HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

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

Registered No. 01371688

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2008

COMPANY INFORMATION

Registered number:	01371688
Country of incorporation:	England and Wales
Registered office:	Cockspur Street London SW1Y 5BQ
Directors:	P. Rose D.L. Proctor R.H. Hunting C.R. St Quintin
Secretary:	C.J.P. Gilmore
Auditors:	PricewaterhouseCoopers LLP London

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

YEAR ENDED 31 DECEMBER 2008

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HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

DIRECTORS' REPORT

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

REVIEW OF BUSINESS

Business review and principal activities

The Company performs the treasury function of the Hunting PLC Group ("the Group"), and is a wholly-owned subsidiary of Hunting PLC.

The results and financial position of the Company are set out in the attached financial statements. Profit before taxation for the year was £6.2m (2007: £3.2m), an increase of £3.0m, which was mainly due to foreign exchange gains as a result of a weakening of the US and Canadian dollar. The impact of the foreign exchange gains was offset by the cost of repaying the US Private Placements and the interest rate swaps hedging this borrowing early.

The Company's net assets grew by £4.4m to £40.0m, and net cash, as defined in note 16 has increased to £42.8m from £36.5m.

Strategy

The Company operates as Hunting PLC's centralised treasury service, with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency, interest rate exposures and cash management and the investment of surplus cash.

The Company uses forward foreign exchange contracts and average rate options to hedge, on behalf of the Hunting PLC Group, the exposure to exchange rate movements in significant future transactions and cash flows. Average rate options are used to reduce translation risk on the Group's consolidated profit before tax by hedging the translation of approximately 50% of budgeted US dollar earnings into sterling. Although these contracts act as an economic hedge, they are not designated as hedges for accounting purposes.

Prior to the receipt of cash from the sale of fellow subsidiary Gibson Energy and the elimination of net debt, the Company used interest rate swaps and caps to manage its exposure to interest rate risk on its principal bank and other borrowings.

Further information on financial instruments is given in note 12.

Primary risks and uncertainties

The management of the Company's activities is subject to a number of risks, which are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. The primary business risks and uncertainties affecting the Company are considered to be as follows:

DIRECTORS' REPORT (continued)

Foreign exchange translation risk - The Company has US dollar, Canadian dollar and Euro denominated assets and borrowings, as shown in note 11, which are translated into sterling at the year end, with exchange rate differences taken to the income statement. This exposes the Company to movements in foreign exchange rates, with the value of foreign currency debtors and foreign currency liabilities changing and changes to cash flows.

Foreign exchange transaction risk – The Company pays and receives interest in various currencies, exposing the Company to movements in foreign exchange rates.

Interest rate risk - The Company is subject to interest rate exposure in a variety of currencies, and profit and other key financial targets are sensitive to interest rate movements.

Credit risk – The Company's credit risk arises from its cash and cash equivalents, deposits, derivative financial instruments and amounts owed by group companies. There is a risk that counterparties may default and put the Company's capital at risk.

Liquidity risk:

Compliance with banking covenants – The Company's banking and other borrowing covenants need to be complied with to ensure that borrowing facilities remain in place.

Cash management and short-term funding – The Company needs to ensure sufficient funds are available to satisfy the day-to-day requirements of the Group's operating companies.

Long-term funding – The Company needs to ensure that there is a consistent and adequate supply of committed facilities available to the Hunting PLC Group to ensure that the Group's long-term strategy can be implemented. Funding needs to be available for acquisitions and other anticipated events.

Key performance indicators ("KPI's")

The Company has sufficient credit facilities to meet the Hunting PLC Group's anticipated funding requirements over the short and long term. These facilities which total £185.5m (2007: £246.2m) include committed bank facilities of £142.5m (2007: £207.7m) and uncommitted facilities of £43.0m (2007: £38.5m). The committed bank facilities include a £125m five year multi-currency borrowing facility expiring in September 2010. The maturity profile of the Company's credit facilities is shown within note 13 to the accounts.

By having a centralised treasury function, the Hunting PLC Group is able to develop relationships with banks, thereby giving access to a larger source of funds, with cheaper borrowing margins and other bank facilities, all of which are beneficial to the Group.

The Company's net assets are monitored to ensure that the Company remains solvent and can continue its business. At the year end the Company had net assets of £40.0m, an increase of £4.4m from 2007.

