Hunting PLC half year report

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HUNTING

Half Year Report

Hunting PLC, the international energy services company, announces its half year results for the six months to 30 June 2007.

INTRODUCTION

The half year results reflect excellent operational improvements due to prior year capital expenditures, productivity enhancements and cost containment. This is set against a background of a 20% reduction in drilling activity in Canada, low natural gas prices in North America, and a further weakening of the US dollar. In £-Sterling, pre-tax profits before exceptionals report a 10% increase over the prior period; expressing these results in US dollars shows an increase of 21%. Increased Canadian oil sands investment and global drilling activity continues to provide excellent growth opportunities for your Company's assets.

RESULTS SUMMARY

Revenue for the six months to 30 June 2007 decreased from £885.8m to £877.2m. Profit from operations before exceptionals increased by 10% to £42.5m (2006 – £38.5m). Pre-tax profits before exceptionals increased by 10% to £38.9m (2006 – £35.3m) and after exceptional items pre-tax profits increased by 3%. Profit for the period was £23.7m (2006 – £22.9m) after a tax charge of £12.7m (2006 – £12.4m).

Basic earnings per share before exceptionals of 18.1p were 9% higher (2006 – 16.6p) and after exceptional items basic earnings per share decreased by 3%.

An interim dividend of 2.55p per share (2006 – 2.3p) will be paid on 21 November 2007 to shareholders on the register at the close of business on 2 November 2007.

OPERATIONAL REVIEW

The revenue and operating results of each division are included in the financial analysis in Note 2 of this report.

GIBSON ENERGY

Gibson Energy, based in Alberta, Canada and one of Canada's premier mid-stream service companies providing marketing services, truck transportation, processing and distribution achieved a good result with profit from operations for the six months of £19.6m. Conventional exploration and production drilling declined approximately 20% during the period, however, heavy oil projects continue to attract further investment. Truck transportation, pipelines and terminals continue to benefit from larger production volumes. Moose Jaw Refinery continues to benefit from A grade asphalt prices as well as market share improvement for wellsite fluids. Differentials between heavy/sour and light crude oil pricing, as well as diluent, enables Gibson to maximise the synergies of its terminals, pipeline and storage assets. Prior period expansion programmes coupled with growing volumes from tar sands development will provide the company with excellent growth opportunities.

Marketing had an excellent result for the period. Oil prices in the 20-plus crude streams remained volatile and management expertly managed its inventories. However, profit from operations was lower than the corresponding period in 2006 by 29% at £5.5m (2006 – £7.8m).

Truck Transportation had another exceptional year on year improvement due to higher activity levels, spot movements and synergies with other Gibson assets. Profit from operations increased by 32% to £5.4m (2006 – £4.1m).

Terminals and Pipelines have continued to see increased overall activity in the region. Profit from operations increased 36% to £3.0m (2006 – £2.2m).

Canwest Propane and Natural Gas Liquids ("NGL") benefited from a further acquisition and saw an increase of 33% in profit from operations to £2.4m (2006 – £1.8m).

Moose Jaw Refinery results were slow due to delayed asphalt deliveries following adverse weather and the slump in US housing demand for roof flux. Sales for asphalt and well site fluids exceeded last year and second half deliveries should improve. Profit from operations for the period was £3.3m (2006 – £6.2m).

The performance of Gibson's assets is leveraged to the continued development of oil and gas in Western Canada including the vast tar sands in Alberta and heavy oil production which is expected to triple in the next 7-10 years. Marketing will remain dependent upon crude differentials, diluent availability and blending opportunities.

HUNTING ENERGY SERVICES

Hunting Energy Services, with manufacturing facilities throughout the world, is a supplier of products and services to the upstream oil and gas companies. Profit from operations in the first half increased 51% from £15.4m to £23.3m.

Current energy price levels are fueling drilling activity around the globe at levels not seen since the early 1980s. Recent forecasts continue to support the additional need for rigs and ancillary products to meet rising demand and severe depletion. As expected, growth in the Middle East and Asia has offset the decline in Canada and the US Gulf of Mexico. New capacity in the US Rocky Mountains, Holland and Singapore has provided excellent profit gains.

Well Completion – Profit from operations increased 73% to £16.3m (2006 – £9.4m).

Well Construction – Profit from operations increased 8% to £4.3m (2006 – £4.0m).

