HUNTING PLC

annual report
& accounts
2009

Registered Number 974568

Contents

HUNTING PLC

Excellence in Energy Services

. . . for over 100 years

Excellence in Energy Services for

Hunting Energy Services

Well Construction

www hunting-intl com

OCTG, Premium Connections & Manufacturing

- Calgary, Canada
- Nisku, Canada
- Tianjin, China
- Wuxi, China
- Velsen-Noord, Holland
- Batam, Indonesia
- Monterrey, Mexico
- Aberdeen, UK
- USA
  - Houma, Louisiana
  - Marrero, New Orleans, Louisiana
  - New Iberia, Louisiana
  - Rankin Road, Houston, Texas

Drilling Tools Mud Motors, Non Magnetic Drill Collars, Directional Drilling Tools

- Nisku, Canada
- Dubai, UAE
- Grand Junction, Colorado, USA
- New Iberia, Louisiana, USA
- Oklahoma City, USA
- Conroe, Texas, USA
- Casper, Wyoming, USA

Hunting Energy Services

Well Completion

www hunting-intl com

Accessory Manufacturing, Speciality Threading & Advanced Tubular Systems

- Calgary, Canada
- Tianjin, China
- Wuxi, China
- Velsen-Noord, Holland
- Batam, Indonesia
- Monterrey, Mexico
- Jurong, Singapore
- Dubai, UAE
- Aberdeen, UK
  - Badentoy
  - Fordoun
  - Montrose
- Houma, Louisiana, USA
- Houston, Texas, USA
  - Beaumont Highway
  - Highway 90
  - Ramsey Road
  - Rankin Road
- Lafayette, Louisiana, USA
- New Iberia, Louisiana, USA

Hunting Energy Services

Well Intervention

www hunting-intl com

Manufacture, sales and service of Slickline, Wireline and Pressure Control Equipment

- Jurong, Singapore
- Aberdeen, UK
  - Bridge of Don
- Houston, Texas, USA
  - Rankin Road
- Houma, Louisiana, USA
  - Capital Boulevard

Subsea Hydraulic Couplings, Valves & Chemical Injection Systems

- National Coupling Company
  - Stafford, Texas, USA

Thru-Tubing Downhole Tools & Equipment

- Hunting Welltonic
  - Aberdeen, UK
  - Aksai, Kazakhstan
  - Dubai, UAE
  - Singapore

Hunting PLC

Publicly quoted holding company +44 20 7321 0123 - London UK
Hunting PLC USA Corporate Office +1 713 595 2950 - Houston
Hunting PLC is an energy services provider to the world's leading national and international oil and gas companies Established in 1874 it is a fully listed public company traded on the London Stock Exchange The company maintains a corporate office in Houston and is headquartered in London

The company manufactures and distributes products that make the extraction of oil and gas possible and has licensed partners around the world for proprietary products and its own principal operations in

Canada | China | Dubai | Holland | Hong Kong | Indonesia
Mexico | Singapore | United Kingdom | United States of America

over one hundred years

Hunting Exploration & Production

www hunting-intl com

USA Non-Operator

- Tenkay Resources
  - The Woodlands, Texas, USA

Gibson Shipbrokers

www eagibson co uk

Services covering
Crude Oil and Products
Specialised Tankers
LPG and LNG
Dry Cargo
Sale & Purchase
Offshore
Consultancy & Research

- Hong Kong
- Houston
- London
- Shanghai
- Singapore

Field Aviation

www fieldav com

Maintenance, modification and aircraft servicing

- Field Aviation
  - Toronto, Ontario, Canada
  - Calgary, Alberta, Canada

HUNTING

Financial Highlights*

	2009	2008
Revenue	**£359.9m**	£418 5m
Profit from operations before exceptional items	**£35 8m**	£58 8m
Profit from operations	**£36 4m**	£7 9m
Basic earnings per share before exceptional items	**17.7p**	26 4p
Basic earnings per share	**18.2p**	(3 6)p
Dividend declared per share	**10.5p**	9 9p
Net cash	**£365 0m**	£372 3m

Profit from operations before exceptional items

£35.8m

Revenue

£359.9m

A robust trading performance in a challenging year of reduced rig activity and volatile commodity markets

Net cash

£365.0m

Dividend per share

10.5p

A year of earnings accretive acquisitions and new capital investment projects.

*** For continuing operations only**

Chairman's Statement

The Company has produced satisfactory results in a difficult year Profit before tax from continuing operations before exceptional items in 2009 was £38 5m (2008 - £56 6m), a 32% decrease

Throughout the year, the strong balance sheet has been a bonus and has enabled us to make several acquisitions of compatible businesses without recourse to borrowings However, low interest rates meant that cash in the bank earned relatively little interest

Markets for hydrocarbons ultimately determine demand for our products and services and, in the early part of the year, fears of a global depression were at their height Reduced demand for oil and gas meant that prices for these commodities were very low Since then, fortunately, the global oil price has recovered to a level satisfactory to both producers and consumers

Natural gas prices, however, especially in North America, have lost their traditional link to oil prices and, though now recovered slightly, current low natural gas prices are due mainly to the availability of huge new resources of shale gas in the United States and current storage levels

The international arena for the Company, outside North America, has proved much stronger and we have enjoyed good results in South East Asia, in the Middle East and in North West Europe

Within our principal operating company, Hunting Energy Services, the Well Completion business continued to perform to expectations - aided by strong international markets However, Well Construction income was lower than planned due to reduced North American rig counts

Our Exploration and Production operation in the southern US suffered from lower natural gas prices and from reduced production caused by long-term damage from the 2008 hurricanes in the Gulf of Mexico

Gibson Shipbrokers had a difficult year in dismal shipping markets, but nevertheless achieved a small profit By contrast, Field Aviation, our Canadian-based aircraft completion facility, had an excellent year with satisfactory deliveries to several important customers

The Company has used its resources and the lull in the previous breakneck rate of expansion to invest in new, more efficient facilities where we can see that these will be required in the longer term Significant capital investments are underway in Casper, Wyoming, Conroe, Texas, Fordoun, south of Aberdeen, Scotland, and in Wuxi, China

Earnings per share for continuing operations before exceptional items were 17 7p, a decrease of 33% on the previous year We are declaring a second interim dividend for 2009 of 7 0p per share payable on 31 March 2010, giving a total of 10 5p for the year, a 6% increase This second interim dividend will replace the final dividend that would normally be approved at the Annual General Meeting of the Company to be held in April 2010 and paid thereafter

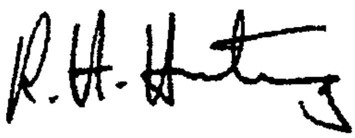
During the year, Hector McFadyen, a non-executive Director of the Company since 2002, retired from the Board My colleagues and I thank him for his diligent enquiry and wise counsel, and wish him well in the future

We recruited two new non-executive Directors to the Board John Hofmeister, a resident of Houston, Texas, was formerly President of Shell Oil Company US He is the founder and CEO of the charity Citizens for Affordable Energy John Nicholas, who lives in Buckinghamshire, England, was the Group Finance Director of Tate & Lyle plc He is a member of the Financial Reporting Review Panel

The Company has had a petroleum-related presence in Paris, France since before the Second World War We sold those interests at the end of the year to a group including some of the former management team Our best wishes go with them

I said last year that we were well placed to survive the buffeting from the world economic storm We have indeed survived in good health and the worst of the storm has abated Moreover, we have taken steps to grow the business both organically and by acquisition, a process which continues in 2010

I thank all our staff for their splendid efforts in a tough year



Richard Hunting, Chairman

We have made several acquisitions of compatible businesses without recourse to borrowing and used our balance sheet strength to invest in new more efficient facilities where we can see that these will be required in the longer term.

Richard Hunting, Chairman

Business Review

Chief Executive's Review

With the worldwide rig count average falling 31% (42% in the US and Canada) from 2008 levels, it was inevitable that your Group could not sustain its five year double digit growth The global economic downturn combined with rapidly declining oil prices and a natural gas surplus, the oil and gas industry hesitated to push ambitious drilling programs Accordingly, the estimated 39,068 oil and gas wells drilled in the US represented a 37% decline from 2008 levels Canadian wells drilled were an average of 9,570, a 43% decline The North American slump was primarily driven by excess natural gas in storage Conversely, international wells drilled, excluding China and Russia, were down only 8% as national oil companies and, to a lesser extent, international oil companies, directed their efforts toward oil drilling to replace reserves

While the overall market fell significantly, the Group achieved profit before tax from continuing operations before exceptional items of £38 5m a 32% decline from 2008 Return on capital for continuing operations was a respectable 19% (2008 - 21%) Not until the fourth quarter of 2009 did evidence appear of genuine recovery and promise of future growth The bright spot for the oil and gas industry continues to be international, as rapidly growing spending is driven by national oil companies Hunting Energy Services' Asia Pacific operations experienced a 68% growth in profit from operations during the year

During the year, management quickly took steps to reduce costs and overheads but maintained its efforts to utilise a strong balance sheet to acquire companies, which will expand product offerings and manufacturing capacity Further, new capital projects were initiated to add 0 3m square feet of plant space to the existing 1 0m square feet

The three acquisitions in the year were

1 **National Coupling Company ("NCC")** - a leading developer and manufacturer of subsea hydraulic equipment and chemical injection systems located in Texas Consideration £31 8m
2 **PT SMB Industri** - an oil country tubular goods ("OCTG") premium threading operation located in Batam, Indonesia, acquired for the purpose of additional capacity to serve existing customers and the rapidly growing markets in the Middle East and Asia Consideration £6 3m
3 **Welltonic** - a provider of well intervention products and services located in Aberdeen, Singapore and Dubai Consideration £9 2m

Acquisitions completed in 2009

Date	Company	Consideration	Segment
15 June	National Coupling Company Inc	£31 8m	Well Intervention
31 July	PT SMB Industri	£6 3m	Well Completion
10 December	Welltonic	£9 2m	Well Intervention
		£47 3m	

New capital project initiatives include

1 A new manufacturing facility in Wuxi, China for completion in May 2010
2 Expansion of the Casper, Wyoming facility for completion late 2010
3 A new facility in Conroe, Texas - June 2010 completion
4 A new facility in Houma, Louisiana - completion 2011

In December 2009, the Hunting Energy France ("HEF"), operations were sold to Finergy, a new company established by a group of French investors, including two directors of HEF for a total consideration of £11 1m

Business Development

Capital expenditure for the Group reduced to £21 6m (2008 - £34 8m) primarily due to early period economic and commodity price uncertainty in the exploration and production division New business development comprised £11 7m (2008 - £10 6m) and £9 9m (2008 - £24 2m) was replacement capital

Hunting Energy Services' capital expenditure in 2009 was £21 1m (2008 - £34 1m), of which £1 9m (2008 - £8 8m) was for exploration and production expenditure The balance of £19 2m includes expenditure of £4 2m on manufacturing facilities in the US and China, together with completion of a £7 4m upgrade programme on the Company's pipe management handling facility in Scotland

Health, Safety and the Environment

Hunting Energy Services' US manufacturing incident rate for 2009 was 2 59 versus 3 38 in 2008, which remains far below the Bureau of Labor statistics' industry average of 7 5

The European facilities' accident statistics were again below the industry average in engineering and manufacturing The Aberdeen facility received the Five Star Award for the eleventh consecutive year

The Asian facilities reported only one incident in 2009 Workplace Safety and Health legislative requirements are strictly adhered to and the staff are focused on the risk analysis related to each job function within the manufacturing operation

No environmental issues occurred in the year and all of Hunting Energy Services' primary manufacturing facilities are ISO 14001 Environmental Management System certified Our goals are simply put - no accidents, no harm to people and no damage to the environment

Outlook

Dependent on geopolitics, climate, currency and supply/demand issues, an accurate view of 2010 activity is problematic Early forecasts suggest an 11% increase in worldwide exploration and production spending Despite a continued surplus of natural gas, the US rig count for natural gas is anticipated to increase 25% from 2009 lows as operators are making healthy returns at current prices, much of their production is hedged at higher prices, and many operators need to drill to hold acreage positions US oil drilling should continue to rise if commodity prices remain at current levels Indeed, the oil-driven rig count grew 140% by December 2009 from its low in June 2009

In Canada, lacking a shale play to drive drilling activity, the rig count is expected to improve only 2-3% For the first time in many years, more rigs will be drilling for oil than natural gas

Given the international rig count is more than 75% weighted toward oil, forecasts expect a 10% improvement in activity assuming commodity prices hold within the recent price bands While the international rig count is 40-45% of the global rig count, their exploration and production spending exceeds North American by 200%

The above rig count improvements are certainly welcomed over 2009, but they are far from 2008 levels Caution remains apparent in operator forecasts as global economies, excluding China, remain flat to modest growth

Business Review

expectations The anomaly of oil prices to US natural gas prices (16 to 1) reflects a global commodity price for oil, versus a regional one for natural gas

For Hunting, the focus remains toward drilling activity in areas of high temperatures, high pressure and usually at depths beyond 12,000 feet International and national oil companies that operate in this environment remain committed to replacing and adding to their reserve base due to growing depletion rates and global demand They must therefore extract hydrocarbons from increasingly difficult-to-access and complex formations resulting in higher cost oil service offerings

From recent acquisitions and the development of new manufacturing facilities, the Group, in 2010, will have 28 facilities (22 in 2009) to respond to its global customer base New products will complete the testing phase in 2010 and 1) improve operator drilling, completion or intervention activities, 2) enhance profit margins for Hunting and 3) expand the Company's technology base

Acquisition opportunities are ongoing and management intends to conclude those that improve the Company's global footprint, product offering and technology base to create value The timing of potential acquisitions is the only uncertainty

Hunting views 2010 with optimism of further progress across the Group Much of the progress will be weighted towards the second half as operators commit to further drilling programs, new Hunting facilities are completed and recent acquisitions are fully absorbed The level of progress will be dependent upon regional activity and, as always, commodity prices driving rig count

The global economic slump has done very little to calm the macroeconomic tailwinds Oil and gas reserves are depleting and production for most companies is declining The world is still gaining approximately 200,000 people every day Of equal importance, a large middle class is leading to new levels of energy demand The Company is poised to capitalise on any future upturn in its markets and benefit from industry fundamentals that hold great promise for the future

Operating Review

Hunting manufactures or distributes those products that enable the extraction of oil and gas Operators continue to test the boundaries of hydrocarbon production whether in high pressure, high temperature, deep on or offshore wells or geopolitically sensitive environments The Company's unique technologies and 28 strategically located manufacturing facilities provide products with lower costs, greater safety and efficient deliverability regardless of the drilling or production environment This is complemented by an advanced quality system that assures each product is globally produced to the same stringent requirements

The primary market driver for Hunting is simply expressed The world demand for oil and gas determines global rig count = footage drilled and/or completed = total tons (footage) of tubulars required and number of ancillary components

Hunting Energy Services

Hunting Energy Services recorded a profit from operations before exceptional items of £27 9m versus £50 6m in 2008

At the end of the year, there were 1,280 (2008 - 1,369) employees under four business platforms Well Construction, Well Completion, Well Intervention and Exploration & Production

Group Income Statement

	2009 £m	Restated 2008 £m
Continuing operations.		
Revenue	359 9	418 5
EBITDA	50 6	75 7
Depreciation amortisation and impairment	(14 8)	(16 9)
Profit from operations before exceptional items	35 8	58 8
Net interest income (expense)	1 8	(3 4)
Share of associates	0 9	1 2
Profit before tax	38 5	56 6
Taxation	(12 2)	(18 7)
Profit for the year before exceptional items	26.3	37 9
Earnings per share before exceptional items	17 7p	26 4p
Earnings per share - total		
Continuing operations	18 2p	(3 6)p
Discontinued operations	3 7p	236 0p
Group	21 9p	232 4p
Average exchange rates to sterling		
US Dollar	1 57	1 86
Canadian Dollar	1 78	1 96
Euro	1 12	1.26
Average number of employees	1,889	1,988

The income statement for 2008 has been restated to reflect the Group s change in accounting policy – see page 46

Exceptional items from continuing operations during the year are a gain of £0 6m (2008 - £50 9m loss) - see note 5

Exceptional items from discontinued operations after tax are a gain of £3 9m (2008 - £268 1m) - see note 11

Business Review

Well Construction profit from operations before exceptional items was £3 3m (2008 - £13 5m) The year-on-year profit decline reflects reduced demand for drilling tools and trenchless technologies following the significant decline in drilling activity, particularly in North America

The Well Construction platform provides products and services used by customers for the drilling phase of oil and gas wells It also provides products and services associated with trenchless drilling that complements the infrastructure of underground construction associated with telecommunications, utility build-outs and remediation This platform has four product categories associated with it Premium Connections, Drilling Tools, OCTG and Trenchless Technologies

Premium Connections Hunting's premium connection product offerings include the established SEAL-LOCK brand of connections along with specialised technologies to assist customers in the design and implementation of drilling strategies Premium connections are patented thread designs, which enable tubulars and ancillary components to be connected together These thread forms exceed the performance characteristics of the materials being joined From SEAL- LOCK products and engineered products like the Annular Pressure Release System the Company continues a legacy of providing customers what they need - when they need it - for any drilling environment

Drilling Tools Hunting's drilling tool product offering includes mud motors for increased efficiencies in drilling of oil and gas wells, along with vibration dampening systems (shock tools), non-magnetic drill collars, state of the art hard banding and carbon coating systems These offerings, along with a global footprint provide the customer the ability to drill wells, straight or directional, in faster time at a lower cost

OCTG Hunting Oil Country Tubular Goods product offering provides customers with various casing sizes used in the construction phase of oil and gas well development Relationships with major steel manufacturers along with alliance agreements with suppliers provide the customer with OCTG casing from a just-in-time logistics

Trenchless Technologies Hunting provides drill stem and associated accessories to assist in trenchless drilling within the telecommunication and underground utility industries The business is expected to benefit from the remediation of antiquated utilities and further expansion of the telecommunication build-out

Well Completion profit from operations before exceptional items was £20 3m (2008 - £26 6m) The profit decline from 2008 tracks the fall in oil and gas commodity prices and industry slow down, resulting in customers deferring well completion activities Demand for premium tubing products and manufactured components associated with well completions was also affected by financial market issues restricting the availability of credit to customers to fund projects

The Well Completion platform provides products and services associated with the completion phase of oil and gas wells - the production of the hydrocarbons Under this platform are three business units Premium Tubing, Manufacturing and Thread Protection

Premium Tubing Hunting's premium tubing product offering includes OCTG tubing in Two-Step, semi premium tubing and API tubing Two-Step tubing is supported by the SEAL-LOCK TSHP, TSHD and XP premium tubing connections, the semi premium market is supported by the TKC connection line and API tubing is purchased and delivered from mill and supplier sourcing

Manufacturing Hunting's manufacturing platform includes accessories, couplings, blast joints, pup joints and numerous components, to which Hunting premium connections or licensed connections are applied In conjunction with the manufacturing aspects of the business, the Company provides inventory management services of customer completion inventory, which includes maintenance and replacement of completion assemblies before and after use in oil and gas wells, primarily focused on deep completion along with high temperatures and high pressure activities The business also is an Original Equipment Manufacturer ("OEM") for all of the major oilfield service companies

Thread Protection Hunting's thread protection platform provides composite or plastic thread protectors, SEAL-LUBE thread compound, Preserve-A-Thread corrosion protection and CLEAR-RUN advanced tubular systems The thread protector business services OCTG manufacturers as well as customers which need protectors for products they thread SEAL-LUBE thread sealant is an anaerobic compound, which converts to a solid polymer in the absence of air, improving seal integrity of threaded connections Preserve-A-Thread is a corrosion inhibitor, which is compatible with other make-up compounds, thus reducing the costs of re-cleaning threads prior to the application of thread compound CLEAR-RUN advanced tubular system provides the customer an environmentally sound make-up solution that does not include make-up compounds utilised in most drilling activities

Well Intervention profit from operations before exceptional items was £4 0m (2008 - £4 6m) The acquisitions of NCC and Welltonic contributed to the 2009 results However, the year-on-year decline reflects reduced demand for intervention products, in part due to a slow-down in capital projects following reduced oil and gas commodity pricing and the accessibility by customers to project finance to fund activities

The Well Intervention platform provides products and services used by customers for the production, maintenance and restoration of existing oil and gas wells While Well Construction and Well Completion activities may only "touch" the well one time, Well Intervention

Business Review

Segmental Results

The Group reports through a divisional structure arranged into the following operating segments

	2009			Restated 2008		
	Revenue £m	Profit from Operations £m	Margin	Revenue £m	Profit from Operations £m	Margin
Hunting Energy Services						
Well Construction	77 9	3 3	4%	112 0	13 5	12%
Well Completion	176 2	20 3	12%	189 8	26 6	14%
Well Intervention	29 4	4 0	14%	23 3	4 6	20%
Exploration and Production	5 6	0 3	5%	14 8	5 9	40%
	289 1	27 9	10%	339 9	50 6	15%
Gibson Shipbrokers	20 8	0 7	3%	31 2	6 9	22%
Field Aviation	50 0	7 2	14%	47 4	1 3	3%
Group	**359 9**	35 8	10%	**418 5**	58 8	14%
Exceptional items (note 5)		0 6			(50 9)	
Group profit from operations		**36 4**			7 9	

products may do so numerous times during the production life of the well Under this platform are two businesses Well Intervention and Hunting Subsea

Well Intervention Hunting's well intervention business unit provides pressure control equipment, control panels/skids, E-line (wireline) and slickline tools The pressure control offering provides BOP's and associated products and accessories, which allow well pressure to be managed E-line and slickline tools assist in the logging and restoration of oil and gas wells Hunting maintains OEM licenses from the major oilfield service providers for this equipment

Hunting Subsea (National Coupling Company) Hunting Subsea manufactures hydraulic valves and couplings plus provides weldment services and chemical injection systems ("CIS") Hydraulic valves and couplings are manufactured to the highest tolerances using state of the art technology for assured sustainability in the harsh subsea environment Weldment services are provided for the welding of hydraulic couplings to flow tubes of the highest grades of materials The chemical injection systems are designed to service single or multiple subsea field developments The systems are remotely operated and equipped with real-time measurement capabilities utilising a positive displacement metering system

Exploration and Production ("E&P") profit from operations before exceptional items was £0 3m (2008 - £5 9m)

Exploration and Production includes the Group's oil and gas production activities in the Southern US and offshore Gulf of Mexico The Group takes minority, non-operating equity holdings and currently participates in over 70 oil and gas production facilities

These properties were directly affected by Hurricane Ike in the fall of 2008 when it cut a widespread path into the shallow

Exploration and Production - Oil and Gas Reserves

	1 January 2009	Reserve Movement	Production	31 December 2009
Oil	702	(84)	(61)	557
Gas	1,072	(187)	(182)	703
Oil and Gas	**1,774**	**(271)**	**(243)**	**1,260**

All figures are Net Equivalent Barrels '000

Gulf where most of the E&P division's wells and platforms are located Extensive surface and subsurface damage was incurred and many of the wells had to be shut-in for periods of up to one year Because of the long shut-in periods, production flow was damaged and some wells are no longer commercially viable As a result, the division showed reduced production year-on-year, together with an adjustment to reserves for permanently damaged wells On a Net Equivalent Barrel ("NEB") basis, production was down 40% compared to the previous year Full year output of 243,000 NEB, combined with low average prices for both oil and natural gas, resulted in decreased revenues with only marginal profit from operations Drilling activity was curtailed due to the lack of promising prospects, the division participated in three onshore wells with no success, and no offshore wells were drilled Year end reserves of oil and gas on an SEC volumetric basis were 1 3m NEB compared with 1 8m NEB at the end of 2008

Other Operating Divisions

Gibson Shipbrokers, headquartered in London, displayed resilience to the global recession and severe fall of shipping rates by generating a profit from operations before exceptional items in 2009 of £0 7m (2008 – £6 9m) following a record performance in 2008

Gibson consolidated its staffing and its global expansion as the world markets contracted in 2009 Purposeful recruitment was 4% over that same period in 2008 Growth in Gibson is an amalgam of trainees, juniors and experienced brokers from the international arena Gibson has a high retention of committed and highly experienced staff with over 21% of the staff having in excess of 10 years service and 17% of the staff in excess of 15 years shipping market experience with the company

Gibson is active in the crude oil, clean and dirty products markets, LPG and LNG sectors It is also active within the shipping of chemicals, biofuels, vegoils, palmoils and smaller product shipments, which make up the specialised sector Bulk iron ore, coal and grain are strong sectors for Gibson as is the offshore sector, which not only services the drilling, exploration and oilfield services sectors but is also active in the cable, pipe laying, seismic and emergent renewable sectors Sale and Purchase remains an active segment for Gibson not only brokering re-sales but also new builds and the ship demolition markets A strong Research department analyses the often volatile energy shipping markets and, utilising their database and market intelligence, they offer in-depth consultancy for an increasing number of clients in the shipping and financial sectors

Field Aviation is recognised worldwide as a modifier of aircraft for special mission roles The business specialises in providing solutions for para-military, military and specialised air support operators who require timely deployment of cost effective and reliable airborne platforms

The Aircraft Modification Centre in Toronto carries out the design, installation, testing and certification of aircraft modification Interior modification capabilities transform regional airliners into VIP or corporate shuttle aircraft Leading-edge avionics modifications keep aircraft productive, profitable and technologically advanced

As a build-to-print aircraft parts manufacturer, the Parts Manufacturing facility in Calgary specialises in the production of parts and spares for the international commercial and military aerospace industry The

Business Review

business manufactures airframe parts and accessories for both current-production aircraft and out-of-production aircraft

2009 was an exceptional year with strong performance from both the modification and manufacturing businesses Field delivered a profit from operations before exceptional items for the year of £7 2m (2008 - £1 3m) on revenue of £50 0m (2008 - £47 4m) The aircraft modification business had an outstanding year successfully completing major aircraft modification programs for customers including US Customs and Border Protection, Icelandic Coast Guard and Japanese Coast Guard Production capability for the next 6 months is already presold with good profits expected for 2010

During 2009 the closure of the Calgary based aircraft maintenance repair and overhaul facility was completed This allowed the business to focus on its profitable activities in 2009

Performance Measures

A number of performance measures are used to compare the development underlying business performance and position of the Group and its business segments These are used collectively and periodically reviewed to ensure they remain appropriate and meaningful monitors of the Group's performance

Key Performance Indicators	Description	2009	2008
Revenue	Revenue generated by continuing operations	£359 9m	£418 5m
EBITDA	Earnings before interest, tax depreciation, amortisation and impairments	£50 6m	£75 7m
Profit from operations	Profit from continuing operations before exceptional items	£35 8m	£58 8m
Return on capital employed ("ROCE")	Measures profit before interest and tax before exceptional items, as a percentage of average gross capital employed Average gross capital employed is the average of the aggregate of total equity and the net cash/debt at the start and end of the year This measure is also used as a benchmark for target acquisitions and capital expenditure proposals	19%	21%
Earnings per share ("EPS")	Earnings from continuing operations, before exceptional items, attributable to Ordinary shareholders divided by the weighted average number of Ordinary shares outstanding at the year-end	17 7p	26 4p
Dividend per share ("DPS")	Reflects the cash returned to Ordinary shareholders Figures shown are calculated on the accruals basis	10 5p	9 9p
Free cash flow	Profit from continuing operations adjusted for working capital, tax, replacement capital expenditure and interest	£39 5m	£24 4m
Inventory and WIP days	Inventory and WIP at the year end divided by revenue per day	118 days	105 days
Trade receivable days	Trade receivables at the year end divided by revenue per day	50 days	71 days

Other performance measures	Description
Health and safety measures	Monitor lost time accidents and incident rates
Quality and efficiency measures	Monitor production and non-conformance reports
Number of employees	Number of employees at the end of the period

Indicators of future Group performance closely monitored by management include

Key Market Indicators	Description		
Drilling rig activity	International average rig count - December average	1,024	1,078
	North America rig count - December average	1,485	2,143
Oil price	WTI price at the period end - per barrel	US$79 36	US$44 60
Natural gas price	Henry Hub price - per 1,000 cubit feet Mcf - December average	US$5 50	US$5 99
Exchange rates	Average and spot exchange rates		

The Company is poised to capitalise on any future upturn in its markets and benefit from industry fundamentals that hold great promise for the future.

