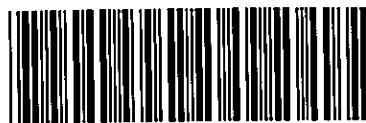


**HUNTING OIL HOLDINGS LIMITED**

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

**Registered No: 01103530**

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COMPANIES HOUSE

**HUNTING OIL HOLDINGS LIMITED**

**YEAR ENDED 31 DECEMBER 2008**

**COMPANY INFORMATION**

Registered number: 01103530

Country of incorporation: England and Wales

Registered office: 3 Cockspur Street  
London  
SW1Y 5BQ

Directors: P. Rose  
D.L. Proctor  
R.H. Hunting

Secretary: C.J.P. Gilmore

Auditors: PricewaterhouseCoopers LLP  
London

**HUNTING OIL HOLDINGS LIMITED**

**YEAR ENDED 31 DECEMBER 2008**

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## **HUNTING OIL HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

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

#### **ACTIVITIES**

The Company continues to be the parent company of the former defence division and certain other subsidiaries of the Hunting PLC Group, and is a wholly-owned subsidiary of Hunting PLC, a company registered in England and Wales.

From the perspective of the Company, the primary risks and uncertainties are integrated with the primary risks of the Hunting PLC Group and are not managed separately. The primary risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on page 13 of the Hunting PLC 2008 Annual Report and Accounts.

No change in the current activities of the Company is anticipated in 2009.

#### **RESULTS AND DIVIDENDS**

The results and financial position of the Company are set out in the attached financial statements.

The profit for the year of £1,362,000 (2007: £770,000 loss) has been transferred to reserves.

An interim dividend of £15,000,000 (2007: £nil) as shown in note 16 was paid during the year. The Directors do not recommend the payment of a further dividend for the year (2007: £nil).

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 (2007: £nil).

#### **DIRECTORS**

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

D. L. Clark (retired 23 April 2008)

D.L. Proctor

R.H. Hunting

P. Rose

No Director had a material interest in any contract of significance to which either the Company or its subsidiaries were a party.

## **HUNTING OIL HOLDINGS LIMITED**

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

#### **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' INTERESTS**

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

#### **DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements and consider the going concern basis to be appropriate as the parent company, Hunting PLC, continues to provide financial support to the Company.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **HUNTING OIL HOLDINGS LIMITED**

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

#### **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.

#### **AUDITORS**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors. An elective resolution is in force which dispenses with the annual reappointment of auditors.

By Order of the Board

A handwritten signature in black ink, appearing to be 'P. Rose', written over a horizontal line.

P. Rose  
Director

6 May 2009

## **HUNTING OIL HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED**

We have audited the financial statements of Hunting Oil Holdings Limited for the year ended 31 December 2008, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

## **HUNTING OIL HOLDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

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

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

6 May 2009



# **HUNTING OIL HOLDINGS LIMITED**

## **INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>Notes</u>	2008 £'000	2007 £'000
<b>REVENUE</b>		1,500	4,984
Administrative expenses*		<u>-</u>	<u>(6,002)</u>
<b>PROFIT (LOSS) FROM OPERATIONS</b>	4	1,500	(1,018)
Interest income	5	929	212
Interest expense and similar charges	6	<u>(1,122)</u>	<u>(127)</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		1,307	(933)
Taxation	7	<u>55</u>	<u>163</u>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<u>1,362</u>	<u>(770)</u>

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

\*Administrative expenses include exceptional charges of £nil (2007: £6,002,000) as described in note 3.

The notes on pages 12 to 26 form part of these financial statements.

# HUNTING OIL HOLDINGS LIMITED

## BALANCE SHEET

AT 31 DECEMBER 2008

	<u>Notes</u>	2008 £'000	2007 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	8	75,440	75,440
Trade and other receivables	9	75,026	88,694
		<u>150,466</u>	<u>164,134</u>
<b>Current assets</b>			
Cash and cash equivalents	10	100	190
Current tax asset		55	-
		<u>155</u>	<u>190</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Current tax liability		-	(25)
Borrowings	11	(1,113)	(518)
		<u>(1,113)</u>	<u>(543)</u>
<b>Net current (liabilities)</b>		<u>(958)</u>	<u>(353)</u>
<b>Non-current liabilities</b>			
Borrowings	11	(18,328)	(18,963)
		<u>(18,328)</u>	<u>(18,963)</u>
<b>Net assets</b>		<u>131,180</u>	<u>144,818</u>
<b>Shareholders' equity</b>			
Share capital	14	122,380	122,380
Retained earnings	15	8,800	22,438
<b>Total equity</b>		<u>131,180</u>	<u>144,818</u>

Approved by the Board on 6 May 2009



P. Rose  
Director

The notes on pages 12 to 26 form part of these financial statements.