The Company has to ensure that the loan covenants for its borrowings are met, otherwise loans or facilities could be withdrawn. The covenants, such as interest cover and ratio of net debt to EBITDA, are monitored on a monthly basis and are managed at Group level rather than at Company level. For this reason, the Directors believe that an analysis using key performance indicators for the Company is not appropriate. At 31 December all of the loan covenants had been met.

Future outlook

No change in the 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 Directors do not recommend the payment of a dividend (2007: £nil).

The profit for the year of £4.4m (2007: £4.0m) has been transferred to reserves.

DIRECTORS

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

P. Rose (appointed 23 April 2008)
D.L. Proctor (appointed 23 April 2008)
D.L. Clark (retired 23 April 2008)
R.H. Hunting
C.R. St Quintin

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made no payments to charitable or political organisations during the year (2007: £nil).

DIRECTORS' RESPONSIBILITIES

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

DIRECTORS' REPORT (continued)

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.

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.

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

P. Rose
Director

6 May 2009

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

We have audited the financial statements of Hunting Knightsbridge 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 KNIGHTSBRIDGE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HUNTING KNIGHTSBRIDGE 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 KNIGHTSBRIDGE HOLDINGS LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Other income*		363	7,376
Administrative expenses		(1,714)	(1,601)
(LOSS) PROFIT FROM OPERATIONS	3	(1,351)	5,775
Interest income#	5	106,306	36,558
Interest expense and similar charges#	6	(98,780)	(39,147)
PROFIT BEFORE TAX		6,175	3,186
Taxation	7	(1,760)	851
PROFIT FOR THE YEAR		4,415	4,037

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

*Other income includes exceptional income of £nil (2007: £7,118,000) as shown in note 4.

#Interest income includes exceptional income of £47,776,000 (2007: £nil) and interest expense and similar charges includes exceptional charges of £55,194,000 (2007: £nil) as shown in note 4.

The notes on pages 13 to 37 form part of these financial statements.

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

BALANCE SHEET
AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Trade and other receivables	8	162,364	198,149
Current assets			
Trade and other receivables	8	66,509	112,174
Current tax asset		-	1,269
Cash and cash equivalents	9	381,030	10,943
		447,539	124,386
LIABILITIES			
Current liabilities			
Trade and other payables	10	(5,514)	(2,717)
Current tax liabilities		(1,216)	-
Borrowings	11	(43,868)	(61,115)
		(50,598)	(63,832)
Net current assets		396,941	60,554
Non-current liabilities			
Trade and other payables	10	-	(92)
Borrowings	11	(519,314)	(223,035)
		(519,314)	(223,127)
Net assets		39,991	35,576
Shareholders' equity			
Share capital	14	8,512	8,512
Share premium		18,455	18,455
Retained earnings	15	13,024	8,609
Total equity		39,991	35,576

Approved by the Board on 6 May 2009

P. Rose
Director

The notes on pages 13 to 37 form part of these financial statements.

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2008	8,512	18,455	8,609	35,576
Profit for the year	-	-	4,415	4,415
At 31 December 2008	8,512	18,455	13,024	39,991

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2007	8,512	18,455	4,572	31,539
Profit for the year	-	-	4,037	4,037
At 31 December 2007	8,512	18,455	8,609	35,576

The notes on pages 13 to 37 form part of these financial statements.

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £'000	2007 £'000
Operating activities		
(Loss) profit from operations	(1,351)	5,775
(Increase) decrease in receivables	(21)	13
Increase (decrease) in payables	1,465	(325)
Taxation paid	723	(1,044)
Other non cash flow items – loan waived (note 4)	-	(7,118)
Net cash inflow (outflow) from operating activities	816	(2,699)
Financing activities		
Interest received	20,433	19,659
Interest paid	(21,998)	(15,385)
Proceeds from related party loans	566,377	2,825
Repayment of related party loans	(179,250)	(56,666)
Proceeds from borrowings	-	58,241
Repayment of borrowings	(1,777)	-
Net cash inflow from financing activities	383,785	8,674
Net inflow in cash and cash equivalents	384,601	5,975
Cash and cash equivalents at beginning of year	(18,176)	(16,867)
Effect of foreign exchange rates	3,832	(7,284)
Cash and cash equivalents at end of year	370,257	(18,176)
Cash at bank and in hand (note 9)	381,030	10,943
Bank overdrafts included in borrowings (note 11)	(10,773)	(29,119)
	370,257	(18,176)

The notes on pages 13 to 37 form part of these financial statements.

HUNTING KNIGHTSBRIDGE 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 and under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held for trading.

