

**HUNTING OIL HOLDINGS LIMITED**

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

**Registered No: 01103530**

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**HUNTING OIL HOLDINGS LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

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**HUNTING OIL HOLDINGS LIMITED**

**YEAR ENDED 31 DECEMBER 2009**

**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**

### **DIRECTORS' REPORT**

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

#### **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

The authorised share capital of the Company was increased, at an Extraordinary General Meeting held on 30 June 2009, from £122,380,000 to £132,380,000 by the creation of 10,000,000 Ordinary shares of £1 each. These additional shares were issued at par for £10,000,000, received in cash, on 30 June 2009.

On 1 October 2009, the Directors adopted new Articles of Association to bring the articles up to date and passed a resolution allowing the Directors to allot shares without shareholder approval under section 550 of the Companies Act 2006. The Companies Act abolishes the requirement for a company to have authorised share capital.

A further 10,000,000 Ordinary shares of £1 each were allotted and issued on 1 October 2009. These additional shares were issued at par for £10,000,000, received in cash, on 1 October 2009.

During the year, the Company made a provision for impairment of £10,251,000 against the cost of one of its investments in subsidiaries, as shown in note 8.

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 13.

No change in the current activities of the Company is anticipated in 2010.

#### **RESULTS AND DIVIDENDS**

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

The loss for the year of £10,430,000 (2008: £1,362,000 profit) has been transferred to reserves.

An interim dividend of £nil (2008: £15,000,000) as shown in note 16 was paid during the year. The Directors do not recommend the payment of a further dividend for the year (2008: £nil).

The net assets for the year have increased from £131,180,000 in 2008 to £140,750,000 in 2009 following an increase in share capital of £20,000,000 and losses for the year of £10,430,000.

## **HUNTING OIL HOLDINGS LIMITED**

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

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**

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

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

### **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' 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.

## **HUNTING OIL HOLDINGS LIMITED**

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

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

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

4 June 2010

## **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 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 loss 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

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



**HUNTING OIL HOLDINGS LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £'000	2008 £'000
<b>REVENUE</b>		-	1,500
Other operating expenses - exceptional	3	<u>(10,251)</u>	<u>-</u>
<b>(LOSS) PROFIT FROM OPERATIONS</b>	4	(10,251)	1,500
Interest income	5	85	929
Interest expense and similar charges	6	<u>(333)</u>	<u>(1,122)</u>
<b>(LOSS) PROFIT BEFORE TAX</b>		(10,499)	1,307
Taxation	7	<u>69</u>	<u>55</u>
<b>(LOSS) PROFIT FOR THE YEAR</b>		<u>(10,430)</u>	<u>1,362</u>

The loss 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 2009

	Notes	2009 £'000	2008 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	8	<u>85,189</u>	<u>75,440</u>
<b>Current assets</b>			
Trade and other receivables	9	74,395	75,026
Cash and cash equivalents	10	-	100
Current tax asset		<u>69</u>	<u>55</u>
		<u>74,464</u>	<u>75,181</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	11	<u>(624)</u>	<u>(1,113)</u>
		<u>(624)</u>	<u>(1,113)</u>
<b>Net current assets</b>		<u>73,840</u>	<u>74,068</u>
<b>Non-current liabilities</b>			
Borrowings	11	<u>(18,279)</u>	<u>(18,328)</u>
<b>Net assets</b>		<u>140,750</u>	<u>131,180</u>
<b>Shareholders' equity</b>			
Share capital	14	142,380	122,380
Retained earnings	15	<u>(1,630)</u>	<u>8,800</u>
<b>Total equity</b>		<u>140,750</u>	<u>131,180</u>

Approved by the Board on 4 June 2010

  
P Rose  
Director

Registered No 01103530

The notes on pages 12 to 25 form part of these financial statements

**HUNTING OIL HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**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>

**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 paid	-	(15,000)	(15,000)
At 31 December 2008	<u>122,380</u>	<u>8,800</u>	<u>131,180</u>

# HUNTING OIL HOLDINGS LIMITED

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

	2009 £'000	2008 £'000
<b>Operating activities</b>		
(Loss) profit from operations	(10,251)	1,500
Investment income	-	(1,500)
Taxation received (paid)	55	(25)
Non-cash flow items – impairment of subsidiary	10,251	-
<b>Net cash inflow (outflow) from operating activities</b>	<u>55</u>	<u>(25)</u>
<b>Investing activities</b>		
Investment in subsidiary	(20,000)	-
<b>Net cash outflow from investing activities</b>	<u>(20,000)</u>	<u>-</u>
<b>Financing activities</b>		
Interest received	115	1,097
Interest paid	(381)	(1,162)
Dividends received from subsidiaries	-	1,500
Equity dividends paid	-	(15,000)
Share capital issued	20,000	-
Loan from fellow group companies repaid	600	-
Loan to subsidiary repaid	(595)	-
Proceeds from loans from fellow group companies	-	13,500
<b>Net cash inflow (outflow) from financing activities</b>	<u>19,739</u>	<u>(65)</u>
<b>Net outflow in cash and cash equivalents</b>	(206)	(90)
<b>Cash and cash equivalents at beginning of year</b>	<u>100</u>	<u>190</u>
<b>Cash and cash equivalents at end of year</b>	<u>(106)</u>	<u>100</u>
Cash and cash equivalents at the end of year comprise		
Cash at bank and in hand (note 10)	-	100
Bank overdrafts included in borrowings (note 11)	(106)	-
	<u>(106)</u>	<u>100</u>

