

HUNTING OIL HOLDINGS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Registered No 01103530



HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2010

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HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2010

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 D B Willey
Company Secretary	D B Willey
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The Company acts as a holding company and 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 pages 22 and 23 of the Hunting PLC 2010 Annual Report and Accounts. Further detail on financial risks is provided within note 14.

No change in the current activities of the Company is anticipated in 2011.

RESULTS AND DIVIDENDS

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

The profit for the year was £339,000 (2009: £10,430,000 loss), which includes dividend income of £491,000 (2009: £nil). The profit for the year has been transferred to reserves, which has increased net assets from £140,750,000 in 2009 to £141,089,000 in 2010.

The Directors do not recommend the payment of a dividend (2009: £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 (2009: £nil).

DIRECTORS

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

D L Proctor
R H Hunting
P Rose
D B Willey (appointed 17 June 2010)

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

STATEMENT OF 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



18 July 2011

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 2010, 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 Statement of Directors' Responsibilities 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 and express an opinion on 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 2010 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 OIL HOLDINGS LIMITED

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

Paul Kerr (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 July 2011

HUNTING OIL HOLDINGS LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £'000	2009 £'000
REVENUE		491	-
Other operating expenses - exceptional	3	<u>-</u>	<u>(10,251)</u>
PROFIT (LOSS) FROM OPERATIONS	4	491	(10,251)
Interest income	5	64	85
Interest expense	6	<u>(275)</u>	<u>(333)</u>
PROFIT (LOSS) BEFORE TAX		280	(10,499)
Taxation	7	<u>59</u>	<u>69</u>
PROFIT (LOSS) FOR THE YEAR		<u>339</u>	<u>(10,430)</u>

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

There is no other comprehensive income for the year

HUNTING OIL HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	8	<u>85,189</u>	<u>85,189</u>
Current assets			
Other accounts receivable	9	74,395	74,395
Cash and cash equivalents	10	283	-
Current tax asset		<u>59</u>	<u>69</u>
		<u>74,737</u>	<u>74,464</u>
LIABILITIES			
Current liabilities			
Other accounts payable	11	(40)	-
Borrowings	12	<u>(518)</u>	<u>(624)</u>
		<u>(558)</u>	<u>(624)</u>
Net current assets		<u>74,179</u>	<u>73,840</u>
Non-current liabilities			
Borrowings	12	<u>(18,279)</u>	<u>(18,279)</u>
Net assets		<u>141,089</u>	<u>140,750</u>
Shareholders' equity			
Share capital	15	142,380	142,380
Retained earnings	16	<u>(1,291)</u>	<u>(1,630)</u>
Total equity		<u>141,089</u>	<u>140,750</u>

The notes on pages 11 to 24 form part of these financial statements

Approved by the Board on 18 July 2011



P Rose
Director

Registered No 01103530

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2010	142,380	(1,630)	140,750
Profit for the year	-	339	339
At 31 December 2010	<u>142,380</u>	<u>(1,291)</u>	<u>141,089</u>

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2009	122,380	8,800	131,180
Shares issued	20,000	-	20,000
Loss for the year	-	(10,430)	(10,430)
At 31 December 2009	<u>142,380</u>	<u>(1,630)</u>	<u>140,750</u>

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £'000	2009 £'000
Operating activities		
Profit (loss) profit from operations	491	(10,251)
Investment income	(491)	-
Increase in payables	40	-
Taxation received	69	55
Non-cash flow items – impairment of subsidiary	-	10,251
Net cash inflow from operating activities	<u>109</u>	<u>55</u>
Investing activities		
Dividends received from subsidiaries	491	-
Investment in subsidiary	-	(20,000)
Net cash inflow (outflow) from investing activities	<u>491</u>	<u>(20,000)</u>
Financing activities		
Interest received	64	115
Interest paid	(275)	(381)
Share capital issued	-	20,000
Loan from fellow group companies repaid	-	600
Loan to subsidiary repaid	-	(595)
Net cash (outflow) inflow from financing activities	<u>(211)</u>	<u>19,739</u>
Net inflow (outflow) in cash and cash equivalents	389	(206)
Cash and cash equivalents at beginning of year	<u>(106)</u>	<u>100</u>
Cash and cash equivalents at end of year	<u>283</u>	<u>(106)</u>
Cash and cash equivalents at the end of year comprise		
Cash at bank and in hand (note 10)	283	-
Bank overdrafts included in borrowings (note 12)	-	(106)
	<u>283</u>	<u>(106)</u>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

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 2010:

- IAS 27 (revised) Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- Improvements to IFRSs – April 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners

Although the adoption of these standards, amendments and interpretations represents a change in accounting policy, comparative figures for 2009 have not been restated, as these changes do not impact the financial performance or position of the Company.