**HUNTING OIL HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2008	122,380	22,438	144,818
Profit for the year	-	1,362	1,362
Dividends	-	(15,000)	(15,000)
At 31 December 2008	<u>122,380</u>	<u>8,800</u>	<u>131,180</u>

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2007	122,380	23,208	145,588
Loss for the year	-	(770)	(770)
At 31 December 2007	<u>122,380</u>	<u>22,438</u>	<u>144,818</u>

The notes on pages 12 to 26 form part of these financial statements.

# HUNTING OIL HOLDINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £'000	2007 £'000
<b>Operating activities</b>		
Profit (loss) from operations	1,500	(1,018)
Investment income	(1,500)	(4,937)
Profit on disposal of investment in subsidiaries	-	(47)
Taxation received	(25)	189
Other non cash flow items	-	6,002
<b>Net cash (outflow) inflow from operating activities</b>	<b>(25)</b>	<b>189</b>
<b>Investing activities</b>		
Acquisition of investment in subsidiaries	-	(10,000)
Proceeds from disposal of investment in subsidiaries	-	4,514
<b>Net cash outflow from investing activities</b>	<b>-</b>	<b>(5,486)</b>
<b>Financing activities</b>		
Interest received	1,097	2
Interest paid	(1,162)	-
Dividends received from subsidiaries	1,500	4,937
Equity dividends paid	(15,000)	-
Issue of loans to fellow group companies	-	(18,320)
Proceeds from loans from fellow group companies	13,500	18,835
<b>Net cash (outflow) inflow from financing activities</b>	<b>(65)</b>	<b>5,454</b>
<b>Net (outflow) inflow in cash and cash equivalents</b>	<b>(90)</b>	<b>157</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>190</b>	<b>33</b>
<b>Cash and cash equivalents at end of year (note 10)</b>	<b>100</b>	<b>190</b>

The notes on pages 12 to 26 form part of these financial statements.

## HUNTING OIL HOLDINGS LIMITED

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

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of Accounting

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

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

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

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

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

The following Standards, Interpretations and Amendments are effective subsequent to the year end and consequently have not been adopted for the year ended 31 December 2008:

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

IAS 23 (revised) requires the Company to capitalise those borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The Company is currently unable to predict the cost of its qualifying assets in 2009 and therefore cannot predict the impact on the 2009 financial statements.

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

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

## HUNTING OIL HOLDINGS LIMITED

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

#### 1. ACCOUNTING POLICIES (continued)

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

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

##### 1.2 Revenue

Dividend income is recognised in the income statement in the period in which it has been approved, by the relevant company's shareholders or, if earlier, declared and paid by that company. Overseas dividends are stated in the income statement gross of overseas withholding taxes but net of underlying overseas tax attributable to dividends.

##### 1.3 Interest

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

##### 1.4 Taxation

The tax charge on the profit or loss for the year comprises current tax. Current tax is the expected net tax payable on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to net tax payable in respects of prior years' net profits.

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

Deferred taxation is recognised in the income statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the income statement at the same time as the taxable transaction is recognised in the income statement.

Deferred tax on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.

## **HUNTING OIL HOLDINGS LIMITED**

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

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.5 Foreign Currency Translation**

The financial statements of the Company are prepared and presented using its functional currency, which is sterling. The functional currency is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the market rates ruling at the balance sheet date. Transactions in foreign currencies are translated at the average rates for the period. All exchange differences are taken to the income statement.

##### **1.6 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value.

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

##### **1.7 Impairments**

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

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

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

##### **1.8 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

## HUNTING OIL HOLDINGS LIMITED

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

#### 1. ACCOUNTING POLICIES (continued)

##### 1.9 Investments in Subsidiaries

Investments in subsidiaries are stated at Directors' valuation at 31 December. Surpluses and the reversal of surpluses above historic cost are dealt with in the revaluation reserve and deficits below historic cost are dealt with in the profit and loss account. Investments in subsidiaries pending liquidation are stated at the lower of cost and net realisable value and are dealt with as current assets.

##### 1.10 Financial Assets

The Company classifies its financial assets into loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. The Company assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with the present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised in the income statement immediately. Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method. Interest accrued on loans that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and, therefore, included within the carrying value of those loans. Consequently, interest receivable within twelve months on loans due after more than one year is recognised in non-current trade and other receivables.