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*

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 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.

1.3 Other Income

Other income includes management fees receivable for treasury services, and where applicable exceptional income. Income from services is recognised as the services are rendered.

1.4 Interest

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

1. ACCOUNTING POLICIES (continued)

1.5 Debt Issue Costs

Costs arising on the issue of new loan facilities are capitalised and amortised through interest expense using the effective interest method.

1.6 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.

1.7 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.

1.8 Impairments

The Company assesses at least annually whether there have been any events or changes in circumstances that indicate that assets 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. ACCOUNTING POLICIES (continued)

1.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits, with less than 3 months until maturity. For cash flow statement purposes cash and cash equivalents include bank overdrafts.

1.10 Financial Assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss and 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.

a) Financial assets at fair value through profit or loss

Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. A financial asset is included in this category if acquired principally for the purpose of selling in the short term and also includes derivatives that are not designated in a hedge relationship.

b) 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 non-derivative financial liabilities, including trade payables, at amortised cost. The amortised cost of long-term loans, which have been designated as part of a fair value hedge relationship, is adjusted by the movement in the fair value of the hedged risk from the date of designation of the hedging relationship. The adjustment is recognised as a fair value gain or loss in the income statement immediately.

1. ACCOUNTING POLICIES (continued)

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.

1.12 Derivatives and Financial Instruments
Derivatives are initially recognised at either net proceeds received or consideration paid at the trade date and are subsequently re-measured at their fair value at each balance sheet date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged.

Changes in the fair value of derivatives that have not been designated in a hedge relationship are recognised immediately in the income statement.

The full fair value of a derivative, which has been designated as a hedging instrument, is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

Derivative and primary financial instruments that are designated in a hedge relationship are accounted for using one of the following methods:

a) Fair value hedge
Hedges of the fair value of recognised assets or liabilities are fair value hedges. Changes in the fair values of these derivatives are recorded in the income statement, together with changes in the fair value of the hedged items that are attributable to the hedged risk. Changes in the fair value of the hedging instruments and hedged items and interest arising on the hedging instruments are disclosed separately within finance costs.

b) Cash flow hedge
Hedges of highly probable forecast transactions are cash flow hedges. The effective portion of changes in the fair value of these derivatives is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are dealt with in the income statement at the same time as the gains or losses on the hedged items. When a forecast transaction is no longer expected to occur, the cumulative gains or losses that were reported in equity are immediately transferred to the income statement.

The fair value of forward foreign exchange contracts, which are traded in active markets, is based on quoted prices at the balance sheet date. The fair value of other financial instruments that are not traded in an active market is determined by using valuation techniques, predominantly discounted cash flows.

1. ACCOUNTING POLICIES (continued)

All of the Company's hedges, to which hedge accounting is applied, are tested for effectiveness prospectively and retrospectively, and are fully documented as hedges at the point of inception of the hedge relationship.

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 and reasonable expectations of future events.

Accounting estimates are applied in determining the carrying value of deferred taxation (timing of liabilities and timing and recoverability of assets), and accruals.

1.14 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.

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 Knightsbridge Holdings Limited is its Directors.

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

3. (LOSS) PROFIT FROM OPERATIONS

Auditors' remuneration of £8,000 (2007: £8,000) 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.

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

4. EXCEPTIONAL ITEMS

	2008	2007
	£'000	£'000
Charges for early repayment of US Private Placements and interest rate swaps	7,418	-
Fair value gains on derivatives with Hunting Energy Holdings	(47,776)	
Fair value losses on derivatives to hedge sale proceeds of Gibson Energy	47,776	
Loan from fellow group company waived	-	(7,118)
	7,418	(7,118)

The Company entered into various currency derivatives with financial counterparties on behalf of Hunting Energy Holdings, a fellow group company, to hedge the value of the sales proceeds to be received by that company for the sale of Gibson Energy in 2008. Back-to-back derivatives, matching those taken out with financial counterparties, were entered into with Hunting Energy Holdings, thereby mitigating the Company's exposure. A gain of £47,776,000 on the derivatives with Hunting Energy Holdings was made, as shown in note 5, and a loss of £47,776,000 on the derivatives with financial counterparties was made, as shown in note 6.

Following the Hunting Group's disposal of Gibson Energy during 2008, the US Private Placements were repaid early and the interest rate swaps hedging the US Private Placements were matured early. The Company incurred charges of £7,418,000 for the early settlement of these, as shown in note 6.

