

**HUNTING BRAE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**Registered No: 2489301**

WEDNESDAY



\*LNKJNZBL\*

LD3

30/04/2008

23

COMPANIES HOUSE

**HUNTING BRAE LIMITED**

**YEAR ENDED 31 DECEMBER 2007**

**COMPANY INFORMATION**

Registered number	2489301
Country of incorporation	England
Registered office	3 Cockspur Street London SW1Y 5BQ
Directors	A S L Cummings J W Mactaggart P Rose R T Watts J A Barrett
Secretary	J W Mactaggart
Auditors	PricewaterhouseCoopers LLP London

**HUNTING BRAE LIMITED**  
**YEAR ENDED 31 DECEMBER 2007**  
**CONTENTS**

Directors' Report	3
Auditors' Report	5
Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Cash Flow Statement	9
Notes to the Financial Statements	10

## HUNTING BRAE LIMITED

### DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2007

### ACTIVITIES

The Company is a subsidiary of Hunting Defence Limited, a company registered in England and Wales

The Company ceased to trade on 1 April 2000 and no change in the activities of the Company is anticipated in 2008

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on page 14 of the Hunting PLC 2007 Annual Report and Accounts

### 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 (2006 £nil)

The profit for the year of £26,000 (2006 £13,000 loss) has been transferred to reserves

### DIRECTORS

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

A S L Cummings  
J W Mactaggart  
K Russell (resigned 02 07 07)  
G L Johnson (resigned 30 09 07)  
D L Clark  
R T Watts (appointed 02 07 07)  
J A Barrett (appointed 30 09 07)

On 23 April 2008, D L Clark retired as a Director of the Company, and P Rose was appointed a Director

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 company, are disclosed in the 2007 annual report and accounts of that company

The remaining Directors had no interests in the share capital of Hunting PLC other than as noted below

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

	Options at start of year	Options granted during year	Options exercised during year	Options at end of year	Exercise price p	Date exercisable	Expiry date
J W Mactaggart	82,132	-	(82,132)	-	116 9	31 03 07	30 03 14
	43,502	-	-	43,502	220 7	09 03 08	08 03 15
	25,065	-	-	25,065	383 0	08 03 09	07 03 16
	-	7,500	-	7,500	640 0	06 03 10	05 03 17

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

## **HUNTING BRAE LIMITED**

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

The market price of the ordinary shares at 31 December 2007 was 711p. The highest and the lowest mid market process during the year were 842 5p and 543p respectively.

On 28 February 2008, D L Clark was awarded 70,957 shares under the Long Term Incentive Plan.

Subsequent to the year end, on 4 March 2008 under the 2001 share option scheme, 6,119 options were granted at 784 5p per Ordinary share to J Mactaggart.

### **CHARITABLE AND POLITICAL DONATIONS**

The Company made no charitable or political donations in 2007 (2006: £nil).

### **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.

### **STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS**

In accordance with Companies Act requirements, all Directors in office, as at the date of this report, have confirmed so far as they are aware there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **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



P Rose  
Director

28 April 2008

## HUNTING BRAE LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING BRAE LIMITED

We have audited the financial statements of Hunting Brae Limited for the year ended 31 December 2007, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union 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 International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

28 April 2008

**HUNTING BRAE LIMITED****INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	2007 £'000	2006 £'000
Administrative expenses		<u>(21)</u>	<u>(28)</u>
<b>LOSS FROM OPERATIONS</b>	3	(21)	(28)
Interest income	4	25	22
Interest expense and similar charges	5	<u>(1)</u>	<u>-</u>
<b>PROFIT (LOSS) BEFORE TAXATION</b>		3	(6)
Taxation	6	<u>23</u>	<u>(7)</u>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<u>26</u>	<u>(13)</u>

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

The notes on pages 10 to 17 form part of these financial statements

**HUNTING BRAE LIMITED****BALANCE SHEET  
AT 31 DECEMBER 2007**

	<u>Notes</u>	2007 £'000	2006 £'000
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	7	11,001	11,002
Cash and cash equivalents	8	440	423
		<u>11,441</u>	<u>11,425</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	(136)	(139)
Current tax liabilities		-	(7)
		<u>(136)</u>	<u>(146)</u>
<b>Net assets</b>		<u>11,305</u>	<u>11,279</u>
<b>Shareholders' equity</b>			
Share capital	12	11,000	11,000
Retained earnings	13	305	279
<b>Total equity</b>		<u>11,305</u>	<u>11,279</u>

