

**HUNTING SPECIALISED PRODUCTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**Registered No: 00164697**

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**HUNTING SPECIALISED PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

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**HUNTING SPECIALISED PRODUCTS LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

**COMPANY INFORMATION**

|                          |   |
|--------------------------|---|
| Registered number        | 00164697                                |
| Country of incorporation | England                                 |
| Registered office        | 3 Cockspur Street<br>London<br>SW1Y 5BQ |
| Directors                | C J P Gilmore<br>P Rose<br>J Mactaggart |
| Independent Auditors     | PricewaterhouseCoopers LLP<br>London    |

## **HUNTING SPECIALISED PRODUCTS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report, together with the audited financial statements for the year ended 31 December 2009

### **ACTIVITIES**

The Company is a wholly-owned subsidiary of Hunting Oil Holdings Limited

On 9 November 2006, given the continued poor trading performance, a decision was taken by the parent company to close the business in an orderly manner. The Company ceased production on 14 December 2006 and did not trade during 2009. The Directors do not expect the Company to trade in the foreseeable future.

From the perspective of the Company, the primary risks and uncertainties are integrated with the primary risks of the Hunting PLC Group and are not managed separately. The primary risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on page 16 of the Hunting PLC 2009 Annual Report and Accounts. Further detail on financial risks is provided within note 11.

### **RESULTS AND DIVIDENDS**

The results and financial position of the Company are set out in the attached financial statements. The Directors do not recommend the payment of a dividend (2008: £nil).

The retained profit for the year of £2,000 (2008: £6,000) has been transferred to reserves, which has increased net assets from £525,000 in 2008 to £527,000 in 2009.

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

### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Company made no payments to charitable or political organisations during the year (2008: £nil).

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Hunting PLC 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.

### **DIRECTORS**

The Directors of the Company who served during the year and to the date of this report were as follows:

C J P Gilmore  
P Rose  
J Mactaggart

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

## **HUNTING SPECIALISED PRODUCTS LIMITED**

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

#### **DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

In accordance with Companies Act requirements, all Directors in office, as at the date of this report, have confirmed so far as they are aware there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board



P. Rose  
Director

4 June 2010

## **HUNTING SPECIALISED PRODUCTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING SPECIALISED PRODUCTS LIMITED**

We have audited the financial statements of Hunting Specialised Products Limited for the year ended 31 December 2009, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **HUNTING SPECIALISED PRODUCTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING SPECIALISED PRODUCTS LIMITED**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Charles van den Arend (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
4 June 2010

# **HUNTING SPECIALISED PRODUCTS LIMITED**

## **INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

|                               | Notes | 2009<br>£'000 | 2008<br>£'000 |
|-------------------------------|-------|---------------|---------------|
| Operating expenses            | 3     | <u>-</u>      | <u>1</u>      |
| <b>PROFIT FROM OPERATIONS</b> | 4     | -             | 1             |
| Interest income               | 5     | <u>3</u>      | <u>8</u>      |
| <b>PROFIT BEFORE TAXATION</b> |       | 3             | 9             |
| Taxation                      | 6     | <u>(1)</u>    | <u>(3)</u>    |
| <b>PROFIT FOR THE YEAR</b>    |       | <u>2</u>      | <u>6</u>      |

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

There is no other comprehensive income for the year

# HUNTING SPECIALISED PRODUCTS LIMITED

## BALANCE SHEET

AT 31 DECEMBER 2009

|                             | Notes | 2009<br>£'000 | 2008<br>£'000 |
|-----------------------------|-------|---------------|---------------|
| <b>ASSETS</b>               |       |               |               |
| <b>Current assets</b>       |       |               |               |
| Trade and other receivables | 7     | 329           | 329           |
| Cash and cash equivalents   | 8     | <u>209</u>    | <u>208</u>    |
|                             |       | <u>538</u>    | <u>537</u>    |
| <b>LIABILITIES</b>          |       |               |               |
| <b>Current liabilities</b>  |       |               |               |
| Trade and other payables    | 9     | (10)          | (10)          |
| Current tax liability       |       | <u>(1)</u>    | <u>(2)</u>    |
|                             |       | <u>(11)</u>   | <u>(12)</u>   |
| <b>Net assets</b>           |       | <u>527</u>    | <u>525</u>    |
| <b>Shareholders' equity</b> |       |               |               |
| Share capital               | 12    | 40            | 40            |
| Retained earnings           | 13    | <u>487</u>    | <u>485</u>    |
| <b>Total equity</b>         |       | <u>527</u>    | <u>525</u>    |