Exploration and Production – 5 out of 9 wells were successfully completed during the period – 3 gas, 1 oil and gas, 1 oil. Full production was not regained from the damage of Hurricane Katrina until the second quarter, which, combined with lower gas prices, resulted in an 11% decline in profit from operations to £1.6m (2006 – £1.8m).

Hunting Energy France – Profit from operations increased to £1.1m (2006 – £0.2m).

OTHER

Gibson Shipbrokers had a decrease in profit from operations to £0.7m (2006 – £1.0m).

On 12 July 2007, Aero Sekur, our former Italian defence company, was sold for £2.0m resulting in an exceptional loss on sale of £2.5m. The loss has been recognised in the half year result.

Half Year Report

KEY FINANCIAL POINTS

- EBITDA £55.6m (2006 – £51.5m).
- Capital expenditure £32.7m (2006 – £25.8m) which included £8.6m in Gibson Energy (2006 – £11.1m) and £22.8m in Hunting Energy Services (2006 – £13.7m). In total, £17.7m was replacement expenditure (2006 – £10.0m) and £15.0m was new business expenditure (2006 – £15.8m).
- Acquisitions £11.8m (2006 – £0.9m).
- Depreciation and amortisation £12.8m (2006 – £12.5m).
- Net debt £138.8m (2006 – £109.6m) with working capital increasing by £40.6m (2006 – £22.0m).

OUTLOOK

For 2007, the oil and gas industry did not expect as dramatic a growth as experienced in 2005 and 2006 due to labour constraints and project timing. We are pleased with the first half results and improvement should continue for the second half. Weather, currency fluctuations, gas prices, light and heavy crude price differentials and geopolitical dynamics can and will influence future performance. However, the fundamentals of diminishing reserves against growing demand will provide your Company the opportunity to utilise its excellent and strategically located assets for future benefit.

Richard Hunting
Chairman
30 August 2007

Dennis Proctor
Chief Executive

Independent review report to Hunting PLC

INTRODUCTION

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007, which comprises the consolidated interim balance sheet as at 30 June 2007 and the related consolidated interim statements of income, cash flows and recognised income and expense for the six months then ended and the related notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

DIRECTORS' RESPONSIBILITIES

The half year report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the half year figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This half year report has been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting'.

REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company in connection with the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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 as expressly agreed by our consent in writing.

REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 August 2007

Notes:

(a) The maintenance and integrity of the Hunting PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the half year report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Income Statement

(Unaudited)

	Notes	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Revenue	2	**877.2**	885.8	1,810.4
Cost of sales		**(793.0)**	(801.9)	(1,639.8)
Gross profit		**84.2**	83.9	170.6
Other operating income		**3.8**	1.6	7.5
Operating expenses*		**(48.0)**	(47.0)	(91.8)
Profit from operations	2	**40.0**	38.5	86.3
Interest income		**5.0**	3.4	8.3
Interest expense and similar charges		**(8.9)**	(7.1)	(16.4)
Share of post-tax profits in associates		**0.3**	0.5	2.6
Profit before tax		**36.4**	35.3	80.8
Taxation	4	**(12.7)**	(12.4)	(28.6)
Profit for the period		**23.7**	22.9	52.2
Attributable to:				
Shareholders of the parent		**21.0**	21.3	48.4
Minority interests		**2.7**	1.6	3.8
		23.7	22.9	52.2
Basic earnings per 25p ordinary share	5	**16.1p**	16.6p	37.6p
Diluted earnings per 25p ordinary share	5	**15.5p**	15.7p	35.7p
Dividend declared per share – interim	6	**2.55p**	2.3p	2.3p
Dividend declared per share – final	6	**–**	–	5.2p

The above results relate to continuing operations.

*Operating expenses include exceptional charges of £2.5m (six months ended 30 June 2006 – £nil; year ended 31 December 2006 – £5.0m) as described in note 3. The earnings per share adjusted for these exceptional charges is disclosed in note 5.

A 2007 interim dividend of 2.55p per share, which will absorb an estimated £3.3m, was approved by the Board, for payment on 21 November 2007.