5. INTEREST INCOME

	2008	2007
	£'000	£'000
Bank balances and deposits	886	810
Fellow group companies	17,897	18,217
Gain on fair value movement of non-hedging financial instruments	4,571	764
Foreign exchange gains	35,176	16,767
Exception item:		
Fair value gains on derivatives with Hunting Energy Holdings	47,776	-
	106,306	36,558

HUNTING KNIGHTSBRIDGE HOLDINGS LIMITED

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

6. INTEREST EXPENSE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Bank overdrafts	572	1,418
Bank borrowings	6,203	5,801
Other loans and borrowings	2,026	2,591
Fellow group companies	5,223	4,686
Fair value hedge - interest on interest rate swaps	(321)	455
Fair value hedge - fair value movement on interest rate swaps	207	(1,421)
Fair value hedge - fair value movement on other loans and borrowings	145	1,331
Loss on fair value movement on non-hedging financial instruments	4,499	1,727
Bank fees and commission	131	176
Foreign exchange losses	24,901	22,383
	43,586	39,147
Exceptional items:		
Fair value losses on derivatives to hedge sale proceeds of Gibson Energy	47,776	-
Early repayment fee for US Private Placements	3,800	-
Early maturity of interest rate swaps hedging the US Private Placements	3,618	-
	55,194	-
	98,780	39,147

7. TAXATION

	2008 £'000	2007 £'000
UK Corporation Tax:		
Current tax on income for the year	1,190	(1,322)
Foreign tax:		
Current tax on income for the year	570	471
Total tax charged (credited) to the income statement	1,760	(851)

7. TAXATION (continued)

The tax charge (2007: credit) for the year is the same as (2007: higher) than the UK standard rate for corporation tax of 28.5% (2007: 30%) for the following reasons:

	2008	2007
	£'000	£'000
Profit before taxation	6,175	3,186
Tax at 28.5% (2007: 30%)	1,760	956
Permanent differences	-	(1,806)
Adjustments in respect of foreign taxes	1	-
Other timing differences	(1)	(1)
	1,760	(851)

Deferred tax assets of £9,000 (2007: £10,000) have not been recognised as realisation of the tax benefit on the tax losses is not probable.

8. TRADE AND OTHER RECEIVABLES

	2008	2007
	£'000	£'000
Non-current:		
Amounts owed by fellow group companies	162,364	198,084
Derivative financial instruments	-	65
	162,364	198,149
Current:		
Amounts owed by fellow group companies	62,589	111,585
Other receivables	11	6
Prepayments	30	8
Derivative financial instruments	3,879	575
	66,509	112,174

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 majority 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.

8. TRADE AND OTHER RECEIVABLES (continued)

Derivative financial instruments have been taken out with fellow group companies and with financial institutions that have Fitch ratings of F1 to F1+ and these are expected to be fully recovered. 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 have no fixed term for repayment and are unsecured. The loans to fellow group companies are interest bearing. Interest is charged at 1% above UK Base Rate on sterling loans, 1.5% over LIBOR on Canadian dollar loans, 1.5% over SIBOR on Singapore dollar loans and 1.5% over LIBOR on US dollar loans. Interest is charged at 1% above US Prime on US Dollar call loans.

9. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and in hand	22,976	5,257
Short term deposits and Money Market Funds	358,054	5,686
	381,030	10,943

Cash at bank has been deposited with banks that have short-term Fitch ratings of F1 to F1+ and with AAA Money Market Funds and all are expected to be fully recovered.

10. TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Non-current:		
Derivative financial instruments	-	92
Current:		
Amounts owed to fellow group companies – current accounts	1,599	1,500
Accruals	104	-
Derivative financial instruments	3,811	1,217
	5,514	2,717

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

11. BORROWINGS

	2008 £'000	2007 £'000
Non-current:		
Unsecured bank loans	-	97,353
Other unsecured loans	-	33,256
Amounts owed to fellow group companies	519,314	92,426
	519,314	223,035
Current:		
Unsecured bank overdrafts	10,773	29,119
Unsecured bank loans	-	25,557
Other unsecured loans	1,805	6,439
Amounts owed to fellow group companies	31,290	-
	43,868	61,115
Total borrowings	563,182	284,150

Amounts owed to fellow group companies are unsecured. Interest is charged at 1% above UK Base Rate on sterling loans, 0.5% over LIBOR on Euro loans and 1.5% over Federal Fund rates on US dollar loans.

