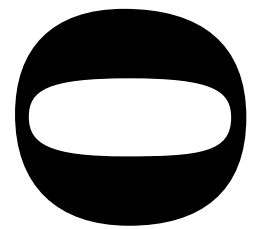
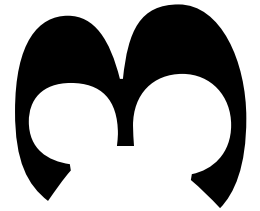


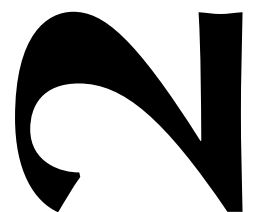
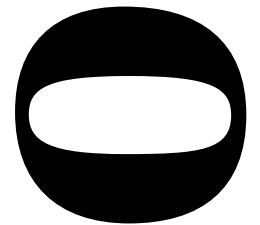
Financial Highlights

	%	2003	2002
Turnover	+26	£1,195 m	£951 m
Operating profit	+3	£25.2 m	£24.4 m
Profit before tax	+10	£21.1 m	£19.1 m
Basic earnings per share	+56	6.4p	4.1p
Ordinary dividends per share	+17	3.5p	3.0p



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Chairman's Statement

Profit before taxation for the year to 31 December 2003 was £21.1m, a 10% increase on the previous year.

2003 was a year when unusual market conditions prevailed. Despite high commodity prices, volume demand for oilfield products and services did not occur as oil and gas companies focused on return on capital rather than production growth. Accordingly, parts of the Group did not grow or experienced lower year on year results.

Gibson Energy's strong position in western Canadian midstream activities in liquid hydrocarbons, developed over more than fifty years, helped its marketing operation have a very satisfactory year. A long held strategic aim to acquire the outstanding minority shareholding in the company was finally achieved, which should give a good increase in future earnings attributable to ordinary shareholders.

Due to natural gas prices exceeding the 10-year average by 105% and the oil price exceeding its 10-year average by 44%, our Texas based Tenkay Resources had exceptional results from exploration and production activities.

Rig activity in the US exceeded the 10-year average by 31%, however the increase was not in Hunting Energy's market of deepwater, complex completion wells in the Gulf of Mexico. Its international operations were further impacted by the below normal rig count in the North Sea.

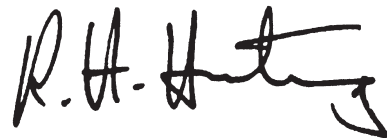
Demand for oil continued to rise particularly in China and oil tanker activity provided better than anticipated results for Gibson Shipbrokers.

We continue to keep the dividend policy under review in the light of current results and shareholders expectations and the future capital requirements of Hunting. Therefore we are recommending a final dividend of 2.25p per share, giving a total of 3.5p for the year, an increase of 17% over 2002.

The long-term fundamentals of the industries we serve are looking more positive than for some time and we continue to work hard to take full advantage of these trends.

I wish to record my appreciation of the outstanding efforts made by our staff throughout the world.

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Richard Hunting
Chairman

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Moose Jaw Asphalt's recently developed Delta V operating system.

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Chief Executive's Review

INTRODUCTION

In 2003 we benefited from our broad business mix and capitalised on higher oil and gas prices and improved activity in Canada and onshore USA, which helped us to offset continued challenges in the North Sea and the deepwater Gulf of Mexico. The global oil and gas companies, our primary customers, enjoyed the high commodity prices, yet continued in their mind-set of "wait and see" before investing in large projects. The industry we serve continues to focus on short-term production activities for improved – in some cases, record – returns. However, at year-end, global inventories of crude oil were at near record lows while at the same time industrialised economies are recovering from the 2001-2002 economic slowdown. Natural gas well completions in North America were up 12% yet industry experts believe a 2-3% production decline occurred.

As with many oil and gas service companies, we provide products and services that are often proprietary, high-margin, technically oriented and directed towards complex applications. Much of the activity increases were in low cost, shallow and quickly drilled wells. Many heavy oil projects in Canada were delayed due to high capital requirements and time considerations. Conversely, our Canadian acquisition strategy in Propane distribution delivered record volumes and profits during the year. Expanded marketing activities in Canada delivered, once again, exceptional results.

With the average oil price in 2003 at a 20-year high and gas prices at historical high levels, management expected better performance from certain divisions. However, with deepwater drilling in the Gulf of Mexico continuing to decline and the North Sea transition from major, integrated operators to independent exploration and production companies taking longer, significant assets were underutilised and inventories were slow to reduce. Conversely, our oil and gas production, tanker brokering, oil marketing and natural gas liquids distribution experienced much improved results.

We accept the conflicting challenges of our industry including high commodity prices, lower exploration budgets, reduced reserves and climatic and geopolitical influences. We have experienced management, strategic and proprietary assets, a global footprint and skilled employees to deliver our quality products and services.

Chief Executive's Review *continued*

BUSINESS DEVELOPMENT

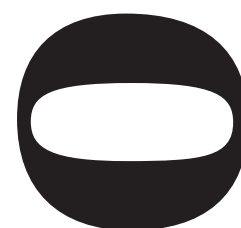
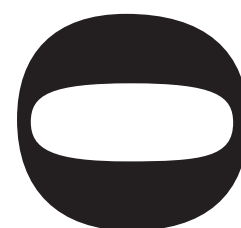
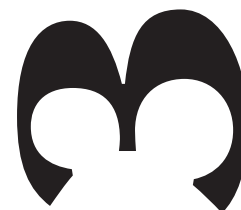
Close to our year-end, an agreement was reached with ChevronTexaco to acquire their minority shareholding in Gibson Energy for £43.7m. This earnings-enhancing transaction will enable the Group to better control its direction and growth.

In late December 2003, Gibson Energy completed the sale of the Rainbow Lake gas plant and its ownership interest in the Pouce Coupe gas plant for cash proceeds of £6.9m. We determined that the mid-stream gas business was non core for Gibson and that resources would be better focused on growing the Group's core businesses where higher returns are achievable.

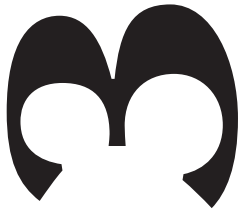
In the fourth quarter of 2003, Hunting Energy Services sold its ownership interest in Hunting Petrotube de Venezuela to its minority partner for net proceeds of £0.8m. The Venezuelan market continues to be geopolitically influenced, at most times, to the detriment of foreign owners.

HEALTH, SAFETY AND ENVIRONMENT

Management's commitment to health and safety and quality products gained further results in 2003. Gibson Energy's 54 facilities reported 45 with no lost time accidents. Its truck transportation group met the 15 August deadline for upgrading highway tankers to the Canadian B-620 standard for hauling dangerous goods. Four of the six of Hunting Energy's North American manufacturing facilities reported zero lost time accidents. The Aberdeen facility received the British Safety Council 5 Star Award



Hunting Energy in Canada has brought its operations together in one state of the art manufacturing facility in Calgary, Alberta.

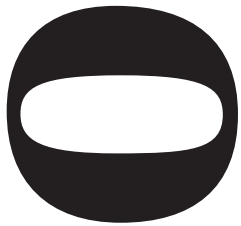


Chief Executive's Review *continued*

for the sixth year in succession as well as its prestigious Sword of Honour, a distinction offered to only 38 companies worldwide. Simply put, the company's Health, Safety and Environmental goals are – No accidents, No harm to people and No damage to the environment.

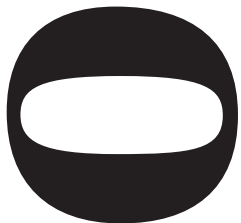
OPERATIONAL REVIEW

Turnover for the year increased to £1,195m from £951m with operating profit of £25.2m compared with £24.4m in 2002. Pre-tax profit increased to £21.1m from £19.1m and earnings per share increased by 56% to 6.4p per share (2002 – 4.1p).



GIBSON ENERGY	2003	2002
	£m	£m
Turnover	939.6	638.1
Operating Profit	13.6	11.7

Robust commodity prices, along with high activity levels in the Canadian oil and gas industry, contributed good results for Calgary, Alberta, based Gibson Energy. The recovery of drilling activity in Canada was at a record pace and focused on natural gas with new heavy oil completions in the second half. Conventional oil production volumes declined slightly in some areas but were offset by bitumen volumes from Athabasca and additional heavy oil production.



Marketing which accounted for 41% of Gibson's operating profit, performed exceptionally well throughout the year with a significant growth in turnover.

Operating profits grew 47% to £5.6m in 2003 from £3.8m in 2002. Strong crude oil prices sustained inventory values during the year and encouraged higher activity levels in many areas.

Blending economics experienced a volatile movement as the price of Canadian crude dropped steadily due to the strength of the Canadian dollar. A higher value of diluent challenged the value of heavy oil reflected by current and future high demand requirements.



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Proprietary mud motors are manufactured, serviced and leased by the company with a significant US market share.

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Chief Executive's Review *continued*

Truck Transportation recorded operating profits of £1.3m versus £2.5m in 2002. The recovery of activity which often lags industry drilling by six months did not occur until late fourth quarter. This profit deterioration was compounded by higher maintenance costs to upgrade truck trailers to meet regulatory changes for energy transport tanks.

Oil and Gas Operations contributed operating profits of £3.9m in 2003 compared to £3.1m in 2002, as volumes were steady throughout the year at both Hardisty and Edmonton. Towards year-end, the production of heavy oil Athabasca diluent/bitumen and synthetic blend increased at Hardisty. This trend is expected to continue into 2004. The results of gas operations were disappointing. All the gas-processing assets were sold when a strategic decision was made to redeploy capital into higher performing assets within the Group.

Canwest and Natural Gas Liquids (NGL) contributed £2.3m of operating profit for 2003 which was higher than the £1.7m in 2002 as Canwest Propane recorded their largest volumes to date with excellent margins. Volumes gained from the expansion and acquisition of business in British Columbia; both Vancouver Island and the lower mainland and interior regions, grew the business to new levels. NGL Marketing and the Hardisty Fractionation Plant were down from 2002 as the differential value for butane/condensate narrowed dramatically compared to historical averages.

Moose Jaw Asphalt incurred major capital expenditures for winterisation and year-round operations, which is expected to increase results in 2004. The volumes for the 2003 asphalt season were lower due to early seasonal weather and lower demand in northern US regions. This could not be made up before year-end 2003. Higher values for tops distillate and light oil offset some of the asphalt sales shortfall. Operating profit for 2003 was £0.5m versus £0.6m in 2002.

The continuation of high commodity prices into 2004 is expected to sustain current activity and market optimism. Capital redeployed from under performing areas should support strategies for future growth. The Canadian energy industry is forecast to be strong in the future and Gibson is positioned to capture midstream opportunities and sustain premium service.

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Chief Executive's Review continued

HUNTING ENERGY SERVICES

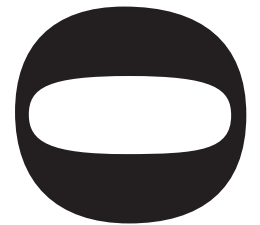
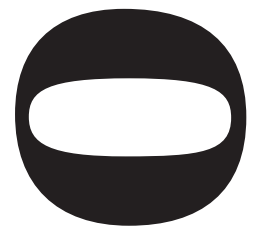
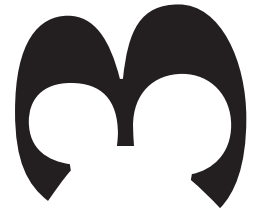
	2003	2002
	£m	£m
Turnover	168.6	233.9
Operating Profit	5.4	8.3

Hunting Energy Services, based in Houston, Texas, has a global, balanced mix of tubulars and ancillary components for supplies and services to the upstream oil and gas companies worldwide. With the exception of the deep water Gulf of Mexico and the North Sea, many operations had year on year improvement. The Gulf of Mexico average rig count in 2003 was 104, a 5% decline from 2002 and the lowest activity level since 1996. North Sea activity in the same period declined to an all time low primarily as a result of the transition from major oil companies to independent operators in the region. Historically, these two regions have represented a significant part of Hunting Energy's overall profitability and the under performance was not offset by other facilities and operations.

In North America, rig activities continued to improve throughout the year, primarily focused on natural gas drilling and shallow well completions. While operators are enjoying record profits, the service and supply industry continues to seek the momentum of improved pricing for its products and services. For Hunting Energy as well as many other operators in the industry, the non-linear impact of increased commodity prices on deep water drilling and hence on revenues and profits remains an issue.

In response to these challenges, Hunting Energy has cut costs, improved productivity and entered new markets through expanded product lines and increased geographical presence.

Tubular Products had a difficult year in 2003 caused by over supply, weak prices, increased levels of imports and low demand for seamless, high alloy products due to the slow deep water Gulf of Mexico and North Sea markets. Accordingly, revenues declined 33% reflecting lower activity and therefore lower sales of products used in high temperature, complex and deep completions. Operating profits were £0.3m compared to £0.9m in 2002. Toward year-end, prices improved driven by increases in raw material and energy costs coupled with increased prices from the steel mills. The declining value of the US dollar, coupled with the rising costs for scrap and shipping are starting to have an impact on the import penetration into North America for business planned



Gibson Energy transports crude oil from field to terminal throughout Northern Alberta.

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Chief Executive's Review *continued*

in 2004. This projected decline should assist North American manufacturers. The business continues to capture multi-year contracts with both major and independent operators. Proprietary connections within the tubular portfolio had an exceptional year due to new proprietary products introduced in 2002. Efforts continue in research and development to provide those products that are unique to Hunting Energy to yield significant cost savings to the operator.

Manufacturing operations benefited greatly from the 35% improvement in rig activity year on year and in the fourth quarter had the best performance since 2001. Operating profits were £3.4m versus £2.2m in 2002. Plant efficiencies and quality levels continue to improve with overall productivity increasing 10.3% over the prior year when measured in revenue per man-hour. The Trenchless Tubular division experienced a significant improvement year on year as much of North America's telecom industry regains its strength and financial commitment to fibre optic installations and last mile intra-city connections.

During the past two years, many competitors chose to exit the industry leaving the company with an increased market share in an improving market. The mud motor business for overall oil and gas drilling had an exceptional performance during the year increasing its US market share to 35%. With significant increases in gas drilling within the Rocky Mountain regions, the mud motor division expects continued improvements.

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International operations of Hunting Energy were impacted primarily by the slow activity in the North Sea. Operating profits declined to £1.7m from £5.2m in 2002. With exploration drilling having dropped to one-tenth of its 1990 peak and discoveries now averaging between 30-40 million barrels of oil equivalent, the transition from major oil and gas companies to major and minor independents is being influenced by capital availability and production expectations. At the same time, many potential new entrants to the UK are waiting to see how the early ventures perform. The North Sea is expected to have as

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Hunting Energy offers a balanced mix of premium connections, accessories and oil country tubular goods to the world's leading oil and gas companies.

Chief Executive's Review *continued*

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many reserves remaining as have already been taken out, so it is certainly a viable region for future oil service activity. In Southeast Asia, Hunting Energy's tubular joint venture with Tianjin Steel in China continues to improve as major contracts were awarded for products not only destined for China and Southeast Asia, but shipped to the Middle East. Expectations are for Southeast Asia to continue to grow as China is now the second largest importer of oil behind the US. Liquid Natural Gas projects continue to expand and Hunting Energy's manufacturing facilities in these regions are expected to benefit.

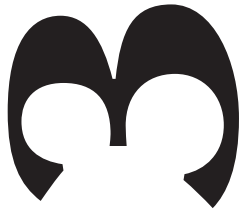
TENKAY RESOURCES

	2003	2002
	£m	£m
Turnover	10.4	6.9
Operating Profit	4.3	2.1

Increased levels of oil and natural gas production, in conjunction with very favourable product prices throughout the year, contributed to an outstanding 2003 for Texas based Tenkay Resources. On a Net Equivalent Barrel ("NEB") basis, production was up 9% over 2002 as a result of

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Tenkay Resources participates as a non-operator in drilling prospects offshore Louisiana and Texas.