Standards, Amendments and Interpretations Effective Subsequent to the Year End

- IFRS 9 Financial Instruments*
- IAS 24 (revised) Related Party Disclosures
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendment to IAS 12 – Deferred tax: Recovery of Underlying Assets*
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs – May 2010

* Not yet endorsed by the European Union

It is not anticipated that any of the new requirements will significantly impact the Company's results or financial position.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

1. ACCOUNTING POLICIES (continued)

1.2 Revenue

Dividend income is recognised in the income statement in the period in which it has been received, for interim dividends, or approved, for final dividends, by the relevant company's shareholders

1.3 Interest

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

1.4 Taxation

The taxation credit 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

1.5 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

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

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

1.6 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. For cash flow statement purposes, cash and cash equivalents include bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities

1.7 Investments in Subsidiaries

Investments in subsidiaries are stated at cost, which is the fair value of the consideration paid, less any provision for impairment

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

1. ACCOUNTING POLICIES (continued)

1.8 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 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. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. 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 other accounts receivable.

1.9 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 other accounts payable, at amortised cost.

Payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

1.10 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 the impairment of assets.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

1. ACCOUNTING POLICIES (continued)

1 11 Group Accounts

The Company has taken advantage of the exemption from preparing group accounts under section 400 of the Companies Act 2006 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 12 Share Capital

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

1 13 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.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2009 £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 (2009 nil).

3 EXCEPTIONAL ITEMS

	2010 £'000	2009 £'000
Impairment of subsidiary (note 8)	-	10,251

4 PROFIT (LOSS) FROM OPERATIONS

Auditors' remuneration of £3,000 (2009 £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 financial statements.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

5. INTEREST INCOME

	2010 £'000	2009 £'000
Bank interest	1	1
Fellow group companies	63	84
	<u>64</u>	<u>85</u>

6 INTEREST EXPENSE

	2010 £'000	2009 £'000
Bank interest	1	1
Fellow group companies	274	332
	<u>275</u>	<u>333</u>

7. TAXATION

	2010 £'000	2009 £'000
UK Corporation Tax		
Current tax on income for the year	<u>(59)</u>	<u>(69)</u>

The tax credit (2009 credit) for the year is lower (2009 lower) the UK standard rate for corporation tax of 28% (2009 28%) for the following reasons

	2010 £'000	2009 £'000
Profit (loss) before taxation	<u>280</u>	<u>(10,499)</u>
Taxation at the standard UK corporation tax rate of 28% (2009 28%)	78	(2,940)
Non-taxable income	(137)	-
Permanent differences	<u>-</u>	<u>2,871</u>
	<u>(59)</u>	<u>(69)</u>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

7. TAXATION (continued)

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No. 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. As part of the March 2011 Budget Statement, the main rate of corporation tax has been further reduced to 26% from 1 April 2011. The impact of this change will be recognised in the period in which the Finance Act 2011 is substantively enacted, which is expected to be the year ended 31 December 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes are not expected to have a material impact on the financial statements.

8. INVESTMENTS IN SUBSIDIARIES

	2010 £'000	2009 £'000
Cost		
At 1 January	102,915	82,915
Additions	-	20,000
At 31 December	<u>102,915</u>	<u>102,915</u>
Impairment provision.		
At 1 January	(17,726)	(7,475)
Impairment	-	(10,251)
At 31 December	<u>(17,726)</u>	<u>(17,726)</u>
Net book value	<u>85,189</u>	<u>85,189</u>

At 31 December 2010, the cost of investments in subsidiaries that were impaired was £31,474,000 (2009 £31,474,000) and the provision for impairment was £17,726,000 (2009 £17,726,000).

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.

Events since the Balance Sheet Date

On 6 July 2011, Hunting Specialised Products Limited was placed into members' voluntary liquidation. The carrying value of the investment at the year end is £nil (2009 £nil).

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

8. INVESTMENTS IN SUBSIDIARIES (continued)

The subsidiaries comprise

	Country of incorporation & operations	% interest in ordinary shares
* Hunting Specialised Products Limited	England	100
* Hunting Aviation Limited	England	100
* Huntfield Trust Limited	England	100
* Hunting Defence Limited	England	100
Hunting BRAE Limited	England	51
* Huntaven Properties Limited	England	100

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

9. OTHER ACCOUNTS RECEIVABLE

	2010 £'000	2009 £'000
Current		
Receivables due from fellow group companies	<u>74,395</u>	<u>74,395</u>

At 31 December 2010, none of the Company's other accounts receivable 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. Other accounts receivable 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 (2009: 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 13.

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 receivables due from fellow group companies are unsecured. Of the £74,395,000 (2009: £74,395,000) amounts due, £4,231,000 (2009: £4,231,000) is interest bearing and £70,164,000 (2009: £70,164,000) is interest free. Interest is charged at 1% above the UK base rate.

All financial assets included in other accounts receivable at the year-end are denominated in sterling.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

10 CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Cash at bank and in hand	<u>283</u>	<u>-</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 at bank and in hand is denominated in sterling.

11. OTHER ACCOUNTS PAYABLE

	2010 £'000	2009 £'000
Payables due to fellow group companies – current accounts	<u>40</u>	<u>-</u>

Current amounts owed to fellow group companies are unsecured, interest free, repayable on demand and denominated in sterling.