Dennis Proctor, Chief Executive

Business Review

Finance Director's Review

Results

2009 was an extremely challenging year, with volatile market conditions affecting our core activities throughout the period Despite this trading environment the financial statements, which follow, report robust trading results, together with a strong balance sheet

Group revenues were down year-on-year from £418 5m to £359 9m primarily due to lower US activity levels at Well Construction and Exploration and Production Well Intervention reported improved revenues gained from acquisitions completed in the year

Profit from operations benefitted from cost saving measures implemented during the year, however reduced trading volumes, particularly from Well Construction, impacted profits Results from Exploration and Production and Gibson Shipbrokers were adversely affected by reduced volumes and lower market prices, while record results from Field Aviation and new profit streams from acquisitions partly compensated

Included within profit from operations are charges for dry hole costs of £0 4m, acquisition costs written off of £0 5m and net inventory provisions of £3 9m

Profit from continuing operations before exceptional items was £35 8m (2008 - £58 8m) (profit from continuing operations increased to £36 4m from £7 9m reported in 2008)

Profit before tax from continuing operations before exceptional items was £38 5m (2008 - £56 6m) (profit before tax from continuing operations was £39 1m (2008 - £5 7m))

Net Finance Income

Net finance income moved from a net charge of £3 4m in 2008 to net income of £1 8m in 2009 following receipt of the Gibson Energy sale proceeds in December 2008

Exceptional Items

In April 2009, following agreement of the Gibson Energy completion accounts, additional sale proceeds of £17 6m were received and the gain on recognition of these has been offset by an increase in related provisions of £16 0m for indemnities and warranties The net £1 6m credit, together with £0 6m foreign exchange losses, have been released to the income statement

In December 2009 the sale of Hunting Energy France completed realising a net gain of £2 9m The gain includes the release of £3 1m foreign exchange gains from the cumulative translation reserve

Earnings per Share

Basic earnings per share before exceptional items for all operations decreased 68% from 57 6p in 2008 to 18 4p in 2009 and for continuing operations by 33% to 17 7p (2008 - 26 4p) Basic earnings per share for all operations was 21 9p (2008 - 232 4p) and for continuing operations was 18 2p (2008 - (3 6)p) The average number of shares used in calculating the earnings per share in 2009 was 131 1m compared to 130 9m in 2008

Taxation

The 2009 tax charge on continuing operations before exceptional items was £12 2m (2008 - £18 7m) and reflects an effective rate of 32% (2008 – 33%) The lower rate in 2009 is mainly due to the increased weighting of profits arising in lower tax jurisdictions particularly in SE Asia

Net Assets

Net assets at 31 December 2009 were materially unchanged at £561 8m compared with £557 3m at 31 December 2008 The net increase of £4 5m reflects the £31 7m retained result for the year, offset by £13 8m dividend payments and adverse foreign exchange movements and other items of £13 4m

Summary Balance Sheet

	2009 £m	2008 £m
Total assets	817 7	874 2
Total liabilities	(255 9)	(316 9)
Net assets	561 8	557 3
Net cash	365 0	372 3

Pensions

The Group continues to account for pensions in accordance with IAS 19, and at the year end the net surplus on the Group's balance sheet was £8 0m (2008 - £7 6m) which related to the UK defined benefit scheme This scheme was closed to new entrants in 2002

Liquidity and Funding

The Group has sufficient net cash and credit facilities to meet its anticipated funding requirements over the short and medium term Credit facilities which total £181 9m include committed bank facilities of £135 0m and uncommitted facilities of £46 9m The committed bank facilities include a £125 0m five year multi-currency borrowing facility expiring in September 2010 on which renewal discussions will commence later in the year

The maturity profile of the Group's credit facilities is shown within note 28 to the accounts

Net Cash

The year ended with net cash of £365 0m (2008 - £372 3m) At 31 December 2009, the Group balance sheet shows borrowings of £38 6m These are borrowings drawn on the Group's UK overdraft facilities which are subject to a legal right of set-off against funds held in UK current accounts Under International Financial Reporting Standards ("IFRS") these balances are required to be shown gross

Cash Flow

Free cash flow, defined as profit from operations adjusted for working capital, tax, replacement capital expenditure and interest, generated during the year was £39 5m compared to a £24 4m cash inflow in 2008 Total capital expenditure was £21 6m (2008 - £34 8m) comprising replacement spend of £9 9m (2008 - £24 2m) and growth spend of £11 7m (2008 - £10 6m) The year on year reduction in capital spend was principally due to exploration and production spend which reduced from £8 8m in 2008 to £1 9m in 2009

Summary Cash Flow

	2009 £m	Restated 2008 £m
Cash from Operations	56 4	58 1
Replacement Capital	(9 9)	(24 2)
Interest and tax	(7 0)	(9 5)
Free Cash Flow	**39 5**	**24 4**
Disposals	24 0	524 4
Acquisitions	(44 4)	(1 6)
Growth Capital Expenditure	(11 7)	(10 6)
Dividends	(13 8)	(11 3)
Foreign Exchange	(1 8)	2 1
Other	(2 0)	(4 6)
Cash (outflow) inflow - continuing	(10 2)	522 8
- discontinued	2 9	(11 3)
Cash (outflow) inflow - Group	**(7 3)**	**511.5**

Three acquisitions completed during the year absorbing £44 4m of cash and £17 6m of additional proceeds from the sale of Gibson Energy were received in April 2009, together with £6 4m from the sale of Hunting Energy France in December 2009

Treasury Risk Management

The Group operates a centralised Treasury service with policies and procedures approved by the Board These cover funding, banking relationships, foreign currency, interest rate exposures, cash management and the investment of surplus cash

Currency options are used to reduce currency risk movements on the Group's results, by hedging approximately 50% of each year's budgeted US dollar earnings into sterling Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency Spot and forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies

Surplus cash is invested in AAA Money Market Funds and in bank deposits

Further detail on financial risks is provided within note 28

Change in Accounting Policy

The Group has changed its accounting policy of carrying property at valuation to carrying these at historical cost This change in policy follows the disposal of

Business Review

Gibson Energy in 2008 and with it the majority of the Group's freehold properties The impact on the Group's continuing operations is not material and is explained in more detail within Principal Accounting Policies on pages 45 and 46 Prior period figures have been restated to reflect this change in policy

Critical Accounting Policies

The Group accounts are prepared using accounting policies in accordance with IFRS The principal accounting policies are set out on pages 44 to 54

The preparation of these accounts require the use of estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities Directors' estimates are based on historical experience, consultation with experts and other methods that they believe are reasonable and appropriate

Employee Benefits
The Group operates a defined benefit pension scheme in the UK, which was closed to new entrants with effect from 31 December 2002, as well as a number of defined contribution schemes within the Group The defined benefit scheme is accounted for under IAS 19 and the main actuarial assumptions used are shown within note 30 to the accounts and in the table below

Actuarial Assumptions

	2009	2008
Rate of inflation	3 7%	2 9%
Discount rate	5 6%	6 4%
Expected future lifetime (yrs)	24 0	23 8

Expected future lifetime is the number of years a 65 year old male is expected to live based on current mortality tables

Property, Plant and Equipment and Other Intangible Assets
The Group's property, plant and equipment and other intangible assets are subject to annual rates of depreciation intended to spread the cost of the assets over their estimated service life These rates are regularly reviewed The rates currently in use are set out on page 49

Goodwill
The carrying value of goodwill held on balance sheet is reviewed for impairment at least annually The review compares the carrying value with the estimated future cash flows from the business unit to which the goodwill relates The cash flows are based on management's view of future trading prospects Any shortfall identified is treated as an impairment and written off

Taxation
The effective tax rate for the full year is 32% and is the combined rate arising from the regional mix of Group results The rate also takes into account the estimated future utilisation of tax losses and the agreements with regional tax authorities of corporate tax computations

Deferred Tax
A deferred tax asset and liability are recorded within the financial statements at 31 December 2009 of £4 6m and £18 4m respectively These balances are derived from assumptions which include the future utilisation of trading losses and provisions at assumed tax rates

Share Based Payments
The estimated cost of grants and awards of equity instruments is spread evenly over the vesting period The actuarial assumptions used in determining the charge to income are set out in note 37

Available for Sale Financial Assets
The equity warrant received as part consideration on the disposal of Gibson Energy is held as an available for sale financial asset at its fair value The fair value of the warrant is based on management's best estimate of the recoverable amount given current global market conditions

Provisions
Provisions amounting to £78 9m are held on balance sheet at the year-end These are based on Directors' estimates of the future cost of current obligations

Primary Risks and Uncertainties Facing the Business

The Group has an established risk management monitoring and review process described in the Corporate Governance report on pages 37 to 41 The process requires all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk Group risks are reviewed by the Board at least three times a year In addition Risk Management is an agenda item at every Board meeting

The primary risk and uncertainties facing the business which could have a material adverse impact on the Group include

Commodity Prices
Although not under the control of the Group, a material movement in commodity pricing could impact demand for the Group's products and services Inventory levels are closely managed to mitigate against exposure to commodity price movement

Effective Control Over Subsidiaries
Group subsidiaries operate within a framework with a degree of autonomy vested in local management The operations of subsidiaries are subject to regular checking by management through board and management meetings, regular reporting and contact together with external and internal audit

Acquisitions and Capital Expenditure Programme
Acquisitions and capital expenditure are an integral part of the continuing Group's expansion and development The Board is actively involved in monitoring and assessing the acquisition and capital expenditure programme to mitigate against the risk of poor investment decisions All acquisitions and capital expenditure above discretionary limits require Board approval prior to commitment

Global Recession
A prolonged global recession could impact demand for the Group's products and services Management and the Board continue to closely monitor trading results and forecasts In addition overheads are monitored regularly to ensure the cost base is actively managed

Health, Safety and Environmental ("HS&E")
The adherence to Group HS&E policy and local regulations is discussed at all Board meetings There is regular HS&E compliance reporting to the Board

Loss of Key Executives
Remuneration packages are regularly reviewed to ensure key executives and senior management are remunerated in line with market rates External consultants are engaged to provide guidance on best practice

Adequacy of Provisions
The Group holds £78 9m of provisions for warranties, indemnities and vacant leasehold properties The timing and amount of any provisions that may be payable remains uncertain

Fluctuation in Currency Exchange Rates
The Group has significant overseas operations, hence results are denominated in a variety of currencies As a result, the Group's financial statements, which are reported in sterling, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions, together with the Group's ability to hedge these risks and the cost of such hedging

Dennis Proctor, Chief Executive

Peter Rose, Finance Director

Board of Directors

From left to right John Hofmeister, John Nicholas, Peter Rose, Richard Hunting, Dennis Proctor, George Helland and Iain Paterson

Chairman – Richard Hunting
Was elected an executive Director and Deputy Chairman on the formation of Hunting PLC in 1989 and has been Chairman of the Board since 1991 Chairman of the Nominations Committee He is a non-executive director of the Royal Brompton & Harefield NHS Foundation Trust Age 63

Chief Executive – Dennis Proctor
Was appointed a Director in 2000 and Chief Executive in 2001 He was chief executive of Hunting Energy Services from March 2000 after joining the Group in 1993 He is a US citizen based in Houston, Texas and has held senior positions in the oil services industry in Europe, Middle East and North America Age 57

Finance Director – Peter Rose
Was appointed to the Board as Finance Director in 2008 A Chartered Accountant, he joined Hunting PLC in 1997 prior to which he held senior financial positions with Babcock International Age 51

Non-Executive Director – George Helland
Was appointed a non-executive Director in 2001 and is chairman of the Remuneration Committee A US citizen based in Houston, Texas, he was Deputy Assistant Secretary in the US Department of Energy from 1990 to 1993 He is a senior associate with Cambridge Energy Research Associates (CERA) of Cambridge, Massachusetts Age 72

Non-Executive Director – John Hofmeister
Was appointed a non-executive Director on 26 August 2009 A US citizen resident in Houston, Texas He is the founder and chief executive officer of the Washington D C registered not-for-profit Citizens for Affordable Energy Inc and a non-executive director of US quoted Lufkin Industries Inc He is the former President of Shell Oil Company US and a former Group Director of Royal Dutch Shell PLC in The Hague, Netherlands Age 62

Non-Executive Director – John Nicholas
Was appointed a non-executive Director on 26 August 2009 and is chairman of the Audit Committee He is a Fellow of the Association of Chartered Certified Accountants and is a member of the UK Financial Reporting Review Panel He is currently a non-executive director of Ceres Power Holdings plc, Rotork PLC and Mondi plc He was formerly the Group Finance Director at Tate & Lyle plc and prior to that Group Finance Director of Kidde plc Age 53

Non-Executive Director – Iain Paterson
Was appointed a non-executive Director in 2000 and is the senior independent Director He is chairman of ITE Group plc and a non-executive director of MOL NyRt, the integrated Hungarian energy company He is also chairman of AnTech Limited and Plebble Loyalty Limited He was international director at Enterprise Oil plc Age 62

Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee
Richard Hunting		■	
Dennis Proctor		■	
Peter Rose			
Non-Executive Directors			
George Helland	■	■	■
John Hofmeister	■	■	■
John Nicholas	■	■	■
Iain Paterson	■	■	■

2009 was an extremely challenging year, with volatile market conditions affecting our core activities. Despite this environment the Company reports robust trading results, together with a strong balance sheet.

Peter Rose, Finance Director

Report of the Directors

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

Business Review and Principal Activities

The Company is a holding company whose subsidiaries are primarily involved in international oil and gas services

The Business Review, encompassing the Chief Executive's Review and the Finance Director's Review on pages 4 to 17 together with the Chairman's Statement on page 2, reports on the activities during the year ended 31 December 2009 and likely future developments This information, together with a description of the principal risks and uncertainties facing the Company, treasury risk management, details of the Group's policies on employment, health, safety and the environment, which are contained within the Business Review on pages 16 and 17 and within the Corporate Social Responsibility Report on pages 25 and 26 and the Corporate Governance Report on pages 37 to 41, are incorporated into this report by reference

Details of the Company's principal subsidiary and associated undertakings are set out in note 46

Results

The results of the Group are set out in the Consolidated Income Statement on page 55

Dividends

The Directors have agreed to pay a second interim dividend of 7 0p per share, which together with the first interim dividend of 3 5p, takes the total dividend for the year to 10 5p (2008 – 9 9p) per share The second interim dividend will be paid on 31 March 2010 to shareholders on the register at the close of business on 5 March 2010

This second interim dividend will replace the final dividend that would normally be approved at the Annual General Meeting of the Company to be held in April 2010 and paid thereafter

Directors

Brief biographies of the Directors holding office at 31 December 2009 are shown on page 18

Under the Articles of Association, each Director must retire from office at the Annual General Meeting unless appointed or re-appointed as a Director at either of the last two Annual General Meetings before that meeting

On 26 August 2009, John Hofmeister and John Nicholas were appointed to the Board Hector McFadyen retired from the Board on 3 September 2009

John Hofmeister and John Nicholas will retire at the Annual General Meeting and, being eligible, offer themselves for re-election Richard Hunting will also retire at the Annual General Meeting and offers himself for re-election

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party Directors' interests in the shares of the Company are shown on pages 33 and 34 As at 31 December 2009, no Director of the Company had any beneficial interest in the shares of subsidiary companies

Directors' and Officers' Liability Insurance

The Company 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

Acquisitions

During the year, the Group made the following acquisitions National Coupling Company Inc ("NCC") on 12 June 2009 for £31 8m, of which £0 2m is deferred, PT SMB Industri ("PT SMB") on 31 July 2009 for £6 3m, of which £0 9m is deferred and the Welltonic group of companies on 10 December 2009 for £9 2m, of which £1 9m is deferred The acquisitions of NCC and PT SMB were for 100% of the share capital The Group acquired 100% of the share capital of Welltonic Limited, Welltonic Asia Pte Limited and Welltonic Inc and 49% of the share capital of Welltonic LLC Further details are provided in note 38 to the accounts

Report of the Directors continued

Disposal

On 22 December 2009, the Company sold its interests in Hunting Energy France SA, its former French subsidiary, for a consideration of £11 1m Further details are provided in note 39 to the accounts

Major Shareholdings

As at 22 February 2010, the major shareholdings in the Ordinary shares of the Company, other than Directors' interests, notified to the Company in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, were as follows

	Notes		Number of Ordinary shares	Percentage of issued Ordinary shares
Prudential PLC	(i)		13,275,894	10 04
Hunting Investments Limited	(ii)		10,884,743	8 23
Mirabaud Investment Management			10,676,904	8 08
Schroder Investment Management			6,900,999	5 22
Slaley Investments Limited			6,411,679	4 85
F Godson - as trustee	(iii)		6,064,655	4 59
Legal & General Investment Management			5,378,124	4 07
David RL Hunting		199,910		
- other beneficial	(iv)	2,484,583		
- as trustee	(iii)	2,549,117		
			5,233,610	3 96
JA Trafford - as trustee	(iii)		3,883,766	2 94
Norges Bank Investment Management			3,809,662	2 88

Notes

(i) Held by certain of its subsidiaries

(ii) Included in the holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited Neither of these companies are owned by Hunting PLC, either directly or indirectly

(iii) After elimination of duplicated holdings, the total Hunting family trustee interests shown above amount to 6,368,349 Ordinary shares

(iv) Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs The amount incurred and written off by the Group during the year was £0 9m (2008 - £0 4m)

Charitable and Political Contributions

During the year, the Group donated £56,000 (2008 – £51,000) to UK charitable organisations and £106,000 (2008 – £159,000) to overseas charities No UK political donations were made (2008 – £nil)

Property, Plant and Equipment

Details of movements in property, plant and equipment are shown in note 14 to the financial statements

Report of the Directors continued

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 21 April 2010 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS commencing at 10 30 a m

As well as routine matters such as renewal of the authority to allot and purchase Ordinary shares and to disapply pre-emption rights, resolutions will also be proposed for further authority to allot shares in connection with a rights issue and to amend the Company's Articles of Association to take into account a number of developments in law applicable to companies since the current Articles of Association were adopted in 2008

Further details of the resolutions are set out in the letter containing details of the Annual General Meeting which accompanies the Notice of the Annual General Meeting

Powers of the Directors

Subject to the Company's Memorandum and Articles of Association, UK legislation and any directions prescribed by ordinary resolution of the Company in general meeting, the business of the Company is managed by the Board The Directors have been authorised to allot and issue Ordinary shares and to make market purchases of the Company's Ordinary shares These powers are exercised under authority of resolutions of the Company passed at its Annual General Meeting

Share Capital

The Company's issued share capital comprises a single class of share capital which is divided into Ordinary shares of 25 pence each Details of the share capital of the Company are set out in note 31 to the financial statements The rights and obligations attaching to the Company's Ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide Holders of Ordinary shares are entitled to speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, corporate representatives and to exercise voting rights Holders of Ordinary shares may receive a dividend and on a liquidation may share in the assets of the Company Holders of Ordinary shares are entitled to receive the Company's annual report and accounts Subject to meeting certain thresholds, holders of Ordinary shares may require a general meeting of the Company to be held or the proposal of resolutions at Annual General Meetings

Authority to Allot Shares and Disapply Statutory Pre-Emption Rights

The Directors will seek to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the Annual General Meeting to be held on 21 April 2010

Purchase of Own Shares

At the Annual General Meeting held on 22 April 2009, the Company was given authority to purchase up to 13,196,771 of its Ordinary shares until the date of its next Annual General Meeting No purchases were made during the year The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at the Annual General Meeting to be held on 21 April 2010 Any shares purchased will either be cancelled and the number of Ordinary shares in issue reduced accordingly or held in Treasury

Voting Rights and Restrictions on Transfer of Shares

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy and entitled to vote has one vote and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held Further details regarding voting at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting None of the Ordinary shares carry any special rights with regard to control of the Company Proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours

Report of the Directors continued

before a general meeting A shareholder can lose his entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares

The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Directors accompanied by the certificate for the share to which it relates and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, (ii) is not in respect of only one class of shares, (iii) is in favour of a person who is not a minor, bankrupt or a person of unsound mind, or (iv) is not in favour of not more than four transferees

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST

The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST

There are no restrictions on the transfer of Ordinary shares in the Company other than

- certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws),
- pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares, and
- where a shareholder with at least a 0 25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders Amendments to the Articles of Association will be proposed at the forthcoming Annual General Meeting in order to implement a number of Companies Act 2006 changes

Significant Agreements

The Company is a party to certain funding agreements in which the counterparties can determine whether or not to cancel the agreements where there has been a change of control of the Company

The service agreements of the executive Directors include provisions that provide for compensation for loss of office or employment as a result of a change of control Further details of the Directors' service contracts can be found in the Remuneration Committee's Report on pages 30 and 31

Appointment and Replacement of Directors

Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association Directors are appointed by the Company by ordinary resolution at a general meeting of holders of Ordinary shares or by the Board on the recommendation of the Nomination Committee The Company may also remove a Director The Corporate Governance Report sets out further details of the requirements for re-election of Directors on page 37 In addition, further details of the workings of the Nomination Committee are set out on page 38

Report of the Directors continued

Policy on Payment of Creditors

The Company's and Group's policy is to pay all creditors in accordance with agreed terms of business The Company itself has no substantial trade payables The total amount of Group trade payables falling due within one year at 31 December 2009 represents 64 days worth (2008 – 74 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 to 12 The financial position of the Group, its cash flows, liquidity position, borrowing facilities, treasury risk management and the primary risks and uncertainties facing the business are described in the Finance Director's Review on pages 14 to 17 The notes to the financial statements include the Group's objectives, policies and processes for managing its capital (note 35), its financial risk management objectives (note 28), details of its financial instruments, hedging activities and sensitivity analysis (notes 27 and 28) and its exposures to credit risk and liquidity risk (note 28)

The Group has considerable financial resources together with a broad range of products and services and a diverse, global customer and supplier base As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully in the current economic climate

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently have adopted the going concern basis of accounting in preparing these financial statements

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office as auditors A resolution to reappoint them as auditors to the Company will be proposed at the Annual General Meeting to be held on 21 April 2010

By order of the Board

Peter Rose
Company Secretary
25 February 2010

Corporate Social Responsibility

Introduction

This report describes the policies and procedures put in place by the Board to ensure that the Company operates in a safe and responsible manner and, where practical, takes steps to protect the environment

The Company acknowledges and is committed to its corporate social responsibilities within the areas in which it operates Its contribution and involvement is determined by regional custom and best practice in those locations and is subject to regular monitoring and review by the Board and divisional management

Employment and Training

The Company recognises that its success and reputation is dependent upon the efforts and the integrity of its people It encourages and promotes an awareness of the financial and economic factors affecting the performance of the Company through regular communication and consults with employees to the degree relevant to local conditions

- As a responsible employer, full and fair consideration is given to applications for positions from disabled persons and to their training and career advancement Every effort is made to retain in employment those who become disabled while employed by the Company

- Appropriate training is provided to employees to suit their particular work environment within the Company

- Communication with employees is undertaken through a variety of media including the semi-annual Hunting Review magazine

Health and Safety

The Company is committed to achieving and maintaining the highest standards of safety for its employees, customers, suppliers and the public The Group operates a range of facilities and installations and each location has in place a tailored health and safety programme designed to, at a minimum, comply with local regulatory requirements All subsidiaries target continuous improvement to their Health and Safety Standards The Health and Safety policies include

- Regular review and audit of equipment, practices and procedures to ensure compliance with prevailing standards and legislation

- Accreditation is sought and procedures are aligned with long standing company programmes to internationally recognised Quality Assurance standards

- Monitoring is a management task which is documented and reported at each Board meeting

- Appropriate training and education of all staff

The Chief Executive, who is directly responsible for Health and Safety, presents a Health and Safety report at every Company Board meeting

Environment

The Group's environmental policy is to look for opportunities and adopt practices that create a safer and cleaner environment It is particularly sensitive to the challenges for the industry in which it operates The Group has programmes in place to monitor environmental impact from its operational activities and remains focused on ensuring environmental consideration is at the forefront of its business practices

Corporate Social Responsibility continued

Key aspects of the environmental policies include

- Policies, procedures and practices are in place so that any adverse effects on the environment are reduced to a practicable minimum
- The Group encourages the reduction of waste and emissions and promotes awareness of recycled materials and use of renewable resources
- Each operating unit develops and implements its own procedures and conducts structured reviews to ensure that they are maintained and refined
- Employees are encouraged to pay special regard to environmental concerns in the communities in which the Group operates
- The design of new sites incorporating safety and environment considerations

Regulatory Environment

The Company is listed on the London Stock Exchange and is subject to regulation by the Financial Services Authority in the United Kingdom as well as compliance with UK Company Law With the aim of maintaining standards and to comply with customer trading requirements, a high proportion of our operating facilities are either ISO or API registered or subject to other similar registrations or industry qualifications

Business Ethics

The Group targets and encourages the highest standards of integrity and honesty in all business dealings The objective is to maintain and enhance the reputation of the Company and enforce ethical dealings with customers and suppliers

The Board has established "whistle blowing" procedures for any employee to raise in confidence any concerns they may have about possible financial improprieties or other matters with either the Chairman of the Board or the senior independent Director Details of the procedure have been communicated to all employees

Hunting in the Community

Hunting's contribution to, and involvement in, the community is determined by regional custom and best practice in those locations In this way, subsidiaries support a range of charitable and community projects in their local areas Community support is delivered in many different ways, from corporate sponsorship to individual employees being encouraged and supported to participate in charitable events During the year, the Group donated £56,000 (2008 - £51,000) to UK charitable organisations and £106,000 (2008 - £159,000) to overseas charities

Of particular note is the annual Hunting Art Prize which, after a quarter of a century of supporting British art, was relaunched in Houston, Texas in 2006 The Hunting Art Prize is among the largest art awards in the US and is the largest award in North America for painting and drawing In 2009, the 30th Annual Hunting Art Prize raised in excess of US$150,000, with the proceeds donated to the Linda Lorelle Scholarship Fund, an organisation providing financial assistance and guidance to students from disadvantaged backgrounds in the Houston area Hunting has announced that it will donate proceeds from the 2010 Hunting Art Prize to Oil Helping Hands, a non-profit charitable organisation in the Houston area providing assistance to oil and gas industry workers who face financial hardship

Dennis Proctor
Chief Executive
25 February 2010

Remuneration Committee's Report

Compliance

This report has been prepared in accordance with the relevant provisions of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and has been approved by the Board The report also satisfies the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code It will be presented to shareholders for approval at the Annual General Meeting on 21 April 2010

Remuneration Committee

Role and Composition

The Remuneration Committee (the "Committee") is responsible for determining the remuneration of the Chairman and the executive Directors, including the setting of competitive salaries, annual performance targets and participation in the Company's executive share-based incentive plans The Committee also takes account of remuneration policy for the Company's senior executives generally

The constitution and operation of the Committee during the year has complied with the Combined Code's guidance on Directors' remuneration The terms of reference of the Committee are published on the Company's website and are available from the Company on request

The Committee comprises the non-executive Directors of the Company George Helland (Chairman) and Iain Paterson served throughout the year John Hofmeister and John Nicholas, both served on the Committee from their appointment to the Board on 26 August 2009 Hector McFadyen served on the Committee until his retirement from the Board in September 2009 The Committee met four times in 2009 with members attending all meetings held during their term in office

Work during the year

The Committee's principal activities during the year under review included

- Review of the remuneration structure vis-à-vis business needs This led to the introduction of the Performance Share Plan ("PSP"), which was approved by shareholders at the 2009 Annual General Meeting,
- Consideration and approval of executive Directors salaries and bonuses,
- Measurement of the performance conditions and determination of vesting levels in respect of awards under the Long Term Incentive Plan ("LTIP") and grants under the executive share option scheme,
- Approval of awards under the LTIP and PSP, and
- Approval of the 2008 Remuneration Committee's Report

Advice

During the year Hewitt New Bridge Street ("Hewitt"), who were appointed by the Committee, provided advice and assistance on Directors' remuneration, executive incentive plans, share scheme matters and, in particular, on the implementation of the Performance Share Plan, which was approved by shareholders in April 2009 Hewitt did not provide any other services to the Company during 2009

The Committee also consulted with and received information from the executives during the year but not in respect of their own remuneration

Remuneration Policy

The Company aims to ensure that remuneration generally and incentives, in particular, provide a clear link between individual performance and shareholder interests The policy is to provide competitive remuneration packages enabling the Company to attract, motivate and retain executives of high ability, experience and commitment

The Committee believes an appropriate balance should be maintained between fixed and variable performance related remuneration, with the current balance approximately 32% deriving from salary and benefits and 68% from variable incentives

Remuneration Committee's Report continued

The Committee's ongoing approach is to set base salaries within competitive market ranges, combined with realistic reward potential for performance that is outstanding Directors' remuneration packages consist of an annual salary, health cover, and where appropriate, car and fuel benefits, life and disability insurance, an annual performance-linked cash bonus plan, pension contributions, participation in performance-linked share plans and a long-term incentive plan Performance targets are established to achieve consistency with the interests of shareholders with an appropriate balance between long and short-term goals

In setting the remuneration of individual Directors, the Committee takes account of their role and responsibilities, skills and performance and references credible and established market pay studies The Committee also reviews such studies with caution in view of the risk of an upward ratchet in remuneration levels The Committee also has the discretion to take account of social and corporate governance issues when setting the remuneration of the executive Directors

The Committee revised its approach to long-term incentives, after extensive consultation with shareholders in early 2009 The Committee is of the view that the use of share options and their associated volatility is not appropriate for the Company going forward, while a share-based plan will more closely align executive Directors with shareholders as well as being consistent with FTSE 250 market practice As such, a Performance Share Plan proposal was put before shareholders and approved at the 2009 Annual General Meeting, full details of which are on page 29 Awards under the PSP will replace awards previously made to executive Directors under the existing share option plan

Consistent with policy on service contracts, executive Directors' service contracts are subject to termination on one year's notice by the Company or the executive

Set out below are the key elements of the policy, which will apply in 2010 and subsequent financial years However, the Committee considers that an effective policy needs to be kept under review in order to reflect future changes to business needs and the environment in which the Company operates and, therefore, the policy may be amended in the future

Base Salaries

Base salaries are reviewed annually In considering appropriate salary levels, the Committee takes into account the remuneration paid by comparable companies in terms of asset size, revenues, profits, the number of employees, market capitalisation and the complexity and international spread of the Group's operations, as well as applicable rates of inflation The Company's practice is to target base salaries at the mid-market level in the appropriate market for the executive position In determining executive salaries consideration is given to their experience and general personal performance The Remuneration Committee is also mindful of pay and conditions for the wider employee population when determining executive remuneration

Annual Bonus

An annual performance-linked cash bonus scheme is in place for the executive Directors The scheme, which is not pensionable, is designed to provide an incentive and reward for performance and reflects the competitive markets in which the Group conducts its business

