

Report of the Directors

The Directors present their report, together with the audited financial statements for the year ended 31 December 2002.

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 15. Details of the Company's principal subsidiary, joint venture and associated undertakings are set out on pages 60 and 61.

Results

The results of the Group are set out in the Consolidated Profit and Loss Account on page 36.

Dividends

On 5 December 2002 an interim dividend of 1.0p per Ordinary share was paid (2001: 2.0p). The Directors recommend a final Ordinary dividend of 2.0p per share (2001: 4.0p) payable on 3 July 2003 to shareholders on the register at 6 June 2003. This, together with the interim dividend referred to above, makes a total dividend per Ordinary share for the year of 3.0p (2001: 16.0p – includes a special dividend of 10.0p).

Directors

Brief biographies of the Directors are shown on page 16.

In accordance with the Articles of Association, D. L. Clark and T. W. Gomke retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

H. J. McFadyen was appointed a non-executive Director on 4 September 2002 and offers himself for re-election at the Annual General Meeting. He was appointed to the Board for a three year period.

A. R. Fryer retired as a non-executive Director on 19 September 2002.

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 27 and 28. As at 31 December 2002, 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.

Report of the Directors

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Principal Acquisitions

On 1 January 2002 the share capital of Roforge S.A. in France was acquired for £3.7m.

On 2 January 2002, the Group acquired the share capital of Moose Jaw Asphalt Inc. in Saskatchewan, Canada for £14.1m.

On 1 October 2002 certain businesses and assets of the ECL Group in Canada were acquired for a consideration of £2.8m.

Substantial Interests

As at 6 March 2003, 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
Hunting Investments Limited	(i)	10,884,743	10.77
The Capital Group Companies, Inc.	(ii)	10,642,354	10.53
Prudential PLC	(iii)	9,189,000	9.10
Artemis Fund Managers Ltd		8,559,078	8.47
FMR Corp. and Fidelity International Ltd	(iv)	7,410,598	7.34
Slaley Investments Limited		6,411,679	6.35
F. Godson – as trustee	(v)	6,341,320	6.28
D. R. L. Hunting		199,910	
– other beneficial	(vi)	2,484,583	
– as trustee	(v)	3,286,422	5.91
Merrill Lynch Investment Managers		5,004,185	4.95
J. A. Trafford – as trustee	(v)	4,892,132	4.84

Notes:

- (i) Included in the holding are 9,437,743 Ordinary shares held by a wholly owned subsidiary.
- (ii) The interest is held by affiliates.
- (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 7,382,319 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.

Report of the Directors

continued

The Group recognises the importance of its responsibilities to the continued success of the business and for the benefit of shareholders, staff, customers and the communities in which it operates.

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

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

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.
- 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.

Health & Safety

The Group is committed to the protection of its employees and improvement of 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.

Report of the Directors

continued

Environment

The Group will continue to look for those 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 Company 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 Company operates.

Progress

Commitment to continuous improvement is the objective for the Company and recognition is sought where it promotes better practice.

- Hunting Energy Services in Scotland was instrumental in setting new standards of safety and retained the British Safety Council 5 star award.
- Gibson Energy in Canada renewed their Alberta Partnership in Health & Safety with another improved score. Lost time incident frequency was down from 3.08 per 100 man-years in 2000 to 1.22 in 2002. It retained all its preferred haulier ratings from customers.
- Hunting Energy Services maintained accredited acceptance levels with its customers and between 2000 and 2002 reduced its incident frequency by over a half to the equivalent of 2.72 per 100 man-years.

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 £0.6m (2001: £0.6m).

Charitable and Political Contributions

During the year the Group donated £25,000 (2001: £30,000) to UK charitable organisations and £81,000 (2001: £99,000) to overseas charities. No UK political donations were made (2001: £Nil).

Tangible Fixed Assets

Details of movements in tangible fixed assets are shown in note 15 to the financial statements.

Report of the Directors

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Annual General Meeting

The Annual General Meeting of the Company will be held on 30 April 2003 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED 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 28 April 2003 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 own Ordinary shares under an authority granted by the Annual General Meeting held on 30 April 2002. No purchases were made under this authority during the year. The Directors will seek the renewal of this authority at the 2003 Annual General Meeting in Resolution 8 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 6 March 2003 was 5,461,571, being 5.41% of 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 6.00%.

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 6 March 2003.

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 2002 represents 43 days worth, as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Share Capital

Details of the movements in the Company's share capital are shown in note 28 to the financial statements.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership ("LLP") from 1 January 2003, PricewaterhouseCoopers resigned on 30 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting to be held on 30 April 2003.

By order of the Board
D. L. Clark FCCA
Secretary
6 March 2003

The Remuneration Committee's Report

Remuneration Committee

The Remuneration Committee of the Board ("the Committee") comprises the non-executive Directors of the Company.

A. R. Fryer served as chairman until his retirement on 19 September 2002. Both I. S. Paterson and G. A. Helland (chairman from 19 September 2002) served throughout the year and H. J. McFadyen was appointed to the Committee on 4 September 2002. 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 options plan.

During the year Buck Consultants Ltd, who were appointed by the Committee, gave the Committee and the Company advice and assistance on Directors' remuneration and Share Scheme matters and consulted with the Chief Executive. Hewitt Bacon & Woodrow were appointed by the Committee on 7 January 2003 to provide guidance on Directors' remuneration and executive incentive plans and provided no service to the Company during 2002.

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 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 2002 an annual performance linked cash bonus scheme was in place for D. L. Proctor and D. L. Clark. Bonus payments under the scheme were payable if Group profit before tax and Group earnings per share targets were achieved and allowed for a maximum bonus of 80% of annual salary. No bonus was payable to D. L. Proctor or D. L. Clark in respect of 2002 as these targets were not achieved.

A similar annual performance linked cash bonus scheme was in place in 2002 for T. W. Gomke. Bonus payments under T. W. Gomke's scheme allowed for a maximum bonus of 120% of annual salary if pre-determined targets for Gibson Energy's return on capital employed and profit before tax were achieved. No bonus was payable to T. W. Gomke in respect of 2002 as these targets were not achieved.

The Remuneration Committee's Report

continued

Following a review of the annual cash bonus scheme, the committee have modified the arrangements with effect from 1 January 2003. Executive Directors will be eligible for a performance related cash bonus to provide an incentive and reward for performance. The annual cash bonus scheme, which is not pensionable, has been changed to more closely align it with the performance drivers in the business and to reflect the highly competitive markets in which Hunting conducts its business.

Actual bonus payments made will depend upon Company performance against two performance drivers:

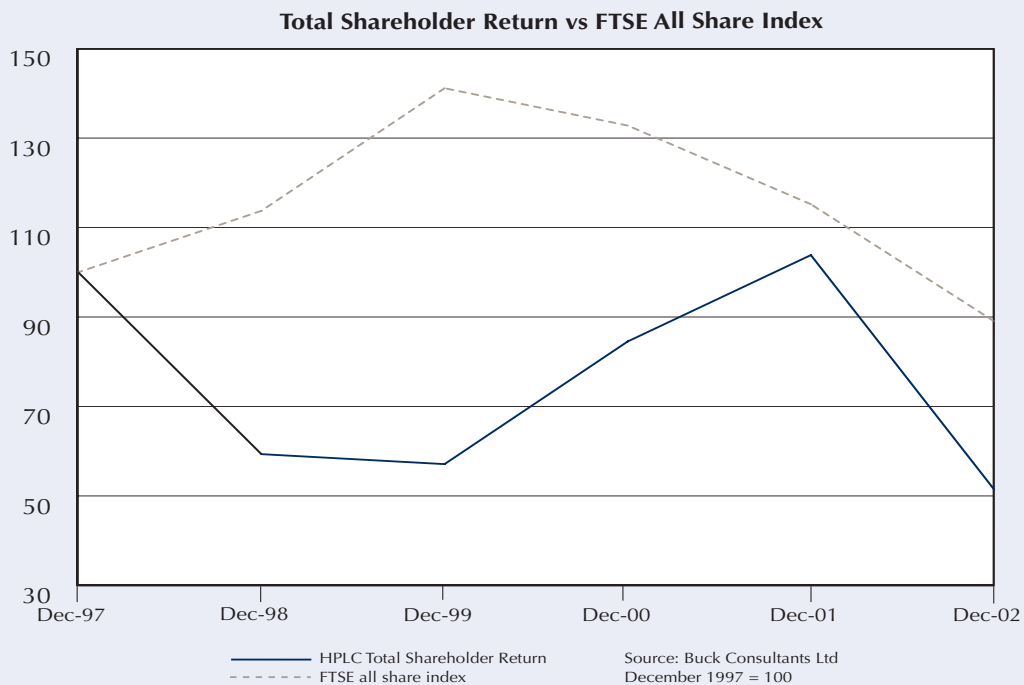
- Profit performance measured as budgeted pre-tax profit
- Return performance measured as return on capital employed ("ROCE")

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

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 1997.

