

HUNTING BRAE LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

Registered No: 02489301

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HUNTING BRAE LIMITED

YEAR ENDED 31 DECEMBER 2008

COMPANY INFORMATION

Registered number:	02489301
Country of incorporation:	England and Wales
Registered office:	3 Cockspur Street London SW1Y 5BQ
Directors:	P. Rose J.W. Mactaggart A.S.L. Cummings R.T. Watts J.A. Barrett
Secretary:	J.W. Mactaggart
Auditors:	PricewaterhouseCoopers LLP London

HUNTING BRAE LIMITED

YEAR ENDED 31 DECEMBER 2008

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HUNTING BRAE LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2008.

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 2009.

From the perspective of the Company, the primary risks and uncertainties are integrated with the primary risks of the Hunting PLC Group and are not managed separately. The primary risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on page 13 of the Hunting PLC 2008 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 (2007: £nil).

The profit for the year of £90,000 (2007: £26,000) has been transferred to reserves.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

DIRECTORS

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

P. Rose (appointed 23 April 2008)
A.S.L. Cummings
J.W. Mactaggart
D.L. Clark (retired 23 April 2008)
R.T. Watts
J.A. Barrett

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

DIRECTORS' INTERESTS

Following changes to UK company law by the Companies Act 2006, which came in to effect on 6 April 2007, the requirement to maintain a register of Directors' interests and to disclose these interests in the Company's statutory report and accounts has been repealed. Consequently, the Company no longer maintains a register of Directors' interests nor makes a disclosure in this regard.

HUNTING BRAE LIMITED

DIRECTORS' REPORT (continued)

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in 2008 (2007: £nil).

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

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.

HUNTING BRAE LIMITED

DIRECTORS' REPORT (continued)

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

A handwritten signature in black ink, appearing to be 'P. Rose', written in a cursive style.

P. Rose
Director

28 April 2009

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 2008, 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 by 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Company Information and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

HUNTING BRAE LIMITED

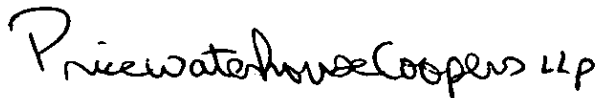
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING BRAE LIMITED

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 by the European Union, of the state of the company's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 April 2009

HUNTING BRAE LIMITED**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>Notes</u>	2008 £'000	2007 £'000
Administrative expenses		<u>102</u>	<u>(21)</u>
PROFIT (LOSS) FROM OPERATIONS		102	(21)
Interest income	4	23	25
Interest expense and similar charges	5	<u>-</u>	<u>(1)</u>
PROFIT BEFORE TAXATION		125	3
Taxation	6	<u>(35)</u>	<u>23</u>
PROFIT FOR THE YEAR		<u>90</u>	<u>26</u>

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

The notes on pages 12 to 22 form part of these financial statements.

HUNTING BRAE LIMITED

BALANCE SHEET AT 31 DECEMBER 2008

	<u>Notes</u>	2008 £'000	2007 £'000
ASSETS			
Current assets			
Trade and other receivables	7	11,001	11,001
Cash and cash equivalents	8	<u>439</u>	<u>440</u>
		<u>11,440</u>	<u>11,441</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	(10)	(136)
Current tax liabilities		<u>(35)</u>	<u>-</u>
		<u>(45)</u>	<u>(136)</u>
Net assets		<u>11,395</u>	<u>11,305</u>
Shareholders' equity			
Share capital	12	11,000	11,000
Retained earnings	13	<u>395</u>	<u>305</u>
Total equity		<u>11,395</u>	<u>11,305</u>

Approved by the Board on 28 April 2009



P. Rose
Director

The notes on pages 12 to 22 form part of these financial statements.