Dennis Proctor and Peter Rose are eligible for a bonus under the scheme when 80% of the Group's budgeted pre-tax profit is achieved Below this level no bonus is payable The amount payable under the scheme when performance achieves the budgeted pre-tax profit and return on capital targets, is 65% of base salary for Dennis Proctor and 50% of base salary for Peter Rose When actual results achieve 120% of these performance targets Dennis Proctor and Peter Rose are entitled to a maximum cash bonus of 130% and 100% of base salary, respectively The amount of bonus payable, when actual results achieved are between 80% and 120% of performance targets, accrues on a straight line basis

For 2009, the performance targets were not met in full and this is reflected in the amounts shown in the emoluments table on page 32 However, shareholders have benefitted from stringent cost management and its impact on return on capital employed ("ROCE") and the positioning of the Company for growth The bonus payable therefore reflects the Remuneration Committee's view of these positive benefits to shareholders

Bonus schemes are also in place for the majority of Group employees

Richard Hunting has no bonus entitlement and his remuneration is wholly non-performance related

Remuneration Committee's Report continued

Long-Term Performance-Related Incentives

The Company operates three long-term plans

(1) Performance Share Plan ("PSP")

Awards under the new PSP are granted annually and vesting is subject to demanding performance conditions dependent on increased shareholder value Awards granted under the PSP, which are subject to a three year vesting period, will only vest based on the Company's total shareholder return performance relative to the constituent members of the Dow Jones US Oil Equipment and Services and the DJ STOXX TM Oil Equipment and Services sector indices and if the Committee determines the Company's financial performance has been satisfactory These indices are considered by the Committee to be appropriate as they compare the Company's performance against other companies in the oil and gas services sector Awards vest subject to the schedule outlined below

Company's Total Shareholder Return ("TSR") against the TSR of the members of the Comparator Group	*% of the Award that Vests*
Upper quartile or above	100%
Between upper quartile and median	On a straight line basis between 40% and 100%
Median	40%
Below median	0%

The plan allows for a maximum of share-based awards with a value equal to 200% of annual salary In practice, it is the Committee's intention that awards will be below this maximum

(2) Long-Term Incentive Plan ("LTIP")

The LTIP is intended to link key executives' remuneration to the long-term success and performance of the Group

The LTIP is a performance-linked plan with an incentive pool, which is calculated using the sum of the Group's after tax operating income after deducting a charge for the after tax cost of capital, which for 2009 is at a rate of 7% on average total equity The incentive has two components, the first being 2% of the absolute value added, and the second being 5% of the incremental value added These performance conditions align the interests of the executives with those of the Group and its shareholders and will only produce value to the participants if value is created for the Group

Awards are determined for each participant at the beginning of a three-year performance cycle and are settled at the end of each cycle either in shares or in cash The award for each participant is calculated as a percentage of the incentive pool resulting from the performance of the business over the performance cycle as determined by the Committee

The pool available for distribution has decreased from £6 2m as at 31 December 2008 to £2 6m as at 31 December 2009

Following vesting, the amount payable under any single award may not exceed a certain multiple of the base annual salary of each participant The maximum award levels under the LTIP rules are 3 5 times annual salary for Dennis Proctor and 1 75 times annual salary for Peter Rose The aggregate amount of the pool awarded to participants was £2 5m

Remuneration Committee's Report continued

(3) Share Option Plan

The Company traditionally operated an executive share option scheme to provide longer term incentives for executives and executive Directors From 2009, executive Directors receive share-based awards under the PSP rather than grants under the option plan The right to exercise an option is subject to the growth performance of the Company's basic earnings per share ("BEPS") over a three year period in comparison to that of comparator companies, who comprise UK, US and Canadian oil and gas services companies No shares are exercisable if the growth in BEPS does not exceed the rate of inflation by at least 3% per annum over the three year period The number of shares exercisable, expressed as a percentage, by a Director can range from nil if the Company's performance is below the median level, to 40% at the median level and up to 100% if the Company's performance is between the median and upper quartile levels of the comparator group No further grants will be made under the share option plan

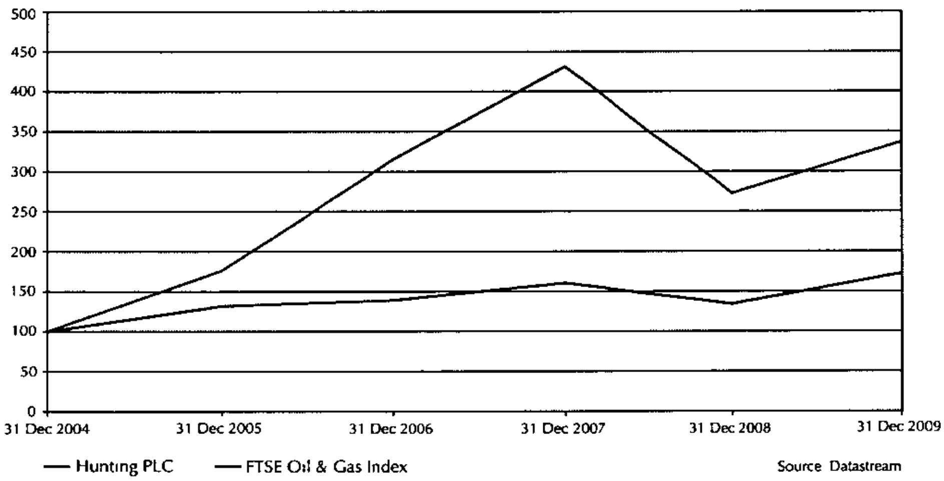
Directors' Shareholding Requirements

In order to align the interests of the executive Directors with that of shareholders, each executive Director is required to build up and maintain a holding in the Company's shares with a market value equivalent to not less than one times their annual base salary As a result of adverse stock market activity and the reduction of the Company's share price, the market value of the shares held by Peter Rose is currently less than one times his annual base salary

Performance Graph

The graph below compares the total shareholder return for an investment in Hunting PLC Ordinary shares with the return for the same investment in the FTSE Oil and Gas index commencing on 31 December 2004

Total shareholder return performance of Hunting PLC vs. FTSE Oil & Gas Index
(TSR rebased to 100 at 31 December 2004 and measured on a 3-month average basis)



In the opinion of the Directors, the FTSE Oil and Gas Index is the most appropriate index against which the total shareholder return of the Company should be compared, because this is the sector in which the Company is quoted

Directors' Service Contracts

Executive Directors

The Company's policy on executive Directors' contracts is to comply with the guidance in the Combined Code At 31 December 2009, all executive Directors' contracts were in compliance with that guidance

All the Directors' Service Agreements contain standard provisions allowing the Company to terminate summarily for cause, such as gross misconduct

Remuneration Committee's Report continued

Dennis Proctor entered into an Employment Agreement with Hunting Energy Services Inc, a wholly owned subsidiary of the Company, on 7 February 2001 This Agreement is governed by the laws of the State of Delaware, USA Under the terms of the Agreement both Hunting Energy Services Inc and Dennis Proctor are required to give one year's notice of termination

The Agreement contains a pay in lieu of notice clause which provides for payment of base salary, performance bonus and vacation pay based on an annual entitlement of four weeks There are special provisions on a change of control These provide for payment of one year's base salary together with an amount equal to the average performance bonus paid in the previous two years In addition, Dennis Proctor would be entitled to continue to participate in the Group insurance programmes for one year following the change of control and, unless otherwise provided in the relevant option agreement, all stock options and stock based awards granted to him will become exercisable at the date of the change of control and will remain exercisable for one year

Richard Hunting entered into a Service Agreement with the Company on 15 December 1989 This was amended effective 1 March 2004 whereby both the Company and the Director are required to give one year's notice of termination

Peter Rose entered into a Service Agreement with the Company on 23 April 2008

Under the terms of the Service Agreements for Richard Hunting and Peter Rose, both the Company and the Directors are required to give one year's notice of termination The Company reserves the right to pay them in lieu of notice (whether given by the Company or by them) The payment in lieu comprises salary only for Richard Hunting and salary and bonus only for Peter Rose The Company also has the option to put Richard Hunting and Peter Rose on paid leave of absence on payment of a sum equivalent to salary for Richard Hunting and salary and bonus for Peter Rose (based on the previous 12 month period), subject to them complying with the terms of their Service Agreement These conditions also apply on termination following a change of control In addition, Peter Rose would be entitled to an acceleration of all share options and share-based awards, which would become immediately exercisable and remain exercisable for a period of one year following termination

The Company has authorised the executive Directors to undertake non-executive Directorships outside of the Group provided these do not interfere with their primary duties Richard Hunting held an external non-executive position for part of the year and his remuneration in 2009, which he is entitled to retain, was £13,000

Non-executive Directors

Non-executive Directors are initially appointed for a fixed term of three years and thereafter, subject to approval of the Board, for a further three year term Iain Paterson was re-appointed for an additional one year term from 6 June 2009 In the event of early termination by the Company non-executive Directors are not entitled to receive compensation for loss of office Their letters of appointment are available for inspection by shareholders during normal business hours at the Company's registered office or at the Annual General Meeting

Non-executive Director	*Date of first appointment or subsequent re-appointment*	*Term of appointment*	*Unexpired term from 25 February 2010*
George Helland	1 October 2007	Three years	7 months
John Hofmeister	26 August 2009	Three years	30 months
John Nicholas	26 August 2009	Three years	30 months
Iain Paterson	6 June 2009	One year	3 months

Non-executive Director fees are determined by the Board as a whole on recommendation of the executive Directors and are reviewed annually in December each year The non-executive Directors do not participate in the Group's share plans or receive any other benefits

Remuneration Committee's Report continued

The table below shows the non-executive Directors fees for the year to 31 December 2009 as well as the fees applying from 1 January 2010

	2009	2010
Annual fees	£45,000	£50,000
Additional fees		
Senior Independent Director	£3,000	£3,000
Committee Chairman (Audit and Remuneration)	£6,000	£6,000

Emoluments (audited)

In the year to 31 December 2009, the highest paid Director received total emoluments of £535,000 as shown below

Emoluments received by each Director during the year were as follows

	Salary and fees £000	Annual bonus £000	Benefits £000	2009 Total £000	2008 Total £000
Executive Directors					
Richard Hunting	181	–	16	197	186
Dennis Proctor	418	94	23	535	801
Peter Rose	211	36	19	266	343
Dennis Clark (to 23 April 2008)	–	–	–	–	101
Terry Gomke (to 12 December 2008)	–	–	–	–	578
Non-executive Directors					
George Helland	51	–	–	51	51
John Hofmeister (from 26 August 2009)	16	–	–	16	–
Hector McFadyen (to 3 September 2009)	31	–	–	31	45
John Nicholas (from 26 August 2009)	16	–	–	16	–
Iain Paterson	54	–	–	54	54
Total remuneration	**978**	**130**	**58**	**1,166**	**2,159**
Analysed as					
Executive Directors	810	130	58	998	2,009
Non-executive Directors	168	–	–	168	150
Total remuneration	**978**	**130**	**58**	**1,166**	**2,159**

Benefits comprise company car and fuel benefits, subscriptions and life and disability insurance

Comparator figures for 2008 for Peter Rose are from his appointment as a Director on 23 April 2008

The remuneration of the non-UK executive Directors is paid in local currency and is as follows

		Salary and fees 000	Annual bonus 000	Benefits 000	2009 Total 000	2008 Total 000
Dennis Proctor	US$	656	148	36	840	1,486
Terry Gomke (to 12 December 2008)	C$	–	–	–	–	1,133

Remuneration Committee's Report continued

Directors' Share Interests (audited)

The interests of Directors in the issued Ordinary shares of the Company, were as follows

	31 December 2009 (or cessation date) Ordinary shares	31 December 2008 (or appointment date) Ordinary shares
Executive Directors		
Richard Hunting	736,241	736,241
as trustee	1,310,919	1,315,519
Dennis Proctor	754,898	754,898
Peter Rose	25,750	25,750
Non-executive Directors:		
George Helland	18,750	18,750
John Hofmeister	5,000	-
Hector McFadyen	25,000	25,000
John Nicholas	5,000	-
Iain Paterson	2,500	2,500

The market price of the Ordinary shares at 31 December 2009 was 582 5p The highest and lowest mid-market prices during the year were 588 5p and 380 5p respectively

Directors' outstanding options to acquire Ordinary shares are shown below

Remuneration Committee's Report continued

Directors' Options over Ordinary Shares (audited)

The following Directors had options to acquire Ordinary shares of the Company under the 2001 share option scheme described in note 37 to the financial statements The vesting of options are subject to performance conditions set out within the remuneration policy on pages 27 to 30

		Grant year	Options at 1 January and 31 December 2009	Exercise price p	Date exercisable	Expiry date
Dennis Proctor	+	2001	426,738	194 0	28 03 04	27 03 11
	+	2002	181,622	167 4	15 04 05	14 04 12
	+	2004	309,705	116 9	31 03 07	30 03 14
	+	2005	171,742	220 7	09 03 08	08 03 15
	+	2006	104,178	383 0	08 03 09	07 03 16
	^	2007	64,688	640 0	06 03 10	05 03 17
	^	2008	55,449	784 5	04 03 11	03 03 18
Peter Rose	+	2001	8,190	194 0	28 03 04	27 03 11
	+	2005	29,454	220 7	09 03 08	08 03 15
	+	2006	18,277	383 0	08 03 09	07 03 16
	^	2007	15,000	640 0	06 03 10	05 03 17
	^	2008	21,670	784 5	04 03 11	03 03 18

+ vested and currently exercisable
^ not yet vested/exercisable

No options were granted, exercised or lapsed during the year

Dennis Clark and Terry Gomke, who ceased to be Directors during 2008, exercised all their outstanding options as at 31 December 2008, during 2009

Directors Awards under the Performance Share Plan (audited)

The following Directors were granted awards to acquire Ordinary shares of the Company under the Performance Share Plan described in note 37 to the financial statements The vesting of awards either in shares or cash are subject to performance conditions set out within the remuneration policy on page 29

	Award Date	Awards granted	Mid-market price at award date p	Awards at 31 December 2009	Vesting Date
Dennis Proctor	29 04 09	38,863	444 25	38,863	28 04 12
Peter Rose	29 04 09	15,000	444 25	15,000	28 04 12

Remuneration Committee's Report continued

Long Term Incentive Plan (audited)

	Interest in three year performance cycle awarded April 2007 vested 31 December 2009 (at 1 January 2009)	Interest in three year performance cycle awarded March 2008 and vesting 31 December 2010 (at 1 January 2009)	Interest in three year performance cycle awarded February 2009 and vesting 31 December 2011 (at 1 January 2009)	Value of award in respect of three year performance cycle vested 31 December 2009
Dennis Proctor	35%	35%	35%	£907,547
Peter Rose	15%	15%	15%	£369,250

Executive Directors and senior executives are invited to participate in the Company's LTIP, with all awards subject to the performance conditions outlined on page 29 Awards are settled at the end of each performance cycle in cash or shares The determination of whether to deliver benefits under the LTIP in cash or shares is not made until after awards vest This applied to the performance cycle that vested on 31 December 2008 with Dennis Proctor receiving £1,186,668 and Peter Rose receiving £350,000 in cash

Dennis Clark, who retired as a Director of the Company on 23 April 2008, received a payment of £336,353 on 23 March 2009 in respect of his interests in the three year cycle ending 31 December 2008 and an accelerated payment of £168,168 in respect of the three year cycle ending 31 December 2009

The mid-market price of an Ordinary share on the date of award, 2 April 2007, for the cycle vested 31 December 2009, was 755p and the price on the date of vesting, 31 December 2009, was 582 5p

The mid-market price of an Ordinary share on the date of award, 26 February 2009, was 410p

Pensions (audited)

UK executive Directors are members of the Hunting Pension Scheme ("the Scheme") which is a defined benefit pension scheme The retirement age for executive Directors under the Scheme is 60 and they are entitled to, subject to certain limits, a pension of up to two thirds of final salary Pensionable salary is the annual salary less an amount equal to the State Lower Earnings Limit Richard Hunting contributed 8 5% of his pensionable salary up until his Scheme retirement date of 31 July 2006 Peter Rose contributes a similar proportion of his salary to the Scheme The Scheme provides all members a lump sum death in service benefit of four times base salary and a spouse's pension of two thirds of the member's pension on the member's death Bonuses and benefits do not qualify as pensionable salary

Dennis Proctor participates in a US 401K Tax Deferred Savings Plan

Remuneration Committee's Report continued

Directors' Pension Benefits (audited)

Set out below are details of the pension benefits to which each of the executive Directors is entitled

	Increase in accrued pension during 2009 including inflation £000 pa	*Increase in accrued pension during 2009 excluding inflation £000 pa*	*Transfer value of increase less Directors' contributions £000*	*Total accrued pension at 31 December 2009 £000 pa*	*Transfer value at 31 December 2009 £000*	*Transfer value at 31 December 2008 £000*	*Difference in transfer values less Directors' contributions £000*
Richard Hunting	-	-	-	117	3,053	2,781	272
Peter Rose	8	5	190	68	1,823	1,376	429

Notes

(i) The total accrued pension shown is that which would be paid annually on retirement for life based on service to 31 December 2009

(ii) The transfer values at 31 December 2009 have been based on estimated insurance company pricing terms, reflecting the fact that most of the benefits are covered by insurance policies

(iii) Richard Hunting's normal retirement date was 31 July 2006 No further benefits have accrued to him since that date The pension figure shown above is the combination of his pension in payment and his residual late retirement pension available as at 31 December 2009 The year-end transfer value reflects only the value of the pension shown above and does not include the value of benefits received during the year

(iv) Peter Rose's accrued pension at 31 December 2009 includes a temporary pension of £9,000 pa

(v) In addition, contributions amounting to £53,242 were paid to money purchase arrangements for Dennis Proctor

The information on pages 27 to 32, excluding Directors' Emoluments, of this report is not audited and the information on pages 32, from Directors' Emoluments, to 36 is audited

By Order of the Board

George Helland
Chairman of the Remuneration Committee
25 February 2010

Corporate Governance

Combined Code

This statement, which has been approved by the Board, reports on the Company's compliance during the year ended 31 December 2009 with the Combined Code on Corporate Governance ("the Code") as issued by the Financial Reporting Council in June 2008 (available on its website www frc org uk) and how the principles contained within the Code have been applied Compliance with the principles relating to Directors' Remuneration is reported within the Remuneration Committee's Report on pages 27 to 36 The Board notes two areas of non-compliance with the Code during the year

- The Chairman and senior independent non-executive Director were available but did not meet with key shareholders during the year
- Prior to the appointment of John Nicholas on 26 August 2009, no independent non-executive Director had recent and relevant financial experience

These areas of non-compliance are discussed further below

The Board

The Board of Directors currently comprises the Chairman, Chief Executive, Finance Director and four independent non-executive Directors John Hofmeister and John Nicholas were appointed to the Board as independent non-executive Directors on 26 August 2009 and Hector McFadyen, an independent non-executive Director, retired from the Board on 3 September 2009 Iain Paterson is the nominated senior independent non-executive Director This composition, with a separate Chairman and Chief Executive, ensures a balance of responsibilities and authorities Non-executive Directors' letters of appointment include details of their duties and expected time commitments required The Directors, together with brief biographical details, are identified on page 18 Excluding the Chairman, two thirds of the Board is currently comprised of independent non-executive Directors

All Directors are subject to re-election by the shareholders at least every three years The non-executive Directors are initially appointed for a three year term with subsequent reappointments conditional upon an appraisal and review process described below Letters of appointment for each of the independent non-executive Directors are available from the Company upon request and their terms of appointment are summarised on page 31 Details of the executive Directors' service contracts are set out on pages 30 to 31

On appointment to the Board, each Director receives comprehensive induction tailored to their experience and needs John Hofmeister and John Nicholas have received an induction to the Group, including site visits to subsidiaries All Directors have access to the Company Secretary and to independent professional advice, at the Company's expense, in the furtherance of their duties Directors are encouraged to maintain their skills and knowledge to best practice standards and, where appropriate, attend update training courses on relevant topics The Company Secretary, through the Chairman, is responsible for keeping the Board informed of Corporate Governance developments and maintaining corporate awareness of legislative and regulatory changes The appointment and removal of the Company Secretary is a matter reserved for the Board

The Board normally meets formally five times a year and convened seven times during 2009, of which one meeting was held in North America Meeting dates are set a year in advance All Directors attended all the Board meetings held whilst in tenure during the year, with the exception of Hector McFadyen who was unable to attend the June meeting

Board papers are always circulated in advance of meetings These include detailed financial reports on the Group's activities and reports on each operating subsidiary In addition, the meetings held in February and August focus on the full year and half year results respectively and the meeting in December focuses on the budget for the following financial year

The duties and responsibilities of the Board and its committees are formally agreed by the Board in writing In addition, the division of responsibility between the Chairman and the Chief Executive is set out in writing and agreed by the Board Matters specifically reserved for the Board include, but are not limited to, the following

- Compliance with UK Company Law and UK Listing Rule requirements
- Review the Group's system of internal control and assess its effectiveness

Corporate Governance continued

- Consider Group commercial strategy and approve the annual budget
- Consider Board appointments, terms of reference for each Director and the Board sub committees
- Board remuneration as recommended by the Remuneration Committee

The Board, its committees and each individual Director participate in an annual performance evaluation appraisal, the purpose of which is to confirm the continued effective contribution and performance of the individual or committee Evaluation of the Board was undertaken by the non-executive Directors and took account of Directors' attendance and their contribution at meetings, financial performance of the Group against budget, compliance with corporate governance and best practice guidelines and market perception of the Group The Nomination, Remuneration and Audit Committees were evaluated by the executive Directors and took account of communication with the Board and compliance with terms of reference The evaluation of the Chairman was undertaken by the non-executive Directors and included an assessment of his leadership and direction of the Board The appraisal of the Chief Executive was completed by the non-executive Directors together with the Chairman Evaluation of the other individual Directors took account of their contribution and, in the case of executive Directors, the performance of their executive duties

Prior to the reappointment of a non-executive Director, the Nomination Committee undertakes an evaluation of the Director's contribution and commitment to the Board together with an evaluation of the Board's requirements In the case of a non-executive Director being reappointed for a term beyond nine years, the Code recommends a particularly rigorous evaluation with particular consideration being given to the need to regularly refresh the Board and to his continued independence The Nomination Committee undertook such an evaluation of Iain Paterson prior to his reappointment for a one year term effective from 6 June 2009 concluding that he remained a committed and independent contributor to the Board Iain Paterson did not participate in the evaluation process undertaken by the Committee

Shareholders approved amendments to the Company's Articles of Association at the Annual General Meeting held in 2008, which included provisions giving the Directors authority to approve actual and potential conflicts of interest as permitted under the Companies Act 2006

The Company has procedures in place to deal with conflicts of interest whereby actual and potential conflicts of interest are reviewed, and appropriate authorisation sought, prior to the appointment of any new Director or if a new conflict arises In accordance with the Articles of Association, only non-conflicted Directors are involved in the authorisation process The Board is of the view that these procedures operated effectively throughout the year

The Board has three main committees to which it delegates responsibility and authorities

Nomination Committee – members of the Committee are Richard Hunting (Chairman), Dennis Proctor and the non-executive Directors John Hofmeister and John Nicholas were appointed to the Committee on 26 August 2009 and Hector McFadyen retired from the Committee on 3 September 2009 The Committee, which convened three times during the year, has written terms of reference approved by the Board and which are published on the Company's website Committee members in office participated in all Committee meetings except for Iain Paterson who did not attend the meeting to consider his reappointment and Hector McFadyen was unable to attend the meeting in June The role of the Committee includes leading the process for Board appointments and determining the terms of new appointments The Committee also considers succession planning which takes into account the experience and skills required of Board members The Committee met on 21 April 2009 to consider the reappointment of Iain Paterson as an independent non-executive Director and on 25 August 2009 to consider the appointments of John Hofmeister and John Nicholas as independent non-executive Directors

Remuneration Committee – details of the Remuneration Committee are contained within their report on page 27 The Committee, which convened four times during the year with all members in tenure participating, has written terms of reference approved by the Board which are published on the Company's website John Hofmeister and John Nicholas were appointed to the Committee on 26 August 2009 and Hector McFadyen retired from the Committee on 3 September 2009

Corporate Governance continued

Audit Committee - members of the Committee comprise exclusively the independent non-executive Directors John Hofmeister and John Nicholas were appointed to the Committee on 26 August 2009 and Hector McFadyen retired from the Committee on 3 September 2009 Since the appointment of John Nicholas, the Company is compliant with the Code recommendation for one member of the Committee to have recent and relevant financial experience On 24 February 2010, John Nicholas replaced Iain Paterson as Chairman of the Audit Committee Iain Paterson remains as a member of the Committee The Committee met four times during the year and operates under written terms of reference approved by the Board which are published on the Company's website All Committee members attended all meetings held whilst in their tenure during the year It normally meets in February and August each year with a third meeting in April coinciding with the Group's Annual General Meeting The Chief Executive, Finance Director and the auditors are invited to attend all meetings The auditors present an audit report at each meeting for consideration by the Committee Their full year report includes a statement on their independence, their ability to remain objective and to undertake an effective audit The Committee considers and assesses this independence statement on behalf of the Board taking into account the level of fees paid particularly for non-audit services PricewaterhouseCoopers LLP and its predecessor firms have been the Company's auditors for many years The Audit Committee is satisfied with their effectiveness and their independence and has not considered it necessary to require an independent tender process The Audit Committee considers the reappointment of the auditors annually and makes a recommendation to the Board During 2009, the Committee continued to closely monitor fees paid to the auditors in respect of non-audit services, which are analysed within note 9 on page 71 and include £0 9m in respect of taxation advice At the August meeting, scheduled to be held immediately prior to the announcement of the half year results, the auditors present their interim report to the Committee which includes audit scope and fee estimates for the annual audit The Committee normally meets with the auditors without executive Directors present at the end of each formal meeting

Other responsibilities of the Audit Committee include

- Review of reports on the Group's system of internal control
- Review of reports from the Group's internal audit process and agreement of internal audit scope
- Review of the external auditor's independence and effectiveness of the audit process and assess the level and quality of service in relation to fees paid
- Monitor the Group's financial statements and announcements
- Monitor and approve engagements of the external auditor to provide non-audit services for the Group

The Board receives copies of all reports submitted to the Audit Committee

The senior independent non-executive Director, Iain Paterson, is the primary point of contact for staff of the Company to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise All employees have been notified of this arrangement through the corporate magazine, company notice boards and the Company web site

Institutional Shareholders

The Company uses a number of processes for communicating with shareholders, including the annual and half year reports, Interim Management Statements issued twice yearly and the Annual General Meeting to which all shareholders are invited

In addition, the Chief Executive and Finance Director meet on a one-to-one basis with all principal shareholders at least twice a year or when requested to update them on Group performance and strategy The Board is in turn briefed by the Chief Executive, when appropriate, on matters raised by shareholders Non-executive Directors are offered the opportunity to meet with shareholders and are available to meet if requested by shareholders No meetings between non-executive Directors and shareholders were requested or took place during 2009

Corporate Governance continued

The Code recommends that the Chairman and the senior independent non-executive Director should meet with key shareholders in order that the Board receives a balanced view of shareholder issues or concerns The Board has reviewed its procedures currently in place for ensuring they are fairly and adequately apprised of shareholder issues The Company's major shareholders are listed, together with the information required under the Disclosure and Transparency Rules 7 2 6, within the Report of the Directors' on page 21

Internal Controls

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness The internal control system, which has been in place throughout 2009 and up to the date of approval of these accounts, is an ongoing process designed to identify, evaluate and manage the significant risks to which the Company is exposed Any such system of internal control can however, only provide reasonable, but not absolute assurance against material misstatement or loss in the financial statements and of meeting internal control objectives The Directors have reviewed the effectiveness of the Group's system of internal control for the period covered by these financial statements, the key features of which are as follows

Management structure – within operational parameters set by the Board, management is delegated to the executive Directors Subsidiaries operate within clearly defined policies and authorities contained within a Group Manual under a decentralised management structure All senior management changes require the prior approval of the Chief Executive

Reporting and consolidation – all subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable This includes weekly, bi-monthly and quarterly treasury reports, monthly management accounts, annual budgets and two-year plans, together with half year and annual statutory reporting The Group's consolidation process is maintained and updated with regular communication, including distribution of the Group's accounting manual to all reporting units The Group monitors and reviews new UK Listing Rules, Disclosure and Transparency Rules, accounting standards, interpretations and amendments and legislation and other statutory requirements Subsidiary reporting entities are supported by instruction from Group and structured training All data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets The content and format of reporting is kept under review and periodically amended to ensure appropriate information is available

Strategic planning and budgeting – strategic plans and annual budgets containing comprehensive financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance Clearly defined procedures exist for capital expenditure proposals and authorisation

Quality assurance – most of the business sectors within which the Group operates are highly regulated and subsidiaries are invariably required to be accredited, by the customer or an industry regulator, to national or international quality organisations These organisations undertake regular audits and checks on subsidiary operating procedures and practices ensuring compliance with regulatory requirements

Monitoring process – in addition to reports from external auditors, the Audit Committee receives reports from the internal auditors as part of the Group's internal audit and risk assessment programme

All subsidiaries undertake formal self-assessment risk reviews a minimum of three times a year on their internal control environment These reviews encompass the identification of the key business, financial, compliance and operational risks facing the business, together with an assessment of the controls in place for managing and mitigating these risks Additionally, risks are evaluated for their potential impact on the business The results of these reviews, together with a review of risks facing the Group as a whole, are reported to the Board Risk management is a Board agenda item at every Board meeting

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Committee's Report and the financial statements in accordance with applicable law and regulations