12 BORROWINGS

	2010 £'000	2009 £'000
Non-current		
Payables due to fellow group companies - loans	<u>18,279</u>	<u>18,279</u>
Current		
Unsecured bank overdrafts	-	106
Payables due to fellow group companies - loans	<u>518</u>	<u>518</u>
	<u>518</u>	<u>624</u>
Total borrowings	<u>18,797</u>	<u>18,903</u>

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

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

13 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

		2010		
		Financial		
		liabilities		
		measured at	Total	Total fair
	Loans and	amortised	carrying	value
	receivables	cost	amount	
	£'000	£'000	£'000	£'000
Current assets				
Receivables due from fellow group companies	74,395	-	74,395	74,395
Cash at bank and in hand	283	-	283	283
Current liabilities				
Payables due to fellow group companies – current accounts	-	(40)	(40)	(40)
Payables due to fellow group companies - loans	-	(518)	(518)	(518)
Non-current liabilities				
Payables due to fellow group companies - loans	-	(18,279)	(18,279)	(18,279)
	<u>74,678</u>	<u>(18,837)</u>	<u>55,841</u>	<u>55,841</u>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

13 FINANCIAL INSTRUMENTS (continued)

	2009			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Current assets				
Receivables due from fellow group companies	74,395	-	74,395	74,395
Current liabilities				
Unsecured bank overdrafts	-	(106)	(106)	(106)
Payables due to fellow group companies - loans	-	(518)	(518)	(518)
Non-current liabilities				
Payables due to fellow group companies - loans	-	(18,279)	(18,279)	(18,279)
	<u>74,395</u>	<u>(18,903)</u>	<u>55,492</u>	<u>55,492</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.

14 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 unsecured bank overdrafts and from receivables due to and owed by 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.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

14 FINANCIAL RISK FACTORS (continued)

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.

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.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts presented in the table are the contractual *undiscounted* cash flows, whereas the carrying amounts in the balance sheet are the *discounted* amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

	2010		
	On demand or within one year £'000	Between two and five years £'000	Total £'000
Non-derivative financial liabilities			
Payables due to fellow group companies	792	18,652	19,444
Total financial liabilities	792	18,652	19,444

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

14. FINANCIAL RISK FACTORS (continued)

	On demand or within one year £'000	2009 Between two and five years £'000	Total £'000
Non-derivative financial liabilities			
Payables due to fellow group companies	792	18,926	19,718
Unsecured bank overdrafts	106	-	106
Total financial liabilities	898	18,926	19,824

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 borrowings, cash and cash equivalents and receivables. The sensitivity analysis relates to the position as at 31 December 2010.

The sensitivity analysis has been prepared on the basis that the amount of net cash and the ratio of fixed to floating interest rates remain unchanged at 31 December 2010.

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

Interest rate sensitivity

The table below shows the post-tax impact for the year of a reasonable change in the UK interest rate, with all other variables held constant, at 31 December.

	2010 Income statement £'000	2009 Income statement £'000
UK interest rates +0.5% (2009 +1%)	(50)	(102)
UK interest rates -0.5% (2009 -1%)	50	102

The movements in the income statement arise from the sterling denominated floating rate cash and cash equivalents. There was no impact on equity.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

15. SHARE CAPITAL

	2010 £'000	2009 £'000
Ordinary equity shares of £1 each		
Allotted, issued and fully paid	<u>142,380</u>	<u>142,380</u>

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

16 RETAINED EARNINGS

	2010 £'000	2009 £'000
At 1 January	(1,630)	8,800
Profit (loss) for the year	<u>339</u>	<u>(10,430)</u>
At 31 December	<u>(1,291)</u>	<u>(1,630)</u>

17 CAPITAL RISK MANAGEMENT

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

	2010 £'000	2009 £'000
Total equity	141,089	140,750
Net cash	<u>(55,881)</u>	<u>(55,492)</u>
Gross capital employed	<u>85,208</u>	<u>85,258</u>

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

18. BANKING ARRANGEMENTS

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

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

19. 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.

20. RELATED PARTY TRANSACTIONS

Hunting Energy Holdings Limited, a fellow group company, owed the Company £70,164,000 (2009 £70,164,000) at the year end on their interest free loan.

The Company was owed £4,231,000 (2009 £4,231,000) on an interest bearing loan by Hunting PLC, its parent company. Interest of £63,000 (2009 £77,000) was charged on the loan during the year.

The Company owed £8,262,000 (2009 £8,261,000) on an interest bearing loan to Hunting Defence Limited, a wholly-owned subsidiary, at the year-end. The Company was charged £124,000 (2009 £150,000) interest on the loan.

The Company owed £10,018,000 (2009 £10,018,000) on an interest bearing loan from Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of £150,000 (2009 £182,000) was charged on the loan.

Stagline Limited, a wholly-owned subsidiary of Huntfield Trust Limited, which is a wholly-owned subsidiary of the Company, was owed £518,000 (2009 £518,000) at the year end on the interest free loan.

The Company owed £40,000 (2009 £nil) on a current account with Hunting Specialised Products Limited, a wholly-owned subsidiary, at the year-end.