Chief Executive's Review *continued*

successful drilling in the shallow waters of the Gulf of Mexico. Tenkay Resources participated in the drilling of 22 wells offshore Louisiana and Texas with 19 successes. A record level of oil and gas 517,000 bbls was produced over the twelve-month period, and at year-end, the reserves of oil and gas on an SEC basis were 2.1m NEB compared with 2.34m NEB at the end of the previous year. Several of the new offshore discoveries require platform and pipeline facilities that are scheduled to be completed in the first half of 2004.

E. A. GIBSON SHIPBROKERS	2003	2002
	£m	£m
Turnover	14.9	11.8
Operating Profit	1.8	0.9

Strong first and fourth quarters in the oil sectors were complimented by record-breaking returns in dry cargo during the second half of the year for London based E. A. Gibson.

Sale and Purchase prospered with increased activity which was bolstered by an extensive re-entry into new ship building contracts in China and Korea.

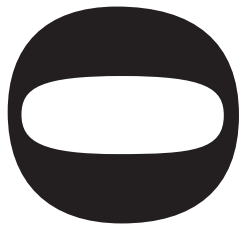
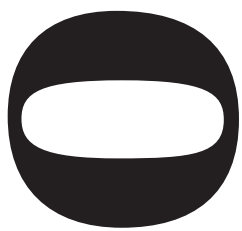
E. A. Gibson's expansion continued in a joint venture with a Dubai based shipbroker now renamed "Gibson AGB". Also, the acquisition of B. E. Moors gives the company an entry into the growing chemical and 'veg' oil tanker sectors of the market.

HUNTING ENERGY FRANCE	2003	2002
	£m	£m
Turnover	11.4	9.9
Operating Profit	0.7	0.4

Hunting Energy France had an operating profit improvement of 75% in 2003 over 2002. The Roforge acquisition continued to exceed expectations and confirmed the importance of this 2002 acquisition. The result in 2003 also benefited from management reorganisation in its key division.

OTHER	2003	2002
	£m	£m
Turnover	50.5	50.7
Operating (Loss) Profit	(0.6)	1.0

Hunting Industrial Coatings results declined in overall activity for 2003, but its pipeline rehabilitation operation continues to show significant growth opportunities in the ageing pipeline



Chief Executive's Review *continued*

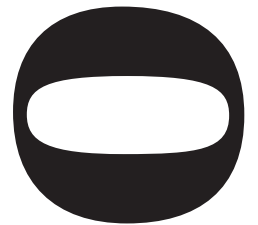
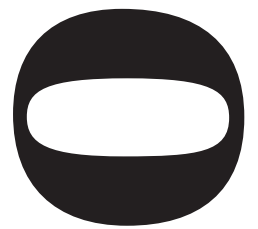
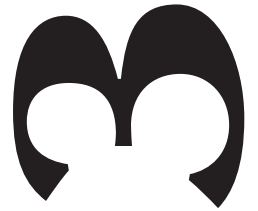
infrastructures throughout the US and Europe. It was burdened with the loss of a major account for coatings in the UK and has yet to replace that important customer activity.

Aero Sekur in Italy exceeded expectations and was profitable for the year 2003. The excellent turnaround performed by the management over the last two years is a result of restructuring and improvement in the product range and the Italian Ministry of Defence requirements.

Field Aviation in Canada experienced a 50% increase in operating profits in 2003 due to a strong performance in its parts manufacturing, military contract services and specialised aircraft modifications. It had its best year since 1997, even though the general air transport industry continues to be depressed. The company's diversity and focus on each market has allowed it to remain profitable and expand its offering of products and services throughout the aircraft industry.

OUTLOOK

The early industry consensus is for a modest 5% overall improvement in activity for 2004. Oil and gas prices have clearly shown continued strength while supplies of both products remain at historical lows in an environment of increasing demand. The current weakness of the US and Canadian dollars against sterling will impact the Group results. However, Hunting Energy in the North Sea should show modest improvements while the Gulf of Mexico is expected to complete upwards of 10% more wells in 2004. Southeast Asia and China have enjoyed seven-year highs in terms of rig activity with continued strength expected in 2004. Canada, having reached its peak of gas production in 2002 should see continued strength for natural gas exploration. Gibson Energy will continue to focus on its marketing and transportation expertise, as certainly oil and gas pricing will remain volatile. Year-end crude oil hauling contracts continue into 2004. Exploration and production activities in Tenkay Resources will see the benefits from a very successful drilling program last year with expectations for sustained pricing and completion successes.



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Chief Executive's Review *continued*

The Company's strategy of harvesting its existing assets, minimising capital expenditure and maximising free cash flow thereby reducing debt will be at the forefront of management objectives. In some areas, we recognise the historical relationship between oil and gas prices and service company activity has broken down. Management will continue to allocate resources and personnel toward those activities expected to provide better returns while lowering costs and providing greater utilisation of assets.

In summary, while we expect to meet or exceed the prior year result, we accept that currency fluctuations and a renewed customer focus on production growth will have a significant bearing on our performance. The US and certain world economies are improving, oil prices seem likely to remain at high levels, strong natural gas pricing appears sustainable throughout the year and oil and gas supply demand balance is calling for more production and drilling. We welcome 2004 and the opportunities for value creation from our assets and skilled personnel.



Dennis Proctor
Chief Executive

Gibson Energy's fractionation plant converts natural gas liquids into commercial components.

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High Specification gas-lift sub assemblies manufactured in Hunting Energy's Calgary, Alberta plant, for the burgeoning Canadian energy market.

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Finance Director's Review

The market conditions in which Group companies operated and their trading performance during the year ended 31 December 2003 are described in the Chairman's Statement and the Chief Executive's Review.

Although Oil and Gas prices were higher than during 2002, lower levels of activity for Hunting Energy Services restricted the growth in the Group's pre-tax profit to 10%.

In the first six months of 2003 operating profit was £10.9m compared with £10.8m with pre-tax profits of £8.4m compared with £8.1m in the corresponding period of 2002. Following an improvement in trading in the second half of the year operating profit increased to £25.2m for the full year (2002 – £24.4m) with a pre-tax profit of £21.1m compared to £19.1m in 2002.

On 19 December 2003 the 36% of Gibson Energy not owned was purchased for £43.7m. This acquisition will be earnings enhancing in future years.

Earnings Per Share

Basic Earnings Per Share increased to 6.4p (2002 – 4.1p) on an average of 101.0 million shares in issue during the year.

Exchange Rates

Whilst the US Dollar weakened during the year, particularly in the later months, the Canadian Dollar strengthened compared with 2002. For the year the US Dollar averaged 1.64 (2002 – 1.50) and the Canadian Dollar 2.29 (2002 – 2.36). Year-end rates for the US Dollar and Canadian Dollar were 1.78 (2002 – 1.60) and 2.30 (2002 – 2.53) respectively.

Taxation

The taxation charge for the year was £7.3m giving an effective rate of 34.6% (2002 – 38.7%). The majority of this charge is deferred tax relating to Gibson Energy resulting from the deferral of current tax on its profits. The reduction in the effective rate is largely due to the effect in Canada of the change in corporate structure together with decreasing rates of taxation.

Equity Minority Interests

Equity minority interests reduced to £3.2m (2002 – £40.5m) of which £27.5m was attributable to the purchase of the minority interest in Gibson Energy.

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Finance Director's Review continued

Financing and Risk Management

The Group's centralised Treasury is a service centre with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency and interest rate exposures and investment of surplus cash. The policies and procedures covering oil and gas price exposure managed by Gibson Energy are approved by the Board. There are strict controls on these policies and procedures.

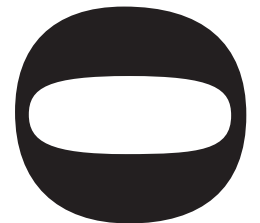
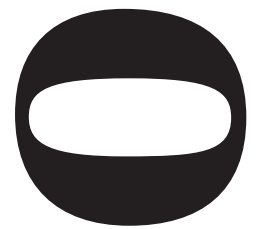
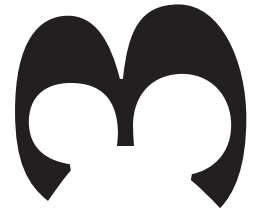
New committed multi-currency borrowing facilities, totalling £41.5m, were arranged in 2003 with the Group's core relationship banks. Of these facilities £11.5m mature in September 2004 and £30m mature in October 2006. These together with other committed facilities of £120m, Private Placement Notes of US\$50m, and other borrowing lines provide total facilities of £233m, £190m of which are committed. At 31 December 2003 £142m were drawn. The aggregate facilities provide the Group with sufficient liquidity to meet anticipated future requirements.

Currency Options are used to reduce currency risk movements on the Group's results, by hedging approximately 50% of each year's budgeted Canadian and US Dollar earnings into Sterling. Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency.

Forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies.

Fluctuations in the selling price of crude oil inventories are managed by using futures, swaps and options.

Interest expense is hedged by using interest rate swaps, interest rate caps, forward rate agreements and currency swaps. These instruments protect against adverse movements in interest rates. At the year-end interest rate swaps and caps covered 50.4% of net borrowings.



At Gibson Energy, customers are able to access their haul and online billing information seven days a week, twenty-four hours a day.

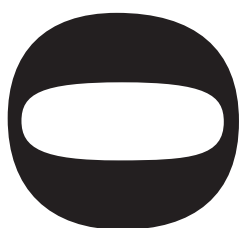


Finance Director's Review continued

Net interest payable was £4.1m (2002: £5.3m) which was 6.1 times covered.

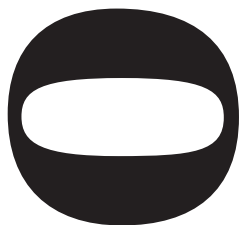
Surplus short-term cash is invested with approved banks or in AAA rated Money Market Funds.

Information on the Group's use of derivatives and other financial instruments is provided in note 24 to the financial statements.



Dividends

An interim dividend of 1.25p per share (2002 : 1.0p) was paid on 25 November 2003. A final dividend of 2.25p per share payable on 29 June 2004 to shareholders on the Register at 11 June 2004 is now proposed giving a total of 3.50p for the year.



Cash Flow

Free cash flow that is cash flow before capital expenditure, acquisitions and ordinary dividends, increased to £38.6m compared to £21.4m in 2002. Working capital reduced by £1.3m following a decrease in creditors of £10.2m being more than offset by a decrease in inventories and debtors of £11.5m.

Capital expenditure was below the previous year at £28.2m (2002 – £32.5m). £12.2m was in Gibson Energy, £6.8m in Tenkay Resources and £7.0m in Hunting Energy Services. In total £17.2m was replacement capital and £11.0m new business expenditure.



Net debt increased during the year to £126.6m from £97.6m following the acquisition of the Gibson Energy minority shareholding for £43.7m. Gearing, defined as net debt as a percentage of shareholders' funds and minority interest, increased to 77% from 50%.

Finance Director's Review *continued*

Pensions

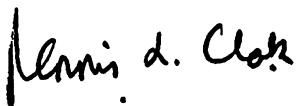
The Group continues to account for pensions under SSAP 24 'Accounting for Pension Costs'. The additional pensions disclosure required by the transitional arrangements of FRS 17 'Retirement Benefits' is given in note 36 on pages 61 to 63 to the financial statements. A review of the financial position of the Group's UK Defined Benefit Scheme ("the Scheme") as at 5 April 2003 was undertaken and details of the assumptions and the results are shown in note 36. Included in the Consolidated Balance Sheet at 31 December 2003 is £21.7m representing the pension prepayment on a SSAP 24 basis (£15.2m net of deferred tax). The funding position of the UK Defined Benefit Scheme under FRS 17 principles shows that at 31 December 2003 assets exceeded liabilities by £18.5m. The Scheme remains funded on both a SSAP 24 and a FRS 17 basis. On 31 December 2002 the Scheme was closed to new UK employees who are now offered membership of a defined contribution scheme.

International Financial Reporting Standards ("IFRS")

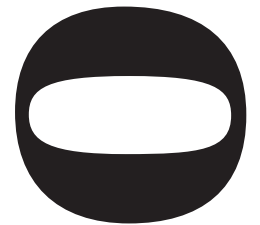
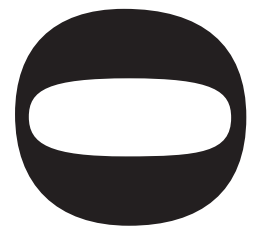
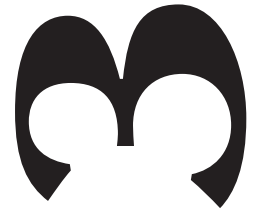
The Group is preparing for the adoption of IFRS in 2005. This includes a detailed comparison of the Group's existing accounting policies with IFRS and an evaluation of the impact on the financial statements in terms of presentation and reported performance.

Going Concern

The Directors, after making enquiries and on the basis of current financial projections and the facilities available, believe that the Company and the Group have adequate financial resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



Dennis Clark
Finance Director



3

Board of Directors

CHAIRMAN

RICHARD HUNTING²
Was elected an executive Director and Deputy Chairman on the formation of Hunting PLC in 1989 and has been Chairman of the Board since 1991. Chairman of the Nominations Committee. He is a non-executive director of Yule Catto & Co plc. Age 57

O

CHIEF EXECUTIVE

DENNIS PROCTOR²
Was appointed a Director in 2000 and Chief Executive in 2001. He was chief executive of Hunting Energy Services from March 2000 after joining the Group in 1993. He is based in Houston, Texas and has held senior positions in the oil services industry in Europe, Iran and Canada as well as in the US. Age 51

O

FINANCE DIRECTOR

DENNIS CLARK
Was appointed Finance Director of Hunting PLC in 1989 upon its formation. He is a non-executive director of Business Post Group PLC. Age 60

EXECUTIVE DIRECTOR

TERRY GOMKE
Was appointed a Director in 2000. He joined Gibson Energy in Canada in 1984 where he is chief executive following a career with Hudsons Bay Oil & Gas. Age 51

2

NON-EXECUTIVE DIRECTORS

IAIN PATERSON^{1,2,3}
Was appointed a non-executive Director in 2000 and is chairman of the Audit Committee and is the senior independent Director. He is a non-executive director of Paladin Resources plc and MOL Rt, the integrated Hungarian energy company, chairman of ITE Group plc and Sondex plc. He was international director at Enterprise Oil plc. Age 56

GEORGE HELLAND^{1,2,3}

Was appointed a non-executive Director in 2001 and is chairman of the Remuneration Committee. A U.S. citizen based in Houston, Texas, he was Deputy Assistant Secretary in the U.S. Department of Energy from 1990 to 1993. He is a senior associate with Cambridge Energy Research Associates (CERA) of Cambridge, Massachusetts, a director of the NS Group of Newport, Kentucky and a director of Gas Turbine Corporation of Houston, Texas. Age 66

HECTOR McFADYEN^{1,2,3}

Was appointed a non-executive Director in 2002. A Canadian citizen based in Calgary, Alberta with over 30 years experience in the Canadian oil and gas industry. He was a senior executive with Alberta Energy Company Ltd now EnCana Corporation and was president of AEC Pipelines L.P. He is a director of Computershare Trust Company of Canada, Harvest Operations Inc. and Aluma Systems. Age 60

From left to right, Iain Paterson, Hector McFadyen, Richard Hunting, Dennis Proctor, George Helland, Dennis Clark, Terry Gomke.