##### 1.11 Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Company subsequently re-measures all of its financial liabilities, including trade payables, at amortised cost.

Interest accrued on loans that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and, therefore, included within the carrying value of those loans. Consequently, interest payable within twelve months on loans due after more than one year is recognised in non-current borrowings.



## HUNTING OIL HOLDINGS LIMITED

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

#### 1. ACCOUNTING POLICIES (continued)

##### 1.12 Exceptional Items

Exceptional items are regarded as significant items of income and expense, which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Company's financial performance. Exceptional items are principally profits or losses on the closure or disposal of subsidiaries, the impairment of assets and provisions for onerous leases.

##### 1.13 Group Accounts

The Company has taken advantage of the exemption from preparing group accounts under s228(2) of the Companies Act 1985 as it is a wholly-owned subsidiary of Hunting PLC, a company registered in England and Wales, in whose consolidated financial statements the Company is included.

##### 1.14 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 and reasonable expectations of future events.

Accounting estimates are applied in determining the carrying value of accruals.

##### 1.15 Share Capital

The Company has only one class of shares, Ordinary shares, which are classified as equity.

#### 2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2007: £nil). Remuneration received by Directors was for their services to Hunting PLC, the ultimate parent company acting in various Group capacities. The key management of Hunting Oil Holdings Limited is its Directors.

The average number of persons employed by the Company during the year was nil (2007: nil).

#### 3. EXCEPTIONAL ITEMS

	2008 £'000	2007 £'000
Impairment of investments in subsidiaries	<u>-</u>	<u>6,002</u>

# HUNTING OIL HOLDINGS LIMITED

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

### 4. PROFIT (LOSS) FROM OPERATIONS

	2008 £'000	2007 £'000
Profit (loss) from operations is stated after crediting:		
Profit on disposal of investment in subsidiaries	<u>-</u>	<u>47</u>

Auditors' remuneration of £3,000 (2007: £3,000) has been paid by Hunting PLC, the Company's ultimate parent company, for services provided to the Company for the statutory audit of the accounts.

### 5. INTEREST INCOME

	2008 £'000	2007 £'000
Bank interest	15	2
Fellow group companies	<u>914</u>	<u>210</u>
	<u>929</u>	<u>212</u>

### 6. INTEREST EXPENSE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Fellow group companies	<u>1,122</u>	<u>127</u>

### 7. TAXATION

	2008 £'000	2007 £'000
UK Corporation Tax:		
Current tax on income for the year	(55)	25
Adjustments in respect of prior years	<u>-</u>	<u>(188)</u>
Total tax credit	<u>(55)</u>	<u>(163)</u>

# HUNTING OIL HOLDINGS LIMITED

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

### 7. TAXATION (continued)

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

	2008 £'000	2007 £'000
Profit (loss) before taxation	<u>1,307</u>	<u>(933)</u>
Taxation at the standard UK corporation tax rate of 28.5% (2007: 30%)	372	(280)
Permanent differences	(427)	305
Adjustments in respect of prior years	<u>-</u>	<u>(188)</u>
	<u>(55)</u>	<u>(163)</u>

### 8. INVESTMENTS IN SUBSIDIARIES

	2008 £'000	2007 £'000
<b>Cost or valuation:</b>		
At 1 January	82,052	77,128
Additions	-	10,000
Disposals	<u>-</u>	<u>(5,076)</u>
At 31 December	<u>82,052</u>	<u>82,052</u>
<b>Impairment provision:</b>		
At 1 January	(6,612)	(1,219)
Disposals	-	609
Charge for the year	<u>-</u>	<u>(6,002)</u>
At 31 December	<u>(6,612)</u>	<u>(6,612)</u>
<b>Net book value</b>	<u>75,440</u>	<u>75,440</u>

The above investments are unlisted equity investments and are recorded at cost, as their fair value cannot be reliably measured as there is no active market upon which they are traded. In the opinion of the Directors, the value of the investments in the subsidiaries is not less than the aggregate amount shown in the balance sheet, and the carrying values of investments in subsidiaries are considered to be a reasonable approximation of their fair values.

## HUNTING OIL HOLDINGS LIMITED

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

#### 8. INVESTMENTS IN SUBSIDIARIES (continued)

On 5 September 2008, Hunting Italian Holdings Limited and The Waterline Equipment Company Limited were placed into members' voluntary liquidation. Subsequent to the year-end, on 17 February 2009, a first and final in specie distribution was made by The Waterline Equipment Company Limited to the Company totalling £1 representing a distribution of £1 per share based on the shareholding of 1 Ordinary £1 share.

