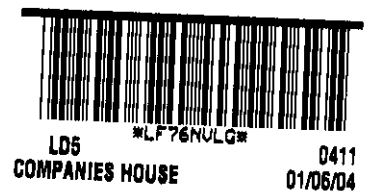


HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

Registered No. 1371688



HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The Company is a holding and investment company and is a wholly owned subsidiary undertaking of Hunting PLC, a company registered in England and Wales. The Directors do not foresee any significant change in the nature of the Company's operations during 2004.

Details of the subsidiary undertakings at 31 December 2003 are given in note 7 to the financial statements.

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 (2002 : £Nil).

The retained profit for the year of £2,064,000 has been transferred to reserves.

DIRECTORS

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

R.H. Hunting
D.L. Clark
C.R. St Quintin

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 KNIGHTSBRIDGE HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

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

The interests of R.H. Hunting and D.L. Clark in the shares of Hunting PLC, the ultimate parent undertaking, are disclosed in the 2003 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 2003</u> | <u>At 31 December 2002</u> |
|-----------------|--|--|
| | Ordinary shares of <u>25p each</u> | Ordinary shares of <u>25p each</u> |
| C.R. St Quintin | 19,000 | 19,000 |

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

| | <u>Subscription price p</u> | <u>Option period expires in</u> | <u>Options at 31 December 2003</u> | <u>Granted in the year</u> | <u>Options at 31 December 2002</u> |
|-----------------|---------------------------------|-------------------------------------|--|--------------------------------|--|
| C.R. St Quintin | 207.50 | 2011 | 18,313 | - | 18,313 |
| | 179.00 | 2012 | 16,760 | - | 16,760 |
| | 84.50 | 2013 | 37,870 | 37,870 | - |

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

The market price of the ordinary shares at 31 December 2003 was 106.6p and the range during the year was 60.0p to 120.0p.

Subsequent to the year end, on 31 March 2004 under the 2001 share option scheme, options were granted at 125.0p per ordinary share to Directors as follows:

| | |
|-----------------|---------|
| D.L. Clark | 174,400 |
| C.R. St Quintin | 26,400 |


CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no payments to charitable or political organisations during the year (2002 : £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

25 May 2004

HUNTING KNIGHTSBRIDGE 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 KNIGHTSBRIDGE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention 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.

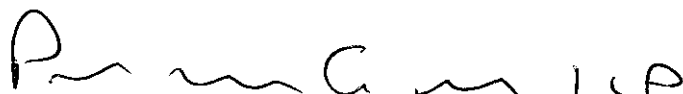
Basis of audit opinion

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 2003 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

25 May 2004

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

| | <u>Notes</u> | <u>2003</u> £'000 | <u>2002</u> £'000 |
|--|--------------|----------------------|----------------------|
| Administrative expenses | | (3,698) | (3,298) |
| Income from shares in subsidiary undertakings | | <u>265</u> | <u>-</u> |
| (LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST | | (3,433) | (3,298) |
| Interest receivable | 3 | 12,364 | 15,042 |
| Interest payable | 4 | <u>(6,384)</u> | <u>(7,390)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | 2,547 | 4,354 |
| Taxation on profit on ordinary activities | 6 | <u>(483)</u> | <u>(730)</u> |
| RETAINED PROFIT FOR THE YEAR | 14 | <u>2,064</u> | <u>3,624</u> |

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|--|----------------------|----------------------|
| Profit for the financial year | 2,064 | 3,624 |
| Currency translation differences on foreign currency net investments | <u>564</u> | <u>(3,030)</u> |
| Total recognised gains and losses for the year | <u>2,628</u> | <u>594</u> |


The notes on pages 7 to 11 form part of these financial statements.

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

| | <u>Notes</u> | <u>2003</u> £'000 | <u>2002</u> £'000 |
|--|--------------|----------------------|----------------------|
| FIXED ASSETS | | | |
| Investments | 7 | <u>247,588</u> | <u>234,548</u> |
| CURRENT ASSETS | | | |
| Debtors | 8 | 5,298 | 5,645 |
| Cash at bank and deposits | | <u>11,301</u> | <u>30,487</u> |
| | | 16,599 | 36,132 |
| CREDITORS: amounts falling due within one year | 9 | <u>(20,098)</u> | <u>(31,370)</u> |
| NET CURRENT (LIABILITIES) ASSETS | | <u>(3,499)</u> | <u>4,762</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 244,089 | 239,310 |
| CREDITORS: amounts falling due after more than one year | 10 | <u>(204,152)</u> | <u>(202,001)</u> |
| | | <u>39,937</u> | <u>37,309</u> |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital | 13 | 8,512 | 8,512 |
| Share premium | | 18,455 | 18,455 |
| Profit and loss account | 14 | <u>12,970</u> | <u>10,342</u> |
| | | <u>39,937</u> | <u>37,309</u> |

Approved by the Board of Directors on 25 May 2004.


D.L. Clark
Director

The notes on pages 7 to 11 form part of these financial statements.

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Accounting convention

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

Investments

Investments, which principally comprise long-term loans to group undertakings, are stated at cost.

Foreign currencies

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

Deferred taxation

Full provision is made for timing differences. Deferred tax assets are recognised only to the extent that they are regarded as recoverable.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2002 : £Nil).

There were no employees during the year (2002 : Nil).

3. INTEREST RECEIVABLE

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|--------------------|----------------------|----------------------|
| Bank interest | 2,417 | 2,623 |
| Group undertakings | <u>9,947</u> | <u>12,419</u> |
| | <u>12,364</u> | <u>15,042</u> |

4. INTEREST PAYABLE

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|---------------------------|----------------------|----------------------|
| Bank loans and overdrafts | 3,667 | 3,285 |
| Group undertakings | <u>2,717</u> | <u>4,105</u> |
| | <u>6,384</u> | <u>7,390</u> |

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|---|----------------------|----------------------|
| Profit on ordinary activities before taxation is stated after charging: | | |
| Realised foreign exchange losses | 189 | 182 |
| 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.