Consolidated Balance Sheet

(Unaudited)

	Notes	At 30 June 2007 £m	At 30 June 2006 £m	At 31 December 2006 £m
ASSETS				
Non-current assets				
Property, plant and equipment		**221.0**	195.2	194.6
Goodwill		**57.7**	56.8	53.0
Other intangible assets		**5.3**	5.1	4.0
Interests in associates		**8.4**	6.0	8.0
Available for sale investments		**0.2**	0.2	0.2
Retirement benefit assets		**24.1**	28.6	30.1
Trade and other receivables		**2.7**	2.6	2.8
Deferred tax assets		**9.5**	11.5	12.4
		328.9	306.0	305.1
Current assets				
Inventories		**131.9**	121.3	120.0
Trade and other receivables		**209.7**	183.8	191.1
Financial assets		**0.6**	0.6	0.6
Cash and cash equivalents		**112.9**	113.6	118.5
Assets classified as held for sale	8	**18.8**	–	–
		473.9	419.3	430.2
LIABILITIES				
Current liabilities				
Trade and other payables		**225.9**	198.7	226.6
Current tax liabilities		**4.1**	9.1	8.8
Borrowings		**150.3**	131.2	108.5
Provisions		**4.1**	1.9	4.2
Liabilities associated with assets classified as held for sale	8	**16.8**	–	–
		401.2	340.9	348.1
Net current assets		**72.7**	78.4	82.1
Non-current liabilities				
Borrowings		**92.7**	92.6	79.9
Deferred tax liabilities		**76.4**	70.8	76.3
Retirement benefit obligations		**1.3**	3.1	2.4
Other payables		**2.3**	4.5	1.9
Provisions		**15.1**	15.9	15.2
		187.8	186.9	175.7
Net assets		**213.8**	197.5	211.5
Shareholders' equity				
Share capital	9	**32.9**	32.5	32.8
Share premium	9	**87.2**	84.7	85.6
Other reserves	9	**7.7**	14.4	5.6
Retained earnings	9	**75.7**	59.2	79.8
	9	**203.5**	190.8	203.8
Minority interests	9	**10.3**	6.7	7.7
Total equity	9	**213.8**	197.5	211.5

Consolidated Statement of Recognised Income and Expense

(Unaudited)

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Profit for the period	**23.7**	22.9	52.2
Exchange adjustments net of tax	**3.4**	(5.9)	(15.8)
Fair value (losses) gains net of tax:			
– on cash flow hedges	**–**	(0.2)	0.4
Impairment of revalued assets held for sale net of tax	**(1.0)**	–	–
Actuarial (losses) gains on defined benefit pension schemes net of tax	**(8.7)**	0.9	2.0
Tax on the discharge of share options	**2.3**	–	1.9
Net expense recognised directly in equity	**(4.0)**	(5.2)	(11.5)
Total recognised income and expense for the period	**19.7**	17.7	40.7
Attributable to:			
Shareholders of the parent	**17.1**	16.2	37.3
Minority interests	**2.6**	1.5	3.4
	19.7	17.7	40.7

Consolidated Cash Flow Statement

(Unaudited)

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Operating activities			
Profit from operations	**40.0**	38.5	86.3
Exceptional charges	**2.5**	–	5.0
Depreciation and amortisation	**12.8**	12.5	28.3
(Profit) loss on disposal of property, plant and equipment	**(0.5)**	(0.4)	2.9
Increase in inventories	**(16.6)**	(16.9)	(25.3)
(Increase) decrease in receivables	**(18.8)**	8.1	(11.9)
(Decrease) increase in payables	**(5.2)**	(13.2)	25.0
Taxation paid	**(12.1)**	(7.2)	(11.2)
UK pension scheme contribution	**(5.6)**	(5.6)	(5.6)
Other non cash flow items	**(0.5)**	0.7	(0.2)
Net cash (outflow) inflow from operating activities	**(4.0)**	16.5	93.3
Investing activities			
Dividends received from associates	**0.1**	–	0.2
Purchase of subsidiaries net of cash and overdrafts acquired	**(11.8)**	(0.9)	(0.9)
Closure of a subsidiary	**–**	–	(1.0)
Purchase of associates	**(0.1)**	–	(0.2)
Loans to associates	**(2.0)**	–	(0.6)
Loans from associates	**0.3**	3.3	2.9
Proceeds from disposal of property, plant and equipment	**2.6**	0.5	1.1
Purchase of property, plant and equipment	**(32.7)**	(25.8)	(54.2)
Purchase of intangible assets	**(0.1)**	(0.4)	(0.7)
Net cash outflow from investing activities	**(43.7)**	(23.3)	(53.4)
Financing activities			
Interest received	**4.1**	2.7	6.4
Interest paid	**(8.6)**	(7.5)	(14.5)
Equity dividends paid	**–**	(5.2)	(8.2)
Minority interest dividend paid	**–**	–	(0.9)
Share capital issued	**0.1**	2.3	3.3
Purchase of treasury shares	**(16.8)**	(4.3)	(12.4)
Disposal of treasury shares	**4.2**	1.0	4.0
Proceeds from new borrowings	**54.9**	23.7	11.9
Repayment of borrowings	**(4.9)**	(1.2)	(14.6)
Purchase of deposits	**–**	(0.6)	(0.6)
Capital element of finance leases	**(0.2)**	(0.3)	(0.6)
Net cash inflow (outflow) from financing activities	**32.8**	10.6	(26.2)
Net cash (outflow) inflow in cash and cash equivalents	**(14.9)**	3.8	13.7
Cash and cash equivalents at beginning of period	**16.9**	4.5	4.5
Effect of foreign exchange rates	**(0.1)**	(0.3)	(1.3)
Re-classified as held for sale	**3.2**	–	–
Cash and cash equivalents at end of period	**5.1**	8.0	16.9