Analysis of borrowings by currency

At 31 December 2008:	Sterling £'000	US dollars £'000	Canadian dollars £'000	Euro £'000	Other £'000	Total £'000
Unsecured bank overdrafts	10,681	11	73	3	5	10,773
Other unsecured loans	1,794	11	-	-	-	1,805
Amounts owed to group companies	532,408	14,291	-	3,905	-	550,604
	544,882	14,313	73	3,908	5	563,182

11. BORROWINGS (continued)

At 31 December 2007:	Sterling £'000	US dollars £'000	Canadian dollars £'000	Euro £'000	Total £'000
Unsecured bank overdrafts	7,084	10,253	11,781	1	29,119
Unsecured bank loans	-	-	122,910	-	122,910
Other unsecured loans	2,970	36,725	-	-	39,695
Amounts owed to group companies	89,466	-	-	2,960	92,426
	99,520	46,978	134,691	2,961	284,150

12. DERIVATIVES AND FINANCIAL INSTRUMENTS

Currency derivatives

The Company uses spot and forward foreign exchange contracts and average rate options to hedge, on behalf of the Hunting PLC Group, its exposure to exchange rate movements. Although these contracts act as an economic hedge, they are not designated in a hedge relationship for hedge accounting purposes. Gains or losses are consequently taken directly to the income statement.

At 31 December 2008, the total notional amount of the Company's outstanding forward foreign exchange contracts is £16.4m (2007: £44.9m).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement. Changes in the fair value of currency derivatives not designated in a hedge relationship amounting to a £0.2m profit (2007: £0.2m) have been recognised in the income statement during the year.

Interest rate swaps and caps

The Company uses interest rate swaps and caps to manage its exposure to interest rate movements on its principal bank and other borrowings.

The Group had interest rate swaps and caps hedging its US Private Placement borrowings during the year. The fixed to floating interest rate swaps were designated in a fair value hedge of these borrowings and a fair value gain of £0.1m (2007: £1.0m) was recognised in the income statement.

The US Private Placements were repaid during the year and the fixed to floating interest rate swaps were matured early. The floating to fixed interest rate swaps and caps were not designated in a hedge relationship and were also matured early following the repayment of the US Private Placements. The changes in the fair value of the floating to fixed interest rate swaps and caps are taken directly to the income statement. A loss of £3.6m (2007: £1.0m gain) was recognised in the income statement during the year.

12. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

The US Private Placements were measured at amortised cost and adjusted for the fair value of the hedged risk up until the date of repayment, with the movement in the fair value being dealt with in the income statement. The movements in the fair value of the US Private Placements and of the fixed to floating interest rate swaps hedging this borrowing are shown in note 6.

Fair values of derivative financial instruments

The fair values of derivative financial instruments not designated in a hedge at 31 December 2008 were:

	Total	
	Assets	Liabilities
	£'000	£'000
Forward foreign exchange	3,879	(3,811)

There were no derivatives outstanding at the balance sheet date that were designated as cashflow hedges.

The fair values of derivative financial instruments at 31 December 2007 were:

	Not designated as hedges		Fair value hedges		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps and caps	119	1,089	65	92	184	1,181
Forward foreign exchange	456	128	-	-	456	128
	575	1,217	65	92	640	1,309

Hedge of net investments in foreign entities on behalf of the Hunting PLC Group

The Company had both US dollar and Canadian dollar denominated borrowings which the Hunting PLC Group had designated as a hedge of the net investment in its subsidiaries in the USA and Canada. The US dollar and Canadian dollar denominated borrowings were repaid from the proceeds received from the sale of Gibson Energy, a fellow subsidiary, in December 2008 and the hedge of the net investments in foreign subsidiaries ceased.

12. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and financial liabilities

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.

	2008					
	Financial assets held for trading £'000	Loans and receivables £'000	Financial liabilities held for trading £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Non-current assets:						
Amounts owed by fellow group companies	-	162,364	-	-	162,364	162,364
Current assets:						
Amounts owed by fellow group companies	-	62,589	-	-	62,589	62,589
Other receivables	-	11	-	-	11	11
Derivative financial instruments	3,879	-	-	-	3,879	3,879
Cash and cash equivalents	-	381,030	-	-	381,030	381,030
Current liabilities:						
Amounts owed to fellow group companies	-	-	-	(1,599)	(1,599)	(1,599)
Accruals	-	-	-	(104)	(104)	(104)
Derivative financial instruments	-	-	(3,811)	-	(3,811)	(3,811)
Non-current borrowings:						
Amounts owed to fellow group companies	-	-	-	(519,314)	(519,314)	(519,314)
Current borrowings:						
Unsecured bank overdrafts	-	-	-	(10,773)	(10,773)	(10,773)
Other unsecured loans	-	-	-	(1,805)	(1,805)	(1,805)
Amounts owed to group companies	-	-	-	(31,290)	(31,290)	(31,290)
	3,879	605,994	(3,811)	(564,885)	41,177	41,177

