

HUNTING BRAE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003**

Registered No: 2489301



HUNTING BRAE LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2003.

ACTIVITIES

The Company's activity has continued to be the management of contracts with the UK Ministry of Defence and with other parties connected with contractual work for the Ministry of Defence. Until 31 March 2000, the company held a Term Contract with the Ministry of Defence for the management of the Atomic Weapons Establishment.

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 loss for the year of £232,000 (2002 : loss £7,702,000) has been transferred to reserves.

DIRECTORS

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

Lord Vincent	(resigned 31 October 2003)
D. Harris	
P. Smart	(resigned 30 September 2003)
J.W. Mactaggart	
G.A. Wells	
K. Russell	
T. Pryor	
G.L. Johnson	(appointed 30 September 2003)
D.L. Clark	(appointed 31 October 2003)

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

The interests of 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.

G.A. Wells holds 6,875 ordinary shares in Hunting PLC (2002 : 6,875). The remaining directors had no interests in the share capital of Hunting PLC other than as noted below.

On 31 March 2004, Hunting PLC share options were granted at 125.0p per ordinary share to Directors as follows:

	Number of options
D.L. Clark	174,400
J.W. Mactaggart	76,800

HUNTING BRAE LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in 2003 (2002 : Nil).

POST BALANCE SHEET EVENT

On 19 March 2004 the board approved a 2004 interim dividend of £6.7m.

AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors. A resolution to reappoint them as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board



Director

10 May 2004

HUNTING BRAE LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF HUNTING BRAE LIMITED

We have audited the financial statements on pages 4 to 9 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.

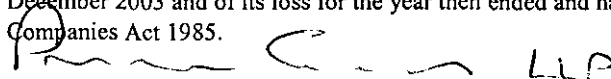
Basis of audit opinion

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 2003 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

10 May 2004

HUNTING BRAE 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		(649)	(8,028)
Interest receivable	5	<u>595</u>	<u>487</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(54)	(7,541)
Taxation on loss on ordinary activities	6	<u>(178)</u>	<u>(161)</u>
RETAINED LOSS FOR THE YEAR	12	<u>(232)</u>	<u>(7,702)</u>

The Company has no recognised gains or losses other than the loss for the year.

The notes on pages 6 to 9 form part of these financial statements.

HUNTING BRAE LIMITED

**BALANCE SHEET
AT 31 DECEMBER 2003**

	<u>Notes</u>	<u>2003</u> £'000	<u>2002</u> £'000
CURRENT ASSETS			
Debtors	8	23,284	31,954
Cash at bank and short term investments		<u>10,618</u>	<u>2,474</u>
		33,902	34,428
CREDITORS: amounts falling due within one year	9	<u>(12,612)</u>	<u>(12,906)</u>
NET ASSETS		<u>21,290</u>	<u>21,522</u>
CAPITAL AND RESERVES			
Called up share capital	10	11,000	11,000
Profit and loss account	11	<u>10,290</u>	<u>10,522</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>21,290</u>	<u>21,522</u>

Approved by the Board on 10 May 2004.



Director

The notes on pages 6 to 9 form part of these accounts.

HUNTING BRAE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 ACCOUNTING POLICIES

(a) Basis of accounting

These accounts have been prepared in accordance with applicable UK accounting standards, and in compliance with the Companies Act 1985. The principal accounting policies adopted by the company in the year are set out below.

The Company has not prepared a cash flow statement in accordance with Financial Reporting Standard 1 as its ultimate parent undertaking has published a consolidated cash flow statement which includes the cash flows of the Company.

(b) Going concern

In the opinion of the directors, the company has sufficient reserves and cash balances to meet liabilities as they fall due and accordingly these accounts have been prepared on a going concern basis.

(c) Deferred taxation

Full provision is made for deferred taxation on the excess of capital allowances over depreciation and other timing differences.

HUNTING BRAE LIMITED

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

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2003</u> £'000	<u>2002</u> £'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	2	2
Non-audit services	<u>3</u>	<u>23</u>

3. EMPLOYEES

The Company had no employees during the year.