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.



The Remuneration Committee's Report

continued

Directors' Service Contracts

The Company's current 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. The contracts of D. L. Clark, R. H. Hunting and T. W. Gomke pre-date this policy and presently the Remuneration Committee does not consider it appropriate to seek to amend them. In the case of D. L. Clark, because he is due to retire on 31 March 2005. In the case of T. W. Gomke, because the contract confers certain advantages on the Company and because it follows Canadian law and practice.

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 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 Oilfield Services Holdings Inc and D. L. Proctor are required to give one year's notice of termination, as the initial two year fixed term ended on 31 December 2002.

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.

D. L. Clark entered into a Service Agreement with the Company on 15 December 1989. This was amended in May 2002 to extend his contractual retirement date to 31 March 2005. Unless terminated earlier as set out below, his employment will automatically terminate on that date.

The Service Agreement requires the Company to give two years' prior notice of termination and requires D. L. Clark to give 12 months' prior notice of termination. Under the terms of the Service Agreement, the Company reserves the right to pay him in lieu of notice (whether given by the Company or by him). The payment in lieu comprises salary and bonus only. The Company also has the option to put D. L. Clark on paid leave of absence for the first year of his notice period and then paying him a sum equivalent to his salary and bonus for the previous 12 month period in lieu of the second year of his notice period (subject to him complying with the terms of the Service Agreement during his paid leave of absence).

There are special arrangements on termination following a change of control which provide for payment of two years' gross salary, twice the average bonus payments made in the previous two completed financial years and an enhancement to his pension benefits that would result from an additional two years' service.

R. H. Hunting entered into a Service Agreement with the Company on 15 December 1989. This contains the same provisions on termination as set out above for D. L. Clark (save in relation to the extension of D. L. Clark's retirement date).

The Remuneration Committee's Report

continued

T. W. Gomke entered into an Employment Contract with Gibson Energy Limited ("Gibson") 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 this contract, T. W. Gomke may be required by Gibson to serve on affiliated boards for no additional remuneration from time to time. 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.

Non-executive Directors are initially appointed for a three year term.

Details of their service contracts are as follows:

	Contract date	Unexpired term from 6 March 2003
G. A. Helland	1 October 2001	19 months
H. J. McFadyen	4 September 2002	30 months
I. S. Paterson	6 June 2000	3 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.

The Remuneration Committee's Report

continued

Emoluments

In the year to 31 December 2002, the highest paid Director received total emoluments of £311,000 as shown below:

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

	Salary and fees £000	Bonus £000	Benefits £000	2002 Total £000	2001 Total £000
Executive directors					
R. H. Hunting (Chairman)	132	–	10	142	136
D. L. Proctor (Chief Executive)	289	–	22	311	465
D. L. Clark (Finance Director)	213	–	13	226	412
T. W. Gomke	185	–	10	195	310
K. W. Miller (retired 31 July 2001)	–	–	–	–	296
R. J. Whysall (retired 30 April 2001)	–	–	–	–	379
Non-executive directors					
G. A. Helland	26	–	–	26	6
H. J. McFadyen (appointed 4 September 2002)	6	–	–	6	–
I. S. Paterson	27	–	–	27	25
A. R. Fryer (retired 19 September 2002)	20	–	–	20	25
Sir Patrick Brown (retired 30 April 2001)	–	–	–	–	10
	898	–	55	953	2,064

Prior to his appointment as a Director, T. W. Gomke received an interest free loan from Gibson Petroleum Company Limited. Repayments during the year of £2,034 have been made and at 31 December 2002 the amount outstanding was £35,731. The maximum amount outstanding during the year was £41,034. 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 2002		31 December 2001	
	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	706,268	174,333
other beneficial*	1,558,620	246,114	1,561,397	262,414
as trustee	52,694	15,000	52,694	15,000
D. L. Proctor	76,500	–	15,000	–
D. L. Clark	110,203	–	46,964	–
T. W. Gomke	77,350	–	26,350	–
Non-executive directors:				
G. A. Helland	15,000	–	2,000	–
H. J. McFadyen	–	–	–†	–†
I. S. Paterson	2,000	–	2,000	–

Notes:

† At date of appointment.

* These interests arise because in certain circumstances R. H. Hunting could become beneficially interested in such shares. Of those shares, he holds 1,431,285 Ordinary shares and 246,114 Convertible Preference shares as a trustee.

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 2002 and 6 March 2003.

The market price of the Ordinary shares at 31 December 2002 was 85.75p. The highest and lowest mid market prices during the year were 204.6p and 81.0p respectively.

The Remuneration Committee's Report

continued

Directors' Options over Ordinary Shares

As at 31 December 2002, the following Directors had outstanding options to acquire Ordinary shares of the Company under the share option schemes described in note 28 to the financial statements.

		Options at start of year	Shares granted	Shares 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
D. L. Clark	(ii)	7,039	–	7,039	–			
	(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
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
	(iii)	50,000	–	–	50,000	205.0	24.11.98	23.11.05

Notes:

- (i) Denotes 2001 Share Option Plan - Granted 28 March 2001 and 15 April 2002.
- (ii) Denotes Savings Related Share Options.
- (iii) Denotes Executive Share Option No. 3 Scheme.

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.

Except for (ii) above, no options were exercised under the above schemes or plans during the year. D. L. Clark exercised his holding under the Savings Related Share Option plan on 31 May 2002 when the market price was 200.0p giving a notional gain of £3,660.

Between 31 December 2002 and 6 March 2003, there were no changes in the interests of Directors in options over the Ordinary shares of the Company.

Long-Term Executive Share Incentive Plan

The Company's long-term performance linked share plan was closed in April 2002 and options outstanding at the start of the year either lapsed or were exercised as set out in the table below.

	Options at start of year	Shares exercised 30 April 2002	Shares Lapsed 30 April 2002	Options at end of year	Market price at exercise date p	Notional gain at exercise date £
D. L. Proctor	36,500	36,500	–	–	191.00	69,714
D. L. Clark	64,000	51,200	12,800	–	191.00	97,791
T. W. Gomke	41,000	41,000	–	–	191.00	78,309

The Remuneration Committee's Report

continued

Awards under this plan, took the form of nil cost options to acquire the Company's Ordinary shares provided firstly, that total shareholder return over a three year period exceeded the increase in an appropriate Financial Times sector return and secondly, that relevant profit targets were met over a similar three year period.

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 up to 31 December 2002. 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.

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 contribute 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

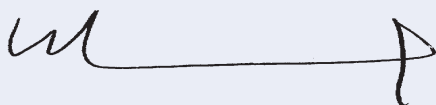
Set out below are details of the pension benefits to which each of the executive Directors is entitled.

	Increase in accrued pension during this year excluding inflation £000 pa	Transfer value of increase less Directors' contributions £000	Total accrued pension at 31 December 2002 £000 pa	Transfer value at 31 December 2002 £000	Transfer value at 31 December 2001 £000	Difference in transfer values less Directors' contributions £000
R. H. Hunting	5	59	86	1,107	1,037	62
D. L. Clark	13	192	140	2,138	1,859	264
T. W. Gomke	1	6	12	110	108	–

Notes:

- (i) The pension entitlement shown is that which would be paid annually on retirement based on service to 31 December 2002.
- (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 transfer value for the Canadian arrangement has been calculated following the Canadian Institute of Actuaries recommendations for the computation of transfer values. The transfer value of the increase in accrued pension includes a deduction for the contributions paid by the Directors.
- (iv) In addition, contributions amounting to £8,000 and £99,430 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
6 March 2003

Corporate Governance

Combined Code

The Company has complied with the Combined Code (“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.

The Company has nominated I. S. Paterson as the senior independent non-executive Director.

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 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 9 on page 42. Non audit fees principally relate to taxation advice provided during the year. The Remuneration Committee Report is set out on pages 22 to 29. 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 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.

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.

Corporate Governance

continued

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 a regular dialogue with institutional shareholders on the Group results and developments.

The Company's web site www.hunting.plc.uk publishes interim and full year results. Company announcements and other investor information is 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.

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.

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.

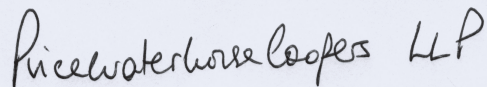
Report of the Auditors

continued

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 2002 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

6 March 2003

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 applicable accounting standards.

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, for the year to 31 December.

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.