## HUNTING OIL HOLDINGS 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 OIL HOLDINGS 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 Revenue

Dividend income is recognised in the income statement in the period in which it has been approved, by the relevant company's shareholders. 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 taxation credit in the income statement comprises current tax arising on the current year's net losses.

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

## **HUNTING OIL HOLDINGS LIMITED**

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

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

##### **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

##### **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

##### **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

## HUNTING OIL HOLDINGS LIMITED

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

#### 1. ACCOUNTING POLICIES (continued)

##### *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.

##### 1.9 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 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.

##### 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 profits or losses on the closure or disposal of subsidiaries, the impairment of assets and provisions for onerous leases.

##### 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.



## HUNTING OIL HOLDINGS 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 Oil Holdings Limited is its Directors.

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

#### 3. EXCEPTIONAL ITEMS

	2009 £'000	2008 £'000
Impairment of subsidiary (note 8)	<u>10,251</u>	<u>-</u>

#### 4. (LOSS) PROFIT FROM OPERATIONS

Auditors' remuneration of £3,000 (2008 £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

	2009 £'000	2008 £'000
Bank interest	1	15
Fellow group companies	<u>84</u>	<u>914</u>
	<u>85</u>	<u>929</u>

#### 6. INTEREST EXPENSE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Bank interest	1	-
Fellow group companies	<u>332</u>	<u>1,122</u>
	<u>333</u>	<u>1,122</u>

# HUNTING OIL HOLDINGS LIMITED

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

### 7. TAXATION

	2009 £'000	2008 £'000
UK Corporation Tax		
Current tax on income for the year	<u>(69)</u>	<u>(55)</u>

The tax credit (2008 credit) for the year is lower (2008 higher) the UK standard rate for corporation tax of 28% (2008 28.5%) for the following reasons

	2009 £'000	2008 £'000
(Loss) profit before taxation	<u>(10,499)</u>	<u>1,307</u>
Taxation at the standard UK corporation tax rate of 28% (2008 28.5%)	(2,940)	372
Permanent differences	<u>2,871</u>	<u>(427)</u>
	<u>(69)</u>	<u>(55)</u>

### 8 INVESTMENTS IN SUBSIDIARIES

	2009 £'000	2008 £'000
<b>Cost:</b>		
At 1 January	82,915	82,915
Additions	<u>20,000</u>	<u>-</u>
At 31 December	<u>102,915</u>	<u>82,915</u>
<b>Impairment provision:</b>		
At 1 January	(7,475)	(7,475)
Impairment	<u>(10,251)</u>	<u>-</u>
At 31 December	<u>(17,726)</u>	<u>(7,475)</u>
<b>Net book value</b>	<u>85,189</u>	<u>75,440</u>

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (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. 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. On 15 October 2009 Hunting Italian Holdings Limited and The Waterline Equipment Company Limited were dissolved.

During the year, an impairment charge of £10,251,000 was recognised in relation to a subsidiary. The investment in the subsidiary has been written down to the directors' best estimate of its recoverable amount, which has been determined based on the subsidiary's net assets and the best estimate of the market value of its investment properties.

At 31 December, the cost of investments in subsidiaries that were impaired was £31,474,000 (2008 £11,474,000) and the provision for impairment was £17,726,000 (2008 £7,475,000).

The subsidiaries comprise

	Country of incorporation & operations	% interest in ordinary shares
* Hunting Specialised Products Ltd	England	100
* Hunting Aviation Ltd	England	100
* Huntfield Trust Ltd	England	100
* Hunting Defence 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.

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.

#### 9. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Current:		
Receivables due from fellow group companies	<u>74,395</u>	<u>75,026</u>

## HUNTING OIL HOLDINGS LIMITED

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

#### 9. TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2009, 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 (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 11.

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 (2008: £75,026,000) amounts due, £4,231,000 (2008: £4,862,000) is interest bearing and £70,164,000 (2008: £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

	2009 £'000	2008 £'000
Cash at bank and in hand	-	100

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.

# HUNTING OIL HOLDINGS LIMITED

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

### 11. BORROWINGS

	2009 £'000	2008 £'000
<b>Non-current:</b>		
Payables due to fellow group companies	<u>18,279</u>	<u>18,328</u>
<b>Current:</b>		
Unsecured bank overdrafts	106	-
Payables due to fellow group companies	<u>518</u>	<u>1,113</u>
	<u>624</u>	<u>1,113</u>
<b>Total borrowings</b>	<u>18,903</u>	<u>19,441</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.