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

12. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

	2007					
	Financial assets held for trading £'000	Loans and receivables £'000	Financial liabilities held for trading £'000	Financial liabilities measured at amortised cost £'000	Total carrying amount £'000	Total fair value £'000
Non-current assets:						
Amounts owed by fellow group companies	-	198,084	-	-	198,084	198,084
Derivative financial instruments	65	-	-	-	65	65
Current assets:						
Amounts owed by fellow group companies	-	111,585	-	-	111,585	111,585
Other receivables	-	6	-	-	6	6
Derivative financial instruments	575	-	-	-	575	575
Cash and cash equivalents	-	10,943	-	-	10,943	10,943
Non-current liabilities:						
Derivative financial instruments	-	-	(92)	-	(92)	(92)
Current liabilities:						
Amounts owed to fellow group companies	-	-	-	(1,500)	(1,500)	(1,500)
Derivative financial instruments	-	-	(1,217)	-	(1,217)	(1,217)
Non-current borrowings:						
Unsecured bank loans	-	-	-	(97,353)	(97,353)	(97,353)
Other unsecured loans	-	-	-	(33,256)	(33,256)	(33,256)
Amounts owed to fellow group companies	-	-	-	(92,426)	(92,426)	(92,426)
Current borrowings:						
Unsecured bank overdrafts	-	-	-	(29,119)	(29,119)	(29,119)
Unsecured bank loans	-	-	-	(25,557)	(25,557)	(25,557)
Other unsecured loans	-	-	-	(6,439)	(6,439)	(6,439)
	640	320,618	(1,309)	(285,650)	34,299	34,299

12. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

The fair value of financial instruments that are not traded in an active market is determined by using standard valuation techniques, predominantly based on discounted cash flows.

The fair value of forward foreign exchange contracts is determined by the deviation in future expected cash flows calculated by reference to the movement in market quoted exchange rates. The fair value of interest rate swaps is based on their future cash flows, projected using the yield curve at the balance sheet date and discounted using rates determined from the relevant curve. The fair values of interest rate caps, foreign exchange options and interest rate swap options are based on the Black's financial model. The fair values of non-sterling denominated financial instruments are translated into sterling using the year end exchange rate.

13. FINANCIAL RISK FACTORS

The Company's activities expose it to certain financial risks, namely market risk (including currency risk, fair value interest risk and cash flow 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. As part of the Group's strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

There are clearly defined objectives and principles for managing financial risk established by Hunting PLC's Board of Directors, with policies, parameters and procedures covering the specific areas of funding, banking relationships, foreign currency, interest rate exposures, cash management and the investment of surplus cash.

The Company is responsible for implementing the policies and providing a centralised service to the Hunting PLC Group for funding, foreign exchange, interest rate management and counterparty risk management. It is also responsible for identifying, evaluating and hedging financial risks in close co-operation with the Group's operating companies.

a) Foreign exchange risk

The Company is exposed to foreign exchange risk from its financing and operating activities, particularly with the US and Canadian dollars. Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in sterling.

i) Transactional risk

The Company pays and receives interest in various currencies, exposing the Company to movements in foreign exchange rates. The Hunting PLC Group's exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts, currency options and currency swaps taken out by the Company. These have not been designated in a hedge relationship.

13. FINANCIAL RISK FACTORS (continued)

No speculative positions are entered into by the Company.

The table below shows the carrying values of the Company's financial instruments at 31 December, including derivative financial instruments, on which exchange differences would be recognised in the income statement in the following year.

