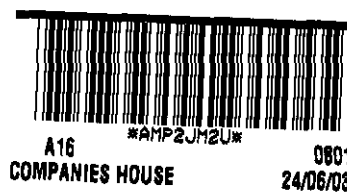


**HUNTING OIL HOLDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**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 2002.

### **ACTIVITIES**

The Company is the parent undertaking of the Hunting PLC Group's oil division and is a wholly-owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales.

No change in the activities of the Company is anticipated in 2003.

### **RESULTS AND DIVIDENDS**

The results and financial position of the Company are set out in the attached financial statements. No interim dividend was paid during the year (2001: £Nil). The Directors do not recommend the payment of a final dividend (2001: £5,612,000).

The retained loss for the year of £1,356,896 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 (appointed 16 July 2002)

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.

### **DIRECTORS' INTERESTS**

None of the Directors had any interest 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 2002 Annual Report and Accounts of that company.

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
D.L. Proctor	391,716

## **HUNTING OIL HOLDINGS LIMITED**

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

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

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

#### **AUDITORS**

Following the conversion of our 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. An elective resolution is in force which dispenses with the annual reappointment of auditors.

By Order of the Board



D.L. Clark  
Director

19 June 2003

## **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 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 13 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.

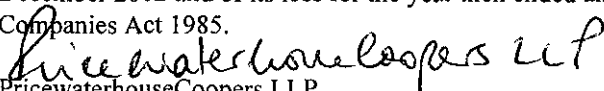
#### Basis of audit opinion

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 2002 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

19 June 2003

# HUNTING OIL HOLDINGS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
Other operating expenses	2	(130,635)	(3)
Income from shares in subsidiary undertakings		<u>5,525,793</u>	<u>6,764,183</u>
<b>OPERATING PROFIT</b>		5,395,158	6,764,180
Exceptional items	4	<u>(6,506,434)</u>	<u>(2,871,244)</u>
<b>(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(1,111,276)	3,892,936
Interest receivable	5	-	48,534
Interest payable	6	<u>(31,944)</u>	<u>-</u>
<b>(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	7	(1,143,220)	3,941,470
Taxation on (loss) profit on ordinary activities	8	<u>(213,676)</u>	<u>(480,602)</u>
<b>(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(1,356,896)	3,460,869
Dividend		<u>-</u>	<u>(5,612,000)</u>
<b>RETAINED (LOSS) FOR THE FINANCIAL YEAR</b>	16	<u>(1,356,896)</u>	<u>(2,151,132)</u>

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 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
(Loss) profit for the financial year		(1,356,896)	3,460,868
Currency translation differences on foreign currency net investments	17	-	417,602
Revaluation of fixed asset investments	15	<u>(598,165)</u>	<u>(7,227,000)</u>
<b>Total recognised gains and losses for the year</b>		<u>(1,955,061)</u>	<u>(3,348,530)</u>


The notes on pages 7 to 13 form part of these financial statements.

# HUNTING OIL HOLDINGS LIMITED

## BALANCE SHEET AT 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<b>FIXED ASSETS</b>			
Investments	9	94,934,001	113,255,080
<b>CURRENT ASSETS</b>			
Debtors	10	43,326,598	25,771,007
Investments	11	11,611,595	-
Cash at bank and in hand		-	231,272
		54,938,193	26,002,279
<b>CREDITORS: amounts falling due within one year</b>	12	(20,170,732)	(5,731,109)
<b>NET CURRENT ASSETS</b>		34,767,461	20,271,170
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		129,701,462	133,526,250
<b>CREDITORS: amounts falling due after more than one year</b>	13	(82,181,234)	(84,050,961)
		47,520,228	49,475,289
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	14	16,880,550	16,880,550
Revaluation reserve	15	32,911,906	30,909,315
Profit and loss account	16	(2,272,228)	1,685,424
		47,520,228	49,475,289

Approved by the Board on 19 June 2003.

  
D. L. Clark  
Director

The notes on pages 7 to 13 form part of these financial statements.

## **HUNTING OIL HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002**

#### **1 ACCOUNTING POLICIES**

##### Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with 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 inclusive 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 based on the net asset values of the subsidiary undertakings at 31 December. The investments are revalued annually on a portfolio basis and surpluses and deficits arising on revaluation are dealt with in the revaluation reserve. During the year, investments in subsidiary undertakings pending liquidation were written down to the lower of cost and net realisable value and transferred from fixed assets to current assets.

#### **2 OTHER OPERATING EXPENSES**

Other operating expenses comprise principally foreign exchange 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 (2001: £Nil).

There were no employees during the year (2001: Nil).



# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

### 4 EXCEPTIONAL ITEMS

	<u>2002</u> £	<u>2001</u> £
Loss on pending liquidation of subsidiary undertakings	4,745,435	-
Net loss on disposal of subsidiary undertakings	<u>1,760,999</u>	<u>2,871,244</u>
	<u>6,506,434</u>	<u>2,871,244</u>

The exceptional loss during 2001 related to the write off of the Company's investment in Hunting Industries Limited. The net loss on disposal of subsidiary undertakings in 2002 includes a £250,000 gain in respect of the subsequent disposal of that subsidiary undertaking.