Approved by the Board on 4 June 2010



P. Rose  
Director

Registered No 00164697

The notes on pages 11 to 20 form part of these financial statements

**HUNTING SPECIALISED PRODUCTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

|                     | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|---------------------|---------------------------|-------------------------------|----------------|
| At 1 January 2009   | 40                        | 485                           | 525            |
| Profit for the year | -                         | 2                             | 2              |
|                     | <u>40</u>                 | <u>487</u>                    | <u>527</u>     |
| At 31 December 2009 |                           |                               |                |

**FOR THE YEAR ENDED 31 DECEMBER 2008**

|                     | Share<br>capital<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|---------------------|---------------------------|-------------------------------|----------------|
| At 1 January 2008   | 40                        | 479                           | 519            |
| Profit for the year | -                         | 6                             | 6              |
|                     | <u>40</u>                 | <u>485</u>                    | <u>525</u>     |
| At 31 December 2008 |                           |                               |                |

**HUNTING SPECIALISED PRODUCTS LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| <b>Operating activities</b>                                |               |               |
| Profit from operations                                     | -             | 1             |
| Decrease in payables                                       | -             | (10)          |
| Taxation (paid) received                                   | <u>(2)</u>    | <u>59</u>     |
| <b>Net cash (outflow) inflow from operating activities</b> | <u>(2)</u>    | <u>50</u>     |
| <b>Financing activities</b>                                |               |               |
| Interest received  | <u>3</u>      | <u>8</u>      |
| <b>Net cash inflow from financing activities</b>           | <u>3</u>      | <u>8</u>      |
| <b>Net inflow in cash and cash equivalents</b>             | 1             | 58            |
| <b>Cash and cash equivalents at beginning of year</b>      | <u>208</u>    | <u>150</u>    |
| <b>Cash and cash equivalents at end of year (note 8)</b>   | <u>209</u>    | <u>208</u>    |

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### 1 ACCOUNTING POLICIES

##### 1.1 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention.

##### Adoption of new standards, amendments and interpretations

The following new standards, amendments and interpretations became effective for and were adopted during the year ended 31 December 2009:

- IAS 23 (revised) *Borrowing Costs*
- IAS 1 (revised) *Presentation of Financial Statements*
- Amendment to IFRS 2 *Share-based Payment* - Vesting conditions and cancellations
- Amendment to IFRS 1 *First Time Adoption of IFRS* and IAS 27 *Consolidated and Separate Financial Statements* - the Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* - Reclassification of Financial Assets
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - Improving Disclosures about Financial Instruments
- Amendment to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* - Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements to IFRSs - May 2008
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes Relating to IAS 18 Revenue*
- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 18 *Transfer of Assets from Customers*

IAS 1 (revised) *Presentation of Financial Statements* requires a new performance statement, the statement of comprehensive income, to report all non-owner changes in equity. The Company has elected to present two statements, an income statement and a statement of comprehensive income. The statement of changes in equity reports transactions with owners in their capacity as owners. The financial statements have been prepared under the revised disclosure requirements.

Although the adoption of the other standards, amendments and interpretations represents a change in accounting policy, comparative figures for 2008 have not been restated, as these changes do not impact the financial performance or position of the Company.

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 1 ACCOUNTING POLICIES (continued)

##### Standards, Amendments and Interpretations Effective Subsequent to the Year End

- IFRS 1 (revised) *First-time Adoption*
- IFRS 3 (revised) *Business Combinations*
- IAS 27 (revised) *Consolidated and Separate Financial Statements*
- IFRS 9 *Financial Instruments*\*
- IAS 24 (revised) *Related Party Disclosures*\*
- Amendment to IAS 39 *Financial Instruments Recognition and Measurement* - Eligible Hedged Items
- Amendments to IFRS 1 – Additional Exemptions for First-time Adopters\*
- Amendment to IFRS 2 - *Group Cash-settled Share-based Payment Transactions*
- Amendment to IFRIC 9 and IAS 39 – *Embedded Derivatives*
- Amendment to IAS 32 *Financial Instruments Presentation* - Classification of Rights Issues\*
- Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*\*
- Amendment to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*\*
- Improvements to IFRSs - April 2009
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*\*

\* Not yet endorsed by the European Union

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

##### 1.2 Interest

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

##### 1.3 Taxation

The taxation charge in the income statement comprises current tax arising on the current year's net profits

Current tax is the expected net tax payable arising in the current year on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date

Deferred tax is the expected net tax payable on the current year's net profits arising in a future year, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

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

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 1.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand. Accrued interest is disclosed as part of the year-end balance.

##### 1.5 Financial Assets

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

Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus transaction costs.

The Company assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with the present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised in the income statement immediately.

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

##### *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method.

##### 1.6 Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less transaction costs. The Company subsequently re-measures all of its financial liabilities, including trade payables, at amortised cost.