¹ Member of the Audit Committee ² Member of the Nominations Committee ³ Member of the Remuneration Committee

Report of the Directors

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

Activities

The Company is an industrial holding company, whose subsidiaries are primarily involved in international oil services. The Group's activities and prospects are reviewed in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review on pages 2 to 19. Details of the Company's principal subsidiary, joint venture and associated undertakings are set out on pages 65 and 66.

Results

The results of the Group are set out in the Consolidated Profit and Loss Account on page 40.

Dividends

On 25 November 2003 an interim dividend of 1.25p per Ordinary share was paid (2002: 1.0p). The Directors recommend a final Ordinary dividend of 2.25p per share (2002: 2.0p) payable on 29 June 2004 to shareholders on the register at 11 June 2004. This, together with the interim dividend referred to above, makes a total dividend per Ordinary share for the year of 3.5p (2002: 3.0p).

Directors

Brief biographies of the Directors are shown on page 20.

In accordance with the Articles of Association, D. L. Proctor and I. S. Paterson retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party. Directors' interests in the shares of the Company are shown on pages 30 and 31. As at 31 December 2003, no Director of the Company had any beneficial interest in the shares of its subsidiary companies.

Directors' and Officers' Liability Insurance

The Company 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.

Principal Acquisitions and Disposals

On 18 December 2003 the Group's 75% subsidiary, Hunting Petrotube de Venezuela, was sold for £0.8m cash.

On 19 December 2003 the Group acquired all the shares in Gibson Energy not already owned for £43.7m payable in cash.

On 22 December 2003 Gibson Energy sold its interests in the Rainbow Lake and Pouce Coupe gas plants for £6.9m cash.

Report of the Directors continued

Substantial Interests

As at 4 March 2004, substantial interests in the Ordinary shares of the Company, other than Directors' interests, notified to the Company in accordance with Sections 198 to 208 of the Companies Act 1985, were as follows:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
The Capital Group Companies, Inc.	(i)	16,319,450	16.15
Hunting Investments Limited	(ii)	10,884,743	10.77
Prudential PLC	(iii)	10,444,000	10.33
FMR Corp. and Fidelity International Ltd	(iv)	10,106,248	10.00
Slaley Investments Limited		6,411,679	6.35
F. Godson – as trustee	(v)	6,290,049	6.23
D. R. L. Hunting		199,910	
– other beneficial	(vi)	2,484,583	
– as trustee	(v)	3,286,422	
		<hr/>	
		5,970,915	5.91
J. A. Trafford – as trustee	(v)	4,799,361	4.75
Legal and General Management		3,826,060	3.78

Notes:

- (i) The interest is held by affiliates.
- (ii) Included in the holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited. Neither of these companies are owned by Hunting PLC, either directly or indirectly.
- (iii) The interest is held by certain of its subsidiaries.
- (iv) The interest is held by direct and indirect subsidiaries.
- (v) After elimination of duplicated holdings, the total Hunting family trustee interests shown above amount to 7,289,548 Ordinary shares.
- (vi) These interests arise because D. R. L. Hunting and his minor children are or could become beneficiaries under the relevant family trusts of which D. R. L. Hunting is a trustee.

Corporate Social Responsibility

The Company acknowledges and is committed to its corporate social responsibility in the areas in which it operates. Its contribution and involvement is determined by the custom and best practice in those locations and is monitored and reviewed by the Board as more fully explained within the Corporate Governance Report. Specifically further details of the Board's policies and practices on employment, health and safety and the environment are set out below.

Employment

The Group recognises that its success and reputation is dependent upon the efforts and the integrity of its employees. It encourages an awareness of the financial and economic factors affecting the performance of the Company and consults with employees to the degree relevant to local conditions.

- As a responsible employer, full and fair consideration is given to applications for positions from disabled persons and to their training and career advancement. Every effort is made to retain in employment those who become disabled.

Report of the Directors *continued*

- Health & Safety training is encouraged from the outset, as is individual career development.
- Communication is conducted through a variety of media including the bi-annual Hunting Review which is available to all employees.

The Group operates in many locations throughout the world and is committed to meeting or exceeding compliance with all prevailing laws, regulations and industry standards.

Health & Safety

The Group is committed to achieving the highest standards of safety for its employees and the public. All subsidiaries target continuous improvement to their Health & Safety standards.

- Regular reviews and audits are conducted to assure compliance with prevailing standards and legislation.
- Accreditation is sought and procedures are aligned with long standing company programmes to internationally recognised Quality Assurance standards.
- Monitoring is a management task that is documented and reported at each board meeting.

Recognition for achievement in health, safety and environmental standards is referred to in the Chief Executive's Review on pages 4 to 14.

Group policies, business strategy, planning and decision-making take account of local Health, Safety, Environmental and Employee implications. These considerations are recorded and reviewed regularly.

Environment

The Group will continue to look for opportunities and adopt practices that create a safer and cleaner environment. It is particularly sensitive to the challenges for the industry in which it operates. As a service provider it is difficult to monitor all or any impact from its activities, but the Group remains firmly of the opinion that sustainable development is in the interest of all parties.

- Policies and procedures are in place so that any adverse affects on the environment are reduced to a practicable minimum.
- The Group encourages the reduction of waste and emissions, the promotion of recycled materials and use of renewable resources.
- Each operating unit develops and implements its own procedures and conducts structured reviews to ensure that they are maintained and refined.
- Employees are encouraged to pay special regard to environmental concerns in the communities in which the Group operates.

Report of the Directors continued

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount incurred and written off by the Group during the year was £1.1m (2002: £0.6m).

Charitable and Political Contributions

During the year the Group donated £24,000 (2002: £25,000) to UK charitable organisations and £95,000 (2002: £81,000) to overseas charities. No UK political donations were made (2002: £Nil).

Tangible Fixed Assets

Details of movements in tangible fixed assets are shown in note 13 to the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held on 27 April 2004 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS commencing at 10.30 am. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders on the Register of Members of the Company on 25 April 2004 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of securities after then shall be disregarded in determining the rights of any person to attend or vote at the Meeting. The Notice of the Annual General Meeting accompanies this document.

Purchase of Own Ordinary Shares

The Directors are authorised to make market purchases of the Company's Ordinary shares under an authority granted by the Annual General Meeting held on 30 April 2003. No purchases were made under this authority during the year. In accordance with ABI Investor Protection Guidelines, the maximum number of Ordinary shares which may be acquired is 10% or less of the Company's issued Ordinary shares as at 4 March 2004. The Directors will seek the renewal of this authority at the 2004 Annual General Meeting in Resolution 7 in accordance with in the Company's Articles of Association.

The Directors have no immediate intention of exercising the authority but they will keep the matter under review. Purchases will only be made if they result in an expected increase in earnings per share and will take into account other available investment opportunities, appropriate gearing levels and the overall position of the Company. Any shares purchased in accordance with this authority will subsequently be cancelled. The total number of options to subscribe for shares that were outstanding as at 4 March 2004 was 9,389,603, being 9.29% of the issued share capital. If the authority to purchase shares is used in full, the proportion of issued share capital represented by this number of options would amount to 10.33%.

Policy on Payment of Creditors

The Company's and Group's policy is to pay all creditors in accordance with agreed terms of business. The Company itself has no substantial trade creditors. The total amount of Group trade creditors falling due within one year at 31 December 2003 represents 32 days worth, as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Report of the Directors *continued*

Share Capital

Details of the movements in the Company's share capital are shown in note 26 to the financial statements.

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 to be held on 27 April 2004.

By order of the Board
D. L. Clark FCCA
Secretary
4 March 2004

The Remuneration Committee's Report

Remuneration Committee

The Remuneration Committee of the Board ("the Committee"), which met six times in 2003, comprises the non-executive Directors of the Company.

G. A. Helland (chairman), I. S. Paterson and H. J. McFadyen all served throughout the year. The Committee is responsible for determining in particular the remuneration of the Chairman and executive Directors, including the setting of annual performance targets and participation in the executive share option plans.

During the year Hewitt Bacon & Woodrow, who were appointed by the Committee, provided advice and assistance on Directors' remuneration, executive incentive plans, Share Scheme matters and consulted with the Chief Executive. The Company received advice on various remuneration matters during the year from Mellon Human Resources & Investor Solutions.

The Board determines fees payable to the non-executive Directors who do not participate in the Group's share plans or receive any other benefits.

The constitution and operation of the Committee during the year has complied with the Combined Code's guidance on Directors' remuneration, except for the recommended period of notice for executive Directors as referred to below.

Remuneration Policy

The Company's policy on remuneration aims to ensure that the individual rewards and incentives are competitive and appropriate to attract, motivate and retain executives of high ability, experience and commitment.

The executive Directors' remuneration packages consist of an annual salary, health cover, and where appropriate, car and fuel benefits, life and disability insurance, an annual performance linked cash bonus plan, pension contributions and participation in performance linked share plans. Performance targets are established to achieve consistency with the interests of shareholders with an appropriate balance between long and short-term goals.

Basic salaries are reviewed annually. In considering appropriate salary levels the Committee takes into account the remuneration paid by comparable companies in terms of asset size, sales, profits, the number of employees, market capitalisation and the complexity and international spread of the Group's operations as well as applicable rates of inflation. The Company's practice is to target basic salaries at the mid-market level in the appropriate market for the executive position. In determining executive salaries consideration is given to their experience and general performance level.

In 2003 an annual performance linked cash bonus scheme was in place for the executive directors. The scheme, which is not pensionable, is designed to provide an incentive and reward for performance and reflects the competitive markets in which the Group conducts its business.

D. L. Proctor and D. L. Clark are eligible for a bonus under the scheme when 80% of the Group budgeted pre tax profit is achieved. Below this level no bonus is payable. The amount payable under the scheme when performance achieves the budgeted profit before tax and return on capital targets, is 65% of base salary for D. L. Proctor and 50% of base salary for D. L. Clark. When actual results achieve 120% of these performance targets D. L. Proctor and D. L. Clark are entitled to a maximum cash bonus of 130% and 100% of base salary respectively.

T. W. Gomke has a similar scheme based on the same percentages as set out above for D. L. Clark. However his entitlement is based on the results of Gibson Energy.

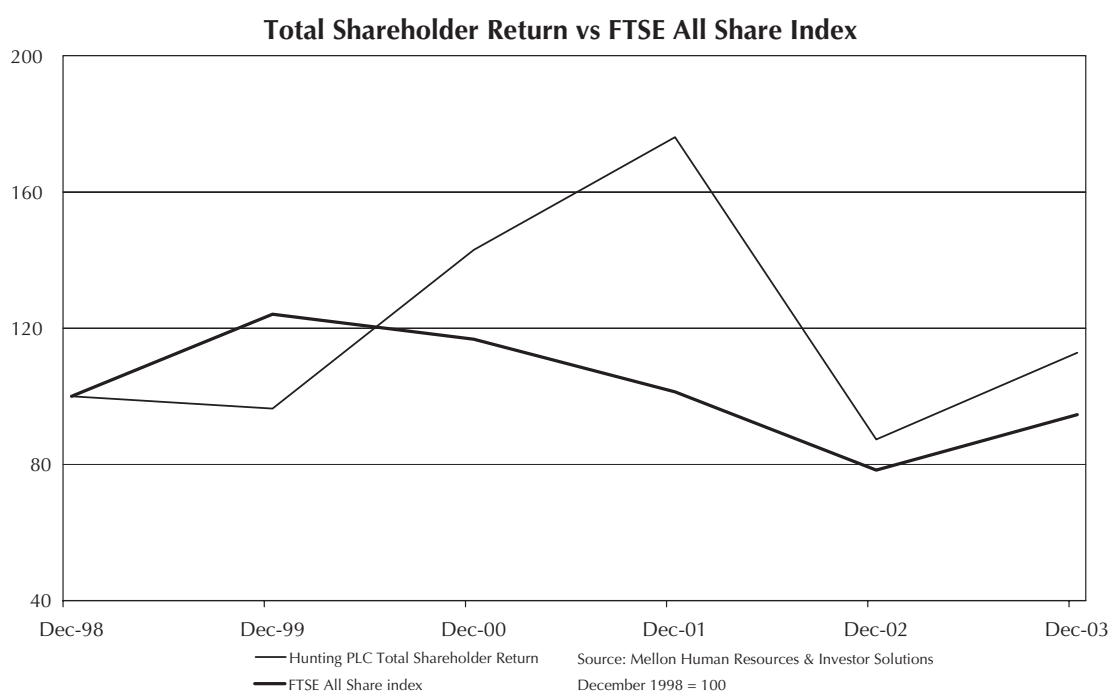
R. H. Hunting has no bonus entitlement and his remuneration and that of the non-executive Directors is wholly non-performance related.

The Remuneration Committee's Report *continued*

Performance graph

The graph below compares the total shareholder return for an investment in Hunting PLC Ordinary shares with the return for the same investment in the FTSE all share index commencing on 31 December 1998.

In the opinion of the Directors, and due to the Group's past trading activities spanning a broad range of industrial sectors, the FTSE All Share Index is currently the most appropriate index against which the total shareholder return of the Company should be measured.



Directors' Service Contracts

The Company's policy on executive Directors' contracts is to comply with the guidance in the Combined Code. D. L. Proctor's contract is in compliance with that guidance. T. W. Gomke's contract pre-dates this policy and presently the Remuneration Committee does not consider it appropriate to seek to amend his contract which is in accordance with Canadian practice. The contracts of D. L. Clark and R. H. Hunting have, with effect from 1 March 2004, been modified to reduce the Company's notice period to a one year rolling period.

All the Directors' Service Agreements contain standard provisions allowing the Company to terminate summarily for cause, such as gross misconduct.

D. L. Proctor entered into an Employment Agreement with Hunting Energy Services Holdings Inc, formerly Hunting Oilfield Services Holdings Inc, a wholly owned subsidiary of the Company, on 7 February 2001. This Agreement is governed by the laws of the State of Delaware, USA. Under the terms of the Agreement both Hunting Energy Services Holdings Inc and D. L. Proctor are required to give one year's notice of termination.

The Remuneration Committee's Report continued

The Agreement contains a pay in lieu of notice clause which provides for payment of base salary, performance bonus and vacation pay based on an annual entitlement of four weeks. There are special provisions on a change of control. These provide for payment of one year's base salary together with an amount equal to the average performance bonuses paid in the previous two years. In addition, D. L. Proctor would be entitled to continue to participate in the group insurance programmes for one year following the change of control and, unless otherwise provided in the relevant option agreement, all stock options and stock based awards granted to him will become exercisable at the date of the change of control and will remain exercisable for one year.

R. H. Hunting and **D. L. Clark** both entered into Service Agreements with the Company on 15 December 1989. These were amended as outlined above effective 1 March 2004 whereby both the Company and the Directors are required to give one year's notice of termination.

Under the terms of the Service Agreements, the Company reserves the right to pay them in lieu of notice (whether given by the Company or by them). The payment in lieu comprises salary only for R. H. Hunting and salary and bonus only for D. L. Clark. The Company also has the option to put R. H. Hunting and D. L. Clark on paid leave of absence on payment of a sum equivalent to salary for R. H. Hunting and salary and bonus for D. L. Clark (based on the previous 12-month period), subject to them complying with the terms of the Service Agreement. These conditions also apply on termination following a change of control except that R. H. Hunting would in addition to the payment of one year's gross salary, receive an enhancement to his pension benefits that would result from an additional year's service.

T. W. Gomke has an Employment Contract with Gibson Energy Ltd ("Gibson") entered into on 20 May 1999. This contract is governed by the laws of the Province of Alberta and the federal laws of Canada. Under the terms of the contract, T. W. Gomke is generally required to give 180 days notice of termination. However, if he resigns to join an organisation which is not a direct competitor of Gibson, he is only required to give 90 days notice. If, at the time he resigns, a bonus has been declared but not paid to him, he shall be entitled to be paid such bonus. If the bonus has not been declared at the date of resignation, he shall have no entitlement to it.