Approved by the Board on 28 April 2008

P Rose  
Director

The notes on pages 10 to 17 form part of these financial statements



**HUNTING BRAE LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2007	11,000	279	11,279
Profit for the year	-	26	26
At 31 December 2007	<u>11,000</u>	<u>305</u>	<u>11,305</u>

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2006	11,000	292	11,292
Loss for the year	-	(13)	(13)
At 31 December 2006	<u>11,000</u>	<u>279</u>	<u>11,279</u>

The notes on pages 10 to 17 form part of these financial statements

**HUNTING BRAE LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £'000	2006 £'000
<b>Operating activities</b>		
Loss from operations	(21)	(28)
Decrease in receivables	4	7
Decrease in payables	(3)	(21)
Taxation received (paid)	16	(181)
<b>Net cash outflow from operating activities</b>	<b>(4)</b>	<b>(223)</b>
<b>Financing activities</b>		
Interest received	22	22
Interest paid	(1)	-
<b>Net cash inflow from financing activities</b>	<b>21</b>	<b>22</b>
<b>Net inflow (outflow) in cash and cash equivalents</b>	<b>17</b>	<b>(201)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>423</b>	<b>624</b>
<b>Cash and cash equivalents at end of year (note 8)</b>	<b>440</b>	<b>423</b>

The notes on pages 10 to 17 form part of these financial statements

## HUNTING BRAE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1. ACCOUNTING POLICIES

##### 1.1 Accounting convention

The financial statements for the year ended 31 December 2007 have been prepared under International Financial Reporting Standards (IFRSs) as adopted for use by the European Union (EU)

The financial statements have been prepared on a going concern basis under the historical cost convention

##### 1.2 Compliance with accounting standards

These financial statements have been prepared in accordance with the provisions of the Companies Act 1985 and those IFRS standards and IFRIC interpretations which are effective as at 31 December 2007. The following Standards, Interpretations and Amendments, which became effective for and were adopted during the year ended 31 December 2007, had no impact on the Company's results or financial position

- IFRS 7 *Financial Instruments Disclosures*
- Amendment to IAS 1 *Presentation of Financial Statements*
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Re-assessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*

The following Standards, Interpretations and Amendments are effective subsequent to the year end and consequently have not been adopted for the year ended 31 December 2007

- Amendment to IFRS 2 *Share-based Payments*
- IFRS 3 (revised) *Business Combinations*
- IFRS 8 *Operating Segments*
- IAS 1 (revised) *Presentation of Financial Statements*
- IAS 23 (revised) *Borrowing Costs*
- IAS 27 (revised) *Consolidated and Separate Financial Statements*
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes Relating to IAS 18 Revenue*
- IFRIC 14 *The Limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction*

With the exception of IAS 23 (revised), it is not anticipated that the new requirements will impact the Company's results or financial position. IAS 23 (revised) requires the Company to capitalise those borrowing costs directly associated with qualifying assets, but as the Company cannot predict the cost of qualifying assets in 2009, when IAS 23 (revised) is expected to be adopted, it is currently not able to estimate the impact.

##### 1.3 Taxation

The tax charge on the profit or loss for the year comprises current tax

Current tax is the expected net tax payable on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to net tax payable in respects of prior years' net profits

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

## HUNTING BRAE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1. ACCOUNTING POLICIES (continued)

##### 1.3 Taxation (continued)

Deferred taxation is recognised in the income statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the income statement at the same time as the taxable transaction is recognised in the income statement.

##### 1.4 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value.

##### 1.5 Impairments

The Company assesses whether there is any indication that an asset may be impaired at least once a year. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to the lower of value in use and fair value less costs to sell.

##### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, with less than 3 months until maturity.

##### 1.7 Financial Assets

The Company has classified its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. The Company assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with the present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised in the income statement immediately.

Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method if the time value of money is significant.