##### 1.7 Share Capital

The Company's share capital comprises a single class of shares, Ordinary shares, which are classified as equity.

##### 1.8 Critical Accounting Estimates and Judgements

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

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

### 2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2008 £nil) Remuneration received by Directors was for their services to Hunting PLC, the ultimate parent company, acting in various Group capacities The key management of Hunting Specialised Products are its Directors

The average number of persons employed by the Company during the year was nil (2008 nil)

### 3. OPERATING EXPENSES

|                         | 2009<br>£'000 | 2008<br>£'000 |
|-------------------------|---------------|---------------|
| Administrative expenses | -             | (1)           |

### 4 PROFIT FROM OPERATIONS

Auditors' remuneration of £2,000 (2008 £5,000) has been paid by Hunting PLC, ultimate holding company of Hunting Defence Limited, for services provided to the Company for the statutory audit of the accounts

### 5 INTEREST INCOME

|               | 2009<br>£'000 | 2009<br>£'000 |
|---------------|---------------|---------------|
| Bank interest | 3             | 8             |

### 6 TAXATION

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| UK Corporation Tax                                     |               |               |
| Current tax on income for the year                     | 1             | 2             |
| Adjustments in respect of prior periods – group relief | -             | 1             |
| Total tax charge                                       | 1             | 3             |

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 6. TAXATION (continued)

The tax charge for the year is the same as (2008 higher than) the UK standard rate for corporation tax of 28% (2008 28.5%) for the following reasons

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| Profit before taxation   | <u>3</u>      | <u>9</u>      |
| Taxation at the standard UK corporation tax rate of 28% (2008 28.5%) | 1             | 2             |
| Adjustments in respect of prior periods                              | <u>-</u>      | <u>1</u>      |
| Tax charge   | <u>1</u>      | <u>3</u>      |

Deferred tax assets of £120,000 (2008 £129,000) have not been recognised as realisation of the tax benefit on the tax losses is not probable

#### 7 TRADE AND OTHER RECEIVABLES

|                                  | 2009<br>£'000 | 2008<br>£'000 |
|----------------------------------|---------------|---------------|
| Current                          |               |               |
| Receivables from group companies | <u>329</u>    | <u>329</u>    |

At 31 December 2009, none of the Company's trade and other receivables were past due or impaired and the Company does not consider it necessary to provide for any impairment, as receivables are due from a fellow group company. Trade and other receivables are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no receivables (2008 none) whose terms have been renegotiated and would otherwise be past due or impaired.

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

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

Current amounts owed by group companies are unsecured, interest free and repayable on demand.

All financial assets included in trade and other receivables at the year-end are denominated in sterling.

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

### 8. CASH AND CASH EQUIVALENTS

|                          | 2009<br>£'000 | 2008<br>£'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | <u>209</u>    | <u>208</u>    |

Cash and cash equivalents have been deposited with a bank that has a Fitch short-term rating of F1+ and are expected to be fully recovered. Cash and cash equivalents at the year-end are denominated in sterling.

### 9. TRADE AND OTHER PAYABLES

|                      | 2009<br>£'000 | 2008<br>£'000 |
|----------------------|---------------|---------------|
| Current:<br>Accruals | <u>10</u>     | <u>10</u>     |

All financial liabilities included in trade and other payables at the year-end are denominated in sterling.

### 10. FINANCIAL INSTRUMENTS

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

|                                  | Loans and<br>receivables<br>£'000 | 2009<br>Financial<br>liabilities<br>measured at<br>amortised<br>cost<br>£'000 | Total<br>carrying<br>amount<br>£'000 | Total fair<br>value<br>£'000 |
|----------------------------------|-----------------------------------|---|--------------------------------------|------------------------------|
| Current assets                   |                                   |   |                                      |                              |
| Receivables from group companies | 329                               | -   | 329                                  | 329                          |
| Cash and cash equivalents        | 209                               | -   | 209                                  | 209                          |
| Current liabilities              |                                   |   |                                      |                              |
| Accruals                         | -                                 | (10)  | (10)                                 | (10)                         |
|                                  | <u>538</u>                        | <u>(10)</u>   | <u>528</u>                           | <u>528</u>                   |

# HUNTING SPECIALISED PRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

### 10. FINANCIAL INSTRUMENTS (continued)

|                                  | 2008                              |   |                                      |                              |
|----------------------------------|-----------------------------------|---|--------------------------------------|------------------------------|
|                                  | Loans and<br>receivables<br>£'000 | Financial<br>liabilities<br>measured at<br>amortised<br>cost<br>£'000 | Total<br>carrying<br>amount<br>£'000 | Total fair<br>value<br>£'000 |
| Current assets                   |                                   |   |                                      |                              |
| Receivables from group companies | 329                               | -   | 329                                  | 329                          |
| Cash and cash equivalents        | 208                               | -   | 208                                  | 208                          |
| Current liabilities              |                                   |   |                                      |                              |
| Accruals                         | -                                 | (10)  | (10)                                 | (10)                         |
|                                  | <u>537</u>                        | <u>(10)</u>   | <u>527</u>                           | <u>527</u>                   |