Corporate Governance continued

Company law requires the Directors to prepare financial statements for each financial year Under that law, the Directors have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") 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 Group and the Company and of the profit or loss of the Group for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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,
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration Committee's Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are also responsible for the maintenance and integrity of the Company's website, www hunting plc uk Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Pursuant to the Disclosure and Transparency Rules, each of the Directors, whose names and functions are listed on page 18, confirm that, to the best of their knowledge and belief

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company, and
- the Business Review on pages 4 to 17 includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties they face

By order of the Board

Peter Rose
Company Secretary
25 February 2010

Report of the Auditors

Independent Auditors' Report to the Members of Hunting PLC

We have audited the financial statements of Hunting PLC for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows, the Accounting Policies 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 40 and 41, 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 group's and the parent 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 group's and of the parent company's affairs as at 31 December 2009 and of the group's profit and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion

- the part of the Remuneration Committee's Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Report of the Auditors continued

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Remuneration Committee's Report to be audited 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

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 24 in relation to going concern, and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Charles van den Arend (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 February 2010

Notes

(a) The maintenance and integrity of the Hunting PLC website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards as adopted by the European Union and IFRIC Interpretations The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of available for sale financial assets and those financial assets and financial liabilities held for trading

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

- IFRS 8 *Operating Segments*
- 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*

IFRS 8 *Operating Segments* has been adopted from 1 January 2009 IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to allocate resources to the segments and assess their performance Segment reporting under IFRS 8 requires a presentation of the segment results based on management reporting methods and a reconciliation between the results of the business segments and the consolidated financial statements

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 Group 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

The adoption of the amendment to IAS 16, a part of Improvements to IFRSs issued in May 2008, requires those entities, whose activities include renting assets, to recognise rental income as revenue and to transfer the carrying amount of the assets to inventories when the assets become held for sale, and to present the carrying amount in cost of sales and the proceeds as revenue on the sale of those assets A consequential amendment to IAS 7 states that the cash flows arising from the purchase, rental and sale of those assets are classified as cash flows from operating activities The impact of this on the Group's accounts has been to reclassify net cash outflows of £11 0m for the year ended 2008 from investing activities to operating activities in the Consolidated Statement of Cash Flows

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 Group

Principal 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 I – 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 the Group's results or financial position except for IFRS 3 (revised)

IFRS 3 (revised) *Business Combinations* is effective for the Group for all business combinations which complete after 31 December 2009 The revised standard introduces significant changes to the accounting for business acquisitions All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as liabilities subsequently re-measured through the income statement All costs directly attributable to the acquisition must be expensed to the income statement in the period in which they are incurred The Group has chosen to expense in 2009 costs of £0 2m directly attributable to acquisitions that may complete after 31 December 2009 IFRS 3 (revised) also offers a choice, on an acquisition-by-acquisition basis, to measure any non-controlling interest (currently the "minority interest") in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets The Group will continue to measure any non-controlling interest at the non-controlling interest's proportionate share of the acquiree's identifiable net assets

Change in Accounting Policy from Carrying Property at Valuation to Historic Cost

The Group has elected to change its accounting policy from carrying property at valuation to carrying it at historical cost under IAS 16 *Property, Plant and Equipment* The accounting policy for depreciation remains unchanged The property portfolio of the Group has reduced significantly following the disposal of Gibson Energy on 12 December 2008 and the significance of property, plant and equipment on the balance sheet has declined In addition, the majority of the Group's peers use historical cost and so the use of historical cost will improve comparability

Principal Accounting Policies continued

Prior year comparatives have been restated to reflect this change in policy, as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The impact of this change in accounting policy is set out below

	Year ended 31 December 2008 (as previously reported) £m	Change in accounting policy £m	Restated Year ended 31 December 2008 £m	Hunting Energy France Discontinued Operation £m	Year ended 31 December 2008 as presented £m
Consolidated Income Statement					
Gross Profit	120 1	-	120 1	(10 3)	109 8
Other operating income	4 7	-	4 7	(0 3)	4 4
Operating expenses	(114 8)	0 2	(114 6)	8 3	(106 3)
Net finance costs	(3 2)	-	(3 2)	(0 2)	(3 4)
Share of post-tax profits in associates	1 2	-	1 2	-	1 2
Taxation	(7 7)	(0 1)	(7 8)	0 8	(7 0)
Profit for the year					
From continuing operations	0 3	0 1	0 4	(1 7)	(1 3)
From discontinued operations	256 3	51 0	307 3	1 7	309 0
Profit for the year	**256 6**	**51 1**	**307 7**	**-**	**307 7**
Earnings per share					
Basic EPS	193 4p	39 0p	232 4p	-	232 4p
Diluted EPS	187 4p	45 0p	232 4p	-	232 4p
Consolidated Statement of Comprehensive Income					
Profit for the year	256 6	51 1	307 7	-	307 7
Other comprehensive income after tax					
Exchange adjustments	44 2	(3 8)	40 4	-	40 4
Release of foreign exchange adjustments on disposal of subsidiary	(18 0)	4 2	(13 8)	-	(13 8)
Impairment of revalued assets	(0 4)	0 4	-	-	-
Other components of comprehensive income	(15 9)	-	(15 9)	-	(15 9)
Other comprehensive income after tax	9 9	0 8	10 7	-	10 7
Total comprehensive income for the year	**266 5**	**51 9**	**318 4**	**-**	**318 4**

	Year ended 31 December 2008 (as previously reported) £m	Change in accounting policy £m	Restated Year ended 31 December 2008 £m
Consolidated Balance Sheet			
Property, plant and equipment	130 6	(11 0)	119 6
Deferred tax liabilities	(18 6)	2 1	(16 5)
Other assets and liabilities	454 2	-	454 2
Net assets	**566 2**	**(8.9)**	**557 3**
Share capital	33 0	-	33 0
Share premium	90 0	-	90 0
Revaluation reserve	9 6	(9 6)	-
Foreign currency translation reserve	33 1	0 8	33 9
Retained earnings	383 5	(0 1)	383 4
Other components of equity	4 8	-	4 8
Minority interests	12 2	-	12 2
Total equity	**566 2**	**(8 9)**	**557 3**

The impact of the change in accounting policy on the 2007 results was to reduce profit for the year from discontinued operations by £0 2m

Principal Accounting Policies continued

Consolidation

On adoption of IFRS, the Company elected not to restate business combinations prior to 1 January 2004 The Group accounts include the results of the Company and its subsidiaries, together with its share of associates

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities

Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date control ceases

All intra-group transactions, balances, income and expenses are eliminated on consolidation Uniform accounting policies have been adopted across the Group

Minority interests

Minority interests are those interests in the net assets and results of consolidated subsidiaries, which are not attributable, directly or indirectly, to the Group, and are identified separately in shareholders' equity

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture Generally, the Group regards an investment in the voting rights of between 20% and 50% as an associate The Group's share of after tax results of associates is included separately in the income statement and the Group's share of the net assets is included separately in the balance sheet

Discontinued Operations

A discontinued operation is a component of the Group that has either been disposed of during the year or that is classified as held-for-sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations Discontinued operations are presented on the income statement as a separate line and are shown net of tax

Revenue

Revenue is measured as the fair value of the consideration received or receivable for the provision of goods or services in the ordinary course of business, taking into account trade discounts and volume rebates, and is stated net of sales taxes Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be reliably measured

Revenue from services is recognised as the services are rendered Revenue from product sales is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products

Long term contracts are contracts which cover more than one accounting period and which do not fall within the definition of construction contracts

Revenue on long term contracts for the supply of services is recognised according to the stage of completion reached in the contract by reference to the work done during the period An estimate of the profit attributable to work completed is only recognised once the outcome of the contract can be reliably measured Expected losses are recognised in full as soon as losses are probable The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed as trade receivables/payables

Principal Accounting Policies continued

Revenue on long term contracts for the supply of goods is recognised on completion of the contract when the significant risks and rewards of ownership are transferred to the customer However, if control and the significant risks and rewards of ownership of the work in progress in its current state are transferred to the customer as construction progresses, then revenue is recognised by reference to the stage of completion

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 Group's financial performance Exceptional items are principally profits or losses on the closure or disposal of subsidiaries, provision for warranties on disposal of subsidiaries, the impairment of assets and provisions for onerous leases

Interest

Interest income and expense is recognised in the income statement using the effective interest method, except for finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets until such time as they are substantially ready for their intended use or sale

Foreign Currencies

The financial statements for each of the Group's subsidiaries and associates are prepared using their functional currency The functional currency is the currency of the primary economic environment in which an entity operates

The presentation currency of the Group and functional currency of Hunting PLC is sterling

Transactions in currencies other than the functional currency of the company are translated at the exchange rate ruling at the date of the transaction

Monetary assets and liabilities denoted in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the income statement

For consolidation purposes, the net assets of overseas subsidiaries and associates are translated into sterling at the exchange rates ruling at the balance sheet date The income statements of overseas subsidiaries and associates are translated into sterling at the average rates of exchange for the year Exchange differences are recognised directly in equity in the foreign currency translation reserve, together with exchange differences arising on foreign currency borrowings used to finance overseas net equity investments The foreign currency translation reserve commenced on 1 January 2004 and all cumulative translation differences for foreign operations that existed on 1 January 2004 were deemed to be zero

On the disposal of a business, the cumulative exchange differences previously recognised in the foreign currency translation reserve relating to that business are transferred to the income statement as part of the gain or loss on disposal

Segmental Reporting

Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker ("CODM") is disclosed in the accounts Information on operating segments, which are components of the Group that are engaged in providing related products, is presented Geographical information presented is based on the location of where the sale originated and where the non-current assets are located

Research and Development

Research costs and development costs ineligible for capitalisation are written off to the income statement as incurred

Principal Accounting Policies continued

Taxation

The taxation charge in the income statement comprises current tax and deferred tax arising on the current year's net profits and adjustments to tax arising on prior year's profits

Current tax is the expected net tax payable arising in the current year on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to net tax payable in respect of prior years' net profits

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

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

If items of income and expense are recognised in other comprehensive income, then the current and deferred tax relating to those items is also recognised in other comprehensive income

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

Exploration Expenditure

Oil and gas exploration and appraisal costs are initially capitalised to wells or fields as appropriate, pending determination of the existence of commercial reserves Expenditures incurred during the exploration and appraisal phases are written off unless probable ('commercial') reserves have been established or the determination process has not been completed Drilling expenditure and directly attributable operational overheads associated with an exploratory dry hole are expensed immediately upon final determination that commercially viable quantities of hydrocarbons are not found

When an oil or gas field has been approved for development, the accumulated exploration and appraisal costs are transferred to oil and gas properties

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value Costs include expenditure that is directly attributable to the acquisition and installation of the items and finance costs directly attributable to the acquisition, construction or production of qualifying assets

Depreciation is charged so as to write off the cost of assets, other than land or assets under construction, using the straight-line method, over their estimated useful lives, at the following rates

Freehold buildings	2%-10%
Leasehold buildings	life of lease
Oil and gas exploration and development equipment	unit of production
Plant, machinery and motor vehicles	6%-33⅓%
Pipelines, tanks and associated equipment	3%-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period

Freehold land and expenditure on the exploration for and evaluation of mineral resources are not depreciated

Assets in the course of construction are carried at cost, less any impairment in value Depreciation of these assets commences when the assets are ready for their intended use

Principal Accounting Policies continued

Computer software integral to an item of machinery is capitalised as part of the hardware

Property, plant and equipment are impaired if their recoverable amount falls below their carrying value Impairment losses are charged to the income statement immediately

Oil and gas development expenditure is stated at cost less accumulated depreciation and any impairment in value Where commercial production in an area of interest has commenced, the capitalised costs are depreciated using the unit of production method over the total proved reserves of the field concerned Costs are depreciated only when commercial reserves associated with a development project can be determined with reasonable accuracy and commercial production has commenced

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired Goodwill arises where the fair value of the consideration paid exceeds the fair value of the Group's share of the net assets acquired

Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses Negative goodwill is immediately written off to the income statement

Goodwill is allocated to cash-generating units for the purpose of impairment testing The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose

On the disposal of a business, goodwill relating to that business remaining on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal

Goodwill written off to reserves prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal

Other Intangible Assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses, where applicable Those assets that have a finite life are amortised in accordance with the pattern of expected future economic benefits, or when this cannot be reliably estimated, by using the straight-line method General computer software is capitalised as an intangible asset and amortised over a period of between three and eight years, customer relationships are amortised over a period of between five and ten years and other intangibles over a period of between three and eight years

Impairments

The Group carries out impairment reviews in respect of goodwill at least annually The Group also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible 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

An impairment loss in respect of goodwill is not reversed In respect of other assets, 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

Principal Accounting Policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash Accrued interest is disclosed as part of the year end balance

For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit

Financial Assets

The Group classifies its financial assets into the following categories financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets 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 Group 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 Group 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 carried at amortised cost is regarded as an integral part of the loan balance and therefore included within the carrying amount of those loans Consequently, interest receivable within twelve months on loans due after more than one year is recognised within non-current assets

(c) Available for sale financial assets

Available for sale financial assets are held at fair value, with changes in fair value recognised directly in equity On disposal or impairment, the accumulated gains and losses previously recognised in equity are recognised in the income statement

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 Group subsequently re-measures all of its non-derivative 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 amount of those loans Consequently, interest payable within twelve months on loans due after more than one year is recognised in non-current borrowings

Principal Accounting Policies continued

Debt Issue Costs

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

Derivatives and Financial Instruments

Derivatives are initially recognised at fair value as net proceeds received or consideration paid at the trade date and are subsequently re-measured at their fair value at each balance sheet date

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

Derivative and primary financial instruments that are designated in a hedge relationship are accounted for under 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 derivatives designated in a fair value hedge are recorded in the income statement, together with changes in the fair values 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 and hedged items 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 derivatives designated in a cash flow hedge is recognised directly in equity The gains and losses relating to the ineffective portion are recognised in the income statement Amounts accumulated in equity are taken to the income statement at the same time the hedged item is recognised in the income statement When a forecast transaction is no longer expected to occur, the cumulative gains and losses that were reported in equity are immediately transferred to the income statement

(c) Net investment hedge in foreign operations
Gains and losses on the hedging instrument relating to the effective portion of the hedge are recognised in equity Gains and losses relating to the ineffective portion are recognised immediately in the income statement Gains and losses accumulated in equity are released to the income statement when the foreign operation is sold

All of the Group'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

Embedded derivatives
An embedded derivative is a feature in a sales or purchase contract that causes the cash flows of the contract to change whenever there is a change in a specified variable The Group reviews its sales and purchase contracts when they first become a party to the contract in order to determine the existence of embedded derivatives within them

Derivatives that are embedded within a host contract are separated from that contract and measured at fair value unless either (1) the host contract is measured at fair value, in which case the fair value of the derivative is subsumed within the fair value of the entire contract, or (2) the derivative is closely related to the host contract, in which case the derivative is measured at cost An embedded derivative is regarded as not closely related to its host contract when the cash flows it modifies are associated with risks that are not inherent in the contract itself

Subsequent reassessment of whether an embedded derivative is required to be separated from the host contract is prohibited unless there is a change in the contract's terms

Principal Accounting Policies continued

Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful lives and their lease terms The corresponding rental obligations are included in borrowings as finance lease liabilities, initially at a value equal to the fair value of the leased asset, of if lower, at a value equal to the present value of the minimum lease payments Interest incurred on finance leases is charged to the income statement on an accruals basis

All other leases are operating leases and the rental of these is charged to the income statement as incurred over the life of the lease on a straight-line basis Operating lease income is recognised in the income statement within other income as it is earned

Provisions

Provisions are liabilities where the amount or timing of future expenditure is uncertain Provisions are recognised when the Group 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

Employee Benefits

Payments to defined contribution retirement schemes are charged to the income statement as they fall due

For defined benefit retirement schemes, the expected cost of providing benefits is determined using the Projected Unit Method, with valuations updated annually by qualified independent actuaries at each balance sheet date Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income The asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, as offset by the fair value of plan assets Interest arising on the present value of the defined benefit obligation and the expected return on the plan's assets is recognised, as a net figure, within interest in the income statement

Past service cost is recognised immediately to the extent that the benefits are already vested and is otherwise amortised on a straight line basis over the average period until the benefits become vested

All cumulative actuarial gains and losses at 1 January 2004 have been recognised in reserves

The expected cost of post-employment benefit obligations is spread evenly over the period of service of the employees

Share-based Payments

The Group issues equity-settled shared-based payments to certain employees The fair value of share awards with market-related vesting conditions are determined by an external valuer, using the Monte Carlo valuation model, and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised

IFRS 2 *Share-based Payments* has been applied from 1 January 2004 to grants of equity instruments issued after 7 November 2002 that had not vested by 1 January 2005

Principal Accounting Policies continued

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

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax

Treasury Shares
Treasury shares are stated at cost and presented as a deduction from equity attributable to owners of the parent Consideration received for the sale of these shares is also recognised directly in equity, with any difference between the proceeds from the sale and the original cost being taken directly to retained earnings

Dividend Distributions
Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the interim dividends are paid and the final dividends are approved by the Company's shareholders and are dealt with in the Statement of Changes in Equity

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 amounts of the following significant assets and liabilities employee benefits (as detailed in note 30), property, plant and equipment (useful lives), goodwill (note 15), deferred taxation (timing of liabilities and timing and recoverability of assets), share based payments (as detailed in note 37) available for sale financial assets (fair value) and provisions (fair value of obligation and discount rate)

In respect of the sale of Gibson Energy, accounting estimates and judgements have been applied in determining the fair value of the outstanding equity warrant (note 27), which is based on management's best estimate of the recoverable amount given the global market conditions, and provisions for tax indemnities, where the timing and amount of any provisions that may be payable remains uncertain

Consolidated Income Statement

For the Year ended 31 December 2009

	Notes	Before exceptional items 2009 £m	Exceptional items 2009 £m	Total 2009 £m	Restated Before exceptional items 2008 £m	Restated Exceptional items 2008 £m	Restated Total 2008 £m
Revenue	2	359 9	-	359 9	418 5	-	418 5
Cost of sales		(261 4)	-	(261 4)	(292 5)	(16 2)	(308 7)
Gross profit		98 5	-	98 5	126 0	(16 2)	109 8
Other operating income	3	5 0	-	5 0	4 4	-	4 4
Operating expenses	4	(67 7)	0 6	(67 1)	(71 6)	(34 7)	(106 3)
Profit from continuing operations	1	35 8	0 6	36 4	58 8	(50 9)	7 9
Interest income	8	6 2	-	6 2	7 0	-	7 0
Interest expense	8	(4 4)	-	(4 4)	(10 4)	-	(10 4)
Share of post-tax profits of associates	1, 17	0 9	-	0 9	1 2	-	1 2
Profit before tax from continuing operations	9	38 5	0 6	39 1	56 6	(50 9)	5 7
Taxation	10	(12 2)	-	(12 2)	(18 7)	11 7	(7 0)
Profit for the year							
From continuing operations		26 3	0 6	26 9	37 9	(39 2)	(1 3)
From discontinued operations	11	0 9	3 9	4 8	40 9	268 1	309 0
Profit for the year		**27 2**	**4 5**	**31.7**	**78 8**	**228 9**	**307 7**
Profit attributable to							
Owners of the parent	33	24 2	4 5	28 7	75 3	228 9	304 2
Minority interests	34	3 0	-	3 0	3 5	-	3 5
		27.2	**4 5**	**31 7**	**78 8**	**228 9**	**307 7**

		Notes	Total 2009	Total 2008
Earnings per share				
Basic	– from continuing operations	13	18 2p	(3 6)p
	– from discontinued operations	13	3 7p	236 0p
	- Group total		**21 9p**	**232 4p**
Diluted	– from continuing operations	13	17 8p	(3 6)p
	– from discontinued operations	13	3 6p	236 0p
	- Group total		**21.4p**	**232 4p**

The income statement for the year ended 31 December 2008 has been restated to reflect the Group's change in accounting policy from carrying property at valuation to carrying these at historical cost

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2009

	2009 £m	Restated 2008 £m
Profit for the year	31 7	307 7
Other comprehensive income after tax		
Exchange adjustments	(9 8)	40 4
Release of foreign exchange adjustments on disposal of subsidiary	(3 1)	(13 8)
Fair value gains and losses		
- gain on available for sale financial asset arising during the period	1 3	1 2
- gains (losses) originating on cash flow hedges arising during the period	0 6	(3 1)
- losses transferred to income statement on disposal of cash flow hedges	2 2	0 4
Actuarial losses on defined benefit pension schemes	(0 3)	(14 4)
Other comprehensive income after tax	(9 1)	10 7
Total comprehensive income for the year	**22 6**	**318 4**
Total comprehensive income attributable to		
Owners of the parent	19 7	314 6
Minority interests	2 9	3 8
	22 6	**318.4**

Consolidated Balance Sheet

At 31 December 2009

	Notes	2009 £m	Restated 2008 £m	Restated 2007 £m
ASSETS				
Non-current assets				
Property, plant and equipment	14	121 4	119 6	241 8
Goodwill	15	54 1	29 3	72 4
Other intangible assets	16	4 3	1 2	13 9
Interests in associates	17	11 7	10 8	10 5
Available for sale financial assets	18	29 8	28 5	0 2
Retirement benefit assets	30	8 0	7 6	25 2
Trade and other receivables	20	3 6	1 6	2 8
Deferred tax assets	21	4 6	5 9	7 1
		237 5	204 5	373 9
Current assets				
Inventories	22	116 4	124 3	142 1
Trade and other receivables	20	60 2	124 0	244 3
Investments		–	–	0 9
Cash and cash equivalents	23	403 6	421 4	79 8
		580 2	669 7	467 1
LIABILITIES				
Current liabilities				
Trade and other payables	24	109 7	164 8	262 1
Current tax liabilities		8 3	13 6	7 1
Borrowings	25	38 0	49 1	89 2
Provisions	29	61 4	56 2	4 5
		217 4	283 7	362 9
Net current assets		362 8	386 0	104 2
Non-current liabilities				
Borrowings	25	0 6	–	130 7
Deferred tax liabilities	21	18 4	16 5	79 7
Retirement benefit obligations	30	–	–	1 1
Other payables	24	2 0	–	0 1
Provisions	29	17 5	16 7	15 4
		38 5	33 2	227 0
Net assets		**561 8**	**557 3**	**251 1**
Equity attributable to owners of the parent				
Share capital	31	33 1	33 0	32 9
Share premium	31	90 2	90 0	87 2
Other components of equity	32	28 0	38 7	11 9
Retained earnings	33	397 2	383 4	108 1
		548 5	545 1	240 1
Minority interests	34	13 3	12 2	11 0
Total equity		**561.8**	**557 3**	**251 1**

Company Balance Sheet

At 31 December 2009

	Notes	2009 £m	2008 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	19	312 9	284 2
Trade and other receivables	20	10 2	21 2
		323 1	305 4
Current assets			
Trade and other receivables	20	1 8	36 0
Current tax assets		3 6	6 4
		5 4	42 4
LIABILITIES			
Current liabilities			
Trade and other payables	24	8 0	9 4
Borrowings	25	16 5	31 6
		24 5	41 0
Net current (liabilities) assets		(19 1)	1 4
Non-current liabilities			
Borrowings	25	127 9	138 7
Deferred tax liabilities	21	0 1	0 1
		128 0	138 8
Net assets		**176 0**	**168 0**
Equity attributable to owners of the parent			
Share capital	31	33 1	33 0
Share premium	31	90 2	90 0
Other components of equity	32	4 3	4 9
Retained earnings	33	48 4	40 1
Total equity		**176 0**	**168 0**

The notes on pages 63 to 120 are an integral part of these consolidated financial statements The financial statements on pages 44 to 120 were approved by the Board of Directors on 25 February 2010 and were signed on its behalf by

Dennis Proctor

Registered number 974568

Peter Rose
Directors

Consolidated Statement of Changes in Equity

	Year ended 31 December 2009						
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January	**33 0**	**90 0**	**47 5**	**383 5**	**554 0**	**12 2**	**566 2**
Change in accounting policy	-	-	(8 8)	(0 1)	(8 9)	-	(8 9)
At 1 January as restated	**33 0**	**90 0**	**38 7**	**383 4**	**545 1**	**12 2**	**557 3**
Comprehensive income							
Profit for the year	-	-	-	28 7	28 7	3 0	31 7
Exchange adjustments	-	-	(9 7)	-	(9 7)	(0 1)	(9 8)
Release of foreign exchange adjustments on disposal of subsidiary	-	-	(3 1)	-	(3 1)	-	(3 1)
Fair value gains and losses							
- gain on available for sale financial assets arising during the period	-	-	1 3	-	1 3	-	1 3
- gains originating on cash flow hedges arising during the period	-	-	0 6	-	0 6	-	0 6
- losses transferred to income statement on disposal of cash flow hedges	-	-	2 2	-	2 2	-	2 2
Actuarial losses on defined benefit pension schemes	-	-	-	(0 3)	(0 3)	-	(0 3)
Total other comprehensive income	-	-	(8 7)	(0 3)	(9 0)	(0 1)	(9 1)
Total comprehensive income	**-**	**-**	**(8 7)**	**28 4**	**19 7**	**2 9**	**22 6**
Transactions with owners							
Dividends	-	-	-	(13 8)	(13 8)	(1 8)	(15 6)
Shares issued							
- share option schemes	0 1	0 1	-	-	0 2	-	0 2
Purchase of Treasury shares	-	-	-	(7 9)	(7 9)	-	(7 9)
Disposal of Treasury shares	-	-	-	4 0	4 0	-	4 0
- taxation	-	-	-	0 2	0 2	-	0 2
Share options							
- value of employee services	-	-	1 0	-	1 0	-	1 0
- discharge	-	0 1	(1 6)	1 5	-	-	-
Transfer between reserves	-	-	(1 4)	1 4	-	-	-
Total transactions with owners	**0 1**	**0.2**	**(2 0)**	**(14 6)**	**(16 3)**	**(1 8)**	**(18 1)**
At 31 December	**33 1**	**90 2**	**28 0**	**397 2**	**548 5**	**13 3**	**561 8**

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
	Year ended 31 December 2008						
At 1 January	**32 9**	**87 2**	**73 3**	**107 5**	**300 9**	**11 0**	**311 9**
Change in accounting policy	–	–	(61 4)	0 6	(60 8)	–	(60 8)
At 1 January as restated	**32 9**	**87 2**	**11 9**	**108 1**	**240 1**	**11.0**	**251 1**
Comprehensive income							
Profit for the year	–	–	–	304 2	304 2	3 5	307 7
Other comprehensive income							
Exchange adjustments	–	–	40 1	–	40 1	0 3	40 4
Release of foreign exchange adjustments on disposal of subsidiary	–	–	(13 8)	–	(13 8)	–	(13 8)
Fair value gains and losses							
– gain on available for sale financial assets arising during the period	–	–	1 2	–	1 2	–	1 2
– losses originating on cash flow hedges arising during the period	–	–	(3 1)	–	(3 1)	–	(3 1)
– losses transferred to income statement on disposal of cash flow hedges	–	–	0 4	–	0 4	–	0 4
Actuarial losses on defined benefit pension schemes	–	–	–	(14 4)	(14 4)	–	(14 4)
Total other comprehensive income	–	–	24 8	(14 4)	10 4	0 3	10 7
Total comprehensive income	**–**	**–**	**24 8**	**289 8**	**314 6**	**3 8**	**318 4**
Transactions with owners							
Dividends	–	–	–	(11 3)	(11 3)	(2 6)	(13 9)
Shares issued							
– share option schemes	–	0 1	–	–	0 1	–	0 1
– LTIP awards	0 1	2 6	–	–	2 7	–	2 7
Purchase of Treasury shares	–	–	–	(7 5)	(7 5)	–	(7 5)
Disposal of Treasury shares	–	–	–	2 6	2 6	–	2 6
– taxation	–	–	–	1 4	1 4	–	1 4
Share options							
– value of employee services	–	–	2 4	–	2 4	–	2 4
– discharge	–	0 1	(0 4)	0 3	–	–	–
Total transactions with owners	**0 1**	**2 8**	**2 0**	**(14.5)**	**(9 6)**	**(2 6)**	**(12 2)**
At 31 December	**33.0**	**90 0**	**38 7**	**383 4**	**545 1**	**12 2**	**557.3**

Company Statement of Changes in Equity

	Year ended 31 December 2009				
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m
At 1 January	**33 0**	**90.0**	**4 9**	**40 1**	**168 0**
Comprehensive income					
Profit for the year	–	–	–	24 6	24 6
Transactions with owners					
Dividends	–	–	–	(13 8)	(13 8)
Shares issued					
- share option schemes	0 1	0 1	–	–	0 2
Purchase of Treasury shares	–	–	–	(7 9)	(7 9)
Disposal of Treasury shares	–	–	–	4 0	4 0
Share options					
- value of employee services	–	–	1 0	–	1 0
- discharge	–	0 1	(1 6)	1 5	–
Other	–	–	–	(0 1)	(0 1)
Total transactions with owners	**0 1**	**0 2**	**(0 6)**	**(16 3)**	**(16 6)**
At 31 December	**33 1**	**90 2**	**4 3**	**48 4**	**176 0**

	Year ended 31 December 2008				
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m
At 1 January	**32 9**	**87.2**	**2 8**	**19 0**	**141 9**
Comprehensive income					
Profit for the year	–	–	–	37 0	37 0
Transactions with owners					
Dividends	–	–	–	(11 3)	(11 3)
Shares issued					
- share option schemes	–	0 1	–	–	0 1
- LTIP awards	0 1	2 6	–	–	2 7
Purchase of Treasury shares	–	–	–	(7 5)	(7 5)
Disposal of Treasury shares	–	–	–	2 6	2 6
Share options					
- value of employee services	–	–	2 4	–	2 4
- discharge	–	0 1	(0 4)	0 3	–
Other	–	–	0 1	–	0 1
Total transactions with owners	**0 1**	**2 8**	**2 1**	**(15 9)**	**(10 9)**
At 31 December	**33 0**	**90 0**	**4 9**	**40 1**	**168 0**