The subsidiaries comprise:

	Country of incorporation <u>and</u> <u>operations</u>	% interest in ordinary <u>shares</u>
* Hunting Specialised Products Ltd	England	100
The Waterline Equipment Company Ltd	England	100
* Hunting Aviation Ltd	England	100
* Huntfield Trust Ltd	England	100
* Hunting Defence Ltd	England	100
Hunting Italian Holdings Ltd	England	100
Hunting BRAE Ltd	England	51
* Huntaven Properties Ltd	England	100

Interests in companies marked \* are held directly by the Company. The other companies are held indirectly.

At 31 December, the cost of unlisted investments that were impaired was £11,474,000 (2007: £11,474,000) and the provision for impairment was £6,612,000 (2007: £6,612,000), following the write down of the investments to their fair value less costs to sell.

The maximum exposure to credit risk at 31 December 2008 is the carrying amount of the investment in subsidiaries.

# HUNTING OIL HOLDINGS LIMITED

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

### 9. TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
<b>Non-current:</b>		
Amounts owed by fellow group companies	<u>75,026</u>	<u>88,694</u>

At 31 December 2008, none of the Company's trade and other receivables were past due and the Company does not consider it necessary to provide for any impairment, as the receivables are due from fellow group companies. Trade and other receivables are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no receivables (2007: none) whose terms have been renegotiated and would otherwise be past due or impaired.

The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 12.

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

Non-current amounts owed by fellow group companies are unsecured. Of the £75,026,000 (2007: £88,694,000) amounts owed by fellow group companies, £4,862,000 (2007: £18,530,000) is interest bearing and £70,164,000 (2007: £70,164,000) is interest free. Interest is charged at 1% above the UK base rate.

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

### 10. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand	<u>100</u>	<u>190</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.

# HUNTING OIL HOLDINGS LIMITED

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

### 11. BORROWINGS

	2008 £'000	2007 £'000
<b>Non-current:</b>		
Amounts owed to fellow group companies	18,328	18,963
<b>Current:</b>		
Amounts owed to fellow group companies	<u>1,113</u>	<u>518</u>
<b>Total borrowings</b>	<u>19,441</u>	<u>19,481</u>

Non-current amounts owed to fellow group companies are unsecured and interest is charged at 1% above the UK base rate. Current amounts owed to fellow group companies are unsecured, interest free and repayable on demand. All borrowings are denominated in sterling.

### 12. 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 receivables £'000	Available for sale investments £'000	2008 Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
<b>Non-current assets:</b>					
Investment in subsidiaries	-	75,440	-	75,440	75,440
Amounts owed by fellow group companies	75,026	-	-	75,026	68,130
<b>Current assets:</b>					
Cash and cash equivalents	100	-	-	100	100
<b>Current liabilities:</b>					
Amounts owed to fellow group companies	-	-	(1,113)	(1,113)	(1,113)
<b>Non-current liabilities:</b>					
Amounts owed to fellow group companies	-	-	(18,328)	(18,328)	(18,328)
	<u>75,126</u>	<u>75,440</u>	<u>(19,441)</u>	<u>131,125</u>	<u>124,229</u>

# HUNTING OIL HOLDINGS LIMITED

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

### 12. FINANCIAL INSTRUMENTS (continued)

	Loans and receivables £'000	Available for sale investments £'000	2007 Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Non-current assets:					
Investment in subsidiaries	-	75,440	-	75,440	75,440
Amounts owed by fellow group companies	88,694	-	-	88,694	74,815
Current assets:					
Cash and cash equivalents	190	-	-	190	190
Current liabilities:					
Amounts owed to fellow group companies	-	-	(518)	(518)	(518)
Non-current liabilities:					
Amounts owed to fellow group companies	-	-	(18,963)	(18,963)	(18,963)
	<u>88,884</u>	<u>75,440</u>	<u>(19,481)</u>	<u>144,843</u>	<u>130,964</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. The above investments are unlisted equity investments and are recorded at cost, as their fair value cannot be reliably measured as there is no active market upon which they are traded. The Directors believe that the carrying amount of the investments is a good approximation of their fair value.

The fair value of the interest free amount owed by a fellow group company was determined by discounting the future cash flows using the relevant discount rate. As the interest free loan does not have a contractual repayment date, the repayment date of the loan is based on management's current best estimate and consequently the fair value shown in the above table is indicative as it represents a broad range of possible fair values.

