4 ADMINISTRATIVE EXPENSES

The exceptional losses included in administrative expenses comprise the following:

	<u>2004</u>	<u>2003</u>
	£	£
Gain on sale of investments in subsidiary undertakings	(44,193,000)	-
Provisions against investments in subsidiary undertakings	<u>57,896,841</u>	<u>-</u>
	<u>13,703,841</u>	<u>-</u>

### 5 INTEREST RECEIVABLE

	<u>2004</u>	<u>2003</u>
	£	£
Bank interest	<u>138,364</u>	<u>9,180</u>

### 6 INTEREST PAYABLE

	<u>2004</u>	<u>2003</u>
	£	£
Bank overdraft	5,293	10,772
Group undertakings	<u>1,783</u>	<u>-</u>
	<u>7,076</u>	<u>10,772</u>

### 7 (LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2004</u>	<u>2003</u>
	£	£
(Loss) profit on ordinary activities before taxation is stated after charging (crediting):		
Realised loss (gain) on foreign currency translation differences	78,053	(197,000)
Auditors' remuneration	<u>-</u>	<u>-</u>

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

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2004</u> £	<u>2003</u> £
UK Corporation tax:		
Current tax charge (credit) on income for the year	1,059,503	(478)
Double tax relief	(1,020,093)	-
Adjustments in respect of prior years	-	9,583
	<u>39,410</u>	<u>9,105</u>
Foreign tax:		
Current tax charge on income for the year	-	300,800
Adjustments in respect of prior years	(151,634)	6,000
	<u>(151,634)</u>	<u>306,800</u>
Total current tax (credit) charge	<u>(112,224)</u>	<u>315,905</u>

The current tax (credit) for the year is below the UK standard rate for corporation tax of 30% for the reasons set out below:

	<u>2004</u> £	<u>2003</u> £
(Loss) profit on ordinary activities before taxation	(14,595,536)	3,865,779
Taxation at the standard UK corporation tax rate of 30%	(4,378,661)	1,159,733
Permanent differences	5,438,164	(1,160,211)
Overseas taxes	(1,020,093)	306,800
Adjustments in respect of prior years	(151,634)	9,583
Total current taxation	<u>(112,224)</u>	<u>315,905</u>

### 9 INVESTMENTS

	<u>Shares in subsidiary undertakings</u> £
<u>Valuation</u>	
At 1 January 2004	104,096,000
Acquisitions	127,345,954
Disposals	(92,596,000)
Revaluation	(2,010,893)
Provisions for impairment	(58,843,454)
At 31 December 2004	<u>77,991,607</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

### 9 FIXED ASSET INVESTMENTS (continued)

The principal subsidiary undertakings comprise:

	Country of incorporation and operations	% interest in ordinary shares
* Hunting Specialised Products Ltd	England	100
* Huntfield Trust Ltd	England	100
* Hunting Defence Ltd	England	100
Hunting BRAE Ltd	England	51
Aero Sekur SpA	Italy	100
* Huntaven Properties Ltd	England	100

Interests in companies marked \* are held directly by the Company. The other companies are held indirectly.

### 10 DEBTORS

	<u>2004</u> £	<u>2003</u> £
Due within one year:		
Amounts owed by group undertakings	82,146,135	26,573,089
Prepayments and accrued income	<u>8,377</u>	<u>1,277</u>
	<u>82,154,512</u>	<u>26,574,366</u>

### 11 CURRENT ASSET INVESTMENTS

	Shares in subsidiary undertaking pending <u>liquidation</u> £
<u>Net realisable value</u>	
At 1 January and December 2004	<u>11,096,955</u>

The subsidiary undertaking above is:

	Country of incorporation and operations	% interest in ordinary shares
HIC Group Limited	England	100

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

### 12 CREDITORS: amounts falling due within one year

	<u>2004</u> £	<u>2003</u> £
Unsecured bank overdraft	33,599,909	-
Amounts owed to group undertakings	24,415,097	19,240,409
Corporation tax	188,511	233,806
Accruals and deferred income	5,293	-
	<u>58,208,810</u>	<u>19,474,215</u>

### 13 CREDITORS: amounts falling due after more than one year

	<u>2004</u> £	<u>2003</u> £
Amounts owed to group undertakings	<u>517,360</u>	<u>62,534,814</u>

### 14 SHARE CAPITAL

	<u>2004</u> £	<u>2003</u> £
Ordinary equity shares of £1 each: Authorised	<u>85,659,288</u>	<u>16,880,550</u>
Allotted and fully paid	<u>85,659,288</u>	<u>16,880,550</u>

### 15 REVALUATION RESERVE

	£
At 1 January 2004	42,073,905
Transfer to profit and loss account reserve	(39,198,976)
Revaluation	(2,010,893)
At 31 December 2004	<u>864,036</u>

### 16 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2004	1,277,646
Transfer from revaluation reserve	39,198,976
Retained loss for the financial year	(14,483,312)
At 31 December 2004	<u>25,993,310</u>

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

#### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2004</u>	<u>2003</u>
	£	£
Retained (loss) profit	(14,483,312)	3,549,874
Shares issued	68,778,738	-
Revaluation of investments	<u>(2,010,893)</u>	<u>9,161,999</u>
Net increase in shareholders' funds	52,284,533	12,711,873
Opening shareholders' funds	<u>60,232,101</u>	<u>47,520,228</u>
Closing shareholders' funds	<u>112,516,634</u>	<u>60,232,101</u>

#### 18 BANKING ARRANGEMENTS

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

#### 19 CASH FLOW STATEMENT

The Hunting PLC financial statements for the year ended 31 December 2004 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.

#### 20 ULTIMATE PARENT UNDERTAKING

The immediate and 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.

#### 21 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions provided in paragraph 3(C) of FRS8: Related Party Transactions, not to disclose transactions with other Hunting Group entities.