With effect from 1 January 1998 goodwill arising on the acquisition of a business is capitalised as an asset and amortised over its 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 in equal annual instalments over the estimated useful lives, by using 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 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.

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.

Principal Accounting Policies

continued

Joint Ventures, Associated Undertakings and Trade Investments (continued)

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

The Group has changed its accounting policy for 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. In prior years provision was made to the extent that it was probable that a liability would crystallise in the foreseeable future.

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. Interest costs are included in work in progress where financed by specific borrowings.

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. Profits on other contracts are taken on completion. 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 useful life of the asset. 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.

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 over the service lives of employees in the schemes. Actuarial surpluses are spread 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 38 on pages 57 to 59.

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 and swap contracts are used to hedge against fluctuations in the selling price of crude oil inventory. Gains or losses on these contracts 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 on these instruments are written off as incurred and profits on exchange 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 2002

	Notes	2002 £m	2001 £m
Turnover	1	951.3	1,035.3
Cost of sales		(872.1)	(919.2)
Gross profit		79.2	116.1
Net operating expenses	2	(54.9)	(72.0)
Group operating profit		24.3	44.1
Share of operating profit in joint venture undertaking		0.1	–
Total operating profit	1	24.4	44.1
Exceptional items:	6		
Profit on disposal of discontinued operations		–	29.9
Impairment of net assets of de-consolidated subsidiary		–	(2.9)
Profit on ordinary activities before interest		24.4	71.1
Interest receivable and similar income	7	2.1	2.3
Interest payable and similar charges	8	(7.4)	(8.4)
Profit on ordinary activities before taxation	9	19.1	65.0
Taxation on profit on ordinary activities	10	(7.4)	(19.7)
Profit on ordinary activities after taxation		11.7	45.3
Equity minority interests		(3.6)	(4.4)
Profit for the financial year		8.1	40.9
Dividends (including non-equity)	12	(7.0)	(19.9)
Retained profit for the year		1.1	21.0
Basic earnings per 25p ordinary share	13	4.1p	36.9p
Diluted earnings per 25p ordinary share	13	4.1p	36.9p

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

The profit for the year to 31 December 2002 arises from the Group's continuing operations. The profit for 2001 is analysed into continuing and discontinued activities in Note 3.

The comparative figures have not been restated for the adoption of FRS 19 'Deferred Tax' as the impact on the Consolidated Profit and Loss Account is immaterial.

Consolidated Statement of Total Recognised Gains and Losses

For the Year ended 31 December 2002

	Notes	2002 £m	2001 £m
Profit for the financial year		8.1	40.9
Revaluation of fixed assets	29	2.3	–
Currency translation differences on foreign currency net investments	29	(8.2)	(1.6)
Total recognised gains and losses for the year		2.2	39.3
Prior year adjustment	28	(8.1)	–
Total gains and losses recognised since last annual report		(5.9)	–

Consolidated Balance Sheet

At 31 December 2002

	Notes	2002 £m	2001 £m Restated
Fixed assets			
Intangible assets	14	35.6	36.7
Tangible assets	15	155.9	138.4
Investment in joint venture and associated undertakings	16	1.7	1.0
Other investments	17	5.8	6.8
		<u>199.0</u>	<u>182.9</u>
Current assets			
Stocks	20	98.3	123.9
Debtors	21	175.7	156.8
Investments	22	4.3	6.1
Cash at bank and in hand	33	10.0	17.5
		<u>288.3</u>	<u>304.3</u>
Creditors: amounts falling due within one year	23	<u>(159.4)</u>	<u>(173.6)</u>
Net current assets		<u>128.9</u>	<u>130.7</u>
Total assets less current liabilities		<u>327.9</u>	<u>313.6</u>
Creditors: amounts falling due after more than one year	24	(107.7)	(92.4)
Provisions for liabilities and charges	27	<u>(23.4)</u>	<u>(18.7)</u>
		<u>196.8</u>	<u>202.5</u>
Capital and reserves			
Called up share capital	28	73.2	73.1
Share premium	29	41.5	41.2
Revaluation reserve	29	15.5	14.1
Profit and loss account	29	26.1	32.3
Shareholders' funds			
Equity interests	30	108.4	112.8
Non-equity interests	30	47.9	47.9
	30	156.3	160.7
Equity minority interests		<u>40.5</u>	<u>41.8</u>
		<u>196.8</u>	<u>202.5</u>

The comparative figures have been restated for the adoption of FRS 19 'Deferred Tax'.

Reconciliation of Movements in Consolidated Shareholders' Funds

For the Year ended 31 December 2002

	Notes	2002 £m	2001 £m Restated
Profit for the financial year		8.1	40.9
Dividends	12	<u>(7.0)</u>	<u>(19.9)</u>
Retained profit for the year		1.1	21.0
Currency translation differences on foreign currency net investments	29	(8.2)	(1.6)
Revaluation of fixed assets	29	2.3	–
Share capital issued		0.4	0.2
Goodwill written back on disposals		<u>–</u>	<u>10.6</u>
Net (reduction) addition to shareholders' funds		(4.4)	30.2
Opening shareholders' funds (originally £168.8m before deducting prior year adjustment of £8.1m)		<u>160.7</u>	<u>130.5</u>
Closing shareholders' funds	30	<u>156.3</u>	<u>160.7</u>

Company Balance Sheet

At 31 December 2002

	Notes	2002 £m	2001 £m
Fixed assets			
Investments	18	<u>276.7</u>	<u>223.5</u>
Current assets			
Debtors	21	12.8	41.3
Cash at bank and in hand		<u>2.5</u>	<u>0.3</u>
		15.3	41.6
Creditors: amounts falling due within one year	23	<u>(21.0)</u>	<u>(18.8)</u>
Net current (liabilities) assets		<u>(5.7)</u>	<u>22.8</u>
Total assets less current liabilities		271.0	246.3
Creditors: amounts falling due after more than one year	24	<u>(97.7)</u>	<u>(66.1)</u>
		<u>173.3</u>	<u>180.2</u>
Capital and reserves			
Called up share capital	28	73.2	73.1
Share premium	29	41.5	41.2
Profit and loss account	29	58.6	65.9
Shareholders' funds			
Equity interests	30	<u>125.4</u>	<u>132.3</u>
Non-equity interests	30	<u>47.9</u>	<u>47.9</u>
	30	<u>173.3</u>	<u>180.2</u>

D. L. Proctor

D. L. Clark

Directors

Approved by the Board on 6 March 2003

Consolidated Cash Flow Statement

For the Year ended 31 December 2002

	Notes	2002 £m	2001 £m
Net cash inflow from operating activities	31	38.4	55.7
Returns on investments and servicing of finance			
Interest received		1.7	3.4
Interest paid		(6.6)	(9.2)
Preference dividends paid		(3.9)	(3.9)
Dividends paid to minorities		(2.2)	(1.8)
Net cash (outflow) from returns on investments and servicing of finance		(11.0)	(11.5)
Taxation paid		(6.0)	(12.5)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(32.5)	(26.2)
Sale of tangible fixed assets		2.1	2.1
Purchase of trade investments		(0.1)	(0.9)
Net cash (outflow) from capital expenditure and financial investment		(30.5)	(25.0)
Acquisitions and disposals			
Purchase of subsidiary undertakings and businesses	35	(20.8)	(51.5)
Net cash (overdrafts) acquired with subsidiary undertakings	35	1.8	(0.7)
Purchase of joint venture undertaking		(0.8)	–
Net proceeds from disposal of operations		0.3	95.9
Net cash disposed of with subsidiary undertakings		–	(16.4)
Net proceeds from disposal of joint venture and associated undertakings		0.1	4.1
Proceeds from disposal of other investments		0.5	8.7
Net cash (outflow) inflow from acquisitions and disposals		(18.9)	40.1
Equity dividends paid		(5.0)	(21.1)
Net cash (outflow) inflow before use of liquid resources and financing		(33.0)	25.7
Management of liquid resources			
Net movement in short term money market deposits	33	1.8	5.7
Financing			
Ordinary share capital issued		0.4	0.2
(Decrease) in borrowings due within one year	33	(5.4)	(0.3)
Increase (decrease) in borrowings due beyond one year	33	26.6	(24.8)
Capital element of finance leases	33	(0.1)	(0.2)
Net cash inflow (outflow) from financing	32	21.5	(25.1)
(Decrease) increase in cash	33	(9.7)	6.3