Gibson may terminate the contract at any time without prior notice. However, Gibson would have to pay T. W. Gomke twice his annual salary, being his base salary, vehicle allowance, regular remuneration (excluding health insurance benefits and bonus) and a 10% gross up on his base salary in lieu of benefits. If the bonus has been declared at the date of termination, but not paid, it remains payable. In addition, he would be entitled to receive two further years bonuses. These would be payable at the same time as bonuses for those years are paid to other executives and shall be calculated using the same percentage of pre-tax profits applied to him in the year prior to the termination of his employment. Any payments made under these provisions will be subject to mitigation. Special termination provisions apply where there is a change of control or where T.W. Gomke terminates the contract within 90 days of a material breach or material change to the terms of his contract without his consent. In such circumstances, he would be entitled to twice his annual salary (as described above) and twice the average bonus paid to him in the previous two years. No reduction for mitigation would be applied in this case.

The Remuneration Committee's Report *continued*

Non-executive Directors are initially appointed for a three year term. I. S. Paterson's contract was renewed for a second three-year term on 13 June 2003.

Details of their service contracts are as follows:

	Contract date	Unexpired term from 4 March 2004
G. A. Helland	1 October 2001	7 months
H. J. McFadyen	4 September 2002	18 months
I. S. Paterson	6 June 2000	27 months

In the event of the early termination by the Company of the non-executive Directors' service contracts the Company is liable for payment of the unexpired term.

As required by the Companies Act 1985 the sections of this Report entitled Emoluments, Directors' Options over Ordinary Shares, Pensions and Directors' Pension Benefits have been audited.

Emoluments

In the year to 31 December 2003, the highest paid Director received total emoluments of £443,000 as shown below:

Emoluments received by each Director during the year were as follows:

	Salary and fees £000	Bonus £000	Benefits £000	2003 Total £000	2002 Total £000
Executive directors					
R. H. Hunting	140	–	13	153	142
D. L. Proctor	294	128	21	443	311
D. L. Clark	250	37	17	304	226
T. W. Gomke	200	96	11	307	195
Non-executive directors					
G. A. Helland	28	–	–	28	26
H. J. McFadyen	26	–	–	26	6
I. S. Paterson	28	–	–	28	27
A. R. Fryer (retired 19 September 2002)	–	–	–	–	20
	966	261	62	1,289	953

Benefits comprise mainly company car benefits and medical cover.

In 2003 D. L. Clark waived entitlement to part of his bonus with the Group making a discretionary pension payment of £111,806.

Prior to his appointment as a Director, T. W. Gomke received an interest free loan from Gibson Energy. Repayments during the year of C\$4,800 have been made and at 31 December 2003 the amount outstanding was C\$85,600. The maximum amount outstanding during the year was C\$90,400. The interest benefit is included within "Benefits" in the Directors' emoluments table above.

The Remuneration Committee's Report continued

Directors' share interests

The interests of Directors in the issued Ordinary shares and Convertible Preference shares of the Company, as required to be notified by each Director pursuant to Section 324 of the Companies Act 1985, were as follows:

	31 December 2003		31 December 2002	
	Ordinary shares of 25p	Convertible Preference shares of £1	Ordinary shares of 25p	Convertible Preference shares of £1
Executive directors:				
R. H. Hunting	708,268	184,333	708,268	184,333
other beneficial*	–	–	1,558,620	246,114
as trustee*	1,483,979	256,604	52,694	15,000
D. L. Proctor	76,500	–	76,500	–
D. L. Clark	110,203	–	110,203	–
T. W. Gomke	77,350	–	77,350	–
Non-executive directors:				
G. A. Helland	15,000	–	15,000	–
H. J. McFadyen	20,000	–	–	–
I. S. Paterson	2,000	–	2,000	–

Notes:

* As a result of the reorganisation of Family Trusts, the circumstances under which R. H. Hunting maintained a beneficial interest no longer exist.

Directors' outstanding options to acquire Ordinary shares are shown below.

There were no changes in the interests of the Directors in the issued shares of the Company between 31 December 2003 and 4 March 2004.

The market price of the Ordinary shares at 31 December 2003 was 106.6p. The highest and lowest mid market prices during the year were 120.0p and 60.0p respectively.

The Remuneration Committee's Report *continued*

Directors' Options over Ordinary Shares

As at 31 December 2003, the following Directors had outstanding options to acquire Ordinary shares of the Company under the share option schemes described in note 26 to the financial statements.

		Options at start of year	Options granted	Options exercised	Options at end of year	Exercise price p	Date from which exercisable	Expiry date
D. L. Proctor	(i)	399,036	–	–	399,036	207.5	28.03.04	27.03.11
	(i)	169,832	–	–	169,832	179.0	15.04.05	14.04.12
	(i)	–	391,716	–	391,716	84.5	14.03.06	13.03.13
D. L. Clark	(i)	226,024	–	–	226,024	207.5	28.03.04	27.03.11
	(i)	100,559	–	–	100,559	179.0	15.04.05	14.04.12
	(i)	–	236,391	–	236,391	84.5	14.03.06	13.03.13
T. W. Gomke	(i)	200,964	–	–	200,964	207.5	28.03.04	27.03.11
	(i)	90,503	–	–	90,503	179.0	15.04.05	14.04.12
	(i)	–	192,130	–	192,130	84.5	14.03.06	13.03.13
	(ii)	50,000	–	–	50,000	205.0	24.11.98	23.11.05

Notes

(i) Denotes 2001 Share Option Plan – granted 28 March 2001, 15 April 2002 and 14 March 2003.

(ii) Denotes Executive Share Option No. 3 Scheme – granted 24 November 1995.

The Company operates an executive share option scheme to provide longer term incentives for executives and executive Directors. This reflects market practice, provides longer term focus and aligns the interests of executives and shareholders. The award of options under the scheme are performance related and are principally aligned to the basic salary of the Director. The right to exercise an option is subject to the growth performance of the Company's basic earnings per share ("BEPS") over a three year period in comparison to that of comparator companies. The number of shares exercisable, expressed as a percentage, by a Director can range from nil, if the growth in BEPS does not exceed the rate of inflation by at least 3% per annum over the three year period, up to 100% if the growth in BEPS is in the upper quartile level of that of the comparator companies.

No options were exercised under the above schemes or plans during the year.

Between 31 December 2003 and 4 March 2004, there were no changes in the interests of Directors in options over the Ordinary shares of the Company.

Pensions

UK executive Directors are members of the Hunting Pension Scheme ("the Scheme") which is a defined benefit contracted in scheme which was available to all UK employees until 31 December 2002 when the Scheme was closed to new entrants. D. L. Proctor participates in a US 401K Tax Deferred Savings Plan only. T. W. Gomke participates in Canadian Supplementary Executive Registered Plans and a defined benefit pension plan.

The Remuneration Committee's Report continued

Executive Directors in the UK are provided with benefits from the Scheme at an enhanced level for which they pay increased member contributions. The retirement age for executive Directors under the Scheme is 60 and provides, subject to Inland Revenue limits, a pension of up to two thirds of final salary. Pensionable salary is the annual salary less an amount equal to the State Lower Earnings Limit. Executive Directors contributed to the Scheme at rates varying from 6.5% to 7.5% of their pensionable salary. The Scheme provides all members a lump sum death in service benefit of four times basic salary and a spouse's pension of two thirds of the member's pension on the member's death. All members are granted post retirement increases which are guaranteed to increase annually in line with increases in the retail price index to a maximum of 5.0%. Bonuses and benefits do not qualify as pensionable salary.

Directors' Pension Benefits

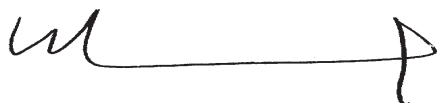
Set out below are details of the pension benefits to which each of the executive Directors is entitled.

	Increase in accrued pension during 2003 excluding inflation £000 pa	Transfer value of increase less Directors' contributions £000	Total accrued pension at 31 December 2003 £000 pa	Transfer value at 31 December 2003 £000	Transfer value at 31 December 2002 £000	Difference in transfer values less Directors' contributions £000
R. H. Hunting	7	95	94	1,478	1,242	228
D. L. Clark	28	521	170	3,302	2,471	814
T. W. Gomke	1	6	14	142	110	30

Notes:

- (i) The pension shown is that which would be paid annually on retirement based on service to 31 December 2003.
- (ii) The increase in accrued pension during the year excludes any increase for inflation where appropriate.
- (iii) The transfer values for the UK arrangement have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The 2002 figures for R. H. Hunting and D. L. Clark have been restated so that they are calculated using the same assumptions as the current year figures. The transfer value for the Canadian arrangements has been calculated following the Canadian Institute of Actuaries recommendations for the computation of transfer values.
- (iv) In addition, contributions amounting to £8,537 and £49,295 were paid to money purchase arrangements for D. L. Proctor and T. W. Gomke respectively.

By Order of the Board



G. A. Helland
Chairman of the Remuneration Committee
4 March 2004

Corporate Governance

Combined Code

Revisions to the Combined Code (“the Code”) were announced by the Financial Reporting Council in July 2003 following the publication of the Higgs report on non-executive directors and the Smith report on audit committees. As permitted this Corporate Governance statement does not report on the compliance with these new recommendations. The Board have implemented new policies and formalised existing procedures effective from 1 January 2004 which address the Higgs and Smith revisions.

Prior to the Higgs and Smith revisions the Company complied with the Code throughout the financial year except for the matter referred to within this statement.

Board of Directors

The Board of Directors currently comprises the Chairman, Chief Executive, two further executive Directors and three independent non-executive Directors. This composition with a separate Chairman and Chief Executive, ensures a balance of responsibilities and authorities.

The Board normally meets formally a minimum of four times a year and all Directors have access to the Company Secretary and to independent professional advice, at the Company’s expense, in the furtherance of their duties. All Directors are subject to re-election by the shareholders at least every three years. Major shareholders of the Company are offered the opportunity to meet with new non executive directors.

I. S. Paterson is the senior independent non executive Director. He is available to meet with shareholders if required.

The recommended period in the Code for Director’s notice or contract periods is one year or less. The Remuneration Committee considers that in certain circumstances a two-year notice period for executive Directors is appropriate in order to attract and retain appropriately qualified North American executives.

The Board has delegated certain activities to committees namely the Audit, Remuneration and Nominations committees. The Audit and Remuneration committees are comprised exclusively of non-executive Directors and the Nominations Committee comprises the non-executive Directors together with the Chairman and the Chief Executive. The Audit Committee meets formally twice a year with the external auditors in attendance. Its role includes reviewing reports from management, internal and external auditors. Details of audit and non audit fees paid to the external auditors are set out in note 7 on page 46. Non audit fees principally relate to taxation advice and services provided in connection with the acquisition of the Gibson Energy minority. The Remuneration Committee Report is set out on pages 26 to 32. The Nominations Committee meets as required to consider main Board appointments.

Internal Controls

The Board acknowledges its responsibility for the Group’s system of internal control and for reviewing its effectiveness. The internal control system is designed to meet the Company’s particular needs and the risks to which it is exposed. Any such system of internal control can however, only provide reasonable, but not absolute assurance against material misstatement or loss in the financial statements and of meeting internal control objectives. The Directors have reviewed the effectiveness of the Group’s system of internal control for the period covered by these financial statements, the key features of which are as follows:

Management structure – Within operational parameters set by the Board, management is delegated to the Chief Executive and the Executive Directors. Subsidiaries in turn operate within clearly defined policies and authorities under a decentralised management structure. All senior management changes require the prior approval of the Chief Executive.

Corporate Governance continued

Reporting – All subsidiaries submit detailed management information in accordance with a defined reporting timetable. This includes weekly treasury reports, monthly management accounts, annual budgets and three-year plans, together with six-month and full year statutory reporting. This data is subject to review and assessment by management through the monitoring of ratios and comparison to targets and budgets. The content and format of reporting is subject to change to ensure appropriate information is available.

Strategic planning and budgeting – Strategic plans and annual budgets containing comprehensive financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance. Clearly defined procedures exist for capital expenditure appraisal and authorisation.

Quality assurance – Most of the business sectors within which the Group operates are highly regulated and subsidiaries are invariably required to be accredited, by the customer or an industry regulator, to national or international quality organisations. These organisations undertake regular audits and checks on subsidiary operating procedures and practices ensuring compliance with regulatory requirements.

Monitoring process – In addition to reports from external auditors the Audit Committee receives reports from the internal auditors as part of the Group's internal audit and risk assessment programme.

All subsidiaries undertake formal self-assessment reviews three times a year on their internal control environment. These reviews encompass the identification of the key business, financial, compliance and operational risks facing the business together with an assessment of the controls in place for managing these risks. Additionally, risks are evaluated for their potential impact on the business. The results of these reviews together with a review of risks facing the Group as a whole are reported to the Board.

Communications

All Ordinary shareholders are invited to attend the Annual General Meeting at which questions may be put to the Board. There is an appropriate dialogue with institutional shareholders on the Group results and developments.

The Company's web site www.hunting.plc.uk publishes Company announcements and other investor information used to communicate with shareholders and interested parties. The maintenance and integrity of the Company's web site is the responsibility of the Directors. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 and the Group 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 Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors confirm that the financial statements, using applicable accounting standards, have been prepared on a going concern basis using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

Report of the Auditors

Independent Auditors' Report to the Members of Hunting PLC

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Consolidated Shareholders' Funds, and the related notes including the Principal Accounting Policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration Committee's Report ("the auditable part").

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration Committee's Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' Responsibilities. The Directors are also responsible for preparing the Remuneration Committee's Report.

Our responsibility is to audit the financial statements and the auditable part of the Remuneration Committee's report in accordance with the 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 whether the financial statements and the auditable part of the Remuneration Committee's Report have been 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 Chairman's Statement, the Chief Executive's Review, the Finance Directors' Review, the Report of the Directors, the unaudited part of the Remuneration Committee's Report, the Statement on Corporate Governance and the Financial Record.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or their risk and control procedures.

Report of the Auditors *continued*

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 and the auditable part of the Remuneration Committee's Report. 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 and the auditable part of the Remuneration Committee's Report 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 affairs of the Company and the Group at 31 December 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration Committee's Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
4 March 2004

Principal Accounting Policies

Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards. During 2003 the Accounting Standards Board ("ASB") issued FRS 5 Application Note G '*Revenue Recognition*', which does not have a material impact on the Group's financial statements. The Group has adopted UITF 37 '*Purchases and Sales of Own Shares*' and consequently deals with its treasury shares as a deduction from shareholders' funds. Comparative figures have been adjusted accordingly.

Consolidation

The Group accounts include the financial statements of the Company and its subsidiary undertakings, together with its share of joint venture and associated undertakings.

Goodwill

On the acquisition of a business, fair values are ascribed to the net assets acquired. Goodwill arises when the fair value of the consideration given for the business exceeds such net assets. Acquisitions are accounted for under the acquisition method.

With effect from 1 January 1998 goodwill arising on the acquisition of a business is capitalised as an asset and amortised on a straight-line basis over its estimated useful economic life which does not exceed twenty years.

Goodwill on acquisitions made prior to 31 December 1997 was charged to reserves. On the subsequent disposal or termination the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

Turnover

Turnover represents the invoiced amount, excluding sales related taxes, of goods sold, services provided during the year and the value of work undertaken during the year on long term contracts.

Fixed Assets and Depreciation

Fixed assets are stated at cost or valuation and depreciated to their expected recoverable amounts in equal annual instalments over their estimated useful lives, at the following rates:

Freehold property	2%-10%
Leasehold land and buildings	life of lease
Oil and gas exploration and equipment	unit of production
Pipelines, tanks and associated equipment	4%-20%
Plant and equipment	6%-33 $\frac{1}{3}$ %

Freehold and long leasehold land and buildings and terminals are revalued every five years with an interim revaluation three years later.