Consolidated and Company Statement of Cash Flows

For the Year ended 31 December 2009

	Notes	Group 2009 £m	Group Restated 2008 £m	Company 2009 £m	Company 2008 £m
Operating activities					
Continuing operations					
Profit (loss) from operations		36 4	7 9	(5 3)	(2 9)
Exceptional items		(0 6)	50 9	-	-
Depreciation, amortisation and impairment		14 8	16 9	-	-
Loss on disposal of property, plant and equipment		1 6	2 0	-	-
Proceeds from disposal of property, plant and equipment held for rental		2 0	2 6	-	-
Purchase of property, plant and equipment held for rental		(7 3)	(13 6)	-	-
Decrease (increase) in inventories		2 3	(21 4)	-	-
Decrease (increase) in receivables		48 1	(23 5)	14 1	(14 6)
(Decrease) increase in payables		(38 5)	29 2	(1 6)	4 1
Taxation (paid) received		(10 0)	(7 2)	4 4	0 6
Other non-cash flow items		(7 7)	(3 9)	2 5	2 7
Discontinued operations		3 2	28 4	-	-
Net cash inflow (outflow) from operating activities		44 3	68 3	14 1	(10 1)
Investing activities					
Continuing operations					
Dividends received from subsidiaries		-	-	50 0	25 5
Dividends received from associates	17	0 2	1 0	-	-
Purchase of subsidiaries		(44 3)	(1 6)	(30 5)	-
Net cash acquired with subsidiaries		1 4	-	-	-
Disposal of subsidiaries		26 5	525 9	0 3	-
Net cash disposed of with subsidiary		(2 5)	(1 5)	-	-
Closure of business		-	(0 7)	-	-
Loans to associates		-	(0 4)	-	-
Loans from associates repaid		(0 5)	(1 5)	-	-
Loans to associates repaid		1 0	-	-	-
Proceeds from disposal of property, plant and equipment		0 7	1 8	-	-
Purchase of property, plant and equipment		(14 3)	(21 2)	-	-
Purchase of intangibles and investments		(0 1)	(0 1)	-	-
Discontinued operations		(0 3)	(35 4)	-	-
Net cash (outflow) inflow from investing activities		(32 2)	466 3	19 8	25 5
Financing activities					
Continuing operations					
Interest received		4 9	5 8	0 7	2 2
Interest paid		(1 9)	(8 1)	(3 1)	(11 2)
Equity dividends paid		(13 8)	(11 3)	(13 8)	(11 3)
Minority interest dividend paid		(1 8)	(2 6)	-	-
Share capital issued		0 2	0 2	0 2	0 2
Purchase of treasury shares		(7 7)	(6 2)	(7 7)	(6 2)
Disposal of treasury shares		3 9	1 3	3 9	1 3
Capital element of finance leases		(1 3)	-	-	-
Proceeds from new borrowings		0 6	-	10 9	-
Repayment of borrowings		-	(162 2)	(10 7)	(13 5)
Loan to subsidiary		-	-	-	(0 4)
Repayment of deposits		-	0 9	-	-
Discontinued operations		-	(4 3)	-	-
Net cash outflow from financing activities		(16 9)	(186 5)	(19 6)	(38 9)
Net cash (outflow) inflow in cash and cash equivalents		(4 8)	348 1	14 3	(23 5)
Cash and cash equivalents at the beginning of period		372 4	19 7	(31 6)	(8 1)
Effect of foreign exchange rates		(1 8)	4 6	0 8	-
Cash and cash equivalents at end of the year		**365 8**	**372.4**	**(16 5)**	**(31 6)**
Cash and cash equivalents at the end of the year comprise					
Cash and cash equivalents (note 23)		403 6	421 4	-	-
Bank overdrafts included in borrowings (note 25)		(37 8)	(49 0)	(16 5)	(31 6)
		365 8	**372 4**	**(16 5)**	**(31 6)**

Notes to the Financial Statements

1 SEGMENTAL REPORTING

The Group reports on six operating segments in its internal management reports The Group's segments are strategic business units that offer different products and services to international oil and gas companies, the aviation and shipping sector

As indicated in the Chief Executive's Review in the Annual Report and Accounts for 2008, a new segment, Well Intervention, has been identified and reported in internal management reports Although the Well Intervention segment does not currently meet the requirements of a reportable segment, management has concluded that this segment should be reported separately as it is an area of strategic focus of the business and is expected to materially contribute to Group revenue in the future

The Well Construction segment provides products and services used by customers for the drilling phase of oil and gas wells along with associated equipment used by the underground construction industry for telecommunication infrastructure build-out

The Well Completion segment provides products and services used by customers for the completion phase of oil and gas wells

The Well Intervention segment provides products and services used by customers for the production, maintenance and restoration of existing oil and gas wells

The Exploration and Production segment includes the Group's oil and gas exploration and production activities in the Southern US and offshore Gulf of Mexico

Gibson Shipbrokers is a global energy shipping broker headquartered in London Crude oil, fuel oil and bio fuels are actively shipped along with dry bulk such as coal, iron ore and grain The company is also involved in the shipping of liquefied petroleum gas ("LPG"), petrochemicals and liquefied natural gas ("LNG")

Field Aviation is an aircraft service organisation providing modification, installation, distribution, maintenance and manufacturing services for regional, business and government operators worldwide

The following tables present the results of the operating segments on the same basis as that used for internal reporting purposes to Dennis Proctor, the Chief Operating Decision Maker ("CODM") The information for the year ended 31 December 2008 has been re-presented to show the Well Intervention operating segment and to take into account the change in accounting policy from carrying property at valuation to carrying these at historical cost

The Group measures the performance of its operating segments based on revenue and profit from operations, before any exceptional items Accounting policies used for segment reporting reflect those used for the Group Inter-segment sales are priced on an arms-length basis Costs and overheads incurred centrally are apportioned to the operating segments on the basis of time attributed to those operations by senior executives

Notes to the Financial Statements continued

1 SEGMENTAL REPORTING (continued)
Results from operations

	Year ended 31 December 2009					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Hunting Energy Services						
Well Construction	80 0	(2 1)	77 9	3 3	–	3 3
Well Completion	184 7	(8 5)	176 2	20 3	–	20 3
Well Intervention	29 4	–	29 4	4 0	–	4 0
Exploration and Production	5 6	–	5 6	0 3	–	0 3
	299 7	(10 6)	289 1	27 9	–	27 9
Other Operating Divisions						
Gibson Shipbrokers	20 8	–	20 8	0 7	–	0 7
Field Aviation	50 0	–	50 0	7 2	–	7 2
	70 8	–	70 8	7 9	–	7 9
Total from continuing operations	**370 5**	**(10 6)**	**359.9**	**35 8**	**–**	**35 8**
Exceptional items not apportioned to business segments				–	0 6	0 6
Profit from continuing operations				**35 8**	**0 6**	**36 4**
Net finance income				1 8	–	1 8
Share of post-tax profits in associates				0 9	–	0 9
Profit before tax from continuing operations				**38 5**	**0 6**	**39 1**
Discontinued operations						
Gibson Energy	–	–	–	–	1 0	1 0
Hunting Energy France	18 9	–	18 9	1 2	2 8	4 0
Total from discontinued operations	**18 9**	**–**	**18 9**	**1 2**	**3 8**	**5 0**
Net finance costs				0 1	–	0 1
Taxation				(0 4)	0 1	(0 3)
Profit from discontinued operations				**0 9**	**3 9**	**4 8**

Notes to the Financial Statements continued

1 SEGMENTAL REPORTING (continued)

	Restated Year ended 31 December 2008					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before exceptional items £m	Exceptional items £m	Total £m
Continuing operations						
Hunting Energy Services						
Well Construction	118 4	(6 4)	112 0	13 5	(13 4)	0 1
Well Completion	193 6	(3 8)	189 8	26 6	(4 9)	21 7
Well Intervention	23 3	–	23 3	4 6	–	4 6
Exploration and Production	14 8	–	14 8	5 9	(16 2)	(10 3)
	350 1	(10 2)	339 9	50 6	(34 5)	16 1
Other Operating Divisions						
Gibson Shipbrokers	31 2	–	31 2	6 9	–	6 9
Field Aviation	47 4	–	47 4	1 3	(2 8)	(1 5)
	78 6	–	78 6	8 2	(2 8)	5 4
Total from continuing operations	**428 7**	**(10 2)**	**418 5**	**58 8**	**(37 3)**	**21 5**
Exceptional items not apportioned to business segments*				–	(13 6)	(13 6)
Profit from continuing operations				**58 8**	**(50 9)**	**7.9**
Net finance costs				(3 4)	–	(3 4)
Share of post-tax profits in associates				1 2	–	1 2
Profit before tax from continuing operations				**56 6**	**(50 9)**	**5 7**

*Exceptional items not apportioned to business segments primarily relate to head office provisions

	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before exceptional items £m	Exceptional items £m	Total £m
Discontinued operations						
Gibson Energy						
Marketing	2,567 8	(779 9)	1,787 9	6 6	–	6 6
Truck Transportation	147 3	(18 1)	129 2	16 8	–	16 8
Terminals and Pipelines	502 8	(434 1)	68 7	17 5	–	17 5
Propane Distribution and Marketing	229 5	(17 5)	212 0	7 7	–	7 7
Moose Jaw Refinery	302 6	(129 6)	173 0	10 8	–	10 8
Profit on disposal (note 11)	–	–	–	–	258 8	258 8
	3,750 0	(1,379 2)	2,370 8	59 4	258 8	318 2
Hunting Energy France	21 5	–	21 5	2 3	–	2 3
Total from discontinued operations	**3,771.5**	**(1,379.2)**	**2,392 3**	**61 7**	**258 8**	**320 5**
Net finance costs				(4 1)	–	(4 1)
Share of post-tax losses in associates				(0 2)	–	(0 2)
Taxation				(16 5)	9 3	(7 2)
Profit from discontinued operations				**40 9**	**268 1**	**309 0**

Profit from operations for Gibson Energy excludes depreciation and amortisation charges from 30 April 2008

Notes to the Financial Statements continued

1 SEGMENTAL REPORTING (continued)

Segment Assets

	2009 £m	2008 £m
Continuing operations		
Hunting Energy Services		
Well Construction	98 2	123 6
Well Completion	154 9	166 0
Well Intervention	62 0	20 7
Exploration and Production	22 3	26 3
	337 4	**336 6**
Other Operating Divisions		
Gibson Shipbrokers	7 4	9 6
Field Aviation	11 1	31 5
	18 5	**41 1**
Interests in associates	**11 7**	**10 8**
Total segment assets – continuing operations	**367 6**	**388.5**
Discontinued operations		
Hunting Energy France	–	19 3
Total segment assets – discontinued operations	–	**19 3**
Unallocated assets – continuing operations.		
– current and deferred taxes	4 6	5 7
– retirement benefit assets	8 0	7 6
– net cash	403 6	419 4
– other*	34 2	35 3
– elimination of inter-segment balances	(0 3)	(3 8)
Unallocated assets – discontinued operations		
– current and deferred taxes	–	0 2
– net cash	–	2 0
Total assets	**817 7**	**874 2**

*Other assets include the equity warrant of £29 6m (2008 – £28 3m) and the bond received on the disposal of Hunting Energy France £2 2m (2008 – £nil)

Notes to the Financial Statements continued

1 SEGMENTAL REPORTING (continued)

Other segment items

	2009		2008	
	Depreciation £m	Amortisation of intangible assets £m	Depreciation £m	Amortisation of intangible assets £m
Continuing operations				
Hunting Energy Services				
Well Construction	3 9	-	5 2	-
Well Completion	5 5	-	4 3	-
Well Intervention	1 8	0 6	1 1	0 3
Exploration and Production	2 3	-	5 3	-
	13 5	**0 6**	**15 9**	**0 3**
Other Operating Divisions				
Gibson Shipbrokers	0 2	-	0 2	-
Field Aviation	0 5	-	0 5	-
Total - continuing operations	**14 2**	**0 6**	**16 6**	**0 3**
Discontinued operations				
Gibson Energy				
Marketing	-	-	0 2	-
Truck Transportation	-	-	1 5	0 1
Terminals and Pipelines	-	-	1 5	-
Propane Distribution and Marketing	-	-	1 3	0 4
Moose Jaw Refinery	-	-	0 1	0 1
Hunting Energy France	0 3	-	0 3	-
Total - discontinued operations	**0.3**	**-**	**4 9**	**0 6**

Notes to the Financial Statements continued

1 SEGMENTAL REPORTING (continued)

Geographical information

The Group mainly operates in five geographical areas The UK is the domicile of Hunting PLC The table below shows revenues from external customers which are attributed to individual countries on the basis of the location in which the sale originated Information on the location of non-current assets is also presented below Non-current assets exclude financial instruments, defined benefit assets and deferred tax assets

	External revenue		Non-current assets	
	2009	2008	2009	2008
	£m	£m	£m	£m
Continuing operations.				
UK	108 7	112 5	72 4	59 2
USA	100 3	153 7	112 3	95 2
Canada	94 0	103 5	23 0	20 9
Rest of Europe	17 3	15 9	2 7	2 9
Singapore	38 1	32 9	14 3	7 3
Other	1 5	–	0 2	0 2
	359 9	418 5	224 9	185 7
Discontinued operations·				
Canada	–	2,370 8	-	–
Rest of Europe	18 9	21 5	-	5 3
	378 8	**2,810 8**	**224 9**	**191 0**

Major customer information

The Group had no (2008 – nil) customers who accounted for more than 10% of the Group's external revenue during the year

Company

The Company's business is to invest in its subsidiaries and, therefore, it operates in a single segment

2 REVENUE

	2009	2008
	£m	£m
Sales of goods	339 1	386 3
Revenue from services	20 8	32 2
Continuing operations	**359 9**	**418.5**

3 OTHER OPERATING INCOME

	2009	2008
	£m	£m
Royalty income	1 1	1 1
Operating lease rental income	1 7	0 8
Other income	0 7	0 2
Gain on disposal of property, plant and equipment	0 3	1 5
Net gains on fair value movement of non-hedging derivatives	0 1	0 2
Foreign exchange gains	1 1	0 5
Gain on disposal of available for sale investments	-	0 1
Continuing operations	**5 0**	**4 4**

Notes to the Financial Statements continued

4 OPERATING EXPENSES

	2009 £m	Restated 2008 £m
Administration expenses	65 1	104 0
including		
Exceptional items (note 5)	(0 6)	34 7
Net loss on fair value movement of non-hedging derivatives	0 2	0 1
Distribution costs	2 0	2 3
Continuing operations	**67.1**	**106 3**

5 EXCEPTIONAL ITEMS

	2009 £m	2008 £m
Exceptional items comprise		
Impairment of goodwill	-	16 3
Impairment of property, plant and equipment	-	16 8
Property provisions	0 9	10 6
Other exceptional items	(1 5)	7 2
Continuing operations	**(0 6)**	**50 9**

The Group has released £1 5m of surplus provisions relating to warranties given in respect of a former subsidiary and £0 9m of additional provisions have been booked following a reassessment of leasehold property exposures

During 2008, a goodwill impairment charge was recognised, following a downturn in business activity levels Property, plant and equipment impairment of £16 8m in 2008 included an oil and gas development expenditure impairment of £16 2m The Group also increased its property provisions by £10 6m in 2008 for onerous lease obligations as a result of additional remediation and dilapidation costs, the impact of the economic downturn on the recoverability of rental income, the fall in interest rates and a change in legislation resulting in property rates being paid on vacant properties

6 EMPLOYEES

	2009			2008		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Staff costs during the year comprised						
Wages and salaries	78 3	4 3	82 6	83 1	40 0	123 1
Social security costs	6 9	2 0	8 9	7 5	3 8	11 3
Share options – value of employee services	1 0	–	1 0	1 2	1 2	2 4
Pension costs – defined contribution schemes (note 30)	2 9	0 1	3 0	2 4	1 4	3 8
Pension costs – defined benefit schemes (note 30)	1 1	-	1 1	1 1	0 5	1 6
	90 2	**6 4**	**96 6**	**95 3**	**46 9**	**142 2**

	2009			2008		
	Continuing operations No	Discontinued operations No	Total No	Continuing operations No	Discontinued operations No	Total No
The average monthly number of employees (including executive directors) comprised						
UK	457	–	457	427	–	427
Rest of Europe	52	104	156	51	106	157
Canada	472	-	472	626	777	1,403
USA	692	-	692	784	4	788
Asia Pacific	216	-	216	100	–	100
	1,889	**104**	**1,993**	**1,988**	**887**	**2,875**

Notes to the Financial Statements continued

6 EMPLOYEES (continued)
The Company has no employees

Key management comprises the executive and non-executive Directors only Their compensation is

	2009 £m	2008 £m
Salaries and short term employee benefits	1 2	2 3
Post employment benefits	0 1	0 1
Long term incentive plan	1 3	2 4
Share-based payments	0 1	0 2
	2 7	**5 0**

Salaries and short term benefits are included within Emoluments on page 32 of the Remuneration Committee's Report Post employment benefits comprise employer pension contributions Share options exercised are disclosed on page 34 within Directors' Options over Ordinary Shares in the Remuneration Committee's Report

7 EBITDA
Earnings before interest, tax, depreciation and amortisation ("EBITDA") comprises

	2009 £m	Restated 2008 £m
Profit from continuing operations (page 55)	36 4	7 9
Add Exceptional (income) charges excluding impairment (note 5)	(0 6)	17 6
Depreciation, amortisation and impairment (notes 9, 14 and 15)	14 8	50 2
	50 6	**75 7**

8. NET FINANCE COSTS

	2009 £m	2008 £m
Interest income		
Bank balances and deposits	4 7	3 4
Gain on fair value movement of non-hedging financial instruments	0 3	0 7
Other investment income	0 3	1 0
Foreign exchange gains	0 9	1 9
	6 2	**7 0**
Interest expense and similar charges		
Bank overdrafts	0 8	3 0
Bank borrowings	-	2 0
Other loans and borrowings	-	1 8
– Fair value hedge – interest on interest rate swaps	-	(0 3)
– Fair value hedge – fair value movement on interest rate swaps	-	0 2
– Fair value hedge – fair value movement on other loans and borrowings	-	0 1
Loans from associates	-	0 2
Unwinding of discount in provisions	0 5	0 5
Bank fees and commissions	0 2	0 1
Other	0 7	1 4
Foreign exchange losses	1 8	-
Loss on fair value movement of non-hedging financial instruments	0 4	1 4
	4 4	**10 4**
Net finance income (expense) – continuing operations	**1.8**	**(3 4)**

Notes to the Financial Statements continued

9 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The following items have been charged (credited) in arriving at profit before tax from operations

	2009 £m	Restated 2008 £m
Staff costs (note 6)	90 2	95 3
Depreciation of property, plant and equipment		
- owned assets	14 2	16 6
Amortisation of other intangible assets (included in operating expenses)	0 6	0 3
Impairment of goodwill (included in operating expenses)	-	16 3
Impairment of property, plant and equipment (included in cost of sales and operating expenses)	-	16 8
Impairment of other intangible assets (included in operating expenses)	-	0 2
Impairment of trade and other receivables	0 8	5 8
Cost of inventories recognised as expense (included in cost of sales)	179 3	202 0
Write down in inventories	5 2	0 8
Profit on disposal of investments	-	(0 1)
Loss on disposal of property, plant and equipment	1 6	2 0
Operating lease payments		
- Plant and machinery	0 6	0 1
- Property	5 2	6 5
Research and development expenditure	0 9	0 2
Net foreign exchange losses (gains)		
- financial assets held for trading	0 3	0 7
- cash and cash equivalents	0 9	(1 9)
- loans and receivables	1 9	(7 9)
- financial liabilities held for trading	(0 1)	1 8
- financial liabilities measured at amortised cost	(0 2)	4 8

Services provided by the Group's auditor PricewaterhouseCoopers LLP and its associates comprised

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Statutory audit of the parent and Group accounts	0 2	0 2	0 2	0 2
Statutory audit of the Group's subsidiaries accounts	0 8	0 8	-	-
Transaction services	0 4	1 0	-	-
Tax services	0 9	0 8	0 3	0 4
Other	0 1	-	-	-
	2.4	**2.8**	**0 5**	**0 6**

Notes to the Financial Statements continued

10 TAXATION

	2009 £m	Restated 2008 £m
The tax charge (credit) in the income statement comprised		
Current tax		
– current year expense	9 0	12 8
– adjustment in respect of prior years	(0 9)	0 7
Deferred tax (note 21)		
– origination and reversal of temporary differences	1 5	(7 4)
– previously unrecognised tax losses and credits	2 6	0 9
Total tax charged to the income statement – continuing operations	**12 2**	**7 0**

The tax charge to the income statement includes tax of £nil (2008 – £11 7m credit) in respect of exceptional items Tax includes £nil (2008 – £5 5m credit) in respect of the impairment of oil and gas development expenditure and £nil (2008 – £3 0m credit) in respect of property provisions

The weighted average applicable tax rate for continuing operations before exceptional items is 31 7% (2008 – 32 8%) The lower rate in 2009 is mainly due to the increased weighting of profits arising in lower tax jurisdictions particularly in SE Asia

The tax for the year is higher (2008 – higher) than the standard rate of UK corporation tax of 28% (2008 – 28 5%) for the following reasons

	2009 £m	Restated 2008 £m
Profit before tax from continuing operations	**39 1**	5 7
Tax at 28% (2008 – 28 5%)	10 9	1 6
Permanent differences	2 4	0 4
(Untaxed) non-tax deductible exceptional items	(0 1)	3 8
Utilisation of unrecognised tax assets	(0 8)	–
Lower rate of tax on overseas profits	(1 9)	(0 4)
Adjustments in respect of prior years	1 7	1 6
Tax charge for the year – continuing operations	**12 2**	**7 0**

Notes to the Financial Statements continued

10 TAXATION (continued)

Tax effects relating to each component of other comprehensive income

	2009 Before tax £m	2009 Tax (charged) credited £m	2009 After tax £m	Restated 2008 Before tax £m	Restated 2008 Tax (charged) credited £m	Restated 2008 After tax £m
Exchange adjustments	(12 1)	2 3	(9 8)	46 7	(6 3)	40 4
Release of foreign exchange adjustments on disposal of subsidiary	(3 1)	–	(3 1)	(12 5)	(1 3)	(13 8)
Fair value gains and losses						
– gain on available for sale financial asset arising during the period	1 3	–	1 3	1 2	–	1 2
– gains (losses) originating on cash flow hedges arising during the period	0 8	(0 2)	0 6	(3 6)	0 5	(3 1)
– (gains) losses transferred to income statement on disposal of cash flow hedges	2 3	(0 1)	2 2	0 6	(0 2)	0 4
Actuarial losses on defined benefit pension schemes	(0 4)	0 1	(0 3)	(19 6)	5 2	(14 4)
	(11 2)	**2 1**	**(9 1)**	**12 8**	**(2.1)**	**10 7**

Tax credited directly in equity

	2009 £m	2008 £m
Disposal of Treasury shares	**0 2**	**1 4**

Notes to the Financial Statements continued

11 DISCONTINUED OPERATIONS

On 22 December 2009, the Group sold Huntıng Energy France SA, ıts French-based busıness, whıch provıded petrochemıcal equıpment to the French, ınternatıonal and assocıated ındustrıes

On 6 August 2008, the Group entered ınto an agreement for the sale of Gıbson Energy Inc (Gıbson Energy), ıts mıdstream servıces operatıon The sale was completed on 12 December 2008

The results from dıscontınued operatıons comprıse the tradıng results of Huntıng Energy France, Gıbson Energy and the gaıns on dısposal as follows

	2009 Huntıng Energy France £m	2009 Gıbson Energy £m	2009 Total £m	2008 Huntıng Energy France £m	2008 Restated Gıbson Energy £m	2008 Total £m
Tradıng results						
Revenue	18 9	-	18 9	21 5	2,370 8	2,392 3
Cost of sales	(9 1)	-	(9 1)	(11 2)	(2,303 7)	(2,314 9)
Gross profit	9 8	-	9 8	10 3	67 1	77 4
Other operatıng ıncome	0 1	-	0 1	0 3	0 5	0 8
Operatıng expenses	(8 7)	-	(8 7)	(8 3)	(8 2)	(16 5)
Profit from operatıons	1 2	-	1 2	2 3	59 4	61 7
Interest ıncome	0 1	-	0 1	0 2	0 2	0 4
Interest expense and sımılar charges	-	-	-	-	(4 5)	(4 5)
Share of post-tax loss ın assocıates	-	-	-	-	(0 2)	(0 2)
Profit before tax	1 3	-	1 3	2 5	54 9	57 4
Taxatıon	(0 4)	-	(0 4)	(0 8)	(15 7)	(16 5)
Profit for the year	**0 9**	-	**0 9**	**1 7**	**39 2**	**40 9**
Gaın on dısposal						
Gaın on sale before tax	2 8	1 0	3 8	-	258 8	258 8
Taxatıon	0 1	-	0 1	-	9 3	9 3
Gaın on sale after tax	**2 9**	**1 0**	**3 9**	-	**268 1**	**268 1**
Total profit from dıscontınued operatıons	**3 8**	**1 0**	**4 8**	**1.7**	**307.3**	**309 0**

Under the terms of the sale of Gıbson Energy, the consıderatıon payable by the purchaser was subject to the preparatıon and agreement of completıon accounts These have been agreed ın 2009 and result ın an addıtıonal cash consıderatıon payable by the purchaser of £17 6m, whıch was receıved on 20 Aprıl 2009

Provısıons held ın respect of the Gıbson Energy dısposal have been reassessed and result ın addıtıonal provısıons for tax ındemnıtıes and warrantıes of £16 0m Foreıgn exchange losses of £0 6m have also been recognısed These offset the addıtıonal consıderatıon receıved and result ın an addıtıonal profıt on dısposal before tax of £1 0m

The gaıns on the dısposal of Gıbson Energy and Huntıng Energy France are exempt from taxatıon due to the avaılabılıty of the "Substantıal Shareholdıng Exemptıon"

Tax relıef ıs avaılable on certaın costs ıncluded ın the profıt on dısposal of Huntıng Energy France but whıch are not ıncluded ın the taxable gaın

12 RESULTS FOR THE FINANCIAL YEAR

In accordance wıth the exemptıon allowed by Sectıon 408 of the Companıes Act 2006, the Company has not presented ıts own ıncome statement A profit of £24 6m (2008 – £37 0m) has been dealt wıth ın the accounts of the Company

Notes to the Financial Statements continued

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year

For diluted earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares The dilution in respect of share options applies where the exercise price is less than the average market price of the Company's Ordinary shares during the year and the possible issue of shares under the Group's long term incentive plans

Reconciliations of the earnings and weighted average number of Ordinary shares used in the calculations are set out below

From continuing operations

	Earnings £m	2009 Weighted average number of shares millions	Earnings per Ordinary share pence	Earnings £m	Restated 2008 Weighted average number of shares millions	Earnings per Ordinary share pence
Profit before exceptional items attributable to shareholders of the parent and for basic EPS	**23 3**	**131 1**	**17 7**	**34 4**	**130 9**	**26 4**
Exceptional items after tax	0 6	–		(39 2)	–	
Profit (loss) attributable to shareholders of the parent and for basic EPS	**23 9**	**131 1**	**18 2**	**(4 8)**	**130 9**	**(3 6)**
Effect of dilutive shares						
Options	–	2 2		–	–	
Long term incentive plans	–	0 5		–	–	
Diluted EPS	**23 9**	**133 8**	**17 8**	**(4 8)**	**130 9**	**(3 6)**

From continuing and discontinued operations

	Earnings £m	2009 Weighted average number of shares millions	Earnings per Ordinary share pence	Earnings £m	Restated 2008 Weighted average number of shares millions	Earnings per Ordinary share pence
Profit before exceptional items attributable to shareholders of the parent and for basic EPS	**24 2**	**131 1**	**18 4**	**75 3**	**130 9**	**57 6**
Exceptional items after tax	4 5	–		228 9	–	
Profit attributable to shareholders of the parent and for basic EPS	**28 7**	**131 1**	**21 9**	**304 2**	**130 9**	**232 4**
Effect of dilutive shares						
Options	–	2 2		–	–	
Long term incentive plans	–	0 5		–	–	
Diluted EPS	**28 7**	**133 8**	**21 4**	**304 2**	**130 9**	**232 4**

Notes to the Financial Statements continued

13 EARNINGS PER SHARE (continued)

From discontinued operations

	Earnings £m	2009 Weighted average number of shares millions	Earnings per Ordinary share pence	Earnings £m	Restated 2008 Weighted average number of shares millions	Earnings per Ordinary share pence
Profit before exceptional items attributable to shareholders of the parent and for basic EPS	**0 9**	**131 1**	**0 7**	**40 9**	**130 9**	**31 2**
Exceptional items after tax	3 9	–		268 1	–	
Profit attributable to shareholders of the parent and for basic EPS	**4 8**	**131 1**	**3 7**	**309 0**	**130 9**	**236 0**
Effect of dilutive shares						
Options	–	2 2		–	–	
Long term incentive plans	–	0 5		–	–	
Diluted EPS	**4 8**	**133 8**	**3.6**	**309 0**	**130 9**	**236 0**