Notes to the Financial Statements

1. SEGMENTAL ANALYSIS

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

	2002	2002	2002	2001	2001	2001
	Turnover	Operating profit (loss)	Net assets (liabilities)	Turnover	Operating profit (loss)	Net assets (liabilities)
	£m	£m	£m	£m	£m	£m
						Restated
ACTIVITY						
Oil and gas marketing and distribution	638.1	11.7	109.1	587.3	19.0	90.4
Oilfield services and tubular products	233.9	8.3	123.1	268.3	21.5	131.0
Share of associated undertakings	–	–	0.8	–	–	1.0
Exploration and other activities	79.3	4.3	41.4	79.5	4.7	34.3
Share of joint venture undertaking	–	0.1	0.9	–	–	–
Continuing operations	<u>951.3</u>	<u>24.4</u>	<u>275.3</u>	<u>935.1</u>	<u>45.2</u>	<u>256.7</u>
Discontinued operations						
Defence	–	–	–	100.2	(1.1)	–
	<u>951.3</u>	<u>24.4</u>	<u>275.3</u>	<u>1,035.3</u>	<u>44.1</u>	<u>256.7</u>
Net funding			(97.6)			(73.2)
Pension fund prepayment (net)			12.7			11.0
Central assets			6.4			8.0
			<u>196.8</u>			<u>202.5</u>
AREA OF OPERATION						
Continuing operations						
Europe – UK	63.0	4.4	4.3	68.0	8.2	1.5
– Continent	26.2	1.3	18.3	29.0	(0.8)	9.5
Canada	690.0	12.9	132.1	624.3	19.7	118.6
US	169.1	6.0	117.4	209.7	18.0	125.4
Share of joint venture – UK	–	0.1	0.9	–	–	–
Share of associates – Other	–	–	0.8	–	–	1.0
Other	3.0	(0.3)	1.5	4.1	0.1	0.7
	<u>951.3</u>	<u>24.4</u>	<u>275.3</u>	<u>935.1</u>	<u>45.2</u>	<u>256.7</u>
Discontinued operations						
Europe – UK	–	–	–	89.9	0.2	–
– Continent	–	–	–	2.7	(0.4)	–
Canada	–	–	–	2.2	(0.3)	–
US	–	–	–	5.4	(0.6)	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>97.2</u>	<u>(0.6)</u>	<u>–</u>
	<u>951.3</u>	<u>24.4</u>	<u>275.3</u>	<u>1,035.3</u>	<u>44.1</u>	<u>256.7</u>
Net funding			(97.6)			(73.2)
Pension fund prepayments (net)			12.7			11.0
Central assets			6.4			8.0
			<u>196.8</u>			<u>202.5</u>

Inter-divisional turnover is not material and turnover by destination is not materially different to the area of operation. Most of the Group's financing is arranged centrally and is not specifically attributable to individual activities or geographic areas.

Notes to the Financial Statements

continued

2. NET OPERATING EXPENSES

	2002 £m	2001 £m
Distribution costs	5.6	3.3
Administrative expenses	50.8	70.1
Rental income	(1.5)	(1.4)
	<u>54.9</u>	<u>72.0</u>

3. ANALYSIS OF CONTINUING AND DISCONTINUED ACTIVITIES

The analysis of continuing and discontinued activities during the year to 31 December 2001 is set out below.

	Continuing £m	Discontinued £m	Total £m
Turnover	935.1	100.2	1,035.3
Cost of sales	(827.4)	(91.8)	(919.2)
Group profit	107.7	8.4	116.1
Net operating expenses	(62.5)	(9.5)	(72.0)
Total operating profit	45.2	(1.1)	44.1
Exceptional items:			
Profit on disposal of discontinued operations	–	29.9	29.9
Impairment of net assets of de-consolidated subsidiary	–	(2.9)	(2.9)
Profit on ordinary activities before interest	<u>45.2</u>	<u>25.9</u>	<u>71.1</u>

4. EMPLOYEES

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

	2002 No.	2001 No.
Oil and gas marketing and distribution	500	418
Oilfield services and tubular products	875	977
Exploration and other activities	811	799
Oil	2,186	2,194
Defence	–	1,354
	<u>2,186</u>	<u>3,548</u>

Staff costs during the year comprise:

	2002 £m	2001 £m
Wages and salaries	63.8	86.6
Social security costs	6.8	9.8
Other pension costs (Note 38)	0.2	0.2
	<u>70.8</u>	<u>96.6</u>

Notes to the Financial Statements

continued

5. REMUNERATION OF DIRECTORS

Details of Directors' emoluments and share options are shown within the Remuneration Committee's Report on pages 22 to 29.

6. EXCEPTIONAL ITEMS

Exceptional items comprise:	2002 £m	2001 £m
Profit on disposal of discontinued operations	–	29.9
Impairment of net assets of de-consolidated subsidiary	–	(2.9)
	<u>–</u>	<u>27.0</u>

The profit on disposal of discontinued operations related to the net gain arising on the sale of the businesses within the Defence division, and is after provision for potential future losses.

The impairment of net assets of de-consolidated subsidiary was the writing down of the Group's investment in Zimbabwe.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £m	2001 £m
Bank deposits and investments	1.3	1.4
Bank current accounts	0.3	0.2
Other interest receivable and similar income	0.5	0.7
	<u>2.1</u>	<u>2.3</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £m	2001 £m
Bank loans and overdrafts repayable within 5 years	2.9	4.1
Other loans repayable within 5 years	3.5	2.5
Other loans repayable after 5 years	–	1.2
Other interest payable and similar charges	1.0	0.6
	<u>7.4</u>	<u>8.4</u>

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £m	2001 £m
Profit on ordinary activities before taxation is stated after charging (crediting) the following items:		
Depreciation – owned assets	18.9	17.3
– leased assets	0.1	0.1
Amortisation of goodwill	2.3	1.6
(Profit) on disposal of fixed assets	(0.8)	(0.4)
(Profit) on disposal of de-consolidated subsidiary undertaking	(0.2)	–
(Profit) on disposal of joint venture undertaking	–	(1.6)
Loss on disposal of associated undertaking	0.1	–
Research and development expenditure	0.6	0.6
Operating lease payments:		
Plant and machinery	1.3	1.4
Land and buildings	6.4	6.4
Auditors' remuneration:		
Audit of parent undertaking	0.1	0.1
Audit of subsidiary undertakings	0.5	0.7
Non-audit services	0.6	1.2

Notes to the Financial Statements

continued

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2002 £m	2001 £m
UK Corporation tax at 30% (2001 – 30%)	0.6	4.5
Double taxation relief	(0.4)	(0.9)
Overseas taxation at various rates	6.0	9.4
Deferred taxation – UK	1.0	1.8
– Overseas	0.2	–
	<u>7.4</u>	<u>14.8</u>
Corporation tax on exceptional items	–	4.2
Deferred tax on exceptional items	–	0.7
	<u>7.4</u>	<u>19.7</u>

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

	2002 £m	2001 £m
Profit on ordinary activities before tax	<u>19.1</u>	<u>65.0</u>
Taxation at the standard UK corporation tax rate of 30%	5.7	19.5
Permanent differences	0.7	1.7
Higher rate of tax on overseas profits	1.4	4.0
Capital allowances in excess of depreciation	(1.5)	–
Other timing differences	0.3	(2.5)
Tax relief utilised against exceptional item	–	(4.0)
Other	(0.4)	(1.5)
Total current taxation	<u>6.2</u>	<u>17.2</u>

11. 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 £0.3m (2001 – profit £69.1m) has been dealt with in the accounts of Hunting PLC.

12. DIVIDENDS

	Pence per share	2002 £m	Pence per share	2001 £m
Preference dividends (non-equity):				
Paid	8.25	<u>3.9</u>	8.25	<u>3.9</u>
Ordinary dividends (equity):				
Interim paid	1.0	1.0	2.0	2.0
Special paid	–	–	10.0	10.0
Final proposed	2.0	<u>2.1</u>	4.0	<u>4.0</u>
		<u>3.1</u>		<u>16.0</u>
		<u>7.0</u>		<u>19.9</u>

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13. 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	2002 Weighted average number of Ordinary shares millions	Earnings per Ordinary share pence	Earnings £m	2001 Weighted average number of Ordinary shares millions	Earnings per Ordinary share pence
Profit attributable to shareholders	8.1			40.9		
Less: preference dividends	(3.9)			(3.9)		
Basic EPS						
Earnings attributable to Ordinary shareholders	4.2	100.8	4.1	37.0	100.3	36.9
Effect of dilutive shares						
Options	—	—		—	—	
Diluted EPS						
Adjusted earnings	4.2	100.8	4.1	37.0	100.3	36.9
Basic EPS	4.2		4.1	37.0		36.9
Less: exceptional items after taxation	—		—	(22.1)		(22.0)
Basic EPS before exceptional items	<u>4.2</u>	<u>100.8</u>	<u>4.1</u>	<u>14.9</u>	<u>100.3</u>	<u>14.9</u>