## HUNTING OIL HOLDINGS LIMITED

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

#### 13. 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 and from amounts owed by and to group companies, which are at variable interest rates. The Company is exposed to fair value interest rate risk from its interest free loans to and from fellow group companies.

##### b) Credit risk

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

The Company's outstanding receivables are due from fellow group companies, and no losses are expected from non-performance of these counterparties. Funds are only invested with approved financial institutions and no losses are expected from non-performance of the counterparty.

##### c) Liquidity risk

The Company has sufficient facilities available to satisfy its requirements.

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

	On demand or within 1 year	
	2008	2007
	£'000	£'000
Non-derivative financial liabilities:		
Amounts owed to fellow group companies	<u>19,441</u>	<u>19,481</u>

The Company did not have any derivative financial instruments.



# HUNTING OIL HOLDINGS LIMITED

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

### 13. FINANCIAL RISK FACTORS (continued)

#### 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 borrowings, cash and cash equivalents and receivables. The sensitivity analysis relates to the position as at 31 December 2008.

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

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

#### (i) Interest rate sensitivity

At 31 December, if UK interest rates had been 1% (2007: 0.5%) higher or lower, with all other variables held constant, the post-tax effects on profit or loss and equity for the year would have been as follows:

	2008		2007	
	Income statement £'000	Equity £'000	Income statement £'000	Equity £'000
UK interest rates +1% (2007: +0.5%)	(100)	-	-	-
UK interest rates -1% (2007: -0.5%)	100	-	-	-

The movements arise from the sterling denominated floating rate borrowings.

### 14. SHARE CAPITAL

	2008 £'000	2007 £'000
Ordinary equity shares of £1 each:		
Authorised	<u>122,380</u>	<u>122,380</u>
Allotted, issued and fully paid	<u>122,380</u>	<u>122,380</u>

There are no restrictions to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights.

# HUNTING OIL HOLDINGS LIMITED

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

### 15. RETAINED EARNINGS

	2008 £'000	2007 £'000
At 1 January	22,438	23,208
Loss for the year	1,362	(770)
Dividend paid	<u>(15,000)</u>	<u>-</u>
At 31 December	<u>8,800</u>	<u>22,438</u>

### 16. DIVIDENDS PAID

	Pence per share	2008 £'000	Pence per share	2007 £'000
2008 dividend	12.3p	<u>15,000</u>	-	<u>-</u>

### 17. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents, borrowings and amounts owed by fellow group companies.

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. The gearing ratio, which is net debt expressed as a percentage of total equity, is monitored periodically against both internal targets and external covenant requirements.

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

At the year end, capital comprised:

	2008 £'000	2007 £'000
Total equity	131,180	144,818
Net cash	<u>(55,685)</u>	<u>(69,403)</u>
Gross capital employed	<u>75,495</u>	<u>75,415</u>

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

## **HUNTING OIL HOLDINGS LIMITED**

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

#### **17. BANKING ARRANGEMENTS**

The Company is party to a Group set-off arrangement with Lloyds TSB Bank Plc.

#### **18. ULTIMATE PARENT COMPANY**

The immediate and ultimate parent 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.

#### **19. RELATED PARTY TRANSACTIONS**

Stagline Limited, a wholly-owned subsidiary of Huntfield Trust Limited, which is a wholly-owned subsidiary of the Company, was owed £518,000 (2007: £518,000) at the year end on the interest free loan.

Hunting Energy Holdings Limited, a fellow group company, owed the Company £70,164,000 (2007: £70,164,000) at the year end on their interest free loan.

The Company was owed £602,000 (2007: £604,000) on an interest bearing loan by Huntfield Trust at the year-end. Interest of £36,000 (2007: £4,000) was charged on the loan. .

The Company owed £595,000 (2007: £602,000 interest bearing) on an interest free loan from Hunting International Aviation, a fellow group company. The Company was charged £11,000 (2007: £7,000) interest on the loan during the year.

The Company owed £8,317,000 (2007: £8,336,000) on an interest bearing loan to Hunting Defence, a wholly-owned subsidiary, at the year-end. The Company was charged £504,000 (2007: £96,000) interest on the loan.

The Company owed £10,011,000 (2007: £10,025,000) on an interest bearing loan from Hunting Knightsbridge Holdings, a fellow group company. Interest of £607,000 (2007: £25,000) was charged on the loan.

The Company was owed £4,260,000 (2007: £17,926,000) on an interest bearing loan by Hunting PLC, its parent company. Interest of £878,000 (2007: £206,000) was charged on the loan during the year.