14 PROPERTY, PLANT AND EQUIPMENT

Group	Year ended 31 December 2009 Land and Buildings Freehold £m	Short leasehold £m	Oil and gas exploration and development £m	Plant, machinery and motor vehicles £m	Total £m
Cost					
At 1 January	35 7	4 9	72 2	128 3	241 1
Change in accounting policy	(5 9)	0 2	–	–	(5 7)
At 1 January as restated	29 8	5 1	72 2	128 3	235 4
Exchange adjustments	(1 7)	0 2	(7 7)	(8 3)	(17 5)
Additions	6 2	–	1 9	12 4	20 5
Acquisitions	3 9	–	–	6 8	10 7
Disposals	(0 6)	–	–	(10 2)	(10 8)
Disposal of subsidiary	(1 8)	–	–	(1 3)	(3 1)
Reclassification	0 3	–	–	(0 3)	–
At 31 December	**36 1**	**5 3**	**66 4**	**127.4**	**235 2**
Depreciation					
At 1 January	0 8	3 1	49 8	56 8	110 5
Change in accounting policy	4 5	0 8	–	–	5 3
At 1 January as restated	5 3	3 9	49 8	56 8	115 8
Exchange adjustments	(0 4)	0 2	(5 3)	(2 7)	(8 2)
Charge for the year*	0 8	0 1	2 3	11 3	14 5
Disposals	(0 6)	–	–	(6 4)	(7 0)
Reclassification	0 1	–	–	(0 1)	–
Disposal of subsidiary	(0 6)	–	–	(0 7)	(1 3)
At 31 December	**4 6**	**4 2**	**46 8**	**58 2**	**113 8**
Net book amount	**31 5**	**1 1**	**19.6**	**69 2**	**121 4**

Included in the net book amount is expenditure relating to assets in the course of construction of £7 3m (2008 – £4 8m) for freehold land and buildings, £2 7m for oil and gas exploration and development and £nil (2008 – £2 1m) for plant and machinery

*Included in the charge for the year is £0 3m relating to discontinued operations

Notes to the Financial Statements continued

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Restated
Year ended 31 December 2008

Group	Land and Buildings Freehold £m	Short leasehold £m	Oil and gas exploration and development £m	Pipelines, tanks and associated equipment Terminals £m	Other equipment £m	Plant, machinery and motor vehicles £m	Total £m
Cost							
At 1 January	46 7	4 5	59 2	116 3	68 9	161 4	457 0
Change in accounting policy	(16 9)	0 2	–	(9 4)	–	–	(26 1)
At 1 January as restated	29 8	4 7	59 2	106 9	68 9	161 4	430 9
Exchange adjustments	4 6	0 5	20 4	(1 9)	(1 1)	25 2	47 7
Additions	6 0	0 1	8 8	2 7	2 3	23 8	43 7
Impairment of assets	(0 3)	–	(16 2)	–	–	(0 3)	(16 8)
Disposals	(0 1)	(0 2)	–	–	–	(10 3)	(10 6)
Transfer to assets classified as held for sale	(10 2)	–	–	(107 7)	(70 1)	(71 5)	(259 5)
At 31 December	**29 8**	**5 1**	**72 2**	–	–	**128 3**	**235 4**
Depreciation							
At 1 January	–	2 7	31 1	–	29 3	72 9	136 0
Change in accounting policy	7 6	0 7	–	44 8	–	–	53 1
At 1 January as restated	7 6	3 4	31 1	44 8	29 3	72 9	189 1
Exchange adjustments	0 9	0 4	13 4	(0 7)	(0 5)	9 6	23 1
Charge for the year*	0 7	0 1	5 3	1 2	1 5	12 7	21 5
Disposals	(0 1)	–	–	–	–	(4 8)	(4 9)
Transfer to assets classified as held for sale	(3 8)	–	–	(45 3)	(30 3)	(33 6)	(113 0)
At 31 December	**5 3**	**3.9**	**49 8**	–	–	**56 8**	**115 8**
Net book amount	**24 5**	**1.2**	**22 4**	–	–	**71 5**	**119 6**

*Included in the charge for the year is £4 9m for discontinued operations

The impairment charge of £16 8m in 2008 includes £16 2m for the write down of oil and gas development expenditure (included in the Exploration and Production operating segment) following a fall in commodity prices during the year The recoverable amount of the oil and natural gas development expenditure is based on value in use These calculations used discounted pre-tax cash flow projections based on estimated oil and gas reserves and future production and income attributable to such reserves Reserve determinations were made utilising geological maps in conjunction with volumetric calculations, material balance extrapolations and exponential decline curve analysis Cash flows were based on reserve production lives varying from one to fifteen years Cash flows were discounted using a pre-tax rate of 8% The long term price of oil was assumed to be an average of US$55 per barrel (bbl) and the average price of gas US$5 89 per 1,000 cubic feet (mcf)

Oil and gas exploration and development includes expenditure on the exploration for and evaluation of mineral resources, which is recognised at cost and is not depreciated The amount recognised in cost at 31 December 2009 is £nil (2008 – £nil), including additions during the year of £nil (2008 – £2 2m), an impairment loss of £nil (2008 – £2 9m) and an exchange gain of £nil (2008 – £0 1m)

Plant, machinery and motor vehicles include £0 2m (2008 – £0 2m) being the net book amount of the capital element of assets held under finance leases after accumulated depreciation of £nil (2008 – £0 2m)

Notes to the Financial Statements continued

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Restated
Year ended 31 December 2007

Group	Land and Buildings Freehold £m	Land and Buildings Short leasehold £m	Oil and gas exploration and development £m	Pipelines, tanks and associated equipment Terminals £m	Pipelines, tanks and associated equipment Other equipment £m	Plant, machinery and motor vehicles £m	Total £m
Cost							
At 1 January	27 4	4 2	53 8	76 3	42 5	128 0	332 2
Change in accounting policy	(2 7)	0 1	-	11 6	-	-	9 0
At 1 January as restated	24 7	4 3	53 8	87 9	42 5	128 0	341 2
Exchange adjustments	1 7	0 6	(0 6)	12 1	11 1	11 6	36 5
Additions	6 3	-	7 0	5 9	11 6	34 5	65 3
Acquisitions	-	-	-	-	3 8	6 1	9 9
Disposals	(1 8)	-	-	-	(0 1)	(10 9)	(12 8)
Disposal of subsidiaries	(2 6)	-	-	-	-	(6 6)	(9 2)
Reclassification of assets	1 5	(0 2)	(1 0)	1 0	-	(1 3)	-
At 31 December	**29 8**	**4 7**	**59 2**	**106 9**	**68 9**	**161 4**	**430 9**
Depreciation							
At 1 January	4 1	2 7	26 8	17 9	20 7	65 4	137 6
Change in accounting policy	3 4	0 7	-	17 7	-	-	21 8
At 1 January as restated	7 5	3 4	26 8	35 6	20 7	65 4	159 4
Exchange adjustments	0 7	0 4	(0 3)	5 4	4 5	6 1	16 8
Charge for the year	1 1	0 1	5 1	3 3	4 1	12 3	26 0
Disposals	(0 8)	-	-	-	-	(5 4)	(6 2)
Disposal of subsidiaries	(1 0)	-	-	-	-	(5 9)	(6 9)
Reclassification of assets	0 1	(0 5)	(0 5)	0 5	-	0 4	-
At 31 December	**7 6**	**3 4**	**31 1**	**44 8**	**29.3**	**72 9**	**189.1**
Net book amount	**22 2**	**1 3**	**28 1**	**62 1**	**39 6**	**88 5**	**241 8**

15. GOODWILL

Group	2009 £m	2008 £m
Cost.		
At 1 January	50 7	74 5
Exchange adjustments	(1 8)	8 1
Additions	27 3	-
Disposals	(2 9)	-
Transfer to assets classified as held for sale	-	(31 9)
At 31 December	**73 3**	**50 7**
Accumulated impairment losses:		
At 1 January	21 4	2 1
Exchange adjustments	(2 2)	4 3
Charge for the year	-	16 3
Transfer to assets classified as held for sale	-	(1 3)
At 31 December	**19.2**	**21 4**
Net book amount	**54 1**	**29 3**

The net book amount at 1 January 2008 was £72 4m

Notes to the Financial Statements continued

15 GOODWILL (continued)

Impairment of goodwill

The impairment charge of £16 3m in 2008 relates to two cash-generating units, namely US Trenchless operations (included in the Well Construction operating segment), a supplier of drill rods and Canada Manufacturing (included in the Well Completion operating segment), a specialised API coupling manufacturer The impairment of goodwill arises due to a downturn in business activity levels during 2008

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU's") that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows

	2009 £m	2008 £m
Continuing operations		
Well Construction	15 6	15 7
Well Completion	6 3	3 3
Well Intervention	31 0	5 9
Gibson Shipbrokers	1 2	1 2
	54 1	**26 1**
Discontinued operations		
Hunting Energy France	-	3 2
Total	**54 1**	**29 3**

The recoverable amount of a CGU is determined based on value in use calculations These calculations use discounted pre-tax cash flow projections based on financial budgets approved by management covering a three year period and are based on past experience Cash flows beyond the three year period are extrapolated using an estimated growth rate of 5% The growth rate reflects the products, industries and countries in which the relevant CGU operates

Cash flows are discounted using a pre-tax rate of 8% (2008 - 8%) In determining the discount rate, management considered the Group's weighted average cost of capital and the Group's incremental borrowing rates The discount rate best reflects the risks associated with the cash flows and the likely external rate of borrowing of the cash generating units Consideration has also been given to other risks such as currency risk and country risk Despite operating in different markets, the Group considers the risk profiles to be similar

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any cash generating unit to exceed its recoverable amount

Notes to the Financial Statements continued

16 OTHER INTANGIBLE ASSETS

	2009				2008			
	Customer lists and relationships £m	Patents £m	Other £m	Total £m	Customer lists and relationships £m	Software and rights of way £m	Other £m	Total £m
Group								
Cost:								
At 1 January	2 2	-	-	2 2	9 0	10 6	2 7	22 3
Exchange adjustments	-	0 1	-	0 1	(0 1)	(0 1)	-	(0 2)
Additions	-	-	0 1	0 1	-	-	-	-
Acquisitions	-	2 9	0 5	3 4	-	-	-	-
Impairment	-	-	-	-	-	-	(0 2)	(0 2)
Transfer to assets classified as held for sale	-	-	-	-	(6 7)	(10 5)	(2 5)	(19 7)
At 31 December	**2 2**	**3 0**	**0 6**	**5 8**	**2 2**	**-**	**-**	**2 2**
Amortisation								
At 1 January	1 0	-	-	1 0	0 7	7 6	0 1	8 4
Exchange adjustments	(0 1)	-	-	(0 1)	0 3	(0 1)	-	0 2
Transfer to assets classified as held for sale	-	-	-	-	(0 5)	(7 9)	(0 1)	(8 5)
Charge for the year*	0 3	0 3	-	0 6	0 5	0 4	-	0 9
At 31 December	**1.2**	**0 3**	**-**	**1 5**	**1 0**	**-**	**-**	**1 0**
Net book amount	**1 0**	**2 7**	**0 6**	**4 3**	**1 2**	**-**	**-**	**1 2**

The net book amount at 1 January 2008 was £13 9m

*Included in the charge for the year is £nil (2008 - £0 6m) for discontinued operations

None of the Group's other intangible assets have been internally generated All are regarded as having a finite life and are amortised accordingly

All amortisation charges in the year have been charged to profit from operations (note 9)

Notes to the Financial Statements continued

17 INTERESTS IN ASSOCIATES

	2009 £m	2008 £m
Group		
At 1 January	10 8	10 5
Exchange adjustments	0 2	0 6
Share of profits after taxation attributed to the Group*	0 9	1 0
Dividends	(0 2)	(1 0)
Transfer to assets classified as held for sale	-	(0 3)
At 31 December	**11 7**	**10 8**

*The share of profits after taxation attributed to the Group includes £nil (2008 - £0 2m loss) relating to discontinued operations

Interests in associates includes goodwill of £nil (2008 - £nil)

The Directors believe that the carrying value of the investments is supported by the underlying net assets

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows

	2009 £m	2008 £m
Aggregated amounts relating to interests in associates		
Share of balance sheet		
Total assets	18 6	20 4
Total liabilities	(6 9)	(9 6)
	11.7	**10 8**
Share of results		
Revenues	**17.0**	**20 4**
Profit before tax	1 2	1 3
Taxation	(0 3)	(0 3)
Profit after tax	**0 9**	**1 0**

The key investments in associates, including the name, country of incorporation and proportion of ownership interest is provided in note 46

Notes to the Financial Statements continued

18 AVAILABLE FOR SALE FINANCIAL ASSETS

	2009 £m	2008 £m
Group		
At 1 January	28 5	0 2
Fair value gain transferred to equity	1 3	1 2
Additions	–	54 2
Impairment	–	(27 0)
Transfer to assets classified as held for sale	–	(0 1)
At 31 December	**29 8**	**28.5**

The financial assets comprise

	2009 £m	2008 £m
Unlisted equity investments	0 2	0 2
Equity warrant	29 6	28 3
	29 8	**28 5**

The maximum exposure to credit risk at 31 December 2009 is the fair value of the financial assets of £29 8m (2008 – £28 5m), see note 27

The equity warrant was impaired in 2008 as management did not believe that the asset was recoverable under the original terms of the instrument given the global market conditions but expected a portion to be recovered

19. INVESTMENTS IN SUBSIDIARIES

	2009 £m	2008 £m
Company		
Cost.		
At 1 January	284 2	284 2
Additions	30 5	-
Disposals	(0 3)	-
At 31 December	**314 4**	**284 2**
Impairment:		
At 1 January	-	–
Charge for the year	1 5	–
At 31 December	**1 5**	**-**
Net book amount	**312.9**	**284 2**

The principal subsidiaries are detailed in note 46

The Directors believe that the carrying value of the investments is supported by their underlying net assets

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairments

The impairment charge of £1 5m relates to a non-trading subsidiary that has incurred losses and which the directors do not expect to be recovered in the foreseeable future The investment has therefore been written down to the subsidiary's net asset value, being the Directors' estimate of the recoverable amount

Notes to the Financial Statements continued

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Non-current.				
Receivables from subsidiaries	-	-	10 2	21 2
Other receivables	2 2	-	-	-
Prepayments	1 4	1 6	-	-
	3 6	**1 6**	**10 2**	**21 2**
Current				
Trade receivables	50 9	94 2	-	-
Less provision for impairment of receivables	(1 9)	(3 7)	-	-
Net trade receivables	49 0	90 5	-	-
Receivables from long-term contracts	-	5 3	-	-
Receivables from subsidiaries	-	-	1 5	35 3
Receivables from associates	0 2	1 3	-	-
Other receivables	5 7	15 8	0 2	0 5
Prepayments	4 0	5 7	0 1	0 2
Accrued revenue	1 2	2 3	-	-
Derivative financial instruments	0 1	3 1	-	-
	60 2	**124 0**	**1 8**	**36 0**

Group

Trade receivables that are not past due and not impaired are expected to be fully recovered as there is no recent history of default or any indications that the customers will not meet their payment obligations At the year end there are no trade receivables (2008 – none) whose terms have been renegotiated and would otherwise be past due or impaired

Derivative financial instruments have been acquired from financial institutions and these are expected to be fully recovered

At 31 December 2009, trade receivables of £18 9m (2008 - £29 3m) and other receivables of £0 5m (2008 - £0 9m) were past due but not impaired The ageing of these receivables at the year end is as follows

No of days overdue

	2009			2008		
	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
	£m	£m	£m	£m	£m	£m
1–30 days	9 9	0 2	10 1	15 8	0 1	15 9
31–60 days	4 7	-	4 7	8 0	0 5	8 5
61–90 days	2 6	0 1	2 7	3 4	0 1	3 5
91–120 days	0 9	0 1	1 0	1 3	0 1	1 4
more than 120 days	0 8	0 1	0 9	0 8	0 1	0 9
Receivables past due	**18 9**	**0 5**	**19 4**	**29 3**	**0 9**	**30.2**
Receivables not past due	**30 1**	**5 2**	**35 3**	**61 2**	**14 9**	**76.1**
Total	**49 0**	**5 7**	**54 7**	**90 5**	**15 8**	**106.3**

All of these balances relate to customers for whom there is no recent history of default

At 31 December 2009, £nil (2008 – £nil) of trade receivables were not past due but were impaired and £1 9m (2008 - £3 7m) were past due and were impaired

Notes to the Financial Statements continued

20 TRADE AND OTHER RECEIVABLES (continued)

Impaired receivables mainly relate to debtors in financial difficulty where defaults in payments have occurred or concerns have been raised about the customer's liquidity Trade receivables are impaired when there is evidence that the Group will not be able to collect all amounts due according to the original terms of sale

At 31 December 2009, other receivables of £nil (2008 – £1 2m) were not past due but were impaired and £0 1m (2008 – £0 1m) were past due and impaired and a provision of £0 1m (2008 – £1 3m) was made following evidence that the amounts would not be collectable under the original terms of the receivable

At 31 December 2009, amounts due under long-term contracts of £nil (2008 – £8 1m) were not past due but were impaired and a provision for impairment of £nil (2008 – £2 8m) was made as there is some concern over the customer's liquidity

Movements on the provision for impairment of trade and other receivables are shown below

		2009			2008	
	Trade receivables £m	Amounts due under long-term contracts £m	Other receivables £m	Trade receivables £m	Amounts due under long-term contracts £m	Other receivables £m
At 1 January	3 7	2 8	1 3	2 1	–	0 1
Exchange adjustments	(0 1)	–	–	0 5	0 3	–
Provision for receivables impairment	0 8	–	–	2 1	2 5	1 2
Receivables written off during the year	(1 0)	–	–	(0 1)	–	–
Unused amounts reversed	(1 5)	(2 8)	(1 2)	(0 9)	–	–
At 31 December	**1 9**	**–**	**0 1**	**3 7**	**2 8**	**1 3**

The other classes of financial assets within trade and other receivables do not contain impaired assets

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base

The maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 27

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

Company

None (2008 – none) of the Company's trade and other receivables were past due at the year end and the Company does not consider it necessary to provide for any impairments The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 27 The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held

21 DEFERRED TAX

Deferred income tax assets and liabilities are only offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same fiscal authority and there is an intention to settle the balance net The offset amounts are as follows

		Group		Company	
	2009 £m	Restated 2008 £m	Restated 2007 £m	2009 £m	2008 £m
Deferred tax assets	4 6	5 9	7 1	–	–
Deferred tax liabilities	(18 4)	(16 5)	(79 7)	(0 1)	(0 1)
	(13 8)	**(10 6)**	**(72 6)**	**(0 1)**	**(0 1)**

Notes to the Financial Statements continued

21 DEFERRED TAX (continued)

The movement in the net deferred tax liability is as follows

	Group			Company	
	2009	2008	2007	2009	2008
	£m	£m	£m	£m	£m
At 1 January	(12 7)	(91 0)	(63 9)	(0 1)	(0 1)
Change in accounting policy	2 1	18 4	3 9	-	-
At 1 January as restated	(10 6)	(72 6)	(60 0)	(0 1)	(0 1)
Exchange adjustments	0 8	(1 4)	(6 9)	-	-
Acquisitions	0 3	-	(4 5)	-	-
Transfer to liabilities classified as held for sale	-	56 5	-	-	-
(Charge) credit to income statement*	(4 1)	2 8	(6 5)	-	-
Taken direct to equity	(0 2)	5 5	5 3	-	-
Disposal of subsidiary	(0 1)	-	-	-	-
Transfers to current tax	0 1	(1 4)	-	-	-
At 31 December	**(13 8)**	**(10 6)**	**(72.6)**	**(0 1)**	**(0 1)**

*The credit to the income statement includes a charge of £nil (2008 – £3 7m) in respect of discontinued operations

Deferred tax assets of £8 6m (2008 – £10 0m) have not been recognised as realisation of the tax benefit on the tax losses is not probable

The movements in deferred tax assets and liabilities prior to offset are shown below

Deferred tax assets

	Provisions	Tax losses	Fair value losses	Other	Total
Group	£m	£m	£m	£m	£m
At 1 January 2009	3 0	0 8	0 5	1 6	5 9
Exchange adjustments	(0 2)	(0 1)	-	-	(0 3)
Acquisitions	-	0 4	-	-	0 4
(Charge) credit to income statement	(0 1)	(0 9)	(0 2)	0 2	(1 0)
Taken direct to equity	-	-	(0 3)	-	(0 3)
Disposal of subsidiary	(0 1)	-	-	(0 1)	(0 2)
Transfer from current tax	-	-	-	0 1	0 1
Transfer	(1 7)	-	-	1 7	-
At 31 December 2009	**0 9**	**0.2**	**-**	**3 5**	**4 6**

Deferred tax assets are expected to be recovered after more than 12 months

Deferred tax liabilities

	Accelerated tax depreciation	Goodwill	Property revaluations	Fair value adjustments	Other*	Total
Group	£m	£m	£m	£m	£m	£m
At 1 January 2009	7 2	0 8	2 1	-	8 5	18 6
Change in accounting policy	-	-	(2 1)	-	-	(2 1)
At 1 January 2009 as restated	7 2	0 8	-	-	8 5	16 5
Exchange adjustments	(0 4)	(0 1)	-	-	(0 6)	(1 1)
Acquisitions	-	-	-	0 1	-	0 1
Charge to income statement	1 2	0 4	-	-	1 5	3 1
Taken direct to equity	-	-	-	-	(0 1)	(0 1)
Disposal of subsidiary	-	-	-	-	(0 1)	(0 1)
At 31 December 2009	**8 0**	**1 1**	**-**	**0 1**	**9 2**	**18 4**

*Other deferred tax liabilities include £5 8m for exploration and production activities and £2 2m relating to the pension asset

Notes to the Financial Statements continued

21. DEFERRED TAX (continued)

Group	Accelerated tax depreciation £m	Goodwill £m	Property revaluations £m	Fair value adjustments £m	Other £m	Total £m
At 1 January 2008	15 2	2 1	18 4	7 3	55 1	98 1
Change in accounting policy	-	-	(18 4)	-	-	(18 4)
At 1 January as restated	15 2	2 1	-	7 3	55 1	79 7
Exchange adjustments	0 9	0 3	-	(0 2)	1 3	2 3
Transfer to liabilities classified as held for sale	(14 6)	-	-	(6 9)	(37 2)	(58 7)
Credit (charge) to income statement*	5 7	(1 6)	-	(0 2)	(5 5)	(1 6)
Taken direct to equity	-	-	-	-	(5 2)	(5 2)
At 31 December 2008	**7 2**	**0 8**	-	-	**8.5**	**16 5**

* The credit to the income statement includes a charge of £3 2m in respect of discontinued operations

Group	Accelerated tax depreciation £m	Goodwill £m	Property revaluations £m	Fair value adjustments £m	Other £m	Total £m
At 1 January 2007	14 8	1 7	3 9	4 1	51 8	76 3
Change in accounting policy	-	-	(3 9)	-	-	(3 9)
At 1 January as restated	14 8	1 7	-	4 1	51 8	72 4
Exchange adjustments	1 8	-	-	0 9	5 2	7 9
Acquisitions	1 0	-	-	3 5	-	4 5
Credit (charge) to income statement	(2 4)	0 4	-	(1 1)	2 5	(0 6)
Taken direct to equity	-	-	-	(0 1)	(3 8)	(3 9)
Transfers to current tax	-	-	-	-	(0 6)	(0 6)
At 31 December 2007	**15.2**	**2 1**	-	**7 3**	**55 1**	**79 7**

Company

The Company had £0 1m (2008 - £0 1m) of deferred tax liabilities relating to unremitted earnings at the year end

Deferred income tax credited/(charged) to equity during the year comprised

	Group 2009 £m	Group Restated 2008 £m	Company 2009 £m	Company 2008 £m
Actuarial losses on defined benefit pension schemes	0 1	5 2	-	-
Release of fair value gain on cash flow hedges	(0 1)	(0 2)	-	-
Fair value movements on cash flow hedges	(0 2)	0 5	-	-
	(0 2)	5 5	-	-

Notes to the Financial Statements continued

22 INVENTORIES

	2009 £m	2008 £m
Group		
Raw materials	38 3	44 6
Work in progress	14 8	18 2
Finished goods	73 3	67 6
Less provisions for losses	(10 0)	(6 1)
	116 4	**124 3**

Inventories are stated at the lower of cost and fair value less selling costs The carrying amount of inventories stated at fair value less selling costs is £5 4m (2008 - £15 8m)

The Group reversed £0 8m of a previous inventory write-down as the goods were sold during the year for an amount greater than their net realisable value, which was estimated at the end of 2008 The amount reversed has been included in cost of sales in the income statement

23. CASH AND CASH EQUIVALENTS

	2009 £m	2008 £m
Group		
Cash at bank and in hand	55 0	60 6
Short term deposits and Money Market Funds	348 6	360 8
	403 6	**421 4**

Cash and cash equivalents have been deposited with banks with Fitch short-term ratings of F1 to F1+ and with AAA rated Money Market Funds and are expected to be fully recovered

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Non-current.				
Other payables	**2 0**	-	-	-
Current				
Trade payables	45 6	65 6	-	-
Payables under long-term contracts	-	1 8	-	-
Payables to subsidiaries	-	-	0 8	1 7
Payables to associates	6 9	7 4	5 6	5 6
Social security and other taxes	1 8	3 8	-	-
Accruals	30 2	53 3	0 8	1 1
Deferred revenue	9 6	6 4	-	-
Other payables	15 6	22 6	0 8	1 0
Derivative financial instruments	-	3 9	-	-
	109 7	**164 8**	**8 0**	**9 4**

Notes to the Financial Statements continued

25 BORROWINGS

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current				
Other unsecured loans	0 6	–	–	–
Amounts due to subsidiaries	–	–	127 9	138 7
	0 6	**–**	**127 9**	**138.7**
Current				
Unsecured bank overdrafts	37 8	49 0	16 5	31 6
Finance lease liabilities (note 41)	0 2	0 1	–	–
	38 0	**49 1**	**16 5**	**31 6**
Total borrowings	**38 6**	**49 1**	**144 4**	**170 3**

Analysis of borrowings by currency

The carrying amounts of the Group's borrowings are denominated in the following currencies

At 31 December 2009

	Sterling £m	US dollars £m	Total £m
Group			
Other unsecured loans	–	0 6	0 6
Unsecured bank overdrafts	35 4	2 4	37 8
Finance lease liabilities	0 2	–	0 2
	35 6	**3 0**	**38 6**

At 31 December 2008

	Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Total £m
Group					
Unsecured bank overdrafts	35 0	12 9	1 1	–	49 0
Finance lease liabilities	–	–	–	0 1	0 1
	35 0	**12 9**	**1 1**	**0 1**	**49 1**

Company

The Company has borrowings of £144 4m (2008 – £170 3m) at the year end, of which £144 4m (2008 – £162 1m) is denominated in sterling and £nil (2008 – £8 2m) is denominated in US dollars

Notes to the Financial Statements continued

26 CHANGES IN NET CASH

The analysis below is provided in order to reconcile the movement in borrowings (note 25) and cash and cash equivalents (note 23) during the year

	At 1 January 2009 £m	Acquisitions (excluding cash, cash equivalents and overdrafts) £m	Cash flow £m	Exchange movements £m	At 31 December 2009 £m
Cash and cash equivalents	421 4	-	(15 6)	(2 2)	403 6
Bank overdrafts	(49 0)	-	10 8	0 4	(37 8)
	372 4	-	(4 8)	(1 8)	365 8
Non-current borrowings	-	-	(0 6)	-	(0 6)
Finance leases*	(0 1)	(1 5)	1 4	-	(0 2)
Total net cash	**372 3**	**(1 5)**	**(4 0)**	**(1.8)**	**365 0**

*Of the £1 4m cash flow arising on finance leases, £1 3m relates to continuing operations and £0 1m relates to discontinued operations

27 DERIVATIVES AND FINANCIAL INSTRUMENTS

Currency derivatives

The Group has used currency swaps and forward foreign exchange contracts and average rate options to hedge its exposure to exchange rate movements during the year

At 31 December 2009, the total notional amount of the Group's outstanding forward foreign exchange contracts is £15 2m (2008 - £45 4m)

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 £3 0m loss (2008 - £2 2m profit) have been recognised in the income statement during the year for continuing operations and £nil (2008 - £4 0m loss) for discontinued operations

Certain highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts These forecast transactions are expected to occur at various dates during the next 12 months Gains and losses recognised in the hedging reserve on forward foreign exchange contracts at 31 December 2009 will be recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement

Gains of £0 8m (2008 - £3 6m loss) were recognised in the hedging reserve (note 32) during the year Losses of £2 3m (2008 - £0 6m) were removed from equity during the year and were included in revenue in the income statement Ineffectiveness of £nil (2008 - £nil) arose on the cash flow hedges during the year

Interest rate swaps and caps

Prior to the receipt of the Gibson Energy sale proceeds in December 2008 and the elimination of net debt, the Group used interest rate swaps and caps to manage its exposure to interest rate movements on its principal bank and other borrowings The Group did not use interest rate swaps or caps during 2009

In 2008, a fair value gain of £0 1m was recognised in the income statement for fixed to floating interest rate swaps designated in a fair value hedge of US Private Placement borrowings A fair value loss of £3 6m was recognised in the income statement in 2008 for floating to fixed interest rate swaps not designated in a hedge relationship

Notes to the Financial Statements continued

27. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)
Fair values of derivative financial instruments
At 31 December 2009