##### 1.8 Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Company subsequently re-measures all of its financial liabilities, including trade payables, at amortised cost.

## HUNTING BRAE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 1.9 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in determining the carrying value of accruals.

#### 2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2006 £nil). Remuneration received by D L Clark and J W Mactaggart was for their services to Hunting PLC, the ultimate parent company, acting in various Group capacities. The key management of Hunting Brae Limited is its Directors.

The average number of persons employed by the Company during the year was nil (2006 nil).

#### 3. LOSS FROM OPERATIONS

	2007 £'000	2006 £'000
Loss from operations is stated after (crediting)		
Auditors' remuneration		
- other services	<u>-</u>	<u>(4)</u>
Auditors' remuneration for 2007 has been dealt with in the 2007 financial statements of Hunting PLC, the Company's principal shareholder		

#### 4. INTEREST INCOME

	2007 £'000	2006 £'000
Bank interest	24	22
Other interest	<u>1</u>	<u>-</u>
	<u>25</u>	<u>22</u>

#### 5. INTEREST EXPENSE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
Other interest	<u>1</u>	<u>-</u>

# HUNTING BRAE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 6. TAXATION

	2007 £'000	2006 £'000
UK Corporation Tax		
Current tax on income for the year	-	7
Adjustments in respect of prior years	(23)	-
Total tax (credit) charge	(23)	7

The tax credit (2006 charge) for the year is lower (2006 higher) than the UK standard rate for corporation tax of 30% for the following reasons

	2007 £'000	2006 £'000
Profit (loss) before taxation	3	(6)
Taxation at the standard UK corporation tax rate of 30%	1	(2)
Adjustments in respect of prior years	(23)	-
Deferred tax movement not recognised	(1)	9
	(23)	7

Deferred tax assets of £2,335,000 (2006 £2,510,000) have not been recognised as realisation of the tax benefit on the tax losses is not probable. The movement on the deferred tax asset comprises £168,000 as a result of a change in the deferred tax rate from 30% to 28%, £6,000 prior year adjustment and £1,000 deferred tax movement not recognised during the year.

### 7. TRADE AND OTHER RECEIVABLES

	2007 £'000	2006 £'000
Current		
Amounts owed by related parties	11,000	11,000
Other receivables	1	2
	11,001	11,002

At 31 December 2007, none of the Company's trade and other receivables were past due and the Company does not consider it necessary to provide for any impairment, as the majority of receivables are due from related parties. Trade and other receivables are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no receivables (2006 none) whose terms have been renegotiated and would otherwise be past due or impaired.

The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 10.

The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

Amounts owed by related parties are unsecured, interest free and repayable on demand. All of the Company's financial assets included in trade and other receivables are denominated in sterling.

# HUNTING BRAE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 8. CASH AND CASH EQUIVALENTS

	2007 £'000	2006 £'000
Cash at bank and in hand	11	7
Short term bank deposits less than 3 months	429	416
	<u>440</u>	<u>423</u>

Cash at bank has been deposited with a bank that has a Fitch rating of F1+ and short term deposits have been deposited with a bank that has a Fitch rating of F1, and all are expected to be fully recovered

Cash and cash equivalents at the year end are denominated in sterling

### 9. TRADE AND OTHER PAYABLES

	2007 £'000	2006 £'000
Current Accruals	<u>136</u>	<u>139</u>

All of the Company's financial liabilities included in trade and other payables are denominated in sterling

### 10. FINANCIAL INSTRUMENTS

The carrying amounts of each measurement category of the Company's financial assets and financial liabilities are stated below, together with a comparison of the fair value and carrying amount for each class of financial asset and financial liability

	2007			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Current assets				
Amounts owed by related parties	11,000	-	11,000	11,000
Other receivables	1	-	1	1
Cash and cash equivalents	440	-	440	440
Current liabilities				
Accruals	-	(136)	(136)	(136)
	<u>11,441</u>	<u>(136)</u>	<u>11,305</u>	<u>11,305</u>

## HUNTING BRAE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 10. FINANCIAL INSTRUMENTS (continued)

	2006			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Current assets				
Amounts owed by related parties	11,000	-	11,000	11,000
Other receivables	2	-	2	2
Cash and cash equivalents	423	-	423	423
Current liabilities				
Accruals	-	(139)	(139)	(139)
	11,425	(139)	11,286	11,286

The fair value of financial instruments that are not traded in an active market is determined using standard valuation techniques, predominantly based on discounted cash flows. The carrying amounts of current financial assets and liabilities are a reasonable approximation of their fair values, as the impact of discounting is not significant.