	2008	2007
	£'000	£'000
US dollars	67,929	12,852
Canadian dollars	30,883	(8,041)
Euro	(3,944)	(2,961)
Other currencies	736	1,311
Total	95,604	3,161

The US dollar and Canadian dollar denominated assets/liabilities consist mainly of amounts due to and from fellow group companies and bank and other borrowings.

ii) Translational risk

The Company has US dollar, Canadian dollar and Euro denominated assets and borrowings, which are translated into sterling at the year end, with exchange rate differences taken to the income statement. This exposes the Company to movements in foreign exchange rates.

b) Interest rate risk

Cash deposits and borrowings at variable interest rates expose the Company to cash flow risk. The Group's policy is to minimise interest costs and changes in the market value of debt. Prior to the receipt of proceeds from the sale of Gibson Energy, a fellow subsidiary, and the elimination of external borrowings, interest expense was hedged using interest rate swaps, interest rate caps, forward rate agreements and currency swaps.

c) Credit risk

The Company's credit risk arises from its cash and cash equivalents, deposits, derivative financial instruments and amounts owed by group companies.

At the year end, the Company had credit risk exposures to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Company's activities. Financing transactions are with leading financial institutions, which have Fitch long-term ratings between A and AA+, and no losses are expected from non-performance of these counterparties.

13. FINANCIAL RISK FACTORS (continued)

Surplus funds are only invested with financial institutions approved by Hunting PLC's Board. Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions all have a minimum of an A1, P1 or F1 short-term rating and AAA rating for Money Market Funds from Standard and Poors, Moodys or Fitch rating agencies.

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument.

A significant portion of the Company's receivables are due from fellow group companies and the risk of non-performance from these counterparties is believed to be minimal.

d) Liquidity risk

Sufficient cash and committed facilities are available to satisfy both the Group's long and short-term requirements.

These facilities totalled £185.5m (2007: £246.2m) and comprise £142.5m (2007: £207.7m) of committed facilities and £43.0m (2007: £38.5m) of uncommitted facilities. All of these facilities are unsecured and are provided by a variety of funding sources.

The committed facilities comprise a £125m multi-currency loan facility from a syndicate of five banks and two bilateral facilities totalling £17.5m.

The £125m multi-currency loan facility expires on 22 September 2010. A commitment fee of 0.15% is payable on the undrawn amount.

The two bilateral facilities mature on 14 December 2009 and 31 March 2010. Commitment fees payable on the undrawn portion range from 0.2% to 0.26%.

The Company has the following undrawn committed borrowing facilities available at the year end:

	2008 £'000	2007 £'000
Expiring within one year	7,500	-
Expiring between one and two years	135,000	12,398
Expiring between two and five years	-	28,061
	142,500	40,459

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

13. FINANCIAL RISK FACTORS (continued)

Surplus funds are placed in short-term deposits with banks approved by Hunting PLC's Board or with AAA rated Money Market Funds.

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.

	2008 On demand or within one year £'000
Non-derivative financial liabilities:	
Amounts owed to fellow group companies	552,203
Accruals	104
Other unsecured loans	1,805
Unsecured bank overdrafts	10,773
Total financial liabilities	564,885

The Company had no net-settled derivative financial liabilities at the year-end.

13. FINANCIAL RISK FACTORS (continued)

	2007			
	On demand or within one year	Between two and five years	After five years	Total
	£'000	£'000	£'000	£'000
Non-derivative financial liabilities:				
Amounts owed to fellow group companies	93,926	-	-	93,926
Unsecured bank overdrafts	29,119	-	-	29,119
Unsecured bank loans	123,034	-	-	123,034
Other unsecured loans	8,720	38,924	-	47,644
	254,799	38,924	-	293,723
Derivative financial liabilities:				
Net-settled derivative financial liabilities - held for trading	149	991	-	1,140
Total financial liabilities	254,948	39,915	-	294,863

The table below analyses the Company's derivative financial instruments that will be settled on a gross basis into maturity groupings based on the period remaining from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual, *undiscounted* cash flows.

	On demand or within one year	
	2008	2007
	£'000	£'000
Funding swaps - held for trading		
- inflows	-	(40,667)
- outflows	-	40,564
Spot and forward foreign exchange contracts - held for trading		
- inflows	(25,419)	(21,827)
- outflows	29,604	21,813
	4,185	(117)

13. FINANCIAL RISK FACTORS (continued)

e) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments, and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and deposits, borrowings and derivative financial instruments. 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 cash, net debt, and the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies remain unchanged.

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

- Foreign exchange rate sensitivity has an asymmetric impact on the Group's results, that is, an increase in a foreign exchange rates does not result in the same amount of movement for a decrease in foreign exchange rates.

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

i) Interest rate sensitivity

At 31 December, if Canadian interest rates had been 1% (2007: 0.5%) higher or lower, with all other variables held constant, the post-tax effects would have been as follows:

	2008 Income statement £'000	2008 Equity £'000	2007 Income statement £'000	2007 Equity £'000
Canadian interest rate +1% (2007: +0.5%)	221	-	(19)	-
Canadian interest rate -1% (2007: -0.5%)	(221)	-	19	-

The movements arise from Canadian dollar floating rate receivables due from fellow group companies.