	Total assets £m
Forward foreign exchange – in cash flow hedges	**0 1**

At 31 December 2008

	Not designated as hedges		Cash flow hedges		Total	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Forward foreign exchange	3 0	(0 9)	-	(3 0)	3 0	(3 9)
Currency swaps	0 1	-	-	-	0 1	-
	3 1	**(0.9)**	**-**	**(3 0)**	**3 1**	**(3 9)**

Hedge of net investments in foreign entity
During the year, the Group did not designate any borrowings as a hedge of the net investment in its subsidiaries

During 2009, £nil foreign exchange movements (2008 - £22 1m gains) were recognised in the foreign currency translation reserve in respect of the hedge of net investments in foreign subsidiaries

Notes to the Financial Statements continued

27. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and financial liabilities

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

	2009					
	Carrying amount					Fair value
	Loans and receivables	Available for sale financial assets	Financial liabilities measured at amortised cost	Derivatives at fair value through equity (cash flow hedges)	Total	Total
	£m	£m	£m	£m	£m	£m
Group						
Non-current assets						
Unlisted equity investments (note 18)	–	0 2	–	–	0 2	0 2
Equity warrant (note 18)	–	29 6	–	–	29 6	29 6
Other receivables (note 20)	2 2	–	–	–	2 2	2 2
Current assets (note 20)						
Net trade receivables	49 0	–	–	–	49 0	49 0
Receivables from associates	0 2	–	–	–	0 2	0 2
Other receivables	5 7	–	–	–	5 7	5 7
Accrued revenue	1 2	–	–	–	1 2	1 2
Derivative financial instruments	–	–	–	0 1	0 1	0 1
Cash and cash equivalents (note 23)	403 6	–	–	–	403 6	403 6
Current liabilities (note 24)						
Trade payables	–	–	(45 6)	–	(45 6)	(45 6)
Payables to associates	–	–	(6 9)	–	(6 9)	(6 9)
Accruals	–	–	(30 2)	–	(30 2)	(30 2)
Other payables	–	–	(2 4)	–	(2 4)	(2 4)
Provisions (note 29)	–	–	(61 4)	–	(61 4)	(61 4)
Current borrowings (note 25)						
Unsecured bank overdrafts	–	–	(37 8)	–	(37 8)	(37 8)
Finance lease liabilities	–	–	(0 2)	–	(0 2)	(0 2)
Non-current liabilities						
Other payables (note 24)	–	–	(2 0)	–	(2 0)	(2 0)
Other unsecured loans (note 25)	–	–	(0 6)	–	(0 6)	(0 6)
Provisions (note 29)	–	–	(17 5)	–	(17 5)	(17 5)
	461 9	**29.8**	**(204.6)**	**0.1**	**287 2**	**287 2**

Notes to the Financial Statements continued

27 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

	2008 Carrying amount							Fair value
	Financial assets held for trading	Loans and receivables	Available for sale financial assets	Financial liabilities held for trading	Financial liabilities measured at amortised cost	Derivatives at fair value through equity (cash flow hedges)	Total	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Group								
Non-current assets								
Unlisted equity investments (note 18)	–	–	0 2	–	–	–	0 2	0 2
Equity warrant (note 18)	–	–	28 3	–	–	–	28 3	28 3
Current assets (note 20)								
Net trade receivables	–	90 5	–	–	–	–	90 5	90 5
Receivables from long-term contracts	–	5 3	–	–	–	–	5 3	5 3
Receivables from associates	–	1 3	–	–	–	–	1 3	1 3
Other receivables	–	15 8	–	–	–	–	15 8	15 8
Accrued revenue	–	2 3	–	–	–	–	2 3	2 3
Derivative financial instruments	3 1	–	–	–	–	–	3 1	3 1
Cash and cash equivalents (note 23)	–	421 4	–	–	–	–	421 4	421 4
Current liabilities (note 24)								
Trade payables	–	–	–	–	(65 6)	–	(65 6)	(65 6)
Payables to associates	–	–	–	–	(7 4)	–	(7 4)	(7 4)
Accruals	–	–	–	–	(53 3)	–	(53 3)	(53 3)
Other payables	–	–	–	–	(2 8)	–	(2 8)	(2 8)
Derivative financial instruments	–	–	–	(0 9)	–	(3 0)	(3 9)	(3 9)
Provisions (note 29)	–	–	–	–	(56 2)	–	(56 2)	(56 2)
Current borrowings (note 25)								
Unsecured bank overdrafts	–	–	–	–	(49 0)	–	(49 0)	(49 0)
Finance lease liabilities	–	–	–	–	(0 1)	–	(0 1)	(0 1)
Non-current liabilities								
Provisions (note 29)	–	–	–	–	(16 7)	–	(16 7)	(16 7)
	3 1	**536 6**	**28 5**	**(0 9)**	**(251 1)**	**(3 0)**	**313 2**	**313 2**

Notes to the Financial Statements continued

27 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

The table below shows the level in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured at fair value in the balance sheet

	Fair value at 31 December 2009 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial assets				
Equity warrant	29 6	–	–	29 6
Unlisted equity investments	0 2	–	–	0 2
Derivatives at fair value through equity				
Derivative financial assets	0 1	–	0 1	–
Total	**29 9**	**–**	**0 1**	**29 8**

The fair value hierarchy has the following levels

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability
Level 3 – inputs for the asset or liability that are not based on observable market data

The table below shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy

	Available for sale financial assets £m
At 1 January 2009	28 5
Total gains in other comprehensive income	1 3
At 31 December 2009	**29 8**

All of the gains recorded in other comprehensive income relate to assets held at 31 December 2009

The fair value of the equity warrant is based on management's best estimate of the recoverable amount given current global market conditions and their assessment of the recoverability under the contractual terms of the instrument Oil and gas prices continue to remain volatile, interest rates are expected to remain low, while credit spreads are expected to tighten Although the global economy has improved since the beginning of 2009, uncertainty exists about the future of the global economy in 2010

The fair value of the equity warrant is sensitive to assumptions made about its recoverability Under reasonably possible alternative assumptions, the fair value of the instrument could vary between £35 5m and £23 7m

Notes to the Financial Statements continued

27 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

	2009 Carrying amount			Fair value
	Loans and receivables	Financial liabilities measured at amortised cost	Total	Total
	£m	£m	£m	£m
Company				
Non-current assets (note 20)				
Receivables from subsidiaries	10 2	–	10 2	10 2
Current assets (note 20)				
Receivables from subsidiaries	1 5	–	1 5	1 5
Other receivables	0 2	–	0 2	0 2
Current liabilities (note 24)				
Payables to subsidiaries	–	(0 8)	(0 8)	(0 8)
Payables to associates	–	(5 6)	(5 6)	(5 6)
Accruals	–	(0 8)	(0 8)	(0 8)
Other payables	–	(0 8)	(0 8)	(0 8)
Current borrowings (note 25)				
Unsecured bank overdrafts	–	(16 5)	(16 5)	(16 5)
Non-current borrowings (note 25)				
Payables to subsidiaries	–	(127 9)	(127 9)	(127 9)
	11 9	**(152 4)**	**(140 5)**	**(140 5)**

Notes to the Financial Statements continued

27 DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

	2008 Carrying amount			Fair value
	Loans and receivables	Financial liabilities measured at amortised cost	Total	Total
	£m	£m	£m	£m
Company				
Non-current assets (note 20)				
Receivables from subsidiaries	21 2	-	21 2	21 2
Current assets (note 20)				
Receivables from subsidiaries	35 3	-	35 3	35 3
Other receivables	0 5	-	0 5	0 5
Current liabilities (note 24)				
Payables to subsidiaries	-	(1 7)	(1 7)	(1 7)
Payables to associates	-	(5 6)	(5 6)	(5 6)
Accruals	-	(1 1)	(1 1)	(1 1)
Other payables	-	(1 0)	(1 0)	(1 0)
Current borrowings (note 25)				
Unsecured bank overdrafts	-	(31 6)	(31 6)	(31 6)
Non-current borrowings (note 25)				
Payables to subsidiaries	-	(138 7)	(138 7)	(138 7)
	57.0	**(179 7)**	**(122 7)**	**(122 7)**

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 carrying values of available for sale unlisted investments are based on the Directors' best estimate of fair value as there is no active market in which these are traded The fair values of non-sterling denominated financial instruments are translated into sterling using the year end exchange rate

28 FINANCIAL RISK FACTORS

The Group's activities expose it to certain financial risks, namely market risk (including currency risk, fair value interest risk, cash flow interest risk and commodity price risk), credit risk and liquidity risk The Group's risk management strategy seeks to minimise potential adverse effects on its financial performance As part of its 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 the Board of Directors, with policies, parameters and procedures covering the specific areas of funding, banking relationships, foreign currency and interest rate exposures, cash management and the investment of surplus cash

The Group's treasury function is responsible for implementing the policies and providing a centralised service to the Group for funding, the investment of surplus cash, 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

Notes to the Financial Statements continued

28. FINANCIAL RISK FACTORS (continued)

(a) Foreign exchange risk

The Group's international base is exposed to foreign exchange risk from its investing, financing and operating activities, particularly in respect of US dollars Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in the functional currency of the Group's local operations

(i) Transactional risk

The 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 Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions Operating companies prepare quarterly rolling twelve month cash flow forecasts to enable working capital currency exposures to be identified Exposures arising from committed long-term projects beyond a twelve month period are also identified The currency flows to be hedged are currently set at £250,000 equivalent for monthly transactions and £500,000 equivalent for annual transactions

No speculative positions are entered into by the Group

The table below shows the carrying values of the Group's financial instruments at 31 December, including derivative financial instruments, on which exchange differences would potentially be recognised in the income statement in the following year The table excludes available for sale financial assets, derivatives designated in a cash flow hedge and loans to subsidiaries that are considered to be part of the net investment in a foreign operation, as exchange differences arising on these are recognised directly in equity

At 31 December 2009

	Currency of denomination					
	Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities						
Sterling	-	(32 2)	(71 0)	2 4	-	(100 8)
US dollars	(0 6)	-	-	-	1 2	0 6
Canadian dollars	-	1 9	-	-	0 3	2 2
Euro	(0 4)	(0 2)	-	-	-	(0 6)
Other currencies	-	1 3	-	-	-	1 3
	(1 0)	**(29 2)**	**(71 0)**	**2 4**	**1 5**	**(97 3)**

At 31 December 2008

	Currency of denomination					
	Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities						
Sterling	-	9 8	(37 9)	(4 1)	1 1	(31 1)
US dollars	(0 2)	-	-	-	(3 5)	(3 7)
Canadian dollars	-	15 6	-	-	0 4	16 0
Euro	(1 1)	0 1	-	-	-	(1 0)
Other currencies	(0 2)	1 0	-	-	-	0 8
	(1 5)	**26 5**	**(37 9)**	**(4.1)**	**(2 0)**	**(19 0)**

The US dollar denominated financial instruments consist mainly of trade receivables and inter-group loans and the Canadian dollar denominated financial instruments consist mainly of provisions and inter-group loans

Notes to the Financial Statements continued

28 FINANCIAL RISK FACTORS (continued)

(ii) Translational risk

Foreign exchange risk also arises from the Group's investments in foreign operations 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 These derivatives are not designated as a hedge

(b) Interest rate risk

Variable interest rates on deposits and overdrafts expose the Group to cash flow interest rate risk and fixed interest rates on loans and deposits expose the Group to fair value interest rate risk The treasury function manages the Group's exposure to interest rate risk and has used interest rate swaps, caps and floors, when considered appropriate

The Group needs to ensure that sufficient liquid funds are available to support its working capital and capital expenditure requirements and to fund acquisitions Cash was, therefore, invested by the treasury function in AAA rated, instant access Money Market Funds and in fixed-rate bank deposits, with terms of between overnight and three months As the funds were invested for short periods of time, the interest yield on these was relatively low However, the preservation of the Group's net cash took priority over earning high interest yields

(c) Credit risk

The Group's credit risk arises from its cash and cash equivalents, deposits, derivative financial instruments and outstanding receivables

At the year end, the Group 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 Group'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

Cash is only invested with financial institutions approved by the 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

Trade and other receivables are continuously monitored Credit account limits are primarily based on the credit quality of the customer and past experience through trading relationships To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions

The majority of the Company's defined benefit section of the UK Scheme is now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated The pension buy-in has been affected by using three insurers, so as to spread its credit risk The credit ratings of these insurers is monitored

(d) Liquidity risk

The Group needs to ensure that is has sufficient liquid funds available to support its working capital and capital expenditure requirements and to fund acquisitions All subsidiaries submit weekly, bi-monthly and quarterly treasury reports to the treasury function to enable them to monitor the Group's requirements

The Group has sufficient net cash and credit facilities to meet both its long and short-term requirements

The credit facilities totalled £181 9m (2008 – £194 4m) and comprise £135 0m (2008 – £142 5m) of committed facilities and £46 9m (2008 – £51 9m) of uncommitted facilities All of these facilities are unsecured and are provided by a variety of funding sources

The committed facilities comprise a £125 0m multi-currency loan facility from a syndicate of five banks and one bilateral facility totalling £10 0m

The £125 0m multi-currency loan facility expires on 22 September 2010, on which renewal discussions will commence later in the year A commitment fee of 0 15% is payable on the undrawn amount

The bilateral facility matures on 31 March 2010 A commitment fee of 0 2% is payable on the undrawn amount

Notes to the Financial Statements continued

28 FINANCIAL RISK FACTORS (continued)

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

	2009 £m	2008 £m
Floating rate		
Expiring within one year	135 0	7 5
Expiring between one and two years	-	135 0
	135 0	**142 5**

Surplus funds have been placed in short-term deposits with approved banks and with AAA rated Money Market Funds

Set out below are maturity analyses of the Group's and Company's financial liabilities at the year end which will be settled on a net basis The maturity dates are the contractual maturities of the financial liabilities and the amounts are the contractual, undiscounted cash flows The carrying amounts in the balance sheet are the *discounted* amounts Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant

2009	On demand or within one year £m	Between two and five years £m	After five years £m	Total £m
Group				
Non-derivative financial liabilities				
Trade payables	45 6	-	-	45 6
Payables to associates	6 9	-	-	6 9
Accruals	30 2	-	-	30 2
Other payables	2 4	2 0	-	4 4
Provisions	61 4	9 8	10 9	82 1
Other unsecured loans	-	0 6	-	0 6
Unsecured bank overdrafts	37 8	-	-	37 8
Finance lease liabilities	0 2	-	-	0 2
Total financial liabilities	**184 5**	**12 4**	**10 9**	**207 8**

The Group had no net-settled financial liabilities at the year end

2008	On demand or within one year £m	Between two and five years £m	After five years £m	Total £m
Group				
Non-derivative financial liabilities				
Trade payables	65 6	-	-	65 6
Payables to associates	7 4	-	-	7 4
Accruals	53 3	-	-	53 3
Other payables	2 8	-	-	2 8
Provisions	56 2	7 1	12 5	75 8
Unsecured bank overdrafts	49 0	-	-	49 0
Finance lease liabilities	0 1	-	-	0 1
Total financial liabilities	**234 4**	**7.1**	**12.5**	**254 0**

At the end of 2008, the Group did not have any net-settled financial liabilities

Notes to the Financial Statements continued

28 FINANCIAL RISK FACTORS (continued)

	2009 On demand or within one year £m	2009 Between two and five years £m	2009 Total £m
Company			
Payables to subsidiaries	0 8	127 9	128 7
Payables to associates	5 6	-	5 6
Accruals	0 8	-	0 8
Other payables	0 8	-	0 8
Unsecured bank overdrafts	16 5	-	16 5
Total financial liabilities	**24 5**	**127 9**	**152 4**

	2008 On demand or within one year £m	2008 Between two and five years £m	2008 Total £m
Company			
Payables to subsidiaries	1 7	138 7	140 4
Payables to associates	5 6	-	5 6
Accruals	1 1	-	1 1
Other payables	1 0	-	1 0
Unsecured bank overdrafts	31 6	-	31 6
Total financial liabilities	**41 0**	**138 7**	**179 7**

The Company did not have any derivative financial liabilities

The table below analyses the Group's derivative financial instruments, which 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 2009 £m	On demand or within one year 2008 £m
Currency derivatives – held for trading		
– inflows	22 4	58 9
– outflows	(23 6)	(63 1)

Notes to the Financial Statements continued

28 FINANCIAL RISK FACTORS (continued)

(e) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's and Company's financial instruments and show the impact on profit or loss and shareholders' equity Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments 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 cash, the ratio of fixed to floating interest rates of the cash and derivatives and the proportion of financial instruments in foreign currencies remain unchanged from the hedge designations in place at 31 December 2009

The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions (but including onerous leases) and on the non-financial assets and liabilities of foreign operations

The following assumptions have been made in calculating the sensitivity analysis

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Group's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change

(i) Interest rate sensitivity

Group

The table below shows the post-tax impact for the year if interest rates had been higher or lower, with all other variables held constant, at 31 December

	2009 Income statement £m	2008 Income statement £m
US interest rates +1% (2008 +1%)	0 1	(0 1)
US interest rates -1% (2008 -1%)	(0 1)	-
UK interest rates +1% (2008 +1%)	1 3	0 9
UK interest rates -1% (2008 -1%)	(1 3)	(1 1)
Canadian interest rates +1% (2008 +1%)	(0 1)	0 1
Canadian interest rates -1% (2008 -1%)	0 1	-

The movements in the income statement are mainly attributable to short-term deposits and Money Market Funds

There is no impact on equity for a change in interest rates

Company

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 for the year would have been as follows

	2009 Income statement £m	2008 Income statement £m
UK interest rates +1% (2008 +1%)	(0 9)	(1 0)
UK interest rates -1% (2008 -1%)	0 9	1 0

The movements arise from the sterling loans from subsidiaries and bank overdrafts

There is no impact on equity for a change in interest rates

Notes to the Financial Statements continued

28 FINANCIAL RISK FACTORS (continued)

(ii) Foreign exchange rate sensitivity

Group

The table below shows the post-tax impact for the year if foreign exchange rates had been higher or lower, with all other variables held constant, at 31 December

	2009		2008	
	Income statement	Equity	Income statement	Equity
	£m	£m	£m	£m
US dollar exchange rates +15% (2008 +15%)	4 3	(12 2)	0 9	(8 0)
US dollar exchange rates -15% (2008 -15%)	(5 7)	16 4	(0 7)	10 9
Canadian dollar exchange rates +10% (2008 +10%)	3 6	(4 4)	0 8	(2 6)
Canadian dollar exchange rates -10% (2008 -10%)	(4 6)	5 6	(2 7)	4 9

The movements in the income statement arise from cash, borrowings, receivables and payables where the functional currency of the entity is different to the currency that the monetary items are denominated in

The movements in equity arise from a Canadian dollar denominated warrant and Canadian dollar and US dollar denominated loans that have been recognised as part of the Company's net investment in foreign subsidiaries

Company

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

	2009	2008
	Income statement	Income statement
	£m	£m
US dollar exchange rates +15% (2008 +15%)	-	0 8
US dollar exchange rates -15% (2008 -15%)	-	(1 0)

The movement arises from US dollar bank overdrafts

There is no impact on equity from a change in the US dollar exchange rate

Notes to the Financial Statements continued

29 PROVISIONS

	Onerous contracts £m	Asset decommissioning & remediation obligations £m	Tax indemnities and warranties £m	Other £m	Total £m
Group					
At 1 January 2009	20 5	1 0	48 1	3 3	72 9
Exchange adjustments	–	(0 1)	0 6	(0 2)	0 3
Charged to income statement	1 7	–	16 0	–	17 7
Provisions utilised through income statement	(2 5)	–	(4 7)	(3 0)	(10 2)
Unutilised amounts reversed	–	(0 1)	(1 5)	–	(1 6)
Unwinding of discount	0 5	–	–	–	0 5
Change in discount rate	(0 7)	–	–	–	(0 7)
At 31 December 2009	**19 5**	**0 8**	**58 5**	**0 1**	**78 9**

Provisions are due as follows

	2009 £m	2008 £m
Current	61 4	56 2
Non-current	17 5	16 7
	78 9	**72 9**

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market It is expected that £2 8m of the provision will be utilised in 2010, £2 5m in 2011 and the remaining balance of £14 2m utilised from 2012 to 2023 Provision is made on a discounted basis, at a risk-free rate of 4% pa, for the net rental deficit on these properties to the end of the lease term

Asset decommissioning & remediation obligations relate to the Group's obligation to dismantle, remove and restore items of property, plant and equipment The provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation The provision is expected to be utilised over a period of 3 to 5 years

Following the disposal of Gibson Energy in 2008, the Group recognised a provision for tax indemnities These provisions are expected to be utilised in 2010

The Group expects the other provisions of £0 1m to be fully utilised in 2010

Notes to the Financial Statements continued

30 POST EMPLOYMENT BENEFITS

Pensions

Within the UK, the Group operates a funded defined benefit plan with benefits linked to final salary and a defined contribution plan With effect from 31 December 2002, the defined benefit plan was closed to new UK employees who are offered membership of the defined contribution plan The majority of UK employees are members of one of these arrangements

During the year, the trustees of the Scheme, with the support of the Company, purchased an annuity policy in relation to the active members of the Scheme The effect of this is recognised in actuarial gains (losses) on plan assets in the statement of other comprehensive income The majority of the Scheme's benefits are now covered by insurance policies, meaning that pensions-related risks have largely been eliminated demonstrated by the stability of the pension asset from year to year However, the obligation ultimately rests with the Group

A valuation of the defined benefit section of the Scheme is produced and updated annually to 31 December by independent qualified actuaries

The main assumptions used for IAS 19 purposes at 31 December were

	2009	2008
Annual rates		
Rate of increase in salaries	5 7%	4 9%
Rate of increase in pensions	3 7%	2 9%
Discount rate	5 6%	6 4%
Inflation	3 7%	2 9%

The post-employment mortality assumptions allow for future improvements in mortality The mortality table implies that a 65 year old male currently has an expected future lifetime of 24 0 years (2008 - 23 8 years) and an expected future lifetime of 27 1 years (2008 - 26 9 years) for a male reaching 65 in 20 years time Based upon past experience, pension increases have been assumed to be in line with inflation

Long term rates of return expected at 31 December

	2009	2008
Annual rates		
Insurance annuity policies	5 6%	6 4%
Equities	8 2%	7 6%
Bonds	4 4%	4 1%
Other	4 4%	3 8%

The expected rate of return on pension plan assets is determined as management's best estimate of the long term return on the major asset classes - insurance annuity policies, equities, bonds and other - weighted by the actual allocation of assets at the measurement date The expected rate of return on the insurance policies has been set equal to the discount rate

Other information

The defined contribution section of the Scheme held assets, equal to its liabilities, of £3 6m as at 31 December 2009

Notes to the Financial Statements continued

30 POST EMPLOYMENT BENEFITS (continued)

Scheme assets

The proportions of the total assets in the defined benefit section of the Scheme for each asset class and the contributions made were

	2009	2008
Insurance annuity policies	92%	89%
Equities	2%	3%
Bonds	6%	7%
Other	–	1%
	100%	**100%**
Employer contributions made during year (£m)	**1 9**	**2 0**

During the year to 31 December 2009, contributions by the Group of £0 7m (2008 – £0 6m) were also made to the defined contribution section of the Scheme For 2010, the Group will pay estimated contributions of £1 9m to the defined benefit section of the Scheme Contributions to the defined contribution section of the Scheme are in addition

Surpluses and (deficits) in the plans

The following amounts were measured in accordance with IAS 19

	2009 £m	2008 £m
Total fair value of plan assets	222 5	182 6
Present value of obligations	(214 5)	(175 0)
Asset recognised in the balance sheet	**8.0**	**7 6**

Movements in the present value of the defined benefit obligation

	2009 £m	2008 £m
Change in present value of obligation		
Present value of obligation at the start of the year	175 0	198 5
Current service cost (employer)	1 3	2 0
Interest cost	10 9	11 4
Contributions by plan participants	0 4	0 4
Actuarial losses (gains)	39 0	(17 0)
Benefits paid	(12 1)	(10 2)
Past service cost	–	0 1
Currency exchange rate changes	–	(0 1)
Transfer to liabilities classified as held for sale	–	(9 0)
Unrecognised past service cost	–	(1 1)
Present value of obligation at end of the year	**214 5**	**175 0**

Notes to the Financial Statements continued

30 POST EMPLOYMENT BENEFITS (continued)

Movements in the fair value of plan assets

	2009 £m	2008 £m
Change in plan assets		
Fair value of plan assets at the start of the year	182 6	222 1
Expected return on plan assets	11 1	12 2
Actuarial gain (loss) on plan assets	38 6	(35 9)
Contributions by plan participants	0 4	0 4
Contributions by employer	1 9	2 3
Benefits paid	(12 1)	(10 2)
Currency exchange rate changes	–	(0 1)
Transfer to assets classified as held for sale	–	(7 6)
Asset restriction	–	(0 6)
Fair value of plan assets at the end of the year	**222 5**	**182 6**

For 2009 the actual return on the plans' assets amounted to a gain of £49 7m (2008 – £23 7m loss) The gain arising as a result of the increase of the value placed on the insurance annuity policies is offset by a corresponding increase in the value placed on the corresponding liabilities The effect is seen in the actuarial gains (losses) on the defined benefit obligations stated above

Total expense recognised in the Income Statement

	2009 £m	2008 £m
Current service cost (employer)	1 3	2 3
Interest cost	10 9	11 7
Expected return on assets	(11 1)	(12 5)
Past service cost	–	0 1
Total expense included within staff costs (note 6)	**1 1**	**1 6**

In addition, employer contributions of £3 0m (2008 – £3 8m) for defined contribution arrangements are recognised in the income statement

Total expense recognised in the Statement of Comprehensive Income

	2009 £m	2008 £m
Actuarial losses	0 4	19 6
Exchange adjustments	–	0 1
Amount recognised in the Statement of Comprehensive Income	**0 4**	**19 7**

The cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income at 31 December 2009 is a loss of £32 1m (2008 – £31 7m loss)

Notes to the Financial Statements continued

30 POST EMPLOYMENT BENEFITS (continued)

Amounts to be shown for the current and previous periods

	2009	2008	2007	2006	2005
Difference between the expected and actual return on plan assets					
Amount (£m)	38 6	(35 3)	(12 0)	2 8	11 1
As a percentage of plan assets	17%	(19)%	(5)%	1%	5%
Experience (losses) and gains on obligations					
Amount (£m)	(0 2)	(0 2)	0 5	(0 3)	0 4
As a percentage of the present value of the obligations	0%	0%	0%	0%	0%
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	(214 5)	(175 0)	(198 5)	(195 3)	(193 2)
Fair value of plan assets	222 5	182 6	222 1	222 8	211 6
Surplus in the plan	**8 0**	**7 6**	**23 6**	**27 5**	**18 4**

The Company has no employees and therefore does not participate in any of the above schemes

31 SHARE CAPITAL AND SHARE PREMIUM

	Number of Ordinary shares of 25p each No	Ordinary shares of 25p each £m	Share premium £m	2009 Total £m	2008 Total £m
Group and Company					
Authorised	200,000,000	50 0		50 0	50 0
At 1 January	131,967,705	33 0	90 0	123 0	120 1
Shares issued - share option schemes	248,646	0 1	0 1	0 2	0 1
Shares issued - LTIP awards	-	-	-	-	2 7
Share options - discharge	-	-	0 1	0 1	0 1
At 31 December	**132,216,351**	**33 1**	**90 2**	**123 3**	**123 0**

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

At 31 December 2009, the Group held 969,687 (2008 - 982,481) Treasury shares Details are set out in note 33

Notes to the Financial Statements continued

32 OTHER COMPONENTS OF EQUITY

	Year ended 31 December 2009				
	Revaluation reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Other reserves £m	Total £m
Group					
At 1 January	9 6	(2 7)	33 1	7 5	47 5
Change in accounting policy	(9 6)	-	0 8	-	(8 8)
At 1 January as restated	-	(2 7)	33 9	7 5	38 7
Exchange adjustments	-	-	(12 0)	-	(12 0)
- taxation	-	-	2 3	-	2 3
Release of foreign exchange on disposal of subsidiary	-	-	(3 1)	-	(3 1)
Fair value gain on cash flow hedges	-	0 8	-	-	0 8
- taxation	-	(0 2)	-	-	(0 2)
Release of fair value loss on cash flow hedges	-	2 3	-	-	2 3
- taxation	-	(0 1)	-	-	(0 1)
Fair value gain on available for sale financial assets	-	-	-	1 3	1 3
Share options					
- value of employee services	-	-	-	1 0	1 0
- discharge	-	-	-	(1 6)	(1 6)
Transfer between reserves	-	-	-	(1 4)	(1 4)
At 31 December	**-**	**0 1**	**21 1**	**6 8**	**28 0**

	Year ended 31 December 2008				
	Revaluation reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Other reserves £m	Total £m
Group					
At 1 January	61 0	0 2	7 8	4 3	73 3
Change in accounting policy	(61 0)	-	(0 4)	-	(61 4)
At 1 January as restated	-	0 2	7 4	4 3	11 9
Exchange adjustments	-	(0 2)	46 6	-	46 4
- taxation	-	-	(6 3)	-	(6 3)
Release of foreign exchange on disposal of subsidiary	-	-	(12 5)	-	(12 5)
- taxation	-	-	(1 3)	-	(1 3)
Fair value loss on cash flow hedges	-	(3 6)	-	-	(3 6)
- taxation	-	0 5	-	-	0 5
Release of fair value loss on cash flow hedges	-	0 6	-	-	0 6
- taxation	-	(0 2)	-	-	(0 2)
Fair value gain on available for sale financial assets	-	-	-	1 2	1 2
Share options					
- value of employee services	-	-	-	2 4	2 4
- discharge	-	-	-	(0 4)	(0 4)
At 31 December	**-**	**(2 7)**	**33 9**	**7.5**	**38 7**