14. INTANGIBLE ASSETS

	Goodwill on acquisitions £m
GROUP	
Cost:	
At 1 January 2002	39.8
Exchange adjustments	(3.6)
Additions (Note 35)	4.4
At 31 December 2002	40.6
Amortisation:	
At 1 January 2002	3.1
Exchange adjustments	(0.4)
Charge for the year	2.3
At 31 December 2002	5.0
Net book amount:	
At 31 December 2002	35.6
At 31 December 2001	36.7

Notes to the Financial Statements

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15. TANGIBLE ASSETS

GROUP	Land and buildings	Short	Oil and gas	Pipelines, tanks and	Plant and	Total	
	Freehold and long leasehold	leasehold	exploration and equipment	Terminals	Other equipment		
	£m	£m	£m	£m	£m	£m	
Cost or Valuation:							
At 1 January 2002	26.2	9.5	27.0	23.2	40.4	90.1	216.4
Exchange adjustments	(0.9)	(0.8)	(2.8)	(3.3)	(3.6)	(6.3)	(17.7)
Revaluation	1.3	–	–	(8.4)	–	–	(7.1)
Additions	0.7	0.2	7.9	7.4	3.1	11.1	30.4
Acquisitions	0.4	–	–	13.2	–	2.5	16.1
Disposals	(0.3)	–	–	(0.1)	–	(3.4)	(3.8)
Reclassifications	(1.2)	(0.7)	–	8.5	(1.1)	(5.5)	–
At 31 December 2002	26.2	8.2	32.1	40.5	38.8	88.5	234.3
Depreciation:							
At 1 January 2002	0.7	3.5	10.3	1.6	18.3	43.6	78.0
Exchange adjustments	–	–	(1.2)	(0.2)	(1.7)	(2.6)	(5.7)
Revaluation	(1.4)	–	–	(8.8)	–	–	(10.2)
Charge for the year	0.8	0.5	3.5	2.5	2.3	9.4	19.0
Disposals	(0.1)	–	–	–	–	(2.6)	(2.7)
Reclassifications	–	(0.5)	–	4.9	(3.1)	(1.3)	–
At 31 December 2002	–	3.5	12.6	–	15.8	46.5	78.4
Net book amount:							
At 31 December 2002	26.2	4.7	19.5	40.5	23.0	42.0	155.9
At 31 December 2001	25.5	6.0	16.7	21.6	22.1	46.5	138.4

Freehold and long leasehold land and buildings comprise:

	Cost or valuation £m	Accumulated depreciation £m
Freehold land and buildings	24.3	–
Long leasehold property	1.9	–
	26.2	–

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 £24.3m, leasehold land and buildings at a net book valuation of £1.9m and terminals at a net book valuation of £40.5m. The freehold and long leasehold land & buildings have an historical cost of £23.8m and accumulated depreciation provision of £4.3m. The terminals have an historical cost of £54.2m and accumulated depreciation of £19.7m.

There is a contingent liability to capital gains tax if properties were to be disposed of at their revalued amounts. No provision has been made in the accounts as the Directors do not anticipate this liability arising in the foreseeable future.

Tangible assets include £0.4m (2001 – £0.3m) being the net book amount of the capital element of assets held under finance leases before accumulated depreciation of £0.1m (2001 – £0.1m).

Notes to the Financial Statements

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16. INVESTMENT IN JOINT VENTURE AND ASSOCIATED UNDERTAKINGS

	Investment in joint venture £m	Investment in associated undertakings £m	Total £m
Group			
At 1 January 2002	–	1.0	1.0
Additions	0.8	–	0.8
Disposals	–	(0.2)	(0.2)
Share of profits after tax and dividends	0.1	–	0.1
At 31 December 2002	0.9	0.8	1.7

There were no loans to the joint venture or associated undertakings at 31 December 2002 (2001 – £Nil).

17. OTHER INVESTMENTS

	Trade investments £m	Investment in own shares £m	Total £m
Group			
At 1 January 2002	6.1	0.7	6.8
Additions	0.1	–	0.1
Disposals	(0.5)	(0.6)	(1.1)
At 31 December 2002	5.7	0.1	5.8

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 after a provision for impairment of £3.0m. The market value of the investment at 31 December 2002 was £4.2m.

The investment in own shares represents 42,467 (2001 – 333,667) Ordinary shares of the Company held by the Company's Employee Share Trust at a cost of £92,654 (2001 – £727,993). The market value of these shares at 31 December 2002 was £36,415.

18. INVESTMENTS

	Investments in subsidiary undertakings £m	Investment in own shares £m	Total £m
Company			
At 1 January 2002	222.8	0.7	223.5
Additions	8.2	–	8.2
Disposals	–	(0.6)	(0.6)
Loans advanced (net)	45.6	–	45.6
At 31 December 2002 (Note 19)	276.6	0.1	276.7

Notes to the Financial Statements

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19. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2002 £m	2001 £m
Company		
Shares at cost	175.4	167.2
Advances to subsidiary undertakings	101.2	55.6
	<u>276.6</u>	<u>222.8</u>

Details of principal subsidiary undertakings are given on pages 60 and 61.

20. STOCKS

	2002 £m	2001 £m
Group		
Raw materials and consumables	16.8	4.7
Work in progress	7.9	9.6
Finished goods and goods for resale	73.6	110.1
Payments on account	–	(0.5)
	<u>98.3</u>	<u>123.9</u>

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

21. DEBTORS

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Due within one year:				
Trade debtors	115.4	92.3	–	–
Amounts owed by subsidiary undertakings	–	–	12.2	39.2
Other debtors	34.2	40.2	0.4	0.5
Corporation tax	–	–	–	1.6
Prepayments and accrued income	5.2	4.1	0.2	–
	<u>154.8</u>	<u>136.6</u>	<u>12.8</u>	<u>41.3</u>
Due after one year:				
Trade debtors	0.8	–	–	–
Other debtors	1.4	4.5	–	–
Prepayments and accrued income	0.5	–	–	–
Pension fund prepayment	18.2	15.7	–	–
	<u>20.9</u>	<u>20.2</u>	<u>–</u>	<u>–</u>
	<u>175.7</u>	<u>156.8</u>	<u>12.8</u>	<u>41.3</u>

22. INVESTMENTS

	Group	
	2002 £m	2001 £m
Short term cash deposits	<u>4.3</u>	<u>6.1</u>

Notes to the Financial Statements

continued

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Secured bank loans and overdrafts (Note 25)	–	0.2	–	–
Unsecured bank and other loans (Note 25)	4.9	10.6	–	–
Unsecured bank overdrafts (Note 25)	5.4	2.6	11.2	8.2
	<u>10.3</u>	<u>13.4</u>	<u>11.2</u>	<u>8.2</u>
Obligations under finance leases (Note 37)	0.1	0.1	–	–
Trade creditors	102.4	101.4	–	–
Amounts due to subsidiary undertakings	–	–	6.1	4.3
Other creditors	19.3	13.0	0.8	1.3
Corporation tax	6.2	9.1	–	–
Other taxes and social security costs	1.8	2.9	–	–
Accruals and deferred income	17.3	29.7	0.9	1.0
Proposed dividends	2.0	4.0	2.0	4.0
	<u>159.4</u>	<u>173.6</u>	<u>21.0</u>	<u>18.8</u>

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

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Unsecured bank and other loans less debt issue costs (Note 25)	101.2	83.2	–	–
Obligations under finance leases (Note 37)	0.3	0.1	–	–
Amounts owed to subsidiary undertakings	–	–	97.7	65.4
Other creditors	6.2	9.1	–	0.7
	<u>107.7</u>	<u>92.4</u>	<u>97.7</u>	<u>66.1</u>

25. SECURED AND UNSECURED BANK, OTHER LOANS AND OVERDRAFTS

	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Secured loans and overdrafts are repayable as follows:				
Within one year (Note 23)			–	0.2
The secured loan was secured by a charge over an asset of a subsidiary undertaking.				
	Group		Company	
	2002 £m	2001 £m	2002 £m	2001 £m
Unsecured loans and overdrafts are repayable as follows:				
Within one year (Note 23)	10.3	13.2	11.2	8.2
Between one and two years	4.1	48.7	–	–
Between two and five years	97.4	24.2	–	–
After five years (2001 – 7.7%)	–	10.3	–	–
	<u>111.8</u>	<u>96.4</u>	<u>11.2</u>	<u>8.2</u>
Debt issue costs	(0.3)	–	–	–
	<u>111.5</u>	<u>96.4</u>	<u>11.2</u>	<u>8.2</u>

Notes to the Financial Statements

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25. SECURED AND UNSECURED BANK, OTHER LOANS AND OVERDRAFTS (continued)