Cash and cash equivalents and bank overdrafts at the end of the period comprise:

Cash and cash equivalents	**112.9**	113.6	118.5
Bank overdrafts included in borrowings	**(107.8)**	(105.6)	(101.6)
	5.1	8.0	16.9

Notes to the Half Year Report

1. BASIS OF ACCOUNTING

The financial information contained in this half year report complies with IAS 34 *Interim Financial Reporting,* as adopted by the European Union, and with the Listing Rules of the Financial Services Authority. It has been prepared on the basis of the accounting policies set out in the Group's 2006 Annual Report and Accounts with the exception that IFRIC 10 *Interim Financial Reporting and Impairment* was adopted for the six months ended 30 June 2007. Although the adoption represents a change in accounting policy, comparative figures for 2006 have not been restated as it does not impact the results or financial position of the Group.

The following Standards, Interpretations and Amendments, which are effective for *annual* periods ending after 30 June 2007, have not been adopted early for these interim financial statements: IFRS 7 *Financial Instruments: Disclosures*, IFRS 8 *Operating Segments,* Amendment to IAS 1 *Presentation of Financial Statements*, Amendment to IAS 23 *Borrowing Costs*, IFRIC 7 *Applying the Restatement Approach under IAS 29*, IFRIC 8 *Scope of IFRS 2*, IFRIC 9 *Re-assessment of Embedded Derivatives,* IFRIC 11 – *IFRS 2 – Group and Treasury Share Transactions* and IFRIC 12 *Service Concession Arrangements.*

This half year report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 December 2006 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified.

2. SEGMENTAL REPORTING

Business Segments

Results from operations

	Six months ended 30 June 2007			
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations £m
Gibson Energy				
Marketing	**599.4**	**(68.2)**	**531.2**	**5.5**
Truck Transportation	**57.1**	**(5.0)**	**52.1**	**5.4**
Terminals and Pipelines	**9.9**	**(2.3)**	**7.6**	**3.0**
Canwest Propane and Natural Gas Liquids	**75.5**	**(41.1)**	**34.4**	**2.4**
Moose Jaw Refinery	**58.7**	**(21.3)**	**37.4**	**3.3**
	800.6	**(137.9)**	**662.7**	**19.6**
Hunting Energy Services				
Well Completion	**122.9**	**(11.7)**	**111.2**	**16.3**
Well Construction	**38.7**	**(2.8)**	**35.9**	**4.3**
Exploration and Production	**5.3**	**–**	**5.3**	**1.6**
Hunting Energy France	**12.9**	**–**	**12.9**	**1.1**
	179.8	**(14.5)**	**165.3**	**23.3**
Other operating divisions	**49.2**	**–**	**49.2**	**(2.9)**
Total	**1,029.6**	**(152.4)**	**877.2**	**40.0**

The other operating divisions segment includes an exceptional charge of £2.5m for the six months ended 30 June 2007 (see note 3).