### 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.

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

# HUNTING OIL HOLDINGS LIMITED

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

### 12. FINANCIAL INSTRUMENTS (continued)

	2008			
	Loans and receivables £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
<b>Current assets</b>				
Receivables due from fellow group companies	75,026	-	75,026	75,026
Cash and cash equivalents	100	-	100	100
<b>Current liabilities</b>				
Payables due to fellow group companies	-	(1,113)	(1,113)	(1,113)
<b>Non-current liabilities</b>				
Payables due to fellow group companies	-	(18,328)	(18,328)	(18,328)
	<u>75,126</u>	<u>(19,441)</u>	<u>55,685</u>	<u>55,685</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.

### 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 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.

#### b) Credit risk

The Company's credit risk arises from its 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 OIL HOLDINGS LIMITED

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

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

The Company's outstanding receivables are due from fellow group companies, and no losses are expected from non-performance of these counterparties

##### 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	
	2009	2008
	£'000	£'000
Non-derivative financial liabilities		
Payables due to fellow group companies	18,797	19,441
Unsecured bank overdrafts	106	-
	<u>18,903</u>	<u>19,441</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 borrowings, cash and cash equivalents and receivables. 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 net debt and the ratio of fixed to floating interest rates of the debt 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.

## HUNTING OIL HOLDINGS LIMITED

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

#### 13. 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 Income statement £'000	2008 Income statement £'000
UK interest rates +1% (2008 +1%)	(102)	(100)
UK interest rates -1% (2008 -1%)	102	100

The movements in the income statement arise from the sterling denominated floating rate borrowings  
There was no impact on equity

#### 14. SHARE CAPITAL

	2009 £'000	2008 £'000
Ordinary equity shares of £1 each		
Allotted, issued and fully paid	<u>142,380</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

The authorised share capital of the Company was increased, at an Extraordinary General Meeting held on 30 June 2009, from £122,380,000 to £132,380,000 by the creation of 10,000,000 Ordinary shares of £1 each. These additional shares were issued at par for £10,000,000, received in cash, on 30 June 2009.

On 1 October 2009, the Directors adopted new Articles of Association to bring the articles up to date and passed a resolution allowing the Directors to allot shares without shareholder approval under section 550 of the Companies Act 2006. The Companies Act abolishes the requirement for a company to have authorised share capital.

A further 10,000,000 Ordinary shares of £1 each were allotted and issued on 1 October 2009. These additional shares were issued at par for £10,000,000, received in cash, on 1 October 2009.



# HUNTING OIL HOLDINGS LIMITED

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

### 15 RETAINED EARNINGS

	2009 £'000	2008 £'000
At 1 January	8,800	22,438
(Loss) profit for the year	(10,430)	1,362
Dividend paid	<u>-</u>	<u>(15,000)</u>
At 31 December	<u>(1,630)</u>	<u>8,800</u>

### 16. DIVIDENDS PAID

	Pence per share	2009 £'000	Pence per share	2008 £'000
2008 dividend	-	<u>-</u>	12 3p	<u>15,000</u>

### 17. CAPITAL RISK MANAGEMENT

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

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

	2009 £'000	2008 £'000
Total equity	140,750	131,180
Net cash	<u>(55,492)</u>	<u>(55,685)</u>
Gross capital employed	<u>85,258</u>	<u>75,495</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 2009 (continued)**

#### **18. BANKING ARRANGEMENTS**

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

#### **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**

Stagline Limited, a wholly-owned subsidiary of Huntfield Trust Limited, which is a wholly-owned subsidiary of the Company, was owed £518,000 (2008 £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 (2008 £70,164,000) at the year end on their interest free loan.

The interest bearing loan to Huntfield Trust was repaid during the year, the balance at the year-end was £nil (2008 £602,000). Interest of £7,000 (2008 £36,000) was charged on the loan during the year.

The Company repaid its interest free loan from Hunting International Aviation, a fellow group company, the balance at the year-end was £nil (2008 £595,000). The Company was charged £nil (2008 £11,000) interest on the loan during the year.

The Company owed £8,261,000 (2008 £8,317,000) on an interest bearing loan to Hunting Defence, a wholly-owned subsidiary, at the year-end. The Company was charged £150,000 (2008 £504,000) interest on the loan.

The Company owed £10,018,000 (2008 £10,011,000) on an interest bearing loan from Hunting Knightsbridge Holdings, a fellow group company. Interest of £182,000 (2008 £607,000) was charged on the loan.

The Company was owed £4,231,000 (2008 £4,260,000) on an interest bearing loan by Hunting PLC, its parent company. Interest of £77,000 (2008 £878,000) was charged on the loan during the year.