An analysis of the Group's net debt including lease finance is set out below:	2002	2001
	£m	£m
US dollar 8.419% loan notes 2002	–	10.3
US dollar 8.11% loan notes 2005	15.6	17.1
US dollar 7.41% loan notes 2005	6.3	6.8
US dollar 7.71% loan notes 2007	9.3	10.3
Committed bank and other loans	70.3	49.5
Uncommitted bank and other loans	4.9	–
	<hr/>	<hr/>
Borrowings	106.4	94.0
Bank overdrafts	5.4	2.6
Lease finance	0.4	0.2
	<hr/>	<hr/>
Gross borrowings	112.2	96.8
(Less) cash and short term investments	(14.3)	(23.6)
(Less) debt issue costs	(0.3)	–
	<hr/>	<hr/>
Net debt (Note 33)	97.6	73.2

An analysis of the Group's gross borrowings maturity profile is set out below:	2002	2001
	£m	£m
Within one year	10.4	13.5
Between one and two years	4.2	48.8
Between two and five years	97.5	24.2
After five years	0.1	10.3
	<hr/>	<hr/>
	112.2	96.8

An analysis of the Group's undrawn committed borrowing facilities is set out below:	2002	2001
	£m	£m
Within one year	11.5	10.0
Between one and two years	1.1	31.0
Between two and five years	48.9	55.4
	<hr/>	<hr/>
	61.5	96.4

26. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Narrative disclosures required by FRS 13 are included below, in the accounting policies and in the Financial 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)					
		US	Can			
	Sterling	dollars	dollars	Euro	Others	Total
Functional currency of Group operations:	£m	£m	£m	£m	£m	£m
Sterling	–	44.8	(5.6)	2.0	0.7	41.9
US dollars	–	–	(5.1)	0.2	–	(4.9)
Canadian dollars	–	(0.9)	–	–	–	(0.9)
Euro	(0.1)	–	–	–	–	(0.1)
Other currencies	(0.4)	0.5	–	–	(0.5)	(0.4)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	(0.5)	44.4	(10.7)	2.2	0.2	35.6

Notes to the Financial Statements

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26. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial liabilities

The Group's financial liabilities comprise gross borrowings of £112.2m (2001 – £96.8m) (Note 25), £6.2m (2001 – £8.3m) of other creditors due after more than one year and £6.5m (2001 – £3.0m) of provisions (Note 27).

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	2002				2001			
	Total	Floating rate	Fixed rate	Interest free	Total	Floating rate	Fixed rate	Interest free
	£m	£m	£m	£m	£m	£m	£m	£m
Sterling	5.0	4.1	–	0.9	6.7	3.2	–	3.5
US dollars	58.6	39.7	18.8	0.1	65.8	34.6	31.1	0.1
Canadian dollars	51.9	40.2	7.9	3.8	32.9	16.1	13.1	3.7
Euro	9.4	8.2	0.6	0.6	2.7	1.0	0.4	1.3
	124.9	92.2	27.3	5.4	108.1	54.9	44.6	8.6

Currency	2002			2001		
	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	–	–
US dollars	4.9	0.5	1.5	6.0	1.3	2.0
Canadian dollars	4.9	0.7	6.2	5.1	1.3	6.5
Euro	3.4	2.3	1.5	3.8	2.5	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:

	2002 £m	2001 £m
Within one year	11.4	14.0
Between one and two years	5.2	52.9
Between two and five years	99.8	27.9
After five years	8.5	13.3
	124.9	108.1

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 information does not include the Company's preference shares which are shown in Note 28.

Interest rate risk profile of financial assets

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

Currency	2002				2001			
	Total	Floating rate	Fixed rate	Interest free	Total	Floating rate	Fixed rate	Interest free
	£m	£m	£m	£m	£m	£m	£m	£m
Sterling	6.1	6.1	–	–	13.8	13.8	–	–
US dollars	2.6	2.2	–	0.4	4.8	4.8	–	–
Canadian dollars	4.7	3.7	0.7	0.3	3.5	3.5	–	–
Euro	2.3	1.8	0.3	0.2	1.3	1.3	–	–
Other currencies	0.2	0.2	–	–	0.2	0.2	–	–
	15.9	14.0	1.0	0.9	23.6	23.6	–	–

Notes to the Financial Statements

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26. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (continued)

Interest rate risk profile of financial assets (continued)

	Weighted average fixed interest rate (%)	2002 Weighted average fixed rate period (years)	Weighted average interest free period (years)	Weighted average fixed interest rate (%)	2001 Weighted average fixed rate period (years)	Weighted average interest free period (years)
Canadian dollars	12.0	0.8	2.9	–	–	–
Euro	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:

	2002 £m	2001 £m
Within one year	14.3	23.6
Between one and two years	1.2	–
Between two and five years	0.1	–
After five years	0.3	–
	15.9	23.6

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:

	2002		2001	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Primary financial instruments:				
Short-term borrowings including overdrafts	(10.3)	(10.3)	(13.4)	(13.4)
Long-term borrowings (before debt issue costs)	(101.5)	(105.8)	(83.2)	(89.5)
Cash at bank and in hand	10.0	10.0	17.5	17.5
Short-term deposits	4.3	4.3	6.1	6.1
Other financial liabilities	(13.1)	(13.1)	(11.5)	(11.5)
Other financial assets	1.6	1.7	–	–
Derivative financial instruments:				
Interest rate swaps and caps	–	3.7	–	1.9
Currency swaps	–	0.1	–	(0.2)
Foreign exchange forward contracts	–	0.5	–	–
Average rate cylinder options	–	–	–	0.1
Oil price options	–	(0.3)	–	–
Oil price futures	–	0.5	–	(0.2)
Oil price swaps	–	(1.0)	–	(0.4)

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 15 months from the balance sheet date.

Oil price options, futures and swaps hedge Canadian crude oil inventories which mature up to 12 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

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26. 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		Total £m
	Gains £m	Losses £m	
Unrecognised gains/(losses) on hedges at 1 January 2002	3.3	(2.1)	1.2
(Gains)/losses at 1 January 2002 that were recognised in 2002	(0.3)	0.7	0.4
Gains/(losses) at 1 January 2002 that were not recognised in 2002	3.0	(1.4)	1.6
Gains/(losses) arising in 2002 that were not recognised in 2002	2.7	(0.8)	1.9
Unrecognised gains/(losses) on hedges at 31 December 2002	5.7	(2.2)	3.5
The gains/(losses) at 31 December 2002 are expected to be recognised as follows:			
In 2003	1.4	(2.0)	(0.6)
After 2003	4.3	(0.2)	4.1
	5.7	(2.2)	3.5

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.

27. PROVISIONS FOR LIABILITIES AND CHARGES

	Provisions £m	Deferred tax £m	Total £m
Group			
At 1 January 2002			
– as previously reported	3.0	5.2	8.2
– adjustment for adoption of FRS 19 'Deferred Tax'	–	10.5	10.5
– restated	3.0	15.7	18.7
Exchange adjustments	(0.3)	(1.1)	(1.4)
(Credited) charged to profit and loss account	(0.2)	1.2	1.0
Subsidiary undertakings acquired	4.0	0.1	4.1
Transfer from corporation tax	–	1.0	1.0
At 31 December 2002	6.5	16.9	23.4

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 an appropriate period.

	2002 £m	2001 £m
Deferred taxation		
Provision has been made at various rates (2001 – 30%) as follows:		
Accelerated capital allowances	12.7	10.5
Tax effect of capital losses	(1.1)	–
Other timing differences	5.3	5.2
	16.9	15.7

Deferred taxation of £5.2m (2001 – £10.5m) in respect of the potential capital gains tax on the revaluation of properties (Note 15) 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 £0.9m have not been recognised due to insufficient evidence that they are recoverable. The assets will be recovered when sufficient UK taxable profits arise.

The impact of adopting FRS 19 on the 2002 results amounted to an additional deferred tax charge of £0.8m, of which £0.3m is apportionable to the minority interests. The impact on the 2002 balance sheet amounted to an increase in the net liability to deferred taxation of £11.5m, of which £2.5m is apportionable to the minority interests.

Notes to the Financial Statements

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28. SHARE CAPITAL

Group and Company	Ordinary	Ordinary	8.25%	Total
	shares	shares	Cumulative	
	of 25p each	of 25p each	Preference	
	No.	£m	shares	£m
			of £1 each	
			£m	
Authorised	125,100,192	31.3	50.5	81.8
Allotted and fully paid at 1 January 2002	100,819,929	25.2	47.9	73.1
Exercise of options	199,175	0.1	–	0.1
Conversion of Preference shares	536	–	–	–
At 31 December 2002	101,019,640	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 30 May and 28 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 2002, 1,578 Convertible Preference Shares were converted.