HUNTING BRAE LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2008	11,000	305	11,305
Profit for the year	<u>-</u>	<u>90</u>	<u>90</u>
At 31 December 2008	<u>11,000</u>	<u>395</u>	<u>11,395</u>

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	<u>-</u>	<u>26</u>	<u>26</u>
At 31 December 2007	<u>11,000</u>	<u>305</u>	<u>11,305</u>

The notes on pages 12 to 22 form part of these financial statements.

HUNTING BRAE LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008 £'000	2007 £'000
Operating activities		
Profit (loss) from operations	102	(21)
Decrease in receivables	-	1
Decrease in payables	(126)	(3)
Taxation received	-	16
Net cash outflow from operating activities	<u>(24)</u>	<u>(7)</u>
Financing activities		
Interest received	23	25
Interest paid	-	(1)
Net cash inflow from financing activities	<u>23</u>	<u>24</u>
Net (outflow) inflow in cash and cash equivalents	(1)	17
Cash and cash equivalents at beginning of year	<u>440</u>	<u>423</u>
Cash and cash equivalents at end of year (note 8)	<u>439</u>	<u>440</u>

The notes on pages 12 to 22 form part of these financial statements.

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

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

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and those IFRS standards as adopted by the European Union and IFRIC interpretations, which are effective as at 31 December 2008.

The following Interpretations, which became effective for and were adopted during the year ended 31 December 2008, had no impact on the Company's results or financial position:

- IFRIC 11 – *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 12 *Service Concession Arrangements* is effective for the year ended 31 December 2008. Although the European Parliament has voted to endorse IFRIC 12, it has delayed implementation which is likely to be the year ended 31 December 2012. Therefore, IFRIC 12 has not been adopted.

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 2008:

- IFRS 8 *Operating Segments*
- IFRS 3 (revised) *Business Combinations*
- IAS 23 (revised) *Borrowing Costs*
- IAS 1 (revised) *Presentation of Financial Statements*
- Amendment to IFRS 2 *Share-based Payment on vesting conditions and cancellations*
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* on the Reclassification of Financial Assets
- IFRIC 13 *Customer Loyalty Programmes Relating to IAS 18 Revenue*

IAS 23 (revised) requires the Company to capitalise those borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The Company is currently in a net cash position and will acquire qualifying assets first with cash and thereafter with borrowings, so initially there will not be any borrowing costs to capitalise. The Company is currently unable to predict the cost of its qualifying assets in 2009 and therefore cannot predict the impact on the 2009 financial statements.

The following Standards, Interpretations and Amendments are effective subsequent to the year end, but have not yet been endorsed by the EU:

- IFRS 1 (revised) *First-time Adoption*
- IFRS 3 (revised) *Business Combinations*

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

1. ACCOUNTING POLICIES (continued)

- IAS 27 (revised) *Consolidated and Separate Financial Statements*
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* on Eligible Hedged Items
- Annual Improvements to IFRSs
- Amendment to IAS 32 May 2008 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements* on Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IFRS 1 *First Time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statements* on the Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- IFRIC 18 *Transfer of Assets from Customers*

It is anticipated that all other new requirements will not significantly impact on the Company's results or financial position.

1.2 Interest

Interest income and expense is recognised in the income statement using the effective interest method.

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.

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. If an obligation is not capable of being reliably estimated it is classified as a contingent liability.

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

1. ACCOUNTING POLICIES (continued)

1.5 Impairments

The Company assesses at least annually whether there have been any events or changes in circumstances that indicate that assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognised immediately in the income statement, unless the asset has previously been revalued, in which case the impairment is treated as a revaluation decrease.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

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.

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

1. ACCOUNTING POLICIES (continued)

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.

1.9 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.

1.10 Share Capital

The Company has three classes of Ordinary shares, which are all classified as equity.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2007: £nil). Remuneration received by P. Rose, 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 (2007: nil).

3. PROFIT (LOSS) FROM OPERATIONS

Auditors' remuneration of £2,000 (2007: £2,000) has been paid by Hunting PLC, ultimate holding company of Hunting Defence Limited, for services provided to the Company for the statutory audit of the accounts.