Fixed assets are regarded as impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the profit and loss account unless they arise on previously revalued assets, in which case they are recognised in the statement of total recognised gains and losses to the amount of the revaluation and thereafter in the profit and loss account.

Principal Accounting Policies continued

Foreign Currencies

Assets and liabilities of overseas subsidiary and associated undertakings have been expressed in Sterling at the market rates ruling at 31 December. Trading results are translated at the average rates for the year. Exchange differences arising on the translation of the net assets of overseas subsidiary undertakings are dealt with through reserves, whilst those arising from trading transactions are dealt with in the profit and loss account.

Exchange differences on foreign currency borrowings used to finance overseas net equity investments are dealt with through reserves.

Joint Ventures, Associated Undertakings and Trade Investments

Joint venture undertakings are entities, not being subsidiary or associated undertakings, in which Group companies have an interest and jointly control the entity with one or more partners under a contractual arrangement. Associated undertakings are entities, not being subsidiary or joint venture undertakings, in which Group companies have an effective interest of not less than 20% and in whose commercial and policy decisions they exercise significant influence.

The Group's share of profits of joint venture and associated undertakings is included in the consolidated profit and loss account. The Group's share of net assets of joint venture and associated undertakings are included in the consolidated balance sheet as an investment.

Trade investments are included at cost less provision for impairment.

Deferred Taxation

Full provision is made for deferred taxation on the excess of capital allowances over depreciation and other timing differences. Deferred tax assets are recognised only to the extent that they are regarded as recoverable.

Stock and Work in Progress

Stock is stated at the lower of cost and estimated net realisable value. Work in progress is stated at the lower of cost and estimated net realisable value less payments received and receivable on account. Cost includes production overheads and a proportion of administrative overheads in addition to direct labour and material costs.

For long-term contract work in progress, where the supply of goods and services falls into more than one year, a due proportion of the estimated sales revenue, costs and attributable profits is included in each year's results. If it appears likely that a contract will prove unprofitable, full provision is made for the anticipated loss.

Leases

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets at their equivalent capital value and depreciated over the shorter of their estimated useful lives and their lease terms. All other leases are operating leases, and the rental of these is charged to the profit and loss account on a straight-line basis over the life of the lease. Operating lease income is recognised as it is earned.

Principal Accounting Policies continued

Pensions

Pensions are accounted for under the principles of SSAP 24 '*Accounting for Pension Costs*' whereby the expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost evenly over the service lives of employees in the schemes. Actuarial surpluses are spread evenly over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of independent qualified actuaries. The information required to be disclosed under the transitional provisions of FRS 17 is shown in Note 36 on pages 61 to 63.

Financial Instruments

Derivative financial instruments are used to hedge exposures to fluctuations in interest and foreign exchange rates and in the selling price of crude oil inventories. The Group does not hold or issue derivative financial instruments for financial trading purposes.

Interest rate swaps and caps and forward rate agreements are used to manage interest rate exposures. Amounts payable or receivable in respect of these instruments are recognised as adjustments to interest expense over the period of the contracts.

Forward foreign exchange contracts are used to hedge transaction exposures. These contracts are translated at the forward contract rate and the gains and losses are recognised on maturity of the underlying transactions.

Crude oil futures swaps and options contracts are used to hedge against declines in the selling price of crude oil inventory. Gains or losses on these contracts, including those resulting from early termination, are recognised within the profit and loss account when the inventory is sold.

Currency options are used to hedge overseas profits from short-term currency movements. Option premiums are written off over the life of the instrument and profits and losses on exchange are recognised on maturity of the options. Currency swaps are used to reduce the cost of borrowing.

Research and Development

Except where research and development costs are fully funded by customers, expenditure is written off as incurred.

Consolidated Profit and Loss Account

For the Year ended 31 December 2003

	Notes	2003 £m	2002 £m
Turnover	1	1,195.4	951.3
Cost of sales		(1,112.9)	(872.1)
Gross profit		82.5	79.2
Net operating expenses	2	(57.0)	(54.9)
Group operating profit		25.5	24.3
Share of operating (loss) profit in joint venture and associated undertakings		(0.3)	0.1
Total operating profit	1	25.2	24.4
Interest receivable and similar income	5	1.3	2.1
Interest payable and similar charges	6	(5.4)	(7.4)
Profit on ordinary activities before taxation	7	21.1	19.1
Taxation on profit on ordinary activities	8	(7.3)	(7.4)
Profit on ordinary activities after taxation		13.8	11.7
Equity minority interests		(3.4)	(3.6)
Profit for the financial year		10.4	8.1
Dividends (including non-equity)	10	(7.5)	(7.0)
Retained profit for the year		2.9	1.1
Basic earnings per 25p ordinary share	11	6.4p	4.1p
Diluted earnings per 25p ordinary share	11	6.4p	4.1p

There are no material differences between the results disclosed above and the results on an unmodified historical cost basis.

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

Consolidated Statement of Total Recognised Gains and Losses

For the Year ended 31 December 2003

	Notes	2003 £m	2002 £m
Profit for the financial year		10.4	8.1
Revaluation of fixed assets		-	2.3
Currency translation differences on foreign currency net investments	27	2.5	(8.2)
Total recognised gains and losses for the year		12.9	2.2

Consolidated Balance Sheet

At 31 December 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Intangible assets	12	49.1	35.6
Tangible assets	13	160.5	155.9
Investment in joint venture and associated undertakings	14	13.0	1.7
Other investments	15	5.6	5.7
		<u>228.2</u>	<u>198.9</u>
Current assets			
Stocks	18	93.2	98.3
Debtors: amounts falling due within one year	19	135.3	154.8
: amounts falling due after more than one year	19	23.1	20.9
Investments	20	0.4	4.3
Cash at bank and in hand	31	15.3	10.0
		<u>267.3</u>	<u>288.3</u>
Creditors: amounts falling due within one year	21	<u>(147.0)</u>	<u>(159.4)</u>
Net current assets		<u>120.3</u>	<u>128.9</u>
Total assets less current liabilities		348.5	327.8
Creditors: amounts falling due after more than one year	22	(136.5)	(107.7)
Provisions for liabilities and charges	25	<u>(47.2)</u>	<u>(23.4)</u>
		<u>164.8</u>	<u>196.7</u>
Capital and reserves			
Called up share capital	26	73.2	73.2
Share premium	27	41.5	41.5
Revaluation reserve	27	17.8	15.5
Profit and loss account	27	29.2	26.1
Treasury shares	27	(0.1)	(0.1)
Shareholders' funds			
Equity interests	28	113.7	108.3
Non-equity interests	28	47.9	47.9
	28	161.6	156.2
Equity minority interests		3.2	40.5
		<u>164.8</u>	<u>196.7</u>

Reconciliation of Movements in Consolidated Shareholders' Funds

For the Year ended 31 December 2003

	Notes	2003 £m	2002 £m
Profit for the financial year		10.4	8.1
Dividends	10	<u>(7.5)</u>	<u>(7.0)</u>
Retained profit for the year		2.9	1.1
Currency translation differences on foreign currency net investments	27	2.5	(8.2)
Revaluation of fixed assets		-	2.3
Share capital issued		-	0.4
Disposal of treasury shares		-	0.6
Net addition (reduction) to shareholders' funds		5.4	(3.8)
Opening shareholders' funds		<u>156.2</u>	<u>160.0</u>
Closing shareholders' funds	28	<u>161.6</u>	<u>156.2</u>

Company Balance Sheet

At 31 December 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Investments	16	<u>263.4</u>	<u>276.6</u>
Current assets			
Debtors	19	10.3	12.8
Cash at bank and in hand		<u>4.1</u>	<u>2.5</u>
		14.4	15.3
Creditors: amounts falling due within one year	21	<u>(17.3)</u>	<u>(21.0)</u>
Net current (liabilities)		<u>(2.9)</u>	<u>(5.7)</u>
Total assets less current liabilities		260.5	270.9
Creditors: amounts falling due after more than one year	22	(97.7)	(97.7)
Provisions for liabilities and charges	25	<u>(0.1)</u>	<u>-</u>
		<u>162.7</u>	<u>173.2</u>
Capital and reserves			
Called up share capital	26	73.2	73.2
Share premium	27	41.5	41.5
Profit and loss account	27	48.1	58.6
Treasury shares	27	(0.1)	(0.1)
Shareholders' funds			
Equity interests	28	<u>114.8</u>	<u>125.3</u>
Non-equity interests	28	<u>47.9</u>	<u>47.9</u>
	28	<u>162.7</u>	<u>173.2</u>

D. L. Proctor

D. L. Clark

Directors

Approved by the Board on 4 March 2004

Consolidated Cash Flow Statement

For the Year ended 31 December 2003

	Notes	2003 £m	2002 £m
Net cash inflow from operating activities	29	<u>48.5</u>	<u>38.4</u>
Returns on investments and servicing of finance			
Interest received		1.3	1.7
Interest paid		(5.2)	(6.6)
Preference dividends paid		(3.9)	(3.9)
Dividends paid to minorities		(0.4)	(2.2)
Net cash (outflow) from returns on investments and servicing of finance		<u>(8.2)</u>	<u>(11.0)</u>
Taxation paid		<u>(1.7)</u>	<u>(6.0)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(28.2)	(32.5)
Sale of tangible fixed assets		10.9	2.1
Purchase of trade investments		(0.2)	(0.1)
Loans advanced to associated undertakings		(0.1)	-
Net cash (outflow) from capital expenditure and financial investment		<u>(17.6)</u>	<u>(30.5)</u>
Acquisitions and disposals			
Purchase of minority interest in subsidiary undertaking	33	(43.7)	-
Purchase of subsidiary undertakings and businesses	33	(0.5)	(20.8)
Net cash acquired with subsidiary undertakings	33	-	1.8
Purchase of joint venture and associated undertakings		(0.4)	(0.8)
Net proceeds from disposal of subsidiary undertakings		1.1	0.3
Net cash disposed of with subsidiary undertakings		(0.4)	-
Net proceeds from disposal of joint venture and associated undertakings		-	0.1
Proceeds from disposal of other investments		-	0.5
Net cash (outflow) from acquisitions and disposals		<u>(43.9)</u>	<u>(18.9)</u>
Equity dividends paid		<u>(3.3)</u>	<u>(5.0)</u>
Net cash (outflow) before use of liquid resources and financing		<u>(26.2)</u>	<u>(33.0)</u>
Management of liquid resources			
Net movement in short term money market deposits	31	<u>1.4</u>	<u>1.8</u>
Financing			
Ordinary share capital issued		-	0.4
Increase (decrease) in borrowings due within one year	31	0.1	(5.4)
Increase in borrowings due beyond one year	31	32.1	26.6
Capital element of finance leases	31	(0.1)	(0.1)
Net cash inflow from financing	30	<u>32.1</u>	<u>21.5</u>
Increase (decrease) in cash	31	<u>7.3</u>	<u>(9.7)</u>

Notes to the Financial Statements

1. SEGMENTAL ANALYSIS

Turnover and operating profit, including joint venture and associated undertakings but before net interest costs and taxation, are shown below.

	2003	2003	2003	2002	2002	2002
	Turnover	Operating profit (loss)	Net assets (liabilities)	Turnover	Operating profit (loss)	Net assets (liabilities)
	£m	£m	£m	£m	£m	£m
ACTIVITY						
Oil and gas marketing and distribution	939.6	13.6	137.7	638.1	11.7	109.1
Oilfield services and tubular products	168.6	5.4	114.6	233.9	8.3	123.1
Share of associated undertakings	-	-	1.2	-	-	0.8
Exploration and other activities	87.2	6.5	42.6	79.3	4.3	41.4
Share of joint venture and associated undertakings	-	(0.3)	11.8	-	0.1	0.9
	<u>1,195.4</u>	<u>25.2</u>	307.9	<u>951.3</u>	<u>24.4</u>	275.3
Net funding			(126.6)			(97.6)
Pension fund prepayment (net)			15.2			12.7
Central (liabilities) assets			(31.7)			6.3
			<u>164.8</u>			<u>196.7</u>
AREA OF OPERATION						
Europe – UK	42.4	(1.3)	13.1	63.0	4.4	4.3
– Continent	27.7	0.8	7.8	26.2	1.3	18.3
Canada	989.8	19.2	165.7	690.0	12.9	132.1
US	132.6	6.5	96.9	169.1	6.0	117.4
Share of joint venture – UK	-	0.1	0.8	-	0.1	0.9
Share of associates – UK	-	(0.4)	11.0	-	-	-
Share of associates – Other	-	-	1.2	-	-	0.8
Other	2.9	0.3	11.4	3.0	(0.3)	1.5
	<u>1,195.4</u>	<u>25.2</u>	307.9	<u>951.3</u>	<u>24.4</u>	275.3
Net funding			(126.6)			(97.6)
Pension fund prepayments (net)			15.2			12.7
Central (liabilities) assets			(31.7)			6.3
			<u>164.8</u>			<u>196.7</u>

Inter-divisional turnover is not material and turnover by destination is not materially different to the area of operation.

Segmental analysis is provided at operating profit level as most of the Group's financing is arranged centrally and interest is not specifically attributable to individual activities or geographic areas.

All of the Group's activities are from continuing operations.

2. NET OPERATING EXPENSES

	2003	2002
	£m	£m
Distribution costs	4.3	5.6
Administrative expenses	54.3	50.8
Rental income	(1.6)	(1.5)
	<u>57.0</u>	<u>54.9</u>

Notes to the Financial Statements continued

3. EMPLOYEES

The average monthly number of employees during the year by activity is made up as follows:

	2003 No.	2002 No.
Oil and gas marketing and distribution	507	500
Oilfield services and tubular products	811	875
Exploration and other activities	809	811
	<u>2,127</u>	<u>2,186</u>

Staff costs during the year comprise:

	2003 £m	2002 £m
Wages and salaries	64.0	63.8
Social security costs	6.8	6.8
Other pension costs (Note 36)	1.7	0.2
	<u>72.5</u>	<u>70.8</u>

4. REMUNERATION OF DIRECTORS

Details of Directors' emoluments and share options are shown within the Remuneration Committee's Report on pages 26 to 32.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £m	2002 £m
Bank deposits and investments	0.1	1.3
Bank current accounts	0.5	0.3
Other interest receivable and similar income	0.4	0.5
Share of interest income in associated companies	0.3	-
	<u>1.3</u>	<u>2.1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £m	2002 £m
Bank loans and overdrafts repayable within 5 years	4.0	2.9
Other loans repayable within 5 years	0.9	3.5
Other interest payable and similar charges	0.3	1.0
Amortisation of debt issue costs	0.2	-
	<u>5.4</u>	<u>7.4</u>

Notes to the Financial Statements continued

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after charging (crediting) the following items:		
Depreciation – owned assets	20.0	18.9
– leased assets	0.1	0.1
Amortisation of goodwill	2.1	2.3
Loss on disposal of fixed assets	0.8	–
Loss (profit) on disposal of subsidiary undertakings	0.3	(0.2)
Loss on disposal of associated undertaking	–	0.1
Foreign exchange net (gains)	(0.8)	(0.4)
Research and development expenditure	1.1	0.6
Operating lease payments:		
Plant and machinery	1.9	1.3
Land and buildings	6.8	6.4
Auditors' remuneration:		
Audit services	0.6	0.6
Tax services	0.5	0.6
Other services	0.1	–

Auditors' remuneration excludes fees of £0.2m paid to PricewaterhouseCoopers LLP in 2003 (2002 – £Nil) which have been capitalised in goodwill. These relate to assistance provided in connection with the acquisition of the Gibson Energy minority.