4. DIRECTORS' REMUNERATION

The directors received no emoluments in respect of their services to the Company during the year (2002: £Nil).

5. INTEREST RECEIVABLE

	<u>2003</u> £'000	<u>2002</u> £'000
External interest receivable	411	303
Interest receivable from group companies	<u>184</u>	<u>184</u>
	<u>595</u>	<u>487</u>

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	<u>2003</u> £'000	<u>2002</u> £'000
Corporation tax at 30 % (2002: 30%)	178	146
Adjustment in respect of prior years	<u>-</u>	<u>15</u>
	<u>178</u>	<u>161</u>

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

	<u>2003</u> £'000	<u>2002</u> £'000
Loss on ordinary activities before tax	<u>(54)</u>	<u>(7,541)</u>
Taxation at the standard UK corporation tax rate of 30%	(16)	(2,262)
Losses for which no relief is available	194	2,408
Adjustment in respect of prior years	<u>-</u>	<u>15</u>
Current tax charge	<u>178</u>	<u>161</u>

HUNTING BRAE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7. DEFERRED TAXATION

The Company had no deferred tax provided or unprovided at 31 December 2003 and 31 December 2002.

8. DEBTORS

	<u>2003</u> £'000	<u>2002</u> £'000
Amounts owed by shareholders – interest free	19,110	25,000
Amounts owed by shareholders – interest bearing	4,140	6,000
Other debtors	<u>34</u>	<u>954</u>
	<u>23,284</u>	<u>31,954</u>

Of the £19.11m (2002 : £25m) amounts owed by shareholders – interest free, £17.25m (2002 : £25m) is repayable on demand, is interest free and is supported by bank guarantees.

The amount of £4.14m (2002 : £6m) owed by shareholders – interest bearing, is repayable on demand and is interest bearing at a fixed rate of 6% per annum.

9. CREDITORS: amounts falling due within one year

	<u>2003</u> £'000	<u>2002</u> £'000
Bank overdraft	-	123
Other creditors	7	310
Corporation tax	181	149
Accruals and deferred income	<u>12,424</u>	<u>12,324</u>
	<u>12,612</u>	<u>12,906</u>

10. SHARE CAPITAL

The authorised, issued and fully paid up share capital of the Company is as follows:

	<u>2003</u> £'000	<u>2002</u> £'000
5,610,000 'A' Ordinary Shares of £1	5,610	5,610
3,410,000 'B' Ordinary Shares of £1	3,410	3,410
1,980,000 'C' Ordinary Shares of £1	<u>1,980</u>	<u>1,980</u>
Allotted and fully paid	<u>11,000</u>	<u>11,000</u>

Each share type has the same winding up and dividend rights attributable to it. Each 'A' share holds six votes at meetings, with each 'B' and each 'C' share holding two.

HUNTING BRAE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

11. RESERVES – PROFIT AND LOSS ACCOUNT

	<u>2003</u> £'000	<u>2002</u> £'000
At 1 January	10,522	18,224
Retained loss for the year	<u>(232)</u>	<u>(7,702)</u>
At 31 December	<u>10,290</u>	<u>10,522</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £'000	<u>2002</u> £'000
Loss for the financial year and net reduction to shareholders' funds	(232)	(7,702)
Opening shareholders' funds	<u>21,522</u>	<u>29,224</u>
Closing shareholders' funds	<u>21,290</u>	<u>21,522</u>

13. CAPITAL COMMITMENTS

At 31 December 2003 there was no future capital expenditure either authorised by the directors or contracted for (2002: Nil).

14. POST BALANCE SHEET EVENT

On 19 March 2004 the board approved a 2004 interim dividend of £6.7m.

15. PRINCIPAL SHAREHOLDER

The principal shareholder of the Company is Hunting Defence Limited, which holds 51 percent of the issued share capital and is registered in England and Wales. The ultimate holding company of Hunting Defence Limited is Hunting PLC, a company which is also registered in England and Wales. Copies of the group accounts of Hunting PLC can be obtained from 3 Cockspur Street, London SW1Y 5BQ.