Notes to the Financial Statements continued

32 OTHER COMPONENTS OF EQUITY (continued)

	Year ended 31 December 2007				
	Revaluation reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Other reserves £m	Total £m
Group					
At 1 January	9 5	0 3	(6 8)	2 6	5 6
Change in accounting policy	(9 5)	-	(0 4)	-	(9 9)
At 1 January as restated	-	0 3	(7 2)	2 6	(4 3)
Exchange adjustments	-	0 1	13 0	-	13 1
- taxation	-	-	1 9	-	1 9
Release of fair value on cash flow hedges	-	(0 3)	-	-	(0 3)
- taxation	-	0 1	-	-	0 1
Disposal of subsidiary	-	-	(0 3)	-	(0 3)
Share options					
- value of employee services	-	-	-	1 2	1 2
- taxation	-	-	-	1 4	1 4
Transfer to retained earnings	-	-	-	(0 9)	(0 9)
At 31 December	**-**	**0 2**	**7 4**	**4 3**	**11 9**

Other reserves include share option reserves, capital redemption reserves and available for sale financial assets reserves

	2009 £m	2008 £m
Company		
At 1 January	4 9	2 8
Other	-	0 1
Reserve for cost of share options	1 0	2 4
Transfer between reserves	(1 6)	(0 4)
At 31 December	**4 3**	**4 9**

Other reserves include share option reserves

Notes to the Financial Statements continued

33 RETAINED EARNINGS

	Group			Company	
	2009	2008	2007	2009	2008
	£m	£m	£m	£m	£m
At 1 January	383 5	107 5	79 8	40 1	19 0
Change in accounting policy	(0 1)	0 6	1 0	–	–
At 1 January as restated	383 4	108 1	80 8	40 1	19 0
Profit for the year	28 7	304 2	57 2	24 6	37 0
Actuarial loss on defined benefit pension schemes	(0 4)	(19 6)	(12 5)	–	–
– taxation	0 1	5 2	3 8	–	–
Dividends paid	(13 8)	(11 3)	(10 1)	(13 8)	(11 3)
Purchase of Treasury shares	(7 9)	(7 5)	(18 5)	(7 9)	(7 5)
Disposal of Treasury shares	4 0	2 6	4 5	4 0	2 6
– taxation	0 2	1 4	2 0	–	–
Share options					
– discharge	1 5	0 3	0 8	1 5	0 3
Other	–	–	0 1	(0 1)	–
Transfer between reserves	1 4	–	–	–	–
At 31 December	**397 2**	**383.4**	**108 1**	**48 4**	**40 1**

In respect of the tax on the actuarial loss on defined benefit pension schemes, £0 1m (2008 – £5 2m) arises on the current year's movement and £nil (2008 – £nil) is due to a change in tax rates

Retained earnings includes the following amounts in respect of the carrying amount of Treasury shares

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Cost				
At 1 January	(7 4)	(7 6)	(7 4)	(7 6)
Purchase of Treasury shares	(7 9)	(7 5)	(7 9)	(7 5)
Disposal of Treasury shares	9 8	7 7	9 8	7 7
At 31 December	**(5 5)**	**(7 4)**	**(5 5)**	**(7 4)**

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings was

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Loss on disposal	(5 8)	(5 1)	(5 8)	(5 1)

34 MINORITY INTERESTS

	2009	2008
Group	£m	£m
At 1 January	12 2	11 0
Exchange adjustments	(0 1)	0 3
Profit after tax attributed to minorities	3 0	3 5
Dividends paid	(1 8)	(2 6)
At 31 December	**13 3**	**12 2**

Notes to the Financial Statements continued

35 CAPITAL RISK MANAGEMENT

The Group's capital consists of equity At the year end, total equity was £561 8m (2008 – £557 3m)

It is managed with the aim of maintaining an appropriate level of financing available for the Group'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 The Group needs to ensure that banking and other borrowing covenants are complied with to ensure that borrowing facilities remain in place The covenants are monitored on a monthly basis and all external covenant requirements were met during the year

Changes in equity arise from the retention of earnings and, from time to time, rights issues of share capital The Group's net cash/debt is monitored on a daily basis and is managed by the control of working capital, dividend and capital expenditure payments and the purchase and disposal of assets and businesses

36. DIVIDENDS PAID

	2009		2008	
	Pence per share	£m	Pence per share	£m
Group and Company				
Ordinary dividends				
2009 interim paid	3 5	4 6	–	–
2008 final paid	7 0	9 2	–	–
2008 interim paid	–	–	2 9	3 8
2007 final paid	–	–	5 7	7 5
Total dividends paid	**10 5**	**13 8**	**8 6**	**11 3**

The Directors have agreed to pay a second interim dividend of 7 0p per share, which will be paid on 31 March 2010 to shareholders on the register at the close of business on 5 March 2010 This second interim dividend will replace the final dividend that would normally be approved at the Annual General Meeting to be held in April 2010 and paid thereafter

Notes to the Financial Statements continued

37 SHARE BASED PAYMENTS

Equity-settled share option plans

Executive share options

The Company operates an executive share option scheme which grants options to eligible employees Vesting of options granted is subject to the achievement of performance targets, as described in the Remuneration Committee's Report, over a three year period Thereafter the employee, subject to continued employment, has seven years in which to exercise the option

Options are valued using an option pricing model based on the binomial model, but adjusted to model the particular features of the options The assumptions used in calculating the charge to the income statement, which only relates to options granted after November 2002 as permitted by IFRS 2, are as follows

Date of grant	04 03 2008	06 03 2007	08 03 2006	09 03 2005
Exercise price (p)	784 5	640 0	383 0	220 7
Share price at grant (p)	784 5	640 0	383 0	236 0
Expected volatility (% pa)	32	36	38	38
Dividend yield (% pa)	1 1	1 17	1 31	1 59
Risk-free interest rate (% pa)	4 3	4 9	4 3	4 9
Turnover rates (% pa)	5	5	5	5
Fair value at grant (p)	294 9	248 4	149 8	91 0
Fair value adjusted for rights issue (p)	n/a	n/a	n/a	85 1
Assumed likelihood of satisfying performance condition at				
31 December 2008	75%	75%	100%	100%
31 December 2009	75%	75%	100%	100%

The assumption for early exercise is 50% when options are 20% in the money

The expected volatility is calculated as the historic volatility of the Hunting PLC share return over the 5 years prior to each grant date

The charge to the income statement attributable to Executive Share Options is £1 0m (2008 – £2 4m) and is recognised as part of operating expenses

Share option movements during the year

	2009		2008	
	No of options	Weighted average exercise price (p)	No of options	Weighted average exercise price (p)
Outstanding at beginning of the year	5,742,815	311	6,428,673	266
Granted during the year	–	–	679,464	771
Exercised during the year	(1,816,760)	231	(903,386)	173
Lapsed during the year	(298,617)	685	(461,936)	629
Outstanding at the end of the year	**3,627,438**	**321**	**5,742,815**	**311**
Exercisable at the end of the year	**2,852,839**	**215**	**4,308,493**	**229**

Options are granted with an exercise price equal to the average closing mid-market price of the Company's share price for the three trading days prior to the date of grant

The weighted average share price at the date of exercise was 505p

Notes to the Financial Statements continued

37 SHARE BASED PAYMENTS (continued)

Share options outstanding at the end of the year

	2009 No of options	2008 No of options	Exercise price range (p)	Exercise period
Executive Share Options 2001 – vested	449,582	556,243	194 0	28 03 04–27 03 11
Executive Share Options 2002 – vested	189,389	198,351	167 4	15 04 05–14 04 12
Executive Share Options 2003 – vested	109,262	357,352	79 0	14 03 06–13 03 13
Executive Share Options 2004 – vested	755,780	1,082,698	116 9	31 03 07–30 03 14
Executive Share Options 2005 – vested	731,268	1,299,964	220 7	09 03 08–08 03 15
Executive Share Options 2006 – vested	617,558	659,723	383 0	08 03 09–07 03 16
Executive Share Options 2006 – vested*	-	515,268	383 0	12 12 08–11 12 09
Executive Share Options 2007	407,666	407,666	640 0	06 03 10–05 03 17
Executive Share Options 2007 – vested*	-	206,715	640 0	12 12 08–11 12 09
Executive Share Options 2008	366,933	366,933	784 5	04 03 11–03 03 18
Executive Share Options 2008 – vested*	-	91,902	784 5	12 12 08–11 12 09
	3,627,438	**5,742,815**		

*Following the disposal of Gibson Energy on 12 December 2008, share options awarded to employees of Gibson Energy vested early

Long Term Incentive Plan

The Group operates a Long Term Incentive Plan ("LTIP") for key executives

LTIP awards may be settled in shares or cash Details of awards made under this plan are contained within the Remuneration Committee's report on page 29

The charge to the income statement attributable to the LTIP is £2 5m (2008 - £5 4m)

Performance Share Plan ("PSP")

Under the PSP annual conditional awards of shares may be made to executive directors and senior employees Awards are subject to performance conditions and continued employment during the vesting period

The PSP awards made in the year will vest subject to total shareholder return ("TSR") performance over a three year period from date of grant, relative to comparator companies from the Dow Jones US Oil Equipment and Services sector index and the DJ STOXX TM Oil Equipment and Services sector index

Details of the PSP award movements during the year are set out below

	2009 No of awards
Outstanding at beginning of the year	-
Granted during the year	182,038
Outstanding at the end of the year	**182,038**

Notes to the Financial Statements continued

37 SHARE BASED PAYMENTS (continued)

Details of each PSP award outstanding at 31 December 2009 are as follows

	Normal vesting date	Number of shares 2009
Date of grant		
29 April 2009	April 2012	182,038
Outstanding at the end of the year		**182,038**

The fair value of the PSP award granted in 2009 was calculated using the Stochastic pricing model (also known as the "Monte Carlo" model), which incorporates the effect of the TSR performance condition

The assumptions used in the model were as follows

Assumptions	2009
Weighted average share price at grant	444 25p
Expected volatility - Hunting PLC	44 4%
Expected volatility - Comparator group	57 1%
Risk free rate	1 9%
Expected life	3 years
Fair value	251 47p

The expected volatility was calculated using historic weekly volatility over 3 years prior to grant, equal in length to the performance period at the date of grant The expected volatilities of each constituents of the comparator group are calculated on the same basis and input into the model individually and the average of these figures is shown in the table above

The expected life of the award has been calculated as 3 years, commensurate with the vesting period The risk free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant

Participants are entitled to a dividend equivalent over the number of shares which make up their award It is accumulated over the vesting period and released subject to the achievement of the performance condition This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero

The accounting charge of the PSP is adjusted for an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period and forfeit a proportion of their award The estimate of the expected forfeiture lapse rate is 2 5% per annum

The charge to the income statement attributable to the PSP is £0 1m (2008 - £nil), which is recognised in operating expenses

Restricted Share Plan ("RSP")

Under the RSP, annual conditional awards of shares may be made to employees subject to continued employment during the vesting period There are no performance conditions attached to these awards

Details of the RSP award movements during the year are set out below

	2009 No of awards
Outstanding at beginning of the year	-
Granted during the year	253,275
Vested during the year	(2,124)
Lapsed during the year	(8,017)
Outstanding at the end of the year	**243,134**

The weighted average share price at the date of vesting for awards vesting during the year was 565 9p

Notes to the Financial Statements continued

37 SHARE BASED PAYMENTS (continued)

Details of each RSP award outstanding at 31 December 2009 are as follows

Date of grant	Normal vesting date	Number of shares 2009
29 April 2009	April 2012	253,275
Outstanding at the end of the year		**243,134**

The fair value of the RSP award granted in 2009 was calculated using the Black Scholes pricing model The assumptions used in the model were as follows

Assumptions	2009
Weighted average share price at grant	444 25p
Weighted average exercise price	0p
Expected volatility	44 4%
Risk free rate	1 9%
Expected life	3 years
Fair value	444 25p

The expected volatility was calculated using historic weekly volatility over 3 years to grant, equal in length to the remaining portion of the performance period at the date of grant

The expected life of the award has been calculated as 3 years, commensurate with the vesting period The risk free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant

Participants are entitled to a dividend equivalent over the number of shares which make up their award It is accumulated over the vesting period and released subject to the employee remaining in employment This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero

The accounting charge of the RSP is adjusted for an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period and forfeit a proportion of their award The estimate of the expected forfeiture lapse rate is 2 5% per annum

The charge to the income statement attributable to the RSP is £0 2m (2008 – £nil), which is recognised in operating expenses

Notes to the Financial Statements continued

38 ACQUISITIONS

During the year, the Group made the following acquisitions National Coupling Company Inc ("NCC") on 12 June 2009, PT SMB Industri ("PT SMB") on 31 July 2009 and the Welltonic group of companies on 10 December 2009 The acquisitions of NCC and PT SMB were for 100% of the share capital The Group acquired 100% of the share capital of Welltonic Limited, Welltonic Asia Pte Limited and Welltonic Inc and 49% of the share capital of Welltonic LLC

Details of the acquired net assets, goodwill and consideration are set out below

	National Coupling		**PT SMB**		**Welltonic**		**Total**	
	Pre-acquisition carrying values £m	Provisional fair values £m	Pre-acquisition carrying values £m	Provisional fair values £m	Pre-acquisition carrying values £m	Provisional fair values £m	Pre-acquisition carrying values £m	Provisional fair values £m
Property, plant and equipment	4 5	5 2	2 6	3 4	1 8	2 1	8 9	10 7
Other intangible assets	-	3 2	-	-	-	0 2	-	3 4
Inventories	2 6	2 6	0 2	0 2	0 3	0 3	3 1	3 1
Trade and other receivables	3 0	3 0	0 2	0 2	1 8	1 8	5 0	5 0
Deferred tax asset	-	0 4	-	-	-	-	-	0 4
Deferred tax liabilities	-	-	-	(0 1)	-	-	-	(0 1)
Trade and other payables	(1 1)	(1 1)	(0 1)	(0 1)	(0 9)	(0 9)	(2 1)	(2 1)
Finance lease liabilities	(1 3)	(1 3)	-	-	(0 2)	(0 2)	(1 5)	(1 5)
Current tax	-	-	-	-	(0 3)	(0 3)	(0 3)	(0 3)
Cash and cash equivalents	-	-	-	-	1 4	1 4	1 4	1 4
Net assets acquired	7 7	12 0	2 9	3 6	3 9	4 4	14 5	20 0
Goodwill		19 8		2 7		4 8		27 3
Consideration		**31 8**		**6 3**		**9 2**		**47 3**
Consideration comprised								
Cash		31 2		5 2		7 0		43 4
Deferred cash		0 2		0 9		1 9		3 0
Costs		0 4		0 2		0 3		0 9
		31 8		**6 3**		**9 2**		**47 3**

Goodwill on the acquisition of NCC represents the value of the assembled workforce at the time of acquisition, specific knowledge and technical skills that will enhance Hunting's facilities, and the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services to the Group's customers

Goodwill on the acquisition of PT SMB principally represents the value of the assembled workforce at the time of acquisition, the technical skills and prospective future economic benefits expected to accrue to the Group Goodwill on the acquisition of Welltonic is attributable to future synergies and business opportunities arising from the integration of the business into the Group

Intangible assets recognised on acquisition include £2 9m for patents and £0 5m for trade names

Post-acquisition performance

The acquired companies contributed the following to the Group's performance from the date of acquisition to 31 December 2009

	£m
Revenue	10 9
Profit from operations	1 7
Profit before taxation	1 5

Full year performance

If the acquisitions had been made on 1 January 2009, the acquired companies would have contributed the following to the Group's performance during 2009

	£m
Revenue	24 1
Profit from operations	4 1
Profit before taxation	3 3

Notes to the Financial Statements continued

39 BUSINESS DISPOSALS

On 22 December 2009, the Group disposed of Hunting Energy France SA

Details of the disposed net assets and consideration are set out below

	£m
Property, plant and equipment	1 8
Goodwill	2 9
Deferred tax assets	0 2
Trade and other receivables	7 2
Inventories	4 8
Trade and other payables	(8 5)
Current tax assets	0 5
Deferred tax liabilities	(0 1)
Cash and cash equivalents	2 5
Net assets disposed	11 3
Cumulative translation reserve	(3 1)
Costs of disposal	0 1
Profit on disposal	2 8
Gross consideration	**11 1**

The consideration comprised the following

Net cash proceeds	8 9
Bond	2 2
Gross consideration	**11 1**

As part of the consideration, the Group subscribed to a €2 5m bond, which is carried as a receivable at amortised cost, shown in note 20

The bond is repayable by 31 December 2017 It is unsecured and interest is charged at an effective rate of 8 11% per annum

Gibson Energy

Under the terms of the sale of Gibson Energy on 12 December 2008, the consideration payable by the purchaser was subject to the preparation and agreement of completion accounts These were agreed in 2009 and resulted in an additional cash consideration payable by the purchaser of £17 6m, which was received on 20 April 2009

Notes to the Financial Statements continued

40 OPERATING LEASES

The Group as lessee

Operating lease payments mainly represent rentals payable by the Group for properties

	2009 Property £m	2009 Others £m	2009 Total £m	2008 Property £m	2008 Others £m	2008 Total £m
Operating lease payments in Income Statement for continuing operations						
Lease and rental payments	**5 2**	**0 6**	**5.8**	**6 5**	**0.1**	**6 6**

Total future operating lease payments

Total future aggregate minimum lease payments under non-cancellable operating leases expiring

	2009 Property £m	2009 Others £m	2009 Total £m	2008 Property £m	2008 Others £m	2008 Total £m
Within one year	6 6	0 4	7 0	6 5	0 6	7 1
Between two to five years	17 2	0 8	18 0	20 0	0 6	20 6
After five years	18 2	-	18 2	22 2	-	22 2
Total lease payments	**42 0**	**1 2**	**43 2**	**48 7**	**1 2**	**49 9**

The Group as lessor

Property rental earned during the year was £1 7m (2008 - £0 8m) A number of the Group's leasehold properties are sublet under existing lease agreements

Total future operating lease income

Total future minimum sublease income receivable under non-cancellable operating leases expiring

	2009 Property £m	2008 Property £m
Within one year	0 7	0 7
Between two to five years	1 8	1 9
After five years	-	0 2
Total lease income receivable	**2.5**	**2 8**

41 OBLIGATIONS UNDER FINANCE LEASES

	2009 £m	2008 £m
Group		
Total of minimum lease payments		
Within one year	0 1	0 1
Between two to five years	0 1	-
Total of gross finance lease liabilities	0 2	0 1
Less Future finance charges on finance leases	-	-
Present value of finance lease liabilities	**0.2**	**0 1**
The present value of finance lease liabilities is as follows		
Within one year	**0 2**	**0 1**

Notes to the Financial Statements continued

42. CONTINGENT LIABILITIES

The Company has guaranteed borrowings of £nil (2008 – £4 4m) of other Group companies

43 CAPITAL COMMITMENTS

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for in these financial statements amounted to £8 5m (2008 – £4 2m)

44 EXPLORATION AND EVALUATION ACTIVITIES

The assets, liabilities, income, expense and cash flows arising on the Group's exploration for and evaluation of oil and gas resources are as follows

The Group had no assets (2008 – £nil) and no liabilities (2008 – £nil) relating to the exploration for and evaluation of oil and gas reserves

	2009 £m	2008 £m
Income	–	–
Expense	(0 4)	(3 0)
Taxation	0 1	0 8
Net expense	**(0 3)**	**(2 2)**
Cash inflow (outflow) from operating activities	1 6	(0 1)
Cash outflow from investing activities	–	(2 3)
Net cash flow	**1 6**	**(2 4)**

Expenses comprise £nil (2008 – £2 9m) impairment of oil and gas expenditure and £nil (2008 – £0 1m) interest expense

45 RELATED PARTY TRANSACTIONS

Company

The following related party transactions took place between the Company and wholly-owned subsidiaries of the Group during the year

	2009 £m	2008 £m
Transactions		
Royalties receivable	0 8	1 0
Management fees payable	(3 2)	(1 6)
Recharges		
IFRS 2 share option charge	1 2	2 3
Administrative expenses	0 8	13 8
Loans received	10 9	–
Loans made to companies	–	(0 4)
Loan from subsidiary repaid	(10 7)	(13 5)
Interest payable on inter-company loans	(2 5)	(9 1)
Interest receivable on inter-company loans	0 3	1 3
Dividends received from subsidiaries	30 0	45 5
Year end balances		
Amounts owed to subsidiaries	(128 7)	(140 4)
Amounts owed by subsidiaries	11 7	56 5

The interest rate that the Company is charged, and charges, on sterling loans is the UK base rate plus a margin of between 1% and 2%

All balances between the Company and its subsidiaries have no fixed term for repayment and are unsecured

The Company owed £5 6m (2008 – £5 6m) for an interest free loan from associates

Notes to the Financial Statements continued

45 RELATED PARTY TRANSACTIONS (continued)

The Company also serves as the Group's intermediary for the provision of UK group tax relief, VAT and certain group insurances At the year end, the outstanding balance receivable for these services was £2 1m (2008 - £3 2m)

Group

The following related party transactions took place between wholly-owned subsidiaries of the Group and associates during the year

	2009 £m	2008 £m
Transactions		
Sales of goods and services	1 7	10 5
Purchase of goods and services	(0 4)	(0 4)
Sale of property, plant and equipment	-	(2 8)
Royalties receivable	0 1	0 6
Management and other fees receivable	0 1	0 4
Loans from associates repaid	(0 5)	(1 5)
Loans to associates repaid	1 0	-
Interest payable on loans from associates	-	(0 2)
Dividends received from associates	0 2	1 0
Year end balances		
Interest bearing loans owed to associates	(1 3)	(1 8)
Interest free loans owed to associates	(5 6)	(5 6)
Receivables from associates	0 2	1 3

The following related party transactions took place between wholly-owned subsidiaries of the Group and non-wholly owned subsidiaries during the year

	2009 £m	2008 £m
Transactions		
Sales of goods and services	0 4	2 0
Purchase of goods and services	(0 2)	(1 7)
Administrative expenses recharged	(0 1)	-
Loans from non-wholly owned subsidiaries repaid	(10 6)	(0 3)
Loans to non-wholly owned subsidiaries repaid	-	5 0
Loans received from non-wholly owned subsidiaries	-	0 1
Loan issued to non-wholly owned subsidiaries	(1 3)	-
Interest payable on loans from non-wholly owned subsidiaries	(0 3)	(1 0)
Interest receivable on loans to non-wholly owned subsidiaries	-	0 8
Year end balances		
Interest bearing loans owed to non-wholly owned subsidiaries	(13 2)	(21 5)
Amounts owed by non-wholly owned subsidiaries	0 2	3 6

The interest rate on US denominated loans is US dollar LIBOR +1 5%, and on sterling loans is UK base rate +1%

The outstanding balances at the year end are unsecured and have no fixed date for repayment No expense has been recognised in the period for bad or doubtful debts in respect of amounts owed by associates and non-wholly owned subsidiaries

All interests in subsidiaries and associates are in the equity shares of those companies

The key management of the Company comprises the executive and non-executive Directors only The details of the Directors' compensation is disclosed in note 6 The Directors of the Company had no material transactions other than as a result of their service agreements

Notes to the Financial Statements continued

46 PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Subsidiaries and associates	Country of incorporation and operations	Business
OIL AND GAS ACTIVITIES		
Hunting Energy Corporation	USA	Oilfield services
Hunting Energy Services Inc	USA	Oilfield and trenchless drilling products and services
Hunting Energy Services (Drilling Tools) Inc	USA	Drilling equipment
Hunting Energy Services (International) Limited	England & Scotland	Oilfield services
Hunting Energy Services (UK) Limited (60%)	Scotland & Holland	Oilfield services
Hunting Energy Services Limited	Scotland	Oilfield services
Hunting Energy Services (Well Intervention) Limited	Scotland, USA & Singapore	Oilfield services
Hunting Energy Services (Canada) Limited	Canada	Oilfield services
Hunting Energy Services (Drilling Tools) Limited	Canada	Oilfield services
Hunting Energy Services (International) Pte Limited	Singapore	Oilfield services
Hunting Energy Services Pte Limited	Singapore	Oilfield services
Hunting Welltonic Ltd	Scotland	Oilfield services
Hunting Welltonic LLC (49%)$	Dubai	Oilfield services
National Coupling Company Inc	USA	Oilfield services
PT SMB Industri	Indonesia	Oilfield services
Hunting Airtrust Tubulars Pte Limited (50%)≠	Singapore & China	Oilfield services
Tubular Resources Pte Ltd (30%)≠+	Singapore	Oilfield services
Tenkay Resources Inc	USA	Oil and natural gas exploration
OTHER ACTIVITIES		
E A Gibson Shipbrokers Limited	England, Hong Kong, Singapore & USA	Shipbroking, LPG broking
Field Aviation Company Inc	Canada	Aviation engineering services
CORPORATE ACTIVITIES		
Hunting Energy Holdings Limited*	England	Holding Company
Huntaven Properties Limited	England	Group properties
Hunting Knightsbridge Holdings Limited*	England	Finance
Hunting U S Holdings Inc	USA	Holding company
Hunting America Corporation	USA	Finance

Notes

1. *Certain subsidiaries and associates have been excluded from the above where in the opinion of the Directors they do not have a material bearing on the profits or assets of the Group*
2. *Except where otherwise stated companies are wholly-owned being incorporated and operating in the countries indicated*
3. *Interests in companies marked * are held directly by Hunting PLC*
4. *Subsidiaries and associates marked + are audited by firms other than PricewaterhouseCoopers LLP*
5. *Associates are marked ≠ above*
6. *All interests in subsidiaries and associates are in the equity shares of those companies*
7. *Hunting Welltonic LLC (marked $) is a subsidiary by virtue of a shareholders' agreement*

Shareholder Information

FINANCIAL CALENDAR 2010

31 March	Second Interim Ordinary Dividend Payment
21 April	Annual General Meeting
August	Announcement of Interim Results
November	Interim Ordinary Dividend Payment

ANALYSIS OF ORDINARY SHAREHOLDERS

At 31 December 2009, the Company had 2,527 Ordinary shareholders (2008 - 2,385) who held 132 2 million (2008 - 132 0 million) Ordinary shares analysed as follows

	2009		2008	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
SIZE OF HOLDINGS				
1 - 4,000	75 9	1 5	73 6	1 3
4,001 - 20,000	12 3	2 1	12 5	2 0
20,001 - 40,000	2 8	1 5	4 0	2 1
40,001 - 200,000	5 1	9 1	5 6	9 7
200,001 - 500,000	2 0	12 5	2 2	12 0
500,001 and over	1 9	73 3	2 1	72 9

SHARE INFORMATION

The Ordinary shares of the Company are quoted on the London Stock Exchange

The Company's registrars, Equiniti, offer a range of shareholder information and dealing services on www shareview co uk

Financial Record*

	2009 £m	2008 £m	Restated 2007 £m	Restated 2006 £m	Restated 2005 £m
Revenue	**359 9**	**418 5**	**376 2**	**365 4**	**295 0**
Profit from continuing operations	35 8	58 8	48 6	39 1	21 0
Finance income (charges)	1 8	(3 4)	(6 4)	(4 6)	(2 2)
Share of post-tax profits in associates	0 9	1 2	2 2	2 6	0 6
Profit before taxation from continuing operations	38 5	56 6	44 4	37 1	19 4
Taxation	(12 2)	(18 7)	(17 2)	(12 8)	(8 5)
Profit from continuing operations	26 3	37 9	27 2	24 3	10 9
Profit from discontinued operations	0 9	40 9	37 2	32 0	17 7
Profit for the year	**27 2**	**78 8**	**64 4**	**56 3**	**28 6**
Basic earnings per share					
Continuing operations	17 7p	26 4p	17 0p	15 9p	7 9p
Continuing and discontinued operations	18 4p	57 6p	45 5p	40 8p	23 3p
Dividend per share#	10 50p	9 90p	8 25p	7 50p	6 00p
Non-current assets	237 5	204 5	373 9	292 3	284 1
Net current assets	362 8	386 0	104 2	82 1	78 7
	600 3	**590 5**	**478 1**	**374 4**	**362 8**
Financed by					
Shareholders' funds (including minority interests)	561 8	557 3	251 1	202 6	173 2
Non-current liabilities	38 5	33 2	227 0	171 8	189 6
	600 3	**590 5**	**478 1**	**374 4**	**362 8**
Net assets per share	**425 0p**	**422 2p**	**191.0p**	**154 5p**	**134 5p**

*Information is stated before exceptional items
#Dividend per share is stated on a declared basis

The financial information for the years 2005 to 2008 has been restated to reflect the Group's change in accounting policy from carrying property, plant and equipement at valuation to carrying it at cost

Professional Advisers

Solicitors
CMS Cameron McKenna LLP

Auditors
PricewaterhouseCoopers LLP

Brokers
RBS Hoare Govett Limited

Financial Advisers
Close Brothers Corporate Finance Limited

Insurance Brokers
Willis Limited

Pension Advisers & Actuary
Lane Clark & Peacock LLP

Financial Public Relations
Buchanan Communications Limited

Registrars and Transfer Office
Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone 0871 384 2173

Registered Office 3 Cockspur Street, London SW1Y 5BQ
Registered Number 974568 (Registered in England and Wales)
Telephone 020 7321 0123 Facsimile 020 7839 2072
www hunting plc uk

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HUNTING PLC

3 Cockspur Street
London SW1Y 5BQ
Tel 020 7321 0123
Fax 020 7839 2072
www hunting plc uk