2. SEGMENTAL REPORTING (continued)

	Six months ended 30 June 2006			
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations £m
Gibson Energy				
Marketing	632.0	(70.2)	561.8	7.8
Truck Transportation	54.9	(4.4)	50.5	4.1
Terminals and Pipelines	9.3	(2.0)	7.3	2.2
Canwest Propane and Natural Gas Liquids	67.0	(35.0)	32.0	1.8
Moose Jaw Refinery	73.0	(30.1)	42.9	6.2
	836.2	(141.7)	694.5	22.1
Hunting Energy Services				
Well Completion	103.0	(9.9)	93.1	9.4
Well Construction	40.1	(2.8)	37.3	4.0
Exploration and Production	5.1	–	5.1	1.8
Hunting Energy France	7.6	–	7.6	0.2
	155.8	(12.7)	143.1	15.4
Other operating divisions	48.2	–	48.2	1.0
Total	1,040.2	(154.4)	885.8	38.5

	Year ended 31 December 2006			
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations £m
Gibson Energy				
Marketing	1,294.9	(147.0)	1,147.9	13.0
Truck Transportation	113.1	(9.3)	103.8	9.6
Terminals and Pipelines	19.5	(3.9)	15.6	5.3
Canwest Propane and Natural Gas Liquids	149.5	(80.3)	69.2	5.2
Moose Jaw Refinery	167.4	(74.9)	92.5	14.2
	1,744.4	(315.4)	1,429.0	47.3
Hunting Energy Services				
Well Completion	213.4	(25.0)	188.4	24.9
Well Construction	80.6	(7.1)	73.5	8.8
Exploration and Production	10.0	–	10.0	2.0
Hunting Energy France	16.0	–	16.0	1.2
	320.0	(32.1)	287.9	36.9
Other operating divisions	93.5	–	93.5	7.1
Total	2,157.9	(347.5)	1,810.4	91.3
Exceptional charges not apportioned to business segments				(5.0)
Profit from operations				86.3

Operating expenses include an exceptional charge of £5.0m in the second half of the year ended 31 December 2006 (see note 3).

3. EXCEPTIONAL CHARGES

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Exceptional charges comprise the following:			
Impairment of assets classified as held for sale	**2.5**	–	–
Onerous leases	**–**	–	3.1
Closure of a subsidiary	**–**	–	1.9
	2.5	–	5.0

4. TAXATION

The taxation charge for the six months ended 30 June 2007 is calculated by applying the best estimate of the 2007 annual effective rate of tax to the profit for the period.

The tax expense comprises the following:

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
UK	**3.4**	2.0	5.7
Non-UK	**9.3**	10.4	22.9
	12.7	12.4	28.6

Included in the tax charge is a credit of £0.1m in respect of exceptional charges (six months ended 30 June 2006 – £nil; year ended 31 December 2006 – £1.4m credit).

The tax recognised within the share of post-tax profits in associates, was a charge of £0.1m (six months ended 30 June 2006 – £0.1m; year ended 31 December 2006 – £0.3m).

5. 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 period.

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 period. These options do not impact the basic earnings attributable to ordinary shares.

5. EARNINGS PER SHARE (continued)

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

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Basic and diluted earnings attributable to ordinary shareholders	**21.0**	21.3	48.4

	millions	millions	millions
Basic weighted average number of ordinary shares	**130.3**	128.4	128.9
Dilutive outstanding share options	**5.2**	6.6	6.4
Long term incentive plans	**0.3**	0.4	0.5
Adjusted weighted average number of ordinary shares	**135.8**	135.4	135.8

	pence	pence	pence
Basic EPS	**16.1**	16.6	37.6
Diluted EPS	**15.5**	15.7	35.7

EPS adjusted for exceptional items is as follows:

	pence	pence	pence
Basic EPS	**16.1**	16.6	37.6
Add: exceptional charges after taxation	**2.0**	–	2.8
Basic EPS before exceptional items	**18.1**	16.6	40.4
Diluted EPS	**15.5**	15.7	35.7
Add: exceptional charges after taxation	**1.8**	–	2.7
Diluted EPS before exceptional items	**17.3**	15.7	38.4

The weighted average number of ordinary shares is unaffected by the adjustment for exceptional items.