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

### 11. FINANCIAL RISK FACTORS

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

#### a) Interest rate risk

The Company is exposed to cash flow interest rate risk from its cash and cash equivalents, which are at variable interest rates, and from fair value interest risk from its amounts due from group companies, which are interest free.

#### b) Credit risk

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

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 11 FINANCIAL RISK FACTORS (continued)

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

##### c) Liquidity risk

The Company has sufficient funds available to satisfy its requirements.

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

|                                      | On demand or within 1 year |           |
|--------------------------------------|----------------------------|-----------|
|                                      | 2009                       | 2008      |
|                                      | £'000                      | £'000     |
| Non-derivative financial liabilities |                            |           |
| Accruals                             | <u>10</u>                  | <u>10</u> |

The Company did not have any derivative financial instruments.

##### d) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments, and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and cash equivalents. The sensitivity analysis relates to the position as at 31 December 2009.

The sensitivity analysis has been prepared on the basis that the amount of cash and the ratio of fixed to floating interest rates remain unchanged at 31 December 2009.

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

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

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

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 11. FINANCIAL RISK FACTORS (continued)

##### *Interest rate sensitivity*

At 31 December, if UK interest rates had been 1% (2008 1%) higher or lower, with all other variables held constant, the post-tax effects on profit or loss and equity for the year would have been as follows

|                                  | 2009<br>Income<br>statement<br>£'000 | 2008<br>Income<br>statement<br>£'000 |
|----------------------------------|--------------------------------------|--------------------------------------|
| UK interest rates +1% (2008 +1%) | 2                                    | 1                                    |
| UK interest rates -1% (2008 -1%) | (2)                                  | (1)                                  |

The movements arise from the sterling denominated cash and cash equivalents

There was no impact on equity

#### 12. SHARE CAPITAL

|                                | Authorised    |               | Allotted and fully paid |               |
|--------------------------------|---------------|---------------|-------------------------|---------------|
|                                | 2009<br>£'000 | 2008<br>£'000 | 2009<br>£'000           | 2008<br>£'000 |
| Unclassified shares of £1 each | 10            | 10            | -                       | -             |
| 'A' Ordinary Shares of £1      | 24            | 24            | 24                      | 24            |
| 'B' Ordinary Shares of £1      | 16            | 16            | 16                      | 16            |
|                                | <u>50</u>     | <u>50</u>     | <u>40</u>               | <u>40</u>     |

The 'A' Ordinary shares and the 'B' Ordinary shares are identical and rank pari passu in all respects, except that if at a General Meeting the number of votes exercised by all or any holders of 'A' Ordinary shares in respect of a resolution proposed at that meeting exceeds the number of votes exercised by all holders of 'B' Ordinary shares ("the minority") then the minority shall be deemed to be entitled to exercise and to have exercised sufficient additional votes in respect of the 'B' Ordinary shares as would have resulted in an equality of votes

## HUNTING SPECIALISED PRODUCTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

#### 13 RETAINED EARNINGS

|                     | 2009<br>£'000 | 2008<br>£'000 |
|---------------------|---------------|---------------|
| At 1 January        | 485           | 479           |
| Profit for the year | <u>2</u>      | <u>6</u>      |
| At 31 December      | <u>487</u>    | <u>485</u>    |

#### 14. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents

It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate and currency risks and the availability of borrowing facilities

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

At the year end, capital comprised

|                        | 2009<br>£'000 | 2008<br>£'000 |
|------------------------|---------------|---------------|
| Total equity           | 527           | 525           |
| Net cash               | <u>(209)</u>  | <u>(208)</u>  |
| Gross capital employed | <u>318</u>    | <u>317</u>    |

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

#### 15. BANKING ARRANGEMENTS

The Company is party to a Group set-off arrangement with Barclays Bank Plc

#### 16. ULTIMATE PARENT COMPANY

The immediate parent company is Hunting Oil Holdings Limited, a company registered in England and Wales

The ultimate parent and controlling company is Hunting PLC, a company registered in England and Wales. The only group of which the Company is a member and for which consolidated financial statements are prepared is Hunting PLC. The consolidated financial statements of Hunting PLC can be obtained from its registered office at 3 Cockspur Street, London, SW1Y 5BQ