#### 11. FINANCIAL RISK FACTORS

The Company's activities expose it to certain financial risks, namely market risk (including cash flow interest risk and fair value interest risk), credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

##### a) Interest rate risk

The Company is exposed to cash flow interest rate risk from its cash and cash equivalents, which are at variable interest rates, and it is exposed to fair value interest risk on its interest free loans to related parties.

##### b) Credit risk

The Company's credit risk arises from its cash and cash equivalents and outstanding receivables. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities.

The Company's outstanding receivables are due from related parties and funds are only invested with approved financial institutions. No losses are expected from non-performance of these counterparties.

##### c) Liquidity risk

The Company has sufficient facilities available to satisfy its requirements.

Below is a maturity analysis of the Company's financial liabilities at the year end, which will be settled on a net basis. The amounts presented in the table are the *undiscounted* cash flows, whereas the carrying amounts in the balance sheet are the *discounted* amounts. The timing of the maturities in the table shows the *earliest contractual repayment date*, whereas the balance sheet classification between current and non-current reflects *management's intentions*. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.



# HUNTING BRAE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

### 11. FINANCIAL RISK FACTORS (continued)

	On demand or within 1 year	
	2007	2006
	£'000	£'000
Non-derivative financial liabilities		
Accruals	136	139

The Company did not have any derivative financial instruments

#### d) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments, and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and cash equivalents. The sensitivity analysis relates to the position as at 31 December 2007.

The sensitivity analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt remain unchanged at 31 December 2007.

The analysis excludes the impact of movements in market variables on the carrying value of non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analysis:

- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

#### (i) Interest rate sensitivity

At 31 December, if UK interest rates had been 0.5% higher or lower, with all other variables held constant, the post-tax effects on profit or loss and equity for the year would have been as follows:

	2007		2006	
	Income statement	Equity	Income statement	Equity
	£'000	£'000	£'000	£'000
UK interest rates +0.5%	2	-	1	-
UK interest rates -0.5%	(2)	-	(1)	-

The movement arises from the sterling denominated floating rate cash and cash equivalents.

### 12. SHARE CAPITAL

	2007	2006
	£'000	£'000
Authorised		
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	1,980	1,980
Allotted, issued and fully paid	11,000	11,000

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

## HUNTING BRAE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

#### 13 RETAINED EARNINGS

	2007 £'000	2006 £'000
At 1 January	279	292
Profit (loss) for the year	<u>26</u>	<u>(13)</u>
At 31 December	<u>305</u>	<u>279</u>

#### 14. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents and amounts owed by related parties

It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate risks and the availability of borrowing facilities. The gearing ratio, which is net debt expressed as a percentage of total equity, is monitored periodically against both internal targets and external requirements

Changes in equity arise from the retention of earnings and, from time to time, issues of share capital. Net debt is monitored on a periodic basis and is managed by the control of dividend payments

At the year end, capital comprised

	2007 £'000	2006 £'000
Total equity	11,305	11,729
Net cash	<u>(11,440)</u>	<u>(11,423)</u>
Gross capital employed	<u>(135)</u>	<u>306</u>

There have been no significant changes in the Company's funding policy during the year

#### 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

#### 16. RELATED PARTY TRANSACTIONS

Hunting PLC, the ultimate holding company of Hunting Defence Limited, owed the Company £5,610,000 (2006 £5,610,000) on their interest free loan at 31 December 2007

Kellogg Brown and Root Limited, a shareholder of the Company, owed the Company £3,410,000 (2006 £3,410,000) on their interest free loan at the year end

AEA Technology plc, a shareholder of the Company, owed the Company £1,980,000 (2006 £1,980,000) on their interest free loan at the year end

During the year the company was charged management fees by HG Management Services, a fellow group company, of £24,000 (2006 £24,000)