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2003 £m	2002 £m
UK Corporation tax at 30% (2002 – 30%)	(0.3)	0.6
Double taxation relief	(0.3)	(0.4)
Overseas taxation at various rates	(9.6)	6.0
Share of current taxes of associated undertakings	0.1	–
Total current taxation	<u>(10.1)</u>	<u>6.2</u>
Deferred taxation – UK	1.2	1.0
– Overseas	16.2	0.2
	<u>7.3</u>	<u>7.4</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:

	2003 £m	2002 £m
Profit on ordinary activities before tax	<u>21.1</u>	<u>19.1</u>
Taxation at the standard UK corporation tax rate of 30%	6.3	5.7
Permanent differences	2.7	0.7
(Lower) higher rate of tax on overseas profits	(0.9)	1.4
Capital allowances in excess of depreciation	(3.3)	(1.5)
Other timing differences	(14.1)	0.3
Other including adjustments in respect of prior years	(0.8)	(0.4)
Total current taxation	<u>(10.1)</u>	<u>6.2</u>

The increase in other timing differences is mainly due to the deferral of Canadian current taxation.

Notes to the Financial Statements continued

9. RESULTS FOR THE FINANCIAL YEAR

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. A loss of £2.9m (2002 – loss £0.3m) has been dealt with in the accounts of Hunting PLC.

10. DIVIDENDS

	Pence per share	2003 £m	Pence per share	2002 £m
Preference dividends (non-equity):				
Paid	8.25	<u>3.9</u>	8.25	<u>3.9</u>
Ordinary dividends (equity):				
Interim paid	1.25	1.2	1.0	1.0
Final proposed	2.25	<u>2.4</u>	2.0	<u>2.1</u>
		<u>3.6</u>		<u>3.1</u>
		<u>7.5</u>		<u>7.0</u>

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. The dilutive potential Ordinary shares are those options where the exercise price is less than the average market price of the Company's Ordinary shares during the year.

Reconciliations of the earnings and weighted average number of Ordinary shares used in the calculations are set out below.

	Earnings £m	2003 Weighted average number of Ordinary shares millions	Earnings per Ordinary share pence	Earnings £m	2002 Weighted average number of Ordinary shares millions	Earnings per Ordinary share pence
Profit attributable to shareholders	10.4			8.1		
Less: preference dividends	<u>(3.9)</u>			<u>(3.9)</u>		
Basic EPS						
Earnings attributable to Ordinary shareholders	<u>6.5</u>	<u>101.0</u>	<u>6.4</u>	<u>4.2</u>	<u>100.8</u>	<u>4.1</u>

There is no potential dilutive effect of the exercise of employee share options or conversion of the convertible preference shares.

Notes to the Financial Statements continued

12. INTANGIBLE ASSETS

	Goodwill on acquisitions £m
GROUP	
Cost:	
At 1 January 2003	40.6
Exchange adjustments	(0.5)
Additions (Note 33)	16.2
Disposals	(0.3)
At 31 December 2003	<u>56.0</u>
Amortisation:	
At 1 January 2003	5.0
Exchange adjustments	(0.1)
Disposals	(0.1)
Charge for the year	2.1
At 31 December 2003	<u>6.9</u>
Net book amount:	
At 31 December 2003	<u>49.1</u>
At 31 December 2002	<u>35.6</u>

Notes to the Financial Statements continued

13. TANGIBLE ASSETS

	Land and buildings Freehold and long leasehold £m	Short leasehold £m	Oil and gas exploration and equipment £m	Pipelines, tanks and associated equipment Terminals £m	Other equipment £m	Plant, equipment and motor vehicles £m	Total £m
GROUP							
Cost or Valuation:							
At 1 January 2003	26.2	8.2	32.1	40.5	38.8	88.5	234.3
Exchange adjustments	0.5	0.4	(3.8)	4.1	3.9	2.7	7.8
Additions	1.8	0.1	6.8	4.5	3.2	13.1	29.5
Acquisitions	-	-	-	-	0.3	0.2	0.5
Disposals	(2.4)	(0.1)	-	(3.8)	(3.1)	(7.4)	(16.8)
Disposal of subsidiaries	(0.2)	-	-	-	-	(1.7)	(1.9)
At 31 December 2003	25.9	8.6	35.1	45.3	43.1	95.4	253.4
Depreciation:							
At 1 January 2003	-	3.5	12.6	-	15.8	46.5	78.4
Exchange adjustments	-	0.1	(1.6)	-	1.6	1.0	1.1
Charge for the year	1.0	0.4	4.0	3.4	1.9	9.4	20.1
Disposals	(0.2)	-	-	(0.2)	(0.3)	(4.8)	(5.5)
Disposal of subsidiaries	-	-	-	-	-	(1.2)	(1.2)
At 31 December 2003	0.8	4.0	15.0	3.2	19.0	50.9	92.9
Net book amount:							
At 31 December 2003	25.1	4.6	20.1	42.1	24.1	44.5	160.5
At 31 December 2002	26.2	4.7	19.5	40.5	23.0	42.0	155.9

Freehold and long leasehold land and buildings comprise:

	Cost or valuation £m	Accumulated depreciation £m
Freehold land and buildings	23.9	0.7
Long leasehold property	2.0	0.1
	25.9	0.8

The freehold properties in the UK occupied by Group companies were valued as at 31 December 2002 by FPD Savills Ltd, Chartered Surveyors, acting as external valuers on the basis of Existing Use Value in accordance with the Royal Institution of Chartered Surveyors' appraisal and valuation manual. Overseas freehold and long leasehold properties occupied by Group companies were also valued as at 31 December 2002 on this basis.

The properties in Canada were valued by American Appraisal Canada Inc., appraisers acting as external valuers.

Properties in the U.S. were valued by Cushman & Wakefield Inc., valuers and Associated Appraisers, valuers, acting as independent valuers, in the Netherlands by Brantje Makelaars, and in Italy by FPD Savills Italy S.R.L.

Properties not occupied by Group companies were valued on the basis of Open Market Value in the U.S. by WCS Realty Appraised Service, property appraisers, acting as independent valuers and in Canada by American Appraisal Canada Inc.

These valuations are recognised in the accounts with freehold land and buildings recorded at a net book value of £21.5m, leasehold land and buildings at a net book value of £1.8m and terminals at a net book value of £37.8m. The freehold and long leasehold land & buildings have an historical cost of £23.8m and accumulated depreciation provision of £5.1m. The terminals have an historical cost of £56.7m and accumulated depreciation of £22.8m.

There is a contingent liability to capital gains tax if properties were to be disposed of at their revalued amounts. No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into.

Tangible assets include £0.8m (2002 - £0.4m) being the net book amount of the capital element of assets held under finance leases before accumulated depreciation of £0.2m (2002 - £0.1m).

Notes to the Financial Statements continued

14. INVESTMENT IN JOINT VENTURE AND ASSOCIATED UNDERTAKINGS

	Investment in joint venture £m	Investment in associated undertakings £m	Total £m
Group			
At 1 January 2003	0.9	0.8	1.7
Additions	-	0.4	0.4
Reclassification from a subsidiary undertaking	-	10.9	10.9
Loan advanced	-	0.1	0.1
Share of (losses) after tax and dividends	-	(0.1)	(0.1)
At 31 December 2003	<u>0.9</u>	<u>12.1</u>	<u>13.0</u>

There were no loans to the joint venture undertakings at 31 December 2003 (2002 – £Nil).

15. OTHER INVESTMENTS

	Trade investments £m
Group	
Cost or carrying value:	
At 1 January 2003	5.7
Additions	0.1
Disposals	(0.1)
Provision for impairment	(0.1)
At 31 December 2003	<u>5.6</u>

Trade investments include an investment in Oil States International Inc., a listed US corporation. This investment is carried at a net book amount of £4.8m. The market value of the investment at 31 December 2003 was £4.1m giving rise to a deficit of £0.7m which the Directors consider to be temporary.

16. INVESTMENTS

	Investments in subsidiary undertakings £m
Company	
At 1 January 2003	276.6
Loans repaid (net)	(13.2)
At 31 December 2003 (Note 17)	<u>263.4</u>

Notes to the Financial Statements continued

17. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2003 £m	2002 £m
Company		
Shares at cost	175.4	175.4
Advances to subsidiary undertakings	88.0	101.2
	<u>263.4</u>	<u>276.6</u>

Details of principal subsidiary undertakings are given on pages 65 and 66.

18. STOCKS

	2003 £m	2002 £m
Group		
Raw materials and consumables	17.5	16.8
Work in progress	8.2	7.9
Finished goods and goods for resale	72.9	73.6
Payments on account	(5.4)	-
	<u>93.2</u>	<u>98.3</u>

The replacement cost of stocks is not materially different from the balance sheet amount.

19. DEBTORS

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Due within one year:				
Trade debtors	118.3	115.4	-	-
Amounts owed by subsidiary undertakings	-	-	10.0	12.2
Other debtors	6.9	34.2	0.2	0.4
Corporation tax	5.8	-	-	-
Prepayments and accrued income	4.3	5.2	0.1	0.2
	<u>135.3</u>	<u>154.8</u>	<u>10.3</u>	<u>12.8</u>
Due after more than one year:				
Trade debtors	-	0.8	-	-
Other debtors	1.0	1.4	-	-
Prepayments and accrued income	0.4	0.5	-	-
Pension fund prepayment	21.7	18.2	-	-
	<u>23.1</u>	<u>20.9</u>	<u>-</u>	<u>-</u>
	<u>158.4</u>	<u>175.7</u>	<u>10.3</u>	<u>12.8</u>

20. INVESTMENTS

	Group	
	2003 £m	2002 £m
Short term cash deposits	<u>0.4</u>	<u>4.3</u>

Notes to the Financial Statements continued

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Unsecured bank and other loans (Note 23)	5.1	4.9	-	-
Unsecured bank overdrafts (Note 23)	3.4	5.4	6.7	11.2
	<u>8.5</u>	<u>10.3</u>	<u>6.7</u>	<u>11.2</u>
Obligations under finance leases (Note 35)	0.2	0.1	-	-
Trade creditors	96.3	102.4	-	-
Amounts due to subsidiary undertakings	-	-	5.2	6.1
Amounts due to associated undertakings	15.8	-	-	-
Other creditors	5.7	19.3	0.7	0.8
Corporation tax	-	6.2	1.0	-
Other taxes and social security costs	1.4	1.8	-	-
Accruals and deferred income	16.7	17.3	1.3	0.9
Proposed dividends	2.4	2.0	2.4	2.0
	<u>147.0</u>	<u>159.4</u>	<u>17.3</u>	<u>21.0</u>

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Unsecured bank and other loans less debt issue costs (Note 23)	133.0	101.2	-	-
Obligations under finance leases (Note 35)	0.6	0.3	-	-
Amounts owed to subsidiary undertakings	-	-	97.7	97.7
Other creditors	2.9	6.2	-	-
	<u>136.5</u>	<u>107.7</u>	<u>97.7</u>	<u>97.7</u>

23. UNSECURED BANK, OTHER LOANS AND OVERDRAFTS

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Unsecured loans and overdrafts are repayable as follows:				
Within one year (Note 21)	8.5	10.3	6.7	11.2
Between one and two years	59.9	4.1	-	-
Between two and five years	73.4	97.4	-	-
	<u>141.8</u>	<u>111.8</u>	<u>6.7</u>	<u>11.2</u>
Debt issue costs	(0.3)	(0.3)	-	-
	<u>141.5</u>	<u>111.5</u>	<u>6.7</u>	<u>11.2</u>

Notes to the Financial Statements continued

23. UNSECURED BANK, OTHER LOANS AND OVERDRAFTS (continued)

An analysis of the Group's net debt including lease finance is set out below:

	2003	2002
	£m	£m
US dollar 8.11% loan notes 2005	14.0	15.6
US dollar 7.41% loan notes 2005	5.6	6.3
US dollar 7.71% loan notes 2007	8.4	9.3
Committed bank and other loans	110.3	70.3
Uncommitted bank and other loans	0.1	4.9
	<hr/>	<hr/>
Borrowings	138.4	106.4
Bank overdrafts	3.4	5.4
Lease finance	0.8	0.4
	<hr/>	<hr/>
Gross borrowings	142.6	112.2
(Less) cash and short term investments	(15.7)	(14.3)
(Less) debt issue costs	(0.3)	(0.3)
	<hr/>	<hr/>
Net debt (Note 31)	126.6	97.6

An analysis of the Group's gross borrowings maturity profile is set out below:

	2003	2002
	£m	£m
Within one year	8.7	10.4
Between one and two years	60.1	4.2
Between two and five years	73.7	97.5
After five years	0.1	0.1
	<hr/>	<hr/>
	142.6	112.2

An analysis of the Group's undrawn committed borrowing facilities is set out below:

	2003	2002
	£m	£m
Within one year	11.6	11.5
Between one and two years	-	1.1
Between two and five years	40.0	48.9
	<hr/>	<hr/>
	51.6	61.5

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Narrative disclosures required by FRS 13 are included below, in the accounting policies and in the Financing and Risk Management section within the Finance Director's Review.

Currency analysis of net assets

The table below shows the Group's currency exposures that give rise to net currency gains and losses recognised in the profit and loss account. Such exposures relate to monetary assets (liabilities) that are not denominated in the operating or functional currency of the Group's subsidiaries. The amounts shown in the table below take into account the effect of hedging instruments used to manage the Group's currency exposures.

	Net foreign currency monetary assets (liabilities)					Total
	Sterling	US dollars	Can dollars	Euro	Others	
Functional currency of Group operations:	£m	£m	£m	£m	£m	£m
Sterling	-	2.6	(3.9)	0.2	(0.5)	(1.6)
US dollars	-	-	-	-	0.1	0.1
Canadian dollars	-	0.9	-	-	-	0.9
Euro	0.1	(0.3)	-	-	(1.2)	(1.4)
Other currencies	-	0.6	(0.1)	-	(0.5)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	0.1	3.8	(4.0)	0.2	(2.1)	(2.0)

Notes to the Financial Statements continued

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)**Interest rate risk profile of financial liabilities**

The Group's financial liabilities comprise gross borrowings of £142.6m (2002 – £112.2m) (Note 23), £2.9m (2002 – £6.2m) of other creditors due after more than one year (Note 22), £12.8m (2002 – £6.5m) of provisions (Note 25) and £47.9m of non-equity shares (Note 26).

The interest rate and currency profile of the Group's financial liabilities after taking into account the effect of interest rate and foreign currency swaps is set out below:

Currency	2003				2002			
	Total	Floating	Fixed	Interest	Total	Floating	Fixed	Interest
	£m	rate £m	rate £m	free £m	£m	rate £m	rate £m	free £m
Sterling	7.7	4.9	–	2.8	5.0	4.1	–	0.9
US dollars	48.7	48.4	–	0.3	58.6	39.7	18.8	0.1
Canadian dollars	94.4	76.2	13.6	4.6	51.9	40.2	7.9	3.8
Euro	7.5	7.1	0.4	–	9.4	8.2	0.6	0.6
Non-equity shares	47.9	–	47.9	–	47.9	–	47.9	–
	206.2	136.6	61.9	7.7	172.8	92.2	75.2	5.4

	2003			2002		
	Weighted average fixed interest rate (%)	Weighted average fixed rate period (years)	Weighted average interest free period (years)	Weighted average fixed interest rate (%)	Weighted average fixed rate period (years)	Weighted average interest free period (years)
Sterling	–	–	2.0	–	–	2.0
US dollars	–	–	1.9	4.9	0.5	1.5
Canadian dollars	3.4	2.0	3.1	4.9	0.7	6.2
Euro	3.7	2.2	–	3.4	2.3	1.5

Floating rate financial liabilities bear interest at rates materially based on relevant LIBOR equivalents which are set in advance for periods of up to six months.

