

Registered Number: 00908371

Hunting Energy Services (UK) Limited
Annual Report
for the Year Ended 31 December 2008

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Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2008.

Principal Activities

The Group and Company operate in the offshore oil and gas industry as part of the Hunting Energy Services (International) Limited Group. The majority of the business is conducted in the new pipe joints, accessory equipment manufacture and general repair sections of the oil industry with operations concentrated on the North Sea.

Business Review

The Group profit before tax performance for the period was lower than 2007 by £5,808,000. This is primarily due to reduced sales levels and the associated impact on gross profit. During 2007 steel prices were rising significantly and were forecast to continue to do so. To avoid paying higher prices in the future, customers bought additional stock during 2007 which has had a negative impact on sales during 2008.

Company performance was down on 2007 by £4,390,000 based on pre-tax profits. This was due to the same reasons as set out in the Group performance paragraph above.

Overall the Directors of the Group and the Company are satisfied with the performance during 2008 as the profitability remains at historically high levels.

Future Developments

There are currently no plans to change the business model or operations of the Group or the Company.

Key Risks and Uncertainties

The key risks and uncertainties facing the business include the uncertainties over how our customers will react to future oil and gas prices as well as the risks associated with operating in foreign territories including foreign exchange risk. The "Credit Crunch" has as yet had no direct effect on the Group and Company performance due to its strong customer base. However, this is continually monitored to ensure no deterioration in business levels.

Key Performance Indicators (KPIs)

The following KPIs are relevant to an understanding of the performance of the business and are used by management in reviewing the results and operations of the business:

(i) Profit Before Tax (PBT)

This is the key measure for management as it allows them to assess how effectively the Group and Company is being managed.

Group

PBT as a percentage of sales was 15% during the year which is a 3% decrease on 2007 (18%). The majority of the increase in cost was due to higher interest costs and increased administration costs from the Dutch operation due to the movement in the Euro exchange rate.

Company

PBT as a percentage of sales was 19% during the year which is a 1% decrease on 2007 (20%). This was principally due to higher interest costs related to the funding of material purchases from key suppliers.

(ii) Cashflow

The cash position of the Group and Company is constantly reviewed to ensure there are adequate cash balances in place to service customer requirements.

Report of the Directors continued

Key Performance Indicators (KPIs) (continued)

Group

The Group had a free Cashflow (calculated as cashflow from operating activities less purchases of property, plant and equipment) of £6,243,000 (2007 - £6,004,000) during the year. This has been achieved from effective management of the working capital.

Company

The Company had a free Cashflow (calculated as cashflow from operating activities less purchases of property, plant and equipment) of £4,876,000 (2007 - £4,093,000) during the year. This was derived from effective management of the working capital.

Change of KPIs

During 2008 management reviewed the KPIs being reported and felt that they no longer gave the best view of how the Company and Group were operating or being managed. Therefore the decision was taken to amend the KPIs to those shown.

The replaced KPIs are shown for additional information.

(i) Revenue Growth

Group revenue decreased by £18,019,000, 19%, in 2008 (2007 - increased by £16,811,000 and 21%).

Company revenue decreased by £18,819,000, 23%, in 2008 (2007 - increased by £6,614,000 and 9%).

(ii) Gross Profit Margin

Group gross profit margin was 24% in 2008 which is the same as 2007 (24%).

Company gross profit margin was 24% in 2008 which is the same as 2007 (24%).

Results

The results of the Group and Company are set out in their respective Income Statements on pages 13 and 14.

Dividends

The Directors paid a dividend amounting to £6,449,000 (2007 - £4,582,000) during the year.

Directors

The Directors who held office during the year were:

D L Proctor

S McClements

T J Jackson

R J Davie (Resigned 13th May 2008)

B H Ferguson (Appointed 13th May 2008)

Y Ito (Resigned 13th May 2008)

Y Matsuura (Resigned 13th May 2008)

W Reith (Appointed 13th May 2008)

T Kaneda (Appointed 13th May 2008; Resigned 3rd February 2009)

T Kanaya (Appointed 3rd February 2009)

S Sakai

No Director during the year had any interest in the share capital of the Company or a material interest in any contract of significance.

Report of the Directors continued

Property, Plant and Equipment

Details of movements in property, plant and equipment are shown in note 7 to the financial statements.

Employee Policy

Full and fair consideration is given to applications for employment for disabled persons and in their training, career development and promotion. Every effort is made to retain in employment those who become disabled. The employment policies, degree of involvement by employees and the provision of information to them will vary. However, management encourages a common awareness of the financial and economic factors affecting the performance.

Policy on Payment of Creditors

The Group and Company policy is to pay all creditors in accordance with agreed terms of business. The Company has payment agreements in place with Marubeni-Itochu, Mitsui and Sumitomo where payments are delayed until January and July each year. The Company pays interest to the aforementioned suppliers for this mechanism. As a result of these extended payment terms, and in order to get meaningful creditor days, the calculations below have been adjusted to remove the balances with these suppliers that are more than 30 days overdue.

Group

The total amount of trade payables falling due within one year at 31 December 2008 represents 54 days worth (2007 – 45 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Company

The total amount of trade payables falling due within one year at 31 December 2008 represents 46 days worth (2007 – 41 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Environment

The Company operates to the Hunting PLC Group's environmental policy. The Hunting PLC 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.

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.

Report of the Directors continued

Statement of Directors' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

Statement on Disclosure of Information to Auditors

In accordance with Companies Act requirements all Directors in office as at the date of this report have confirmed so far as they are aware there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The Directors, after making enquiries and on the basis of current financial projections and the facilities available, believe that the Company has adequate financial resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the 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.