6. DIVIDENDS

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Ordinary dividends:			
2006 final – 5.2p	**6.8**	–	–
2006 interim – 2.3p	**–**	–	3.0
2005 final – 4.0p	**–**	5.2	5.2
	6.8	5.2	8.2

7. CHANGES IN NET DEBT

	At 1 January 2007 £m	Cash flow £m	Fair value and similar movements £m	Exchange movements £m	Re-classification as held for sale £m	At 30 June 2007 £m
Cash and cash equivalents	118.5	(3.9)	–	(0.5)	(1.2)	112.9
Bank overdrafts	(101.6)	(11.0)	–	0.4	4.4	(107.8)
	16.9	(14.9)	–	(0.1)	3.2	5.1
Investments	0.6	–	–	–	–	0.6
Current borrowings	(6.6)	(35.0)	–	(1.8)	1.1	(42.3)
Non-current borrowings	(79.8)	(15.0)	0.1	(2.9)	5.0	(92.6)
Finance leases	(0.4)	0.2	–	(0.1)	–	(0.3)
Net debt classified as held for sale	–	–	–	–	(9.3)	(9.3)
Total net debt	**(69.3)**	**(64.7)**	**0.1**	**(4.9)**	**–**	**(138.8)**

8. ASSETS HELD FOR SALE

The Group has classified the Aero Sekur business as held for sale at the period end due to sale negotiations being at an advanced stage on 29 June 2007. The business was subsequently sold on 12 July 2007 to Aero Sekur Ltd for a gross cash consideration of £2.0m. As a result, the net assets have been written down by £3.5m to their fair value less costs to sell, of which £2.5m has been charged to operating expenses (note 3) and £1.0m directly to the Consolidated Statement of Recognised Income and Expense.

The fair value of the net assets held for sale at 30 June 2007 was as follows:

	At 30 June 2007 £m
Assets classified as held for sale	
Property, plant and equipment	**2.3**
Inventories	**6.8**
Trade and other receivables	**8.5**
Cash and cash equivalents	**1.2**
	18.8
Liabilities associated with the assets classified as held for sale	
Trade and other payables	**4.9**
Current tax liabilities	**0.3**
Bank overdrafts	**4.4**
Other current borrowings	**1.1**
Non-current borrowings	**5.0**
Retirement benefit obligations	**1.1**
	16.8

Selling costs are provided for separately and included within the Group's current liabilities.

The impairment of assets comprised the following:

	£m
Property, plant and equipment	**1.5**
Inventories	**0.8**
Trade and other receivables	**0.7**
Deferred taxation	**(0.5)**
	2.5

Aero Sekur had been previously recognised within the other operating divisions business segment.

9. STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2007

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2007	32.8	85.6	5.6	79.8	203.8	7.7	211.5
Exchange adjustments	–	–	3.5	–	3.5	(0.1)	3.4
Depreciation transfer for land and buildings	–	–	(0.4)	0.4	–	–	–
Actuarial losses on defined benefit pension schemes	–	–	–	(12.5)	(12.5)	–	(12.5)
Impairment of revalued assets held for sale	–	–	(1.5)	–	(1.5)	–	(1.5)
Tax on items taken directly to equity	–	–	0.6	6.0	6.6	–	6.6
Net income recognised directly in equity	–	–	2.2	(6.1)	(3.9)	(0.1)	(4.0)
Profit for the period	–	–	–	21.0	21.0	2.7	23.7
Total net income for the period	–	–	2.2	14.9	17.1	2.6	19.7
Dividends	–	–	–	(6.8)	(6.8)	–	(6.8)
Shares issued							
– share option schemes	–	0.1	–	–	0.1	–	0.1
– LTIP awards	0.1	1.4	–	–	1.5	–	1.5
Purchase of Treasury shares	–	–	–	(17.2)	(17.2)	–	(17.2)
Disposal of Treasury shares	–	–	–	4.3	4.3	–	4.3
Share options							
– value of employee services	–	–	0.6	–	0.6	–	0.6
– discharge	–	0.1	–	–	0.1	–	0.1
Transfer between reserves	–	–	(0.7)	0.7	–	–	–
At 30 June 2007	32.9	87.2	7.7	75.7	203.5	10.3	213.8