An analysis of the Group's financial liabilities maturity profile is set out below:

	2003	2002
	£m	£m
Within one year	11.5	11.4
Between one and two years	63.6	5.2
Between two and five years	75.2	99.8
After five years	8.0	8.5
	158.3	124.9

All the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables as they are of a short term nature. The above analysis does not include the Company's preference shares because there is no fixed date for repayment.

Interest rate risk profile of financial assets

The interest rate and currency profile of the Group's financial assets is set out below:

Currency	2003				2002			
	Total	Floating	Fixed	Interest	Total	Floating	Fixed	Interest
	£m	rate £m	rate £m	free £m	£m	rate £m	rate £m	free £m
Sterling	3.8	2.7	1.0	0.1	6.1	6.1	–	–
US dollars	4.3	4.3	–	–	2.6	2.2	–	0.4
Canadian dollars	6.6	1.5	4.9	0.2	4.7	3.7	0.7	0.3
Euro	1.4	0.8	0.6	–	2.3	1.8	0.3	0.2
Other currencies	0.1	0.1	–	–	0.2	0.2	–	–
	16.2	9.4	6.5	0.3	15.9	14.0	1.0	0.9

Notes to the Financial Statements continued

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)**Interest rate risk profile of financial assets (continued)**

	Weighted average fixed interest rate (%)	2003 Weighted average fixed rate period (years)	Weighted average interest free period (years)	Weighted average fixed interest rate (%)	2002 Weighted average fixed rate period (years)	Weighted average interest free period (years)
Sterling	0.8	–	4.2	–	–	–
Canadian dollars	2.8	–	2.0	12.0	0.8	2.9
Euro	3.7	1.3	–	6.0	3.6	1.5

Floating rate financial assets earn interest materially based on relevant LIBID equivalents.

An analysis of the Group's financial assets maturity profile is set out below:

	2003 £m	2002 £m
Within one year	15.7	14.3
Between one and two years	–	1.2
Between two and five years	0.2	0.1
After five years	0.3	0.3
	16.2	15.9

All the Group's debtors due within one year are excluded from the above table as they are of a short term nature.

Fair values of financial assets and liabilities

Set out below is an analysis of the book and fair values of the Group's financial assets and liabilities by category:

	2003		2002	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments:				
Short-term borrowings including overdrafts	(8.7)	(8.7)	(10.4)	(10.4)
Long-term borrowings (before debt issue costs)	(133.9)	(136.8)	(101.8)	(106.1)
Cash at bank and in hand	15.3	15.3	10.0	10.0
Short-term deposits	0.4	0.4	4.3	4.3
Non-equity shares	(47.9)	(47.9)	(47.9)	(47.9)
Other financial liabilities	(15.7)	(14.9)	(12.7)	(12.7)
Other financial assets	0.5	0.5	1.6	1.7
Derivative financial instruments:				
Interest rate swaps and caps	–	2.8	–	3.7
Currency swaps	–	(0.1)	–	0.1
Foreign exchange forward contracts	–	0.3	–	0.5
Average rate options	–	0.3	–	–
Oil price options	–	(0.2)	–	(0.3)
Oil price futures	–	0.7	–	0.5
Oil price swaps	–	(0.1)	–	(1.0)

Market values have been used to determine the fair values of the derivative instruments.

Borrowings and interest bearing assets are predominantly at floating rates and are of a short-term nature and consequently fair values closely approximate book values in both cases.

Interest rate swaps and caps which hedge against increases in Canadian and US interest rates mature up to March 2007.

Foreign exchange forward contracts hedge against foreign currency trade receivable and payable balances. They mature up to 12 months from the balance sheet date.

Oil price options, futures and swaps hedge Canadian crude oil inventories which mature up to 23 months from the balance sheet date.

Hedging of future transactions

The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and the selling price of crude oil inventory. In particular the Group policy is to hedge material currency exposures on contracted foreign currency denominated sales and purchases using forward contracts, to reduce vulnerability to short-term interest rate movements by the use of interest rate swaps, interest rate caps and forward rate agreements and to hedge against unfavourable fluctuations in the selling price of crude oil using oil options, futures and swaps. The Group also protects a proportion of budgeted overseas profits, where significant, using currency options.

Notes to the Financial Statements continued

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

The table below shows the extent to which the Group has unrecognised gains and losses in respect of hedges during the year.

	Unrecognised contracts		
	Gains £m	Losses £m	Total £m
Unrecognised gains (losses) on hedges at 1 January 2003	5.7	(2.2)	3.5
(Gains) losses at 1 January 2003 that were recognised in 2003	(1.4)	2.0	0.6
Gains (losses) at 1 January 2003 that were not recognised in 2003	4.3	(0.2)	4.1
Change in market value of hedges not recognised in 2003	(1.6)	0.2	(1.4)
Gains (losses) arising in 2003 that were not recognised in 2003	1.4	(0.4)	1.0
Unrecognised gains (losses) on hedges at 31 December 2003	4.1	(0.4)	3.7
The gains (losses) at 31 December 2003 are expected to be recognised as follows:			
In 2004	0.6	(0.3)	0.3
After 2004	3.5	(0.1)	3.4
	4.1	(0.4)	3.7

Unrecognised gains and losses on these hedges are expected to be fully offset, on maturity, against the exposure losses and gains on the underlying transactions.

25. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Provisions £m	Deferred tax £m	Total £m
At 1 January 2003	6.5	16.9	23.4
Exchange adjustments	0.2	-	0.2
(Credited) charged to profit and loss account	(0.1)	17.5	17.4
Reclassification from creditors	6.2	-	6.2
At 31 December 2003	12.8	34.4	47.2

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are sublet. Provision is made on a discounted basis for the net rental deficit on these properties over a period of six years. Appropriate provision has been made for the outcome of legal claims.

Company	Deferred tax £m
At 1 January 2003	-
Charged to profit and loss account	0.1
At 31 December 2003	0.1

Deferred taxation	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
Provision has been made at various rates as follows:				
Accelerated capital allowances	15.0	12.7	-	-
Tax losses carried forward	(2.0)	(1.1)	-	-
Other timing differences	21.4	5.3	0.1	-
	34.4	16.9	0.1	-

Deferred taxation of £5.5m (2002 – £5.2m) in respect of the potential capital gains tax on the revaluation of properties (Note 27) has not been provided. Deferred taxation is not provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiary and associated undertakings. Deferred tax assets of £1.1m have not been recognised due to insufficient evidence that they are recoverable. The assets will be recovered when sufficient UK taxable profits arise.

Notes to the Financial Statements continued

26. SHARE CAPITAL

	Ordinary shares of 25p each No.	Ordinary shares of 25p each £m	8.25% Cumulative Convertible Preference shares of £1 each £m	Total £m
Group and Company				
Authorised	125,107,740	31.3	50.5	81.8
Allotted and fully paid at 1 January 2003	101,019,640	25.3	47.9	73.2
Conversion of Preference shares	641	-	-	-
At 31 December 2003	101,020,281	25.3	47.9	73.2

The 8.25% Cumulative Convertible Preference shares ("Convertible Preference shares") carry the right to a fixed cumulative preferential dividend at the rate of 8.25% (net) per annum payable half yearly on 28 May and 29 November.

These shares are convertible into fully paid Ordinary shares (ranking pari passu with existing Ordinary shares) on 1 July each year, at the option of the shareholder, on the basis of 34 Ordinary shares for every £100 nominal of Convertible Preference shares converted. The Convertible Preference shares are repayable at par and have no fixed redemption date. On a winding up or other return of capital each Convertible Preference share carries a right in priority to a payment to a holder of any other class of shares. The holders of Convertible Preference shares are not entitled to receive notice, attend or vote at general meetings of the Company, unless the dividend on that class of shares is six months or more in arrears, or, if a resolution is to be proposed considering the winding up of the Company or a resolution is to be proposed, which changes any of the rights of the holders of those shares. On 1 July 2003, 1,887 Convertible Preference Shares were converted.

Options outstanding under the Company's share option schemes at 31 December 2003 were:

	No. of Options	Exercise price range p	Exercise Period
Executive Share Options 2001	3,402,410	207.5	28.03.04-27.03.11
Executive Share Options 2002	1,979,161	179-193.5	15.04.05-08.05.12
Executive Share Options 2003	3,928,032	84.5	14.03.06-13.03.13
Executive Share Options No. 3 Scheme	80,000	205	24.11.98-23.11.05
Total Options Outstanding	9,389,603		

The outstanding options under the Executive Share Options No. 3 scheme are eligible for exercise. No further options can be granted under this scheme.

27. RESERVES

	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Treasury shares £m	Total £m
Group					
At 1 January 2003	41.5	15.5	26.1	(0.1)	83.0
Currency translation differences*	-	1.3	1.2	-	2.5
Transfer	-	1.0	(1.0)	-	-
Retained profit for the year	-	-	2.9	-	2.9
At 31 December 2003	41.5	17.8	29.2	(0.1)	88.4

Notes to the Financial Statements continued

27. RESERVES (continued)

Company	Share premium £m	Profit and loss account £m	Treasury shares £m	Total £m
At 1 January 2003	41.5	58.6	(0.1)	100.0
Retained (loss) for the year	-	(10.5)	-	(10.5)
At 31 December 2003	41.5	48.1	(0.1)	89.5

*Group currency translation differences include a credit for the year of £0.9m (2002 – £9.3m credit) to reserves in respect of differences arising on the retranslation of foreign currency borrowings used to finance equity investments in overseas subsidiaries.

Group reserves include £5.3m (2002 – £0.1m) in respect of the Group's share of the post acquisition reserves of joint venture and associated undertakings.

The cumulative amount of goodwill charged to reserves since 1989, net of amounts reinstated in respect of disposals, is £30.0m (2002 – £30.0m).

The treasury shares represent 42,467 (2002 – 42,467) Ordinary shares of the Company held by the Company's Employee Share Trust at a cost of £92,654 (2002 – £92,654). The nominal value of these shares is £10,617 (2002 – £10,617) and their market value at 31 December 2003 is £45,270.

28. SHAREHOLDERS' FUNDS

	Group		Company	
	2003 £m	2002 £m	2003 £m	2002 £m
EQUITY SHAREHOLDERS' FUNDS				
Ordinary share capital	25.3	25.3	25.3	25.3
Share premium	41.5	41.5	41.5	41.5
Revaluation reserve	17.8	15.5	-	-
Profit and loss account	29.2	26.1	48.1	58.6
Treasury shares	(0.1)	(0.1)	(0.1)	(0.1)
	<u>113.7</u>	<u>108.3</u>	<u>114.8</u>	<u>125.3</u>
NON-EQUITY SHAREHOLDERS' FUNDS				
Preference share capital	47.9	47.9	47.9	47.9
	<u>161.6</u>	<u>156.2</u>	<u>162.7</u>	<u>173.2</u>

29. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £m	2002 £m
Operating profit	25.2	24.4
Depreciation and amortisation	22.3	21.3
(Profit) on disposal of fixed assets	(0.8)	(0.8)
Loss (profit) on disposal of subsidiary undertakings	0.3	(0.2)
Loss on disposal of joint venture and associated undertakings	-	0.1
Share of operating losses (profits) in joint venture and associated undertakings	0.3	(0.1)
Decrease in stocks	1.4	22.3
Decrease (increase) in debtors	10.1	(26.1)
(Decrease) in creditors	(10.2)	(2.3)
(Decrease) in provisions	(0.1)	(0.2)
Net cash inflow from operating activities	48.5	38.4

Notes to the Financial Statements continued

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR	2003 £m	2002 £m
At 1 January	221.2	208.5
Net cash inflow from financing	32.1	21.5
Finance leases acquired with subsidiary undertakings	–	0.3
Inception of new finance lease contracts (Note 31)	0.5	0.1
Exchange rate movements	(0.2)	(9.2)
At 31 December	<u>253.6</u>	<u>221.2</u>
The balance at 31 December comprises:		
Share capital (including premium)	114.7	114.7
Borrowings (less debt issue costs)	138.1	106.1
Finance lease creditors	0.8	0.4
	<u>253.6</u>	<u>221.2</u>

31. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2003 £m	Cash flow £m	Reclassification of a subsidiary as an associated undertaking £m	Inception of finance lease contracts £m	Exchange movements £m	At 31 Dec 2003 £m
Cash at bank and in hand	10.0	5.8	–	–	(0.5)	15.3
Overdrafts	(5.4)	1.5	0.1	–	0.4	(3.4)
		<u>7.3</u>				
Borrowings due after one year*	(101.2)	(32.1)	–	–	0.3	(133.0)
Borrowings due within one year	(4.9)	(0.1)	–	–	(0.1)	(5.1)
Finance leases	(0.4)	0.1	–	(0.5)	–	(0.8)
		<u>(32.1)</u>				
Money market deposits	4.3	(1.4)	(2.5)	–	–	0.4
Total net debt (Note 23)	<u>(97.6)</u>	<u>(26.2)</u>	<u>(2.4)</u>	<u>(0.5)</u>	<u>0.1</u>	<u>(126.6)</u>

*after debt issue costs

32. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £m	2002 £m
Increase (decrease) in cash during the year	7.3	(9.7)
(Increase) in debt and lease financing	(32.1)	(21.1)
(Decrease) in liquid resources	(1.4)	(1.8)
Changes in net debt resulting from cash flows (Note 31)	(26.2)	(32.6)
Purchase of fixed assets financed by finance leases (Note 31)	(0.5)	(0.1)
Finance leases acquired with subsidiary	–	(0.3)
Reclassification of a subsidiary as an associated undertaking	(2.4)	–
Foreign currency translation differences (Note 31)	0.1	8.6
Movement in net debt for the year	(29.0)	(24.4)
Net debt at 1 January (Note 31)	(97.6)	(73.2)
Net debt at 31 December (Note 31)	<u>(126.6)</u>	<u>(97.6)</u>

Notes to the Financial Statements continued

33. PURCHASE OF SUBSIDIARY UNDERTAKINGS AND OTHER BUSINESSES

On 19 December 2003 the Group acquired the 36% of the share capital of Gibson Energy which it did not already own for £43.7m. The fair value of the minority interest, which was not materially different to the carrying amount, was £27.5m and the goodwill arising and capitalised was £16.2m.

Details of the assets acquired in the Group's other acquisition, Alberta Northern Propane, are shown below:

	Alberta Northern Propane £m
Net assets acquired	
Pre-acquisition net book value:	
Tangible fixed assets	0.2
Fair value adjustments:	
Revaluation of tangible fixed assets	0.3
Fair value of assets acquired	0.5
Goodwill	–
Cash consideration paid	0.5

The goodwill arising on the acquisition of the Gibson Energy minority interest is being amortised on a straight line basis over twenty years. This is the period over which the Directors estimate that the fair values of the underlying business are expected to exceed the fair value of the underlying net assets.

34. CAPITAL COMMITMENTS

Group capital expenditure committed but not provided for in these financial statements amounted to £0.6m (2002 – £2.4m).

35. LEASES

	2003		2002	
	£m		£m	
The Group has net obligations payable under finance leases as follows:				
Within one year (Note 21)			0.2	0.1
Between one and two years			0.2	0.1
Between two and five years			0.3	0.1
After five years			0.1	0.1
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Notes to the Financial Statements continued

36. PENSION COMMITMENTS

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures in (a) below are those required under that standard. The disclosures in (b) below are those required under the transitional arrangements of the reporting standard for pensions, FRS 17.

a) SSAP 24 pensions disclosure

Within the UK the Group operates a funded defined benefit scheme and a money purchase scheme. With effect from 31 December 2002 the defined benefit scheme was closed to new UK employees who are now offered membership of a defined contribution scheme. The majority of employees are members of one of these arrangements. Pension arrangements are also in place for most overseas employees, principally in the form of money purchase schemes.