13. FINANCIAL RISK FACTORS (continued)

At 31 December, if US interest rates had been 1% (2007: 1.0%) higher or lower, with all other variables held constant, the post-tax effects would have been as follows:

	2008 Income statement	2008 Equity	2007 Income statement £'000	2007 Equity £'000
US interest rate +1% (2007: +1.0%)	486	-	1,205	-
US interest rate -1% (2007: -1.0%)	(486)	-	(2,108)	-

The movements arise from US dollar floating rate receivables due from fellow group companies.

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 would have been as follows:

	2008 Income statement	2008 Equity	2007 Income statement £'000	2007 Equity £'000
UK interest rate +1% (2007: +0.5%)	(378)	-	117	-
UK interest rate -1% (2007: -0.5%)	378	-	(117)	-

The movements arise from sterling floating rate payables due to fellow group companies.

ii) Foreign exchange rate sensitivity

At 31 December, if the Canadian dollar had strengthened or weakened by 10% (2007: 15%) against sterling, with all other variables held constant, the impact on post-tax profit and equity for the year would have been as follows:

	2008 Income statement £'000	2008 Equity £'000	2007 Income statement £'000	2007 Equity £'000
Canadian dollar exchange rate +10% (2007: +15%)	(2,008)	-	3,129	-
Canadian dollar exchange rate -10% (2007: -15%)	2,449	-	(4,234)	-

The movement is a result of Canadian dollar denominated receivables due from fellow group companies and derivative financial instruments.

13. FINANCIAL RISK FACTORS (continued)

At 31 December, if the US dollar had strengthened or weakened by 15% (2007: 15%) against sterling, with all other variables held constant, the impact on post-tax profit and equity for the year would have been as follows:

	2008		2007	
	Income statement	Equity	Income statement	Equity
			£'000	£'000
US dollar exchange rate +15% (2007: +15%)	(4,845)	-	(999)	-
US dollar exchange rate -15% (2007: -15%)	6,555	-	1,133	-

The movement arises from US dollar denominated receivables due from fellow group companies and derivative financial instruments.

14. SHARE CAPITAL

	2008	2007
	£'000	£'000
Ordinary equity shares of £1 each:		
Authorised	9,000	9,000
Allotted, issued and fully paid	8,512	8,512

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

15. RETAINED EARNINGS

	2008	2007
	£'000	£'000
At 1 January	8,609	4,572
Profit for the year	4,415	4,037
At 31 December	13,024	8,609

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16. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents, amounts owed by fellow group companies, borrowings and amounts owed to fellow group companies (excluding current accounts). 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 regularly 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 debt is monitored on a regular basis to ensure that the Company remains solvent and can continue its business.

At the year end, capital comprised:

	2008 £'000	2007 £'000
Total equity	39,991	35,576
Net cash	(42,801)	(36,462)
Gross capital employed	(2,810)	(886)

The Company operates as the treasury function of the Hunting PLC Group and therefore borrows from external counterparties on behalf of fellow group companies. This money is then lent to fellow group companies, on which a margin is charged. There have been no significant changes in the Company's funding policy during the year.

17. BANKING ARRANGEMENTS

The Company is party to Group set-off arrangements with Lloyds TSB Bank PLC and Barclays Bank PLC.

18. CONTINGENT LIABILITIES

The Company has guaranteed borrowings of £nil (2007: £166,000) of fellow group companies.

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.

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20. RELATED PARTY TRANSACTIONS

The Company was owed £225.0m (2007: £309.7m) from fellow group companies on interest bearing loans at the year end. Interest of £17.9m (2007: £18.2m) was charged by the Company during the year on these loans.

The Company owed £550.6m (2007: £92.4m) to fellow group companies on interest bearing loans at the year end. The Company was charged £5.2m (2007: £4.7m) on the loans during the year.

During the year the Company paid £1.6m (2007: £1.5m) management fees to HG Management Services Limited, a fellow group company. The balance at the year end on their current account was £1.6m (2007: £1.5m).The Company also received £0.4m (2007: £0.3m) management fees from Hunting America Corporation, a wholly owned subsidiary of Hunting Energy Holdings Limited. The balance on their current account with the Company at the year-end was £nil (2007: £nil).