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|---------------------------------------|----------------------|----------------------|
| UK corporation tax: | | |
| Current tax on income for the year | 788 | 612 |
| Adjustments in respect of prior years | (132) | 17 |
| Double tax relief | <u>(231)</u> | <u>-</u> |
| | <u>425</u> | <u>629</u> |
| Foreign tax: | | |
| Current tax on income for the year | 231 | 168 |
| Adjustment in respect of prior years | <u>(192)</u> | <u>(44)</u> |
| | <u>39</u> | <u>124</u> |
| Total current tax charge | 464 | 753 |
| Deferred taxation (Note 12) | <u>19</u> | <u>(23)</u> |
| | <u>483</u> | <u>730</u> |

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

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|---|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>2,547</u> | <u>4,354</u> |
| Taxation at the standard UK corporation tax rate of 30% | 764 | 1,306 |
| Permanent differences | 166 | (909) |
| Double taxation relief | (271) | - |
| Losses for which no relief is available | - | 360 |
| Other timing differences | (63) | 23 |
| Adjustments in respect of prior years | <u>(132)</u> | <u>(27)</u> |
| | <u>464</u> | <u>753</u> |

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7. INVESTMENTS

| <u>Cost</u> | Loans to group <u>undertakings</u> £'000 |
|----------------------------------|---|
| At 1 January 2003 | 234,548 |
| Currency translation differences | (1,818) |
| Advances | 48,448 |
| Repayments | (33,590) |
| At 31 December 2003 | <u>247,588</u> |

Investments also include an amount of £4 in respect of shares held in subsidiary undertakings, which comprised:

| | <u>Cost of investment</u> £2 | <u>Country of incorporation and operations</u> England | % interest in ordinary <u>shares</u> 100 | <u>Business</u> Finance |
|---|-------------------------------------|---|--|----------------------------|
| Hunting Knightsbridge Finance Limited | £2 | England | 100 | Finance |
| Hunting Knightsbridge US Finance Limited | £2 | England | 100 | Finance |

In the opinion of the Directors the value of the Company's investment in its subsidiary undertakings is not less than the amount stated in the balance sheet.

8. DEBTORS

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Due within one year: | | |
| Amounts owed by group undertakings | 3,706 | 3,705 |
| Other debtors | 265 | 9 |
| Prepayments and accrued income | <u>1,310</u> | <u>1,895</u> |
| | 5,281 | 5,609 |
| Due after one year: | | |
| Deferred taxation (Note 12) | <u>17</u> | <u>36</u> |
| | <u>5,298</u> | <u>5,645</u> |

9. CREDITORS: amounts falling due within one year

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|----------------------------------|----------------------|----------------------|
| Unsecured bank overdrafts | 13,970 | 25,300 |
| Amount owed to group undertaking | 4,164 | 3,536 |
| Corporation tax | 971 | 1,044 |
| Accruals and deferred income | <u>993</u> | <u>1,490</u> |
| | <u>20,098</u> | <u>31,370</u> |

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

10 CREDITORS: amounts falling due after more than one year

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|------------------------------------|----------------------|----------------------|
| Unsecured bank loans (Note 11) | 104,893 | 65,817 |
| Amounts owed to group undertakings | <u>99,259</u> | <u>136,184</u> |
| | <u>204,152</u> | <u>202,001</u> |

11. UNSECURED BANK LOANS

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|--|----------------------|----------------------|
| Unsecured bank loans are repayable as follows: | | |
| Between two and five years | 105,152 | 66,144 |
| Less: debt issue costs | <u>(259)</u> | <u>(327)</u> |
| | <u>104,893</u> | <u>65,817</u> |

12. DEFERRED TAXATION

| | £'000 |
|-------------------------------------|-------------|
| At 1 January 2003 | 36 |
| Credited to profit and loss account | <u>(19)</u> |
| At 31 December 2003 (Note 8) | <u>17</u> |

All of the Company's deferred tax asset results from short term timing differences.

Deferred taxation has been recognised at the rate at which the timing differences are anticipated to reverse, namely 30% (2002 : 30%).

Deferred tax assets of £34,638 have not been recognised due to insufficient evidence that they are recoverable.

13. SHARE CAPITAL

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Ordinary equity shares of 25p each: | | |
| Authorised | <u>9,000</u> | <u>9,000</u> |
| Allotted and fully paid | <u>8,512</u> | <u>8,512</u> |

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

14. PROFIT AND LOSS ACCOUNT

| | |
|----------------------------------|---------------|
| | £'000 |
| At 1 January 2003 | 10,342 |
| Currency translation differences | 564 |
| Retained profit for the year | <u>2,064</u> |
| At 31 December 2003 | <u>12,970</u> |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>2003</u> £'000 | <u>2002</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Profit for the financial year | 2,064 | 3,624 |
| Currency translation differences | <u>564</u> | <u>(3,030)</u> |
| Net increase in shareholders' funds | 2,628 | 594 |
| Opening shareholders' funds | <u>37,309</u> | <u>36,715</u> |
| Closing shareholders' funds | <u>39,937</u> | <u>37,309</u> |

16. BANKING ARRANGEMENTS

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

17. CASH FLOW STATEMENT

The Hunting PLC financial statements for the year ended 31 December 2003 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.

18. 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.

19. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions provided in paragraph 3(c) of FRS 8 : Related Party Transactions, not to disclose transactions with other Hunting group entities.

20. POST BALANCE SHEET EVENTS

On Friday 14 May 2004 the board approved a 2004 interim dividend of £12m.