Lane Clark & Peacock, consulting actuaries, reviewed the financial position of the Group's main UK defined benefit scheme as at 5 April 2003. The actuarial method used to derive the pension cost was the projected unit method. The major assumptions were a discount rate for liabilities before retirement of 7.0% (2002 – 7.0%) per annum and a discount rate for liabilities after retirement of 5.0% (2002 – 6.0%) per annum, salary rates would increase at an average of 4.5% (2002 – 4.5%) per annum and pensions would increase at 2.5% (2002 – 2.5%) per annum. The market value of the scheme's assets at 5 April 2003 was £179.8m and the actuarial value, measured on the actuarial assumptions used for accounting purposes, represented 120% of the value of the benefits that had accrued to members after allowing for expected future increases in pensionable salaries, and for increases to pension payments.

The total pension cost to the Group for all schemes was £1.7m (2002 – £0.2m) of which £3.2m (2002 – £2.1m) relates to schemes outside the UK. The pension credit, included within the total pension cost, in respect of the Group's main UK defined benefit scheme amounted to £1.6m (2002 – £1.8m) which includes allowance for amortisation of surpluses arising from scheme valuations. Surpluses are amortised over the expected average remaining service life of the members using the straight-line method of amortisation. During 2003 there were employer contributions totalling £1.9m (2002 – £0.6m). The prepayment of £21.7m (2002 – £18.2m) representing the excess of the amounts funded over the pension charge is included as part of the total prepayment included in debtors. There are no other significant post-retirement benefits.

b) FRS 17 pensions disclosure

In accordance with the transitional arrangements of FRS 17 an independent qualified actuary updated the actuarial valuation to 31 December 2003. As required by FRS 17 the defined benefit liabilities have been measured using the projected unit method.

The main assumptions used for FRS 17 purposes at 31 December were:

	2003		2002		2001	
	UK	Canada	UK	Canada	UK	Canada
Rate of increase in salaries	4.8% pa	4.0% pa	4.3% pa	4.5% pa	4.5% pa	4.5% pa
Rate of increase in pensions in payment	2.8% pa	2.5% pa	2.3% pa	2.5% pa	2.5% pa	2.5% pa
Discount rate	5.4% pa	6.5% pa	5.6% pa	7.0% pa	5.8% pa	7.0% pa
Inflation	2.8% pa	2.5% pa	2.3% pa	3.0% pa	2.5% pa	3.0% pa

The expected rates of return together with balance sheet and performance statement disclosures are:

– Long term rate of return expected at 31 December:

Equities	7.8% pa	n/a	7.3% pa	7.0% pa	8.0% pa	7.0% pa
Bonds	4.9% pa	n/a	4.6% pa	4.0% pa	5.3% pa	4.0% pa
Other	4.8% pa	7.0% pa	n/a	n/a	n/a	n/a

Notes to the Financial Statements continued

36. PENSION COMMITMENTS (continued)

b) FRS 17 pensions disclosure (continued)

- Value at 31 December:

	2003			2002			2001		
	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m
Equities	74.8	-	74.8	88.2	1.0	89.2	148.8	1.3	150.1
Bonds	102.4	-	102.4	90.7	1.0	91.7	64.2	1.2	65.4
Other	0.7	2.6	3.3	0.2	-	0.2	0.2	-	0.2
Total market value of assets	177.9	2.6	180.5	179.1	2.0	181.1	213.2	2.5	215.7
Present value of scheme liabilities	(159.4)	(2.6)	(162.0)	(158.8)	(2.0)	(160.8)	(150.9)	(2.0)	(152.9)
Surplus in scheme	18.5	-	18.5	20.3	-	20.3	62.3	0.5	62.8
Related deferred tax liability			(5.5)			(6.1)			(18.8)
Net pension asset			13.0			14.2			44.0

During the year to 31 December 2003, contributions by the employer of £1.9m were made to the Hunting Pension Scheme and none were made to the Canadian Plan. The employer increased its contribution to the Hunting Pension Scheme with effect from 1 January 2003 to 21.0% of Pensionable Salary up to the Upper Earnings Limit and 26.8% of salary in excess of the Upper Earnings Limit for members with a Normal Retirement Date of age 65. For other members the appropriate contribution rates are 29.1% and 34.8% respectively.

The schemes' surpluses under FRS 17 moved as follows during the year to 31 December:

	2003			2002		
	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m
Surplus at 1 January	20.3	-	20.3	62.3	0.5	62.8
Current service cost (employer and employee)	(1.9)	(0.1)	(2.0)	(1.8)	(0.1)	(1.9)
Contributions (employer and employee)	2.3	-	2.3	0.9	-	0.9
Past service costs	-	-	-	(0.1)	-	(0.1)
Other net finance income	1.7	-	1.7	6.5	-	6.5
Actuarial gain (loss)	(3.9)	0.1	(3.8)	(47.5)	(0.3)	(47.8)
Currency translation	-	-	-	-	(0.1)	(0.1)
Surplus at 31 December	18.5	-	18.5	20.3	-	20.3

- Analysis of the amount that would have been charged to operating profit under FRS 17 for the year to 31 December:

	2003			2002		
	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m
Current service costs (employers part)	(1.5)	(0.1)	(1.6)	(1.5)	(0.1)	(1.6)
Past service cost	-	-	-	(0.1)	-	(0.1)
Total operating (charge)	(1.5)	(0.1)	(1.6)	(1.6)	(0.1)	(1.7)

Notes to the Financial Statements *continued***36. PENSION COMMITMENTS (continued)****b) FRS 17 pensions disclosure (continued)**

- Analysis of the amount that would have been credited to other finance income under FRS 17 for the year to 31 December:

	2003			2002		
	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m
Expected return on pension scheme assets	10.0	0.1	10.1	15.1	0.1	15.2
Interest on pension scheme liabilities	(8.3)	(0.1)	(8.4)	(8.6)	(0.1)	(8.7)
Net credit to finance income	1.7	-	1.7	6.5	-	6.5

- Analysis of the amount that would have been recognised in the statement of total recognised gains and losses ("STRGL") under FRS 17 for the year to 31 December:

	UK		2003 Canada		Total		UK		2002 Canada		Total	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
Actual return less expected return on scheme assets	9.0	5	0.1	4	9.1	5	(42.7)	(24)	(0.3)	(15)	(43.0)	(24)
Experience gains and losses arising on the scheme liabilities	1.8	1	-	-	1.8	1	2.9	2	-	-	2.9	2
Changes in assumptions underlying the present value of the scheme liabilities	(14.7)	(9)	-	-	(14.7)	(9)	(7.7)	(5)	-	-	(7.7)	(5)
Actuarial profit (loss) recognised in STRGL	(3.9)		0.1		(3.8)		(47.5)		(0.3)		(47.8)	

The above percentages show the STRGL components as a percentage of the year end asset or present value of scheme liabilities as appropriate.

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December would be as follows:

	2003		2002	
	Net assets £m	Profit and loss reserve £m	Net assets £m	Profit and loss reserve £m
As reported	164.8	29.2	196.7	26.1
Deduct SSAP 24 pension asset (net of deferred tax)	(15.2)	(15.2)	(12.7)	(12.7)
Add FRS 17 pension asset (net of deferred tax)	13.0	13.0	14.2	14.2
Revised	162.6	27.0	198.2	27.6

Notes to the Financial Statements continued

37. CONTINGENT LIABILITIES

a) Company guaranteed borrowings

The Company has guaranteed borrowings of £142.8m (2002: £109.1m) by Group Companies.

b) Litigation

- (i) On 24 April 2001 Airborne Systems NA Inc. (formerly named Wardle Storeys Inc.), Airborne Systems Limited (formerly named Airborne Logistics Limited), Irvin Aerospace Canada Limited (formerly named 2001462 Ontario Inc.), and Mayday Survival Equipment Limited (formerly named Wardle Storeys Limited) (together referred to as "WS") and the Company entered into an agreement for the purchase of shares in Irvin Aerospace Inc., Irvin Aerospace Canada Limited and Irvin Aerospace Limited. On 30 June 2003, the Company was served with a claim alleging various breaches of the share purchase agreement and claiming, inter alia, that WS is also entitled to a declaration that the Company should indemnify it for certain losses, claims and expenses that WS alleges it has suffered, or will suffer under various indemnities contained in the share purchase agreement. The aggregate total of the quantified parts of WS's claim is approximately £12.0m plus such interest and costs (if any) as may be awarded. In addition, certain parts of the claim are contingent and have not been quantified. The Directors intend to defend these claims vigorously and a defence was filed on 26 September 2003.
- (ii) On 27 February 2001, a claim was filed by Anadarko Canada Corporation against Gibson Energy Ltd concerning two pipeline connection agreements in respect of which various allegations have been made relating to the blending services provided by Gibson Energy Ltd. A defence was filed by Gibson Energy Ltd on 28 February 2002. An amended claim was filed by Anadarko Canada Corporation on 30 October 2003 and an amended statement of defence was filed by Gibson Energy Ltd on 12 January 2004. Anadarko Canada Corporation is claiming various amounts aggregating up to approximately C\$25m (approximately £11m) plus such interest and costs (if any) as may be awarded. The Directors intend to defend these claims vigorously.

Principal Subsidiary, Joint Venture and Associated Undertakings

OIL AND GAS ACTIVITIES	Country of incorporation and operations	Business
Gibson Energy Ltd	Canada	Oil and gas marketing and distribution
Canwest Propane Ltd	Canada	Propane retailing
Moose Jaw Asphalt Inc.	Canada	Asphalt manufacturing and marketing
Hunting Energy Services Holdings Inc.	USA	Oilfield services
Hunting Energy Services, L.P.	USA	Oilfield and trenchless drilling products and services
Hunting Performance Inc.	USA	Drilling equipment
Hunting Energy Services (International) Limited	England	Oilfield services
Hunting Oilfield Services (UK) Limited (60%)	England & Holland	Oilfield services
Hunting Oilfield Services Limited	England	Oilfield services
Hunting Energy Services (Canada) Limited	Canada	Oilfield services
Hunting Oilfield Services (International) Pte Limited (85.7%)	Singapore	Oilfield services
Hunting Airtrust Tubulars Pte Limited (50%)#	Singapore & China	Oilfield services
Tubular Resources Pte Ltd (30%)†#	Singapore	Oilfield services
Tenkay Resources Inc.	USA	Oil and natural gas exploration
Hunting Energy France SAS†	France	Holding company
INTERPEC SAS†	France	Refinery and pipeline equipment
Larco SAS†	France	Petroleum equipment
Roforge SAS†	France	Manufacture of steel valves
Hunting Industrial Coatings Limited	England & USA	Protective coatings
Hunting Custom Packaging Inc.	USA	Customised packaging
Hunting Pipeline Services LLC	USA	Pipeline rehabilitation products
Hunting HTI Rehab, Inc., LLC	USA	Pipe joint seals
E. A. Gibson Shipbrokers Limited	England	Shipbroking
Gibson Gas Ltd (50%)#	England & Hong Kong	LPG broking
Field Aviation Company Inc.	Canada	Aircraft engineering services
Aero Sekur S.p.A	Italy	Manufacture of rubber and textile products

Principal Subsidiary, Joint Venture and Associated Undertakings *continued*

CORPORATE ACTIVITIES	Country of incorporation and operations	Business
Huntaven Properties Limited*	England	Group properties
Hunting Knightsbridge Holdings Limited*	England	Finance
Hunting Knightsbridge US Finance Limited	England	Finance
Hunting U.S. Holdings Inc.	USA	Holding company
Hunting America Corporation	USA	Finance
Hunting-BRAE Limited (51%)‡	England	Holding company

Notes

- 1 *Certain subsidiary and associated undertakings have been excluded from the above where in the opinion of the Directors they do not have a material bearing on the profits or assets of the Group.*
- 2 *Except where otherwise stated companies are wholly-owned being incorporated and operating in the countries indicated.*
- 3 *Interests in companies marked * are held directly by Hunting PLC.*
- 4 *Subsidiary and associated undertakings marked † are audited by firms other than PricewaterhouseCoopers LLP.*
- 5 *Associated undertakings are marked ‡ above.*
- 6 *Joint venture undertakings are marked # above.*

Financial Record

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Turnover					
Continuing operations	1,195.4	951.3	935.1	875.6	517.5
Discontinued operations	-	-	100.2	340.3	534.1
	<u>1,195.4</u>	<u>951.3</u>	<u>1,035.3</u>	<u>1,215.9</u>	<u>1,051.6</u>
Operating profit (loss)					
Continuing operations	25.2	24.4	45.2	29.7	6.9
Discontinued operations	-	-	(1.1)	12.2	28.8
	<u>25.2</u>	<u>24.4</u>	<u>44.1</u>	<u>41.9</u>	<u>35.7</u>
Exceptional items	-	-	27.0	-	-
	<u>25.2</u>	<u>24.4</u>	<u>71.1</u>	<u>41.9</u>	<u>35.7</u>
Finance charges	(4.1)	(5.3)	(6.1)	(8.5)	(5.6)
Profit before taxation	21.1	19.1	65.0	33.4	30.1
Taxation	(7.3)	(7.4)	(19.7)	(13.7)	(9.4)
Profit after taxation	13.8	11.7	45.3	19.7	20.7
Equity minority interests	(3.4)	(3.6)	(4.4)	(5.1)	(7.1)
Profit for the year	<u>10.4</u>	<u>8.1</u>	<u>40.9</u>	<u>14.6</u>	<u>13.6</u>
Basic earnings per share	6.4p	4.1p	36.9p	10.7p	9.7p
Dividend per share	3.5p	3.0p	16.0p	9.25p	9.25p
Fixed assets	228.2	198.9	182.2	192.8	152.2
Net current assets	120.3	128.9	130.7	116.5	117.5
	<u>348.5</u>	<u>327.8</u>	<u>312.9</u>	<u>309.3</u>	<u>269.7</u>
Financed by:					
Shareholders' funds (including minorities)	164.8	196.7	201.8	171.0	166.4
Long term creditors and provisions	183.7	131.1	111.1	138.3	103.3
	<u>348.5</u>	<u>327.8</u>	<u>312.9</u>	<u>309.3</u>	<u>269.7</u>
Net assets per share	<u>163.2p</u>	<u>194.8p</u>	<u>200.8p</u>	<u>169.9p</u>	<u>165.4p</u>

Shareholder Information

FINANCIAL CALENDAR 2004

April 27	Annual General Meeting
May 28	8.25% Preference Dividend Payment
June 29	Final Ordinary Dividend Payment
September	Announcement of Interim Results
November 29	8.25% Preference Dividend Payment
November	Ordinary Interim Dividend Payment

ANALYSIS OF ORDINARY SHAREHOLDERS

The Company has 2,130 Ordinary shareholders (2002 – 2,205) who hold 101.0 million (2002 – 101.0 million) Ordinary shares analysed as follows:

	2003 % of total shareholders	2003 % of total shares	2002 % of total shareholders	2002 % of total shares
SIZE OF HOLDINGS				
1 – 4,000	74.70	1.70	74.28	1.74
4,001 – 20,000	15.77	2.91	16.51	3.18
20,001 – 40,000	3.00	1.76	2.68	1.60
40,001 – 200,000	3.52	7.07	3.95	8.06
200,001 – 500,000	1.55	10.13	1.22	7.63
500,001 and over	1.46	76.43	1.36	77.79

SHARE INFORMATION

The Shares of the Company are quoted on London Stock Exchange plc

Ordinary shares

Tel: 0906 0032942

Convertible Preference Shares

Tel: 0906 0035244

MARKET MAKERS

The following companies have indicated to the London Stock Exchange that they make a market in the Company's Ordinary shares:

ABN Amro Equities (UK)

KBC Peel Hunt

Merrill Lynch International

Williams de Broë

Winterflood Securities