9. STATEMENT OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2006

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2006	32.2	82.7	21.7	41.8	178.4	5.2	183.6
Exchange adjustments	–	–	(5.8)	–	(5.8)	(0.1)	(5.9)
Depreciation transfer for land and buildings	–	–	(0.5)	0.5	–	–	–
Actuarial gains on defined benefit pension schemes	–	–	–	1.3	1.3	–	1.3
Net losses on cash flow hedges	–	–	(0.2)	–	(0.2)	–	(0.2)
Tax on items taken directly to equity	–	–	0.2	(0.6)	(0.4)	–	(0.4)
Net income recognised directly in equity	–	–	(6.3)	1.2	(5.1)	(0.1)	(5.2)
Profit for the period	–	–	–	21.3	21.3	1.6	22.9
Total net income for the period	–	–	(6.3)	22.5	16.2	1.5	17.7
Dividends	–	–	–	(5.2)	(5.2)	–	(5.2)
Shares issued							
– share option schemes	0.3	2.0	–	–	2.3	–	2.3
Purchase of Treasury shares	–	–	–	(4.3)	(4.3)	–	(4.3)
Disposal of Treasury shares	–	–	–	5.1	5.1	–	5.1
Share options							
– value of employee services	–	–	0.7	–	0.7	–	0.7
– discharge	–	–	(0.2)	(2.2)	(2.4)	–	(2.4)
Transfer between reserves	–	–	(1.5)	1.5	–	–	–
At 30 June 2006	32.5	84.7	14.4	59.2	190.8	6.7	197.5

9. STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2006

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2006	32.2	82.7	21.7	41.8	178.4	5.2	183.6
Exchange adjustments	–	–	(16.0)	–	(16.0)	(0.4)	(16.4)
Depreciation transfer for land and buildings	–	–	(0.2)	0.2	–	–	–
Actuarial gains on defined benefit pension schemes	–	–	–	2.6	2.6	–	2.6
Net gains on cash flow hedges	–	–	0.6	–	0.6	–	0.6
Tax on items taken directly to equity	–	–	0.6	1.1	1.7	–	1.7
Net income recognised directly in equity	–	–	(15.0)	3.9	(11.1)	(0.4)	(11.5)
Profit for the year	–	–	–	48.4	48.4	3.8	52.2
Total net income for the year	–	–	(15.0)	52.3	37.3	3.4	40.7
Dividends	–	–	–	(8.2)	(8.2)	(0.9)	(9.1)
Shares issued							
– share option schemes	0.6	2.7	–	–	3.3	–	3.3
Purchase of Treasury shares	–	–	–	(12.4)	(12.4)	–	(12.4)
Disposal of Treasury shares	–	–	–	4.0	4.0	–	4.0
Share options							
– value of employee services	–	–	1.4	–	1.4	–	1.4
– discharge	–	0.2	(0.8)	0.6	–	–	–
Transfer between reserves	–	–	(1.7)	1.7	–	–	–
At 31 December 2006	32.8	85.6	5.6	79.8	203.8	7.7	211.5

10. ACQUISITIONS

During the six months ended 30 June 2007, the Group acquired 100% of the share capital of three companies in Canada: Boychuk Energy Inc. on 1 June for a gross consideration of £6.1m; Del's Propane Ltd on 1 February for a gross consideration of £2.7m and Western Propane & Gas Services Ltd on 31 May for a gross consideration of £1.3m.

Combined details of these acquisitions are set out below:

	Pre-acquisition carrying values £m	Provisional fair values £m
Property, plant and equipment	2.6	6.8
Intangible assets	–	1.3
Trade and other receivables	1.1	1.1
Trade and other payables	(0.3)	(0.3)
Bank overdrafts	(0.2)	(0.2)
Deferred taxation	(0.1)	(1.8)
Net assets acquired	**3.1**	**6.9**
Goodwill		3.2
Consideration		**10.1**

The consideration for all three acquisitions was in cash. In addition, £1.5m of deferred consideration was paid in respect of the 2005 acquisition of Cromar Ltd.

11. DEFINED BENEFIT PENSION SCHEME

During the six months ended 30 June 2007, the Group's UK pension scheme purchased annuity policies to match a substantial part of the scheme's pension liabilities. The impact of this, together with other actuarial gains and losses, has been to reduce the carrying value of the retirement benefit asset by £12.5m, which after deferred tax of £3.8m, reduces Group net assets by £8.7m. This reduction has been recognised in the Consolidated Statement of Recognised Income and Expense with no impact on the Consolidated Income Statement.

12. CAPITAL COMMITMENTS

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for in these financial statements amounted to £9.7m (at 30 June 2006 – £7.0m; at 31 December 2006 – £4.0m).

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SHARE INFORMATION

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Telephone information on the latest share price is available on 0906 003 2942.

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