Options outstanding under the Company’s share option schemes at 31 December 2002 were:

	No. of	Exercise	
	Options	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 No. 3 Scheme	80,000	205	24.11.98 - 23.11.05
Total Options Outstanding	5,461,571		

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

29. RESERVES

Group	Share premium	Revaluation reserve	Profit and loss account	Total
	£m	£m	£m	£m
At 1 January 2002				
– as previously reported	41.2	14.1	40.4	95.7
– adjusted for adoption of FRS 19 ‘Deferred Tax’	–	–	(8.1)	(8.1)
– restated	41.2	14.1	32.3	87.6
Currency translation differences*	–	(0.9)	(7.3)	(8.2)
Share capital issued	0.3	–	–	0.3
Revaluation	–	2.3	–	2.3
Retained profit for the year	–	–	1.1	1.1
At 31 December 2002	41.5	15.5	26.1	83.1

Notes to the Financial Statements

continued

29. RESERVES (continued)	Share premium	Revaluation reserve	Profit and loss account	Total
Company	£m	£m	£m	£m
At 1 January 2002	41.2	–	65.9	107.1
Share capital issued	0.3	–	–	0.3
Retained (loss) for the year	–	–	(7.3)	(7.3)
At 31 December 2002	41.5	–	58.6	100.1

*Currency translation differences include a credit for the year of £9.3m (2001 – £0.5m 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 £0.1m (2001 – £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 (2001 – £30.0m).

30. SHAREHOLDERS' FUNDS	Group		Company	
	2002	2001	2002	2001
	£m	£m	£m	£m
		Restated		
EQUITY SHAREHOLDERS' FUNDS				
Ordinary share capital	25.3	25.2	25.3	25.2
Share premium	41.5	41.2	41.5	41.2
Revaluation reserve	15.5	14.1	–	–
Profit and loss account	26.1	32.3	58.6	65.9
	<u>108.4</u>	<u>112.8</u>	<u>125.4</u>	<u>132.3</u>
NON-EQUITY SHAREHOLDERS' FUNDS				
Preference share capital	47.9	47.9	47.9	47.9
	<u>156.3</u>	<u>160.7</u>	<u>173.3</u>	<u>180.2</u>

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

	2002	2001
	£m	£m
Operating profit	24.4	44.1
Depreciation and amortisation of goodwill	21.3	19.0
(Profit) on disposal of fixed assets	(0.8)	(0.4)
(Profit) on disposal of de-consolidated subsidiary undertaking	(0.2)	–
Loss (profit) on disposal of joint venture and associated undertakings	0.1	(1.6)
Share of operating (profits) of joint venture undertaking	(0.1)	–
Decrease (increase) in stocks	22.3	(10.4)
(Increase) decrease in debtors	(26.1)	3.3
(Decrease) increase in creditors	(2.3)	1.7
(Decrease) in provisions	(0.2)	–
Net cash inflow from operating activities	38.4	55.7

Notes to the Financial Statements

continued

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	2002 £m	2001 £m
At 1 January	208.5	235.3
Net cash inflow (outflow) from financing	21.5	(25.1)
Finance leases acquired with subsidiary undertakings (Note 35)	0.3	–
Finance leases disposed of with subsidiary undertakings	–	(0.1)
Inception of new finance lease contracts (Note 33)	0.1	–
Exclusion of subsidiary	–	(0.8)
Exchange rate movements	(9.2)	(0.8)
At 31 December	221.2	208.5
The balance at 31 December comprises:		
Share capital (including premium)	114.7	114.3
Borrowings (less debt issue costs)	106.1	94.0
Finance lease creditors	0.4	0.2
	221.2	208.5

33. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2002 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Inception of finance lease contracts £m	Exchange movements £m	At 31 Dec 2002 £m
Cash at bank and in hand	17.5	(6.2)	–	–	(1.3)	10.0
Overdrafts	(2.6)	(3.5)	–	–	0.7	(5.4)
		(9.7)				
Borrowings due after one year*	(83.2)	(26.6)	–	–	8.6	(101.2)
Borrowings due within one year	(10.8)	5.4	–	–	0.5	(4.9)
Finance leases	(0.2)	0.1	(0.3)	(0.1)	0.1	(0.4)
		(21.1)				
Money market deposits	6.1	(1.8)	–	–	–	4.3
Total net debt (Note 25)	(73.2)	(32.6)	(0.3)	(0.1)	8.6	(97.6)

*after debt issue costs

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

	2002 £m	2001 £m
(Decrease) increase in cash during the year	(9.7)	6.3
(Increase) decrease in debt and lease financing	(21.1)	25.3
(Decrease) in liquid resources	(1.8)	(5.7)
Changes in net debt resulting from cash flows (Note 33)	(32.6)	25.9
Purchase of fixed assets financed by finance leases (Note 33)	(0.1)	–
Finance leases acquired with subsidiary (Note 35)	(0.3)	–
Finance leases disposed of with subsidiary	–	0.1
Exclusion of subsidiary	–	0.8
Foreign currency translation differences (Note 33)	8.6	0.8
Movement in net debt for the year	(24.4)	27.6
Net debt at 1 January (Note 33)	(73.2)	(100.8)
Net debt at 31 December (Note 33)	(97.6)	(73.2)

Notes to the Financial Statements

continued

35. PURCHASE OF SUBSIDIARY UNDERTAKINGS AND OTHER BUSINESSES

On 2 January 2002 the Group acquired the share capital of Moose Jaw Asphalt Inc for £14.1m. This and the other acquisitions during the year have been accounted for under the acquisition method and details of the net assets acquired are shown below:

	Moose Jaw Asphalt £m	Others £m	Total £m
Net assets acquired			
Pre-acquisition net book value:			
Tangible fixed assets	6.1	2.9	9.0
Stocks	2.4	0.7	3.1
Debtors	0.8	1.4	2.2
Bank overdrafts	0.5	1.3	1.8
Creditors and provisions	(1.3)	(1.3)	(2.6)
Finance lease liabilities	–	(0.3)	(0.3)
Deferred taxation	(1.4)	–	(1.4)
Minority interests	–	0.1	0.1
	<u>7.1</u>	<u>4.8</u>	<u>11.9</u>
Fair value adjustments:			
Revaluation of tangible fixed assets	7.1	–	7.1
Provisions against site restoration	(4.0)	–	(4.0)
Deferred taxation	1.4	–	1.4
	<u>11.6</u>	<u>4.8</u>	<u>16.4</u>
Fair value of assets acquired	11.6	4.8	16.4
Goodwill	2.5	1.9	4.4
	<u>14.1</u>	<u>6.7</u>	<u>20.8</u>
Cash consideration paid			
	<u>14.1</u>	<u>6.7</u>	<u>20.8</u>

The goodwill arising on these acquisitions 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 businesses acquired are expected to exceed the fair value of the underlying net assets.

Other acquisitions comprise mainly Roforge S.A. in France and certain businesses of the ECL Group in Canada.

36. CAPITAL COMMITMENTS

Group capital expenditure committed but not provided for in these financial statements amounted to £2.4m (2001 – £9.3m).

37. LEASES

	2002 £m	2001 £m
The Group has net obligations payable under finance leases as follows:		
Within one year (Note 23)	0.1	0.1
Between one and two years	0.1	0.1
Between two and five years	0.1	–
After five years	0.1	–
	<u>0.4</u>	<u>0.2</u>

	Land and buildings		Other	
	2002 £m	2001 £m	2002 £m	2001 £m
Operating lease rentals payable during the next year are as follows:				
Commitments expiring:				
Within one year	0.1	0.4	0.2	0.2
Between two and five years	1.8	2.4	1.2	1.1
After five years	3.4	2.7	0.4	–
	<u>5.3</u>	<u>5.5</u>	<u>1.8</u>	<u>1.3</u>

Notes to the Financial Statements

continued

38. 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. As at 31 December 2002 the defined benefit scheme was closed to new UK employees who will as an alternative be offered membership of a new 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.