### 5 INTEREST RECEIVABLE

	<u>2002</u> £	<u>2001</u> £
Bank interest	<u>-</u>	<u>48,534</u>

### 6 INTEREST PAYABLE

	<u>2002</u> £	<u>2001</u> £
Bank overdraft	<u>31,944</u>	<u>-</u>

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

	<u>2002</u> £	<u>2001</u> £
(Loss) profit on ordinary activities before taxation is stated after charging:		
Realised loss on foreign currency translation differences	130,632	-
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 2002 (continued)

### 8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u> £	<u>2001</u> £
UK Corporation tax:		
Current tax (credit) charge on income for the year	(9,583)	14,559
Adjustments in respect of prior years	(4,850)	-
	<u>(14,433)</u>	<u>14,559</u>
Foreign tax:		
Current tax charge on income for the year	228,300	466,043
Adjustments in respect of prior years	(191)	-
	<u>228,109</u>	<u>466,043</u>
Total current tax charge	<u>213,676</u>	<u>480,602</u>

The current tax charge for the year is above the UK standard rate for corporation tax of 30% for the reasons set out below:

	<u>2002</u> £	<u>2001</u> £
(Loss) profit on ordinary activities before taxation	<u>(1,143,220)</u>	<u>3,941,470</u>
Taxation at the standard UK corporation tax rate of 30%	(342,966)	1,182,441
Permanent differences	333,383	(1,167,882)
Overseas withholding tax	228,300	466,043
Adjustments in respect of prior years	(5,041)	-
Total current taxation	<u>213,676</u>	<u>480,602</u>

### 9 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
<u>Valuation</u>	
At 1 January 2002	113,255,080
Acquisitions	609,842
Disposals	(2,011,756)
Amounts written off in respect of subsidiaries pending liquidation	(4,709,405)
Revaluation	(598,165)
Transfer to current assets (Note 11)	<u>(11,611,595)</u>
At 31 December 2002	<u>94,934,001</u>

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

#### 9 FIXED ASSET INVESTMENTS (continued)

The principal subsidiary undertakings comprised:

	Country of incorporation and operations	% interest in ordinary shares
* Gibson Crude Oil Purchasing Co. Ltd	Canada	100
Gibson Holdings Ltd	Canada	64
Gibson Energy Ltd (formerly Gibson Petroleum Company Ltd)	Canada	64
Gibson Gas Processing Ltd	Canada	64
Moose Jaw Asphalt Inc	Canada	64
* E A Gibson Shipbrokers Ltd	England	100
* Hunting Petroleum France SA +	France	100
INTERPEC SAS +	France	100
Larco SAS +	France	100
Roforge SA +	France	100
Investissement Conception Réalisation SAS +	France	80
* Hunting Industrial Coatings Ltd	England	100
* Hunting Oilfield Services (International) Ltd	England	100
Hunting Oilfield Services (UK) Ltd	England	60
* Huntfield Trust Ltd	England	100
* Hunting Defence Ltd	England	100
Hunting BRAE Ltd	England	51

(1) Subsidiary undertakings marked + are audited by firms other than PricewaterhouseCoopers.

(2) Interests in companies marked \* are held directly by the Company.

#### 10 DEBTORS

	<u>2002</u> £	<u>2001</u> £
Due within one year:		
Amounts owed by group undertakings	43,317,015	25,770,657
Other debtors and prepayments	-	350
Corporation tax receivable	9,583	-
	<u>43,326,598</u>	<u>25,771,007</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

### 11 CURRENT ASSET INVESTMENTS

	<u>2002</u> £	<u>2001</u> £
Shares in subsidiary undertakings pending liquidation	<u>11,611,595</u>	<u>-</u>

The subsidiary undertakings comprised:

	<u>Country of incorporation and operations</u>	<u>% interest in ordinary shares</u>
HIC Group Limited	England	100
Leach Colour Group Limited	England	100

Both companies are held directly by the Company.

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

	<u>2002</u> £	<u>2001</u> £
Unsecured bank overdraft	414,435	-
Amounts owed to group undertakings	19,755,048	99,700
Corporation tax	-	19,409
Proposed dividend	-	5,612,000
Accruals and deferred income	<u>1,249</u>	<u>-</u>
	<u>20,170,732</u>	<u>5,731,109</u>

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

	<u>2002</u> £	<u>2001</u> £
Amounts owed to group undertakings	<u>82,181,234</u>	<u>84,050,961</u>

### 14 SHARE CAPITAL

	<u>2002</u> £	<u>2001</u> £
Ordinary equity shares of £1 each:		
Authorised	<u>16,880,550</u>	<u>16,880,550</u>
Allotted and fully paid	<u>16,880,550</u>	<u>16,880,550</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

### 15 REVALUATION RESERVE

	£
At 1 January 2002	30,909,315
Transfer to profit and loss reserve	2,600,756
Revaluation	<u>(598,165)</u>
At 31 December 2002	<u>32,911,906</u>

The transfer to profit and loss reserve is in respect of investments in subsidiary undertakings disposed of and pending liquidation.

### 16 PROFIT AND LOSS ACCOUNT

	£
At 1 January 2002	1,685,424
Transfer from revaluation reserve	(2,600,756)
Retained (loss) for the financial year	<u>(1,356,896)</u>
At 31 December 2002	<u>(2,272,228)</u>

### 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u> £	<u>2001</u> £
(Loss) profit for the financial year	(1,356,896)	3,460,868
Dividends	-	<u>(5,612,000)</u>
Retained (loss) for the year	(1,356,896)	(2,151,132)
Currency translation differences on foreign currency net investments	-	417,602
Revaluation of investments	<u>(598,165)</u>	<u>(7,227,000)</u>
Net (decrease) in shareholders' funds	(1,955,061)	(8,960,530)
Opening shareholders' funds	<u>49,475,289</u>	<u>58,435,819</u>
Closing shareholders' funds	<u>47,520,228</u>	<u>49,475,289</u>

## **HUNTING OIL HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)**

#### **18 BANKING ARRANGEMENTS**

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

#### **19 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.

#### **20 ULTIMATE PARENT UNDERTAKING**

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.

#### **21 RELATED PARTY TRANSACTIONS**

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