4. INTEREST INCOME

	2008 £'000	2007 £'000
Bank interest	23	24
Other interest	-	1
	<u>23</u>	<u>25</u>

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Other interest	<u>-</u>	<u>1</u>

6. TAXATION

	2008 £'000	2007 £'000
UK Corporation Tax:		
Current tax on income for the year	35	-
Adjustments in respect of prior years	<u>-</u>	<u>(23)</u>
Total tax charge (credit)	<u>35</u>	<u>(23)</u>

The tax charge (2007: credit) for the year is lower (2007: lower) than the UK standard rate for corporation tax of 28.5% (2007: 30%) for the following reasons:

	2008 £'000	2007 £'000
Profit before taxation	<u>125</u>	<u>3</u>
Taxation at the standard UK corporation tax rate of 28.5% (2007: 30%)	36	1
Adjustments in respect of prior years	-	(23)
Deferred tax movement not recognised	<u>(1)</u>	<u>(1)</u>
	<u>35</u>	<u>(23)</u>

Deferred tax assets of £2,334,000 (2007: £2,335,000) have not been recognised as realisation of the tax benefit on the tax losses is not probable.

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

7. TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
Current:		
Amounts owed by related parties	11,000	11,000
Other receivables	<u>1</u>	<u>1</u>
	<u>11,001</u>	<u>11,001</u>

At 31 December 2008, 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 (2007: 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.

8. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand	3	11
Short term bank deposits less than 3 months	<u>436</u>	<u>429</u>
	<u>439</u>	<u>440</u>

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

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

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

9. TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Current:		
Accruals	<u>10</u>	<u>136</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.

	2008			
	Loans and	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value
	£'000	£'000	£'000	£'000
Current assets:				
Amounts owed by related parties	11,000	-	11,000	11,000
Other receivables	1	-	1	1
Cash and cash equivalents	439	-	439	439
Current liabilities:				
Accruals	-	(10)	(10)	(10)
	<u>11,440</u>	<u>(10)</u>	<u>11,430</u>	<u>11,430</u>

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

10. FINANCIAL INSTRUMENTS (continued)

	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>

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.

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

11. FINANCIAL RISK FACTORS (continued)

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.

	On demand or within 1 year	
	2008	2007
	£'000	£'000
Non-derivative financial liabilities:		
Accruals	<u>10</u>	<u>136</u>

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 2008.

The sensitivity analysis has been prepared on the basis that the amount of cash and the ratio of fixed to floating interest rates of the debt remain unchanged at 31 December 2008.

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

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

11. FINANCIAL RISK FACTORS (continued)

In calculating this sensitivity analysis it was assumed that 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 1% (2007: 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:

	2008		2007	
	Income statement	Equity	Income statement	Equity
	£'000	£'000	£'000	£'000
UK interest rates +1% (2007: +0.5%)	3	-	2	-
UK interest rates -1% (2007: -0.5%)	(3)	-	(2)	-

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

12. SHARE CAPITAL

	2008	2007
	£'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	<u>1,980</u>	<u>1,980</u>
Allotted, issued and fully paid	<u>11,000</u>	<u>11,000</u>

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 votes.

13. RETAINED EARNINGS

	2008	2007
	£'000	£'000
At 1 January	305	279
Profit for the year	<u>90</u>	<u>26</u>
At 31 December	<u>395</u>	<u>305</u>

HUNTING BRAE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

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. Cash is monitored on a periodic basis and is managed by the control of dividend payments.

At the year end, capital comprised:

	2008 £'000	2007 £'000
Total equity	11,395	11,305
Net cash	<u>(11,439)</u>	<u>(11,440)</u>
Gross capital employed	<u>(44)</u>	<u>(135)</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 (2007: £5,610,000) on their interest free loan at the year end.

Kellogg Brown and Root Limited, a shareholder of the Company, owed the Company £3,410,000 (2007: £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 (2007: £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 (2007: £24,000).