The Group's UK defined benefit scheme was subject to a valuation by Lane Clark & Peacock, consulting actuaries, as at 5 April 2002. 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% (2001 – 7.5%) per annum and a discount rate for liabilities after retirement of 6.0% (2001 – 6.5%) per annum, salary rates would increase at an average of 4.5% (2001 – 5.5%) per annum, pensions would increase at 2.5% (2001 – 3.0%) per annum and dividend income would grow at 3.8% (2001 – 4.3%) per annum. The market value of the scheme's assets at 5 April 2002 was £213.1m and the actuarial value, measured on the actuarial assumptions used for accounting purposes, represented 122% 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 £0.2m (2001 – £0.2m) of which £2.1m (2001 – £2.6m) 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 £1.8m (2001 – £2.5m) 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 2002 there were employer contributions totalling £0.6m (2001 – £1.0m). The prepayment of £18.2m (2001 – £15.8m) 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 2002. 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:

	2002		2001	
	UK	Canada	UK	Canada
Rate of increase in salaries	4.3% pa	4.5% pa	4.5% pa	4.5% pa
Rate of increase in pensions in payment	2.3% pa	2.5% pa	2.5% pa	2.5% pa
Discount rate	5.6% pa	7.0% pa	5.8% pa	7.0% pa
Inflation	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	7.3% pa	7.0% pa	8.0% pa	7.0% pa
Bonds	4.6% pa	4.0% pa	5.3% pa	4.0% pa

Notes to the Financial Statements

continued

38. PENSION COMMITMENTS (continued)

b) FRS 17 pensions disclosure (continued)

– Value at 31 December:

	2002			2001		
	UK £m	Canada £m	Total £m	UK £m	Canada £m	Total £m
Equities	88.2	1.0	89.2	148.8	1.3	150.1
Bonds	90.7	1.0	91.7	64.2	1.2	65.4
Other	0.2	–	0.2	0.2	–	0.2
Total market value of assets	179.1	2.0	181.1	213.2	2.5	215.7
Present value of scheme liabilities	(158.8)	(2.0)	(160.8)	(150.9)	(2.0)	(152.9)
Surplus in scheme	20.3	–	20.3	62.3	0.5	62.8
Related deferred tax liability			(6.1)			(18.8)
Net pension asset			14.2			44.0

During the year to 31 December 2002, contributions by the employer of £0.6m were made to the Hunting Pension Scheme and none were made to the Canadian Plan. The employer has agreed to increase its contribution rate 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 2002:

	UK £m	Canada £m	Total £m
Surplus at 31 December 2001	62.3	0.5	62.8
Current service cost (employer and employee)	(1.8)	(0.1)	(1.9)
Contributions (employer and employee)	0.9	–	0.9
Past service costs	(0.1)	–	(0.1)
Other net finance income	6.5	–	6.5
Actuarial (loss)	(47.5)	(0.3)	(47.8)
Currency translation	–	(0.1)	(0.1)
Surplus at 31 December 2002	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 2002:

	UK £m	Canada £m	Total £m
Current service cost (employers part)	(1.5)	(0.1)	(1.6)
Past service cost	(0.1)	–	(0.1)
Total operating (charge)	(1.6)	(0.1)	(1.7)

Notes to the Financial Statements

continued

38. 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 2002:

	UK £m	Canada £m	Total £m
Expected return on pension scheme assets	15.1	0.1	15.2
Interest on pension scheme liabilities	(8.6)	(0.1)	(8.7)
Net credit to finance income	<u>6.5</u>	<u>-</u>	<u>6.5</u>

– 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 2002:

	UK		Canada		Total	
	£m	%	£m	%	£m	%
Actual return less expected return on scheme assets	(42.7)	(24)	(0.3)	(15)	(43.0)	(24)
Experience gains and losses arising on the scheme liabilities	2.9	2	-	-	2.9	2
Changes in assumptions underlying the present value of the scheme liabilities	(7.7)	(5)	-	-	(7.7)	(5)
Actuarial (loss) recognised in STRGL	<u>(47.5)</u>		<u>(0.3)</u>		<u>(47.8)</u>	

The above percentages show the STRGL components as a percentage of the end-of-year 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:

	2002		2001	
	Net assets £m	Profit and loss reserve £m	Net assets £m	Profit and loss reserve £m
As reported	196.8	26.1	202.5	32.3
Deduct SSAP 24 pension asset (net of deferred tax)	(12.7)	(12.7)	(11.0)	(11.0)
Add FRS 17 net pension asset	14.2	14.2	44.0	44.0
Revised	<u>198.3</u>	<u>27.6</u>	<u>235.5</u>	<u>65.3</u>

39. CONTINGENT LIABILITIES

There are contingent liabilities arising in the ordinary course of business in respect of litigation and guarantees for which the Directors believe adequate provisions have been made in the accounts. The Company has guaranteed borrowings of £109.1m (2001 – £93.4m) by Group companies.

Principal Subsidiary, Joint Venture and Associated Undertakings

OIL ACTIVITIES	Country of incorporation and operations	Business
Gibson Energy Limited (64%)	Canada	Oil and gas marketing and distribution
Moose Jaw Asphalt Inc. (64%)	Canada	Asphalt manufacturing and marketing
Hunting Energy Services, L.P.	USA	Oilfield and trenchless drilling products and services
Hunting Oilfield Services (International) Limited	England	Oilfield services
Hunting Oilfield Services (UK) Limited (60%)	England & Holland	Oilfield services
Hunting Oilfield Services Limited	England	Oilfield services
Hunting Oilfield Services Holdings Inc.	USA & Venezuela	Oilfield services
Hunting Performance Inc.	USA	Manufacture of drilling equipment
Hunting Oilfield 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 Petroleum France SA†	France	Holding company
INTERPEC SAS†	France	Refinery and pipeline equipment
Larco SAS†	France	Petroleum equipment
Roforge SA†	France	Manufacture of steel valves
Investissement Conception Réalisation SAS (80%)†	France	Oil facilities consultancy
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 U.S. 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

	2002 £m	2001 £m	2000 £m	1999 £m	1998 £m
Turnover					
Continuing operations	951.3	935.1	875.6	517.5	480.7
Discontinued operations	–	100.2	340.3	534.1	501.1
	951.3	1,035.3	1,215.9	1,051.6	981.8
Operating profit (loss)					
Continuing operations	24.4	45.2	29.7	6.9	21.3
Discontinued operations	–	(1.1)	12.2	28.8	29.7
	24.4	44.1	41.9	35.7	51.0
Exceptional items	–	27.0	–	–	(5.1)
	24.4	71.1	41.9	35.7	45.9
Finance charges	(5.3)	(6.1)	(8.5)	(5.6)	(5.5)
Profit before taxation	19.1	65.0	33.4	30.1	40.4
Taxation	(7.4)	(19.7)	(13.7)	(9.4)	(14.0)
Profit after taxation	11.7	45.3	19.7	20.7	26.4
Equity minority interests	(3.6)	(4.4)	(5.1)	(7.1)	(7.1)
Profit for the year	8.1	40.9	14.6	13.6	19.3
Basic earnings per share	4.1p	36.9p	10.7p	9.7p	15.3p
Dividend per share	3.0p	16.0p	9.25p	9.25p	9.25p
Fixed assets	199.0	182.9	193.6	153.0	140.8
Net current assets	128.9	130.7	116.5	117.5	102.9
	327.9	313.6	310.1	270.5	243.7
Financed by:					
Shareholders' funds (including minorities)	196.8	202.5	171.8	167.2	155.7
Long term creditors and provisions	131.1	111.1	138.3	103.3	88.0
	327.9	313.6	310.1	270.5	243.7
Net assets per share	194.9p	201.5p	170.7p	166.2p	154.7p

The years 1998 to 2001 have been restated for the adoption of FRS 19 'Deferred Tax'.

Shareholder Information

FINANCIAL CALENDAR 2003

April 30	Annual General Meeting
May 30	8.25% Preference Dividend Payment
July 3	Final Ordinary Dividend Payment
September	Announcement of Interim Results
November 28	8.25% Preference Dividend Payment
December	Ordinary Interim Dividend Payment

ANALYSIS OF ORDINARY SHAREHOLDERS

The Company has 2,205 Ordinary shareholders (2001 – 1,911) who hold 101.0 million (2001 – 100.8 million) Ordinary shares analysed as follows:

	2002 % of total shareholders	2002 % of total shares	2001 % of total shareholders	2001 % of total shares
SIZE OF HOLDINGS				
1 – 4,000	74.28	1.74	74.83	1.43
4,001 – 20,000	16.51	3.18	15.86	2.71
20,001 – 40,000	2.68	1.60	2.20	1.17
40,001 – 200,000	3.95	8.06	3.92	7.12
200,001 – 500,000	1.22	7.63	1.67	9.83
500,001 and over	1.36	77.79	1.52	77.74

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)
 Arbuthnot Securities
 Credit Suisse First Boston
 KBC Peel Hunt
 Merrill Lynch International
 Williams de Broë
 Winterflood Securities

Professional Advisers

Solicitors

CMS Cameron McKenna

Auditors

PricewaterhouseCoopers LLP

Brokers

Hoare Govett Limited

Merchant Bankers

Close Brothers Corporate Finance Limited

Insurance Brokers

Willis Limited

Pension Advisers & Actuary

Lane Clark & Peacock LLP

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