By order of the Board



Director

17 July 2009

Report of the Auditors

Independent Auditors' Report to the Members of Hunting Energy Services (UK) Limited

We have audited the Group and Parent Company financial statements of Hunting Energy Services (UK) Limited for the year ended 31 December 2008 which comprise the Group and Parent Company's Income Statements, the Group and Parent Company's Balance Sheet, the Group and Parent Company's Cash Flow Statements, the Group and Parent Company's Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

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

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

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

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

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

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

Report of the Auditors continued

Opinion

In our opinion:

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



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen

17 June 2009

Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, available for sale investments, financial assets and financial liabilities held for trading.

These financial statements have been prepared in accordance with the Companies Act 1985 and those IFRS standards as adopted by the European Union and IFRIC interpretations, which are effective as at 31 December 2008.

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

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

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

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

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

IFRS 8 *Operating Segments* is effective for reporting periods beginning on or after 1 January 2009. The standard requires segment information to be presented in the Annual Report on the same basis as it is presented to the Board for decision-making purposes. The segmental analysis of the profit from operations will therefore be presented on this basis in the 2009 Annual Report.

IAS 23 (revised) requires the Group to capitalise those borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. The Group is currently in a net cash position and will acquire qualifying assets with cash. Therefore, the Group does not expect the adoption of IAS 23 (revised) to have any impact on the 2009 financial statements.

Principal Accounting Policies continued

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

- IFRS 1 (revised) *First-time Adoption*
- IFRS 3 (revised) *Business Combinations*
- IAS 27 (revised) *Consolidated and Separate Financial Statements*
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* on Eligible Hedged Items
- Annual Improvements to IFRSs
- Amendment to IAS 32 May 2008 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* on Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendment to IFRS 1 *First Time Adoption of IFRS* and IAS 27 *Consolidated and Separate Financial Statements* on the
Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- IFRIC 18 *Transfer of Assets from Customers*

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

Basis of Consolidation

i) Subsidiaries

The consolidated Group financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies and generally accompanies a shareholding of more than one half of its voting rights.

ii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other external parties undertake an economic activity that is subject to joint control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of joint ventures are incorporated in the financial statements using the equity method of accounting. Investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted by post acquisition change in the Group's share of the net assets of the joint venture. Losses of the joint venture, in excess of the Group's interest in the joint venture, are not recognised.

Investments

The Company's fixed asset investments are carried at the lower of cost and net realisable value. Any impairment in carrying value which is deemed as being permanent is taken immediately as a cost to the Income Statement.

Revenue

Revenue represents the invoiced amount, excluding sales related taxes, of goods sold and services provided and is recognised when title passes to the customer or when the service has been rendered.

Principal Accounting Policies continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation, which is provided in equal annual instalments over their estimated useful lives by using the following rates:

Freehold land and buildings	2%
Leasehold buildings	Life of lease
Plant and equipment	14-33%

Items of property, plant and equipment are impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the income statement immediately unless they arise on previously revalued assets, in which case they are recognised in the statement of recognised income and expense up to the amount of the revaluation and thereafter in the income statement.

Foreign Currencies

The financial statements for each of the Group's subsidiaries 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 the Group is Sterling.

Assets and liabilities of overseas subsidiaries are translated into Sterling at the market rates ruling at the Balance Sheet date. Trading results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of overseas subsidiaries are dealt with through the foreign currency translation reserve, whilst those arising from trading transactions are dealt with in the income statement. The year end exchange rates of GBP sterling to US Dollar and to Euro are 1.44 (2007: 1.99) and 1.03 (2007: 1.36).

Taxation

The tax charge on the profit for the year comprises current and deferred tax.

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

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

Inventories

Inventories, including work in progress, 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 sale in the ordinary course of business. The cost of work in progress includes direct labour, material costs and production overheads.

Retirement Benefits

The Group makes contributions to a defined benefit retirement scheme. The scheme is run on a basis that does not enable individual companies within the Group to identify their share of the underlying assets and liabilities. The IAS 19 "Employee Benefits" disclosures for the scheme are provided in the financial statements of Hunting PLC. The charge to the Income Statement is the amount of contributions payable to the scheme in the year.

Principal Accounting Policies continued

Share-Based Payments

The derived cost of these instruments is spread evenly over the vesting period. The fair value of share options granted has been calculated in accordance with the methodology set out in note 21.

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 their fair value and depreciated over the shorter of their estimated useful lives and their lease terms. 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.

Cash and Cash Equivalents

For cash flow statement purposes, cash and cash equivalents includes bank overdrafts.

Financial Assets and Financial Liabilities

Financial assets and liabilities are loans and receivables which are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities include Amounts Owed by and Owing to Associated Undertakings. All financial assets and liabilities are carried at amortised cost using the effective interest rate methodology.

Derivatives and Financial Instruments

Derivatives are initially recognised 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. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged.

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

Cash flow hedge

Hedges of highly probable forecast transactions are cash flow hedges. The effective portion of changes in fair value of these derivatives are recognised in equity. The gains and losses relating to the ineffective portion are recognised immediately in the income statement. Amounts accumulated in equity are dealt with in the income statement at the same time as the gains and losses on the hedged items. 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.

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.

Principal Accounting Policies continued

Derivatives and Financial Instruments (continued)

Embedded derivatives

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

The Groups derivatives that are embedded within a host contract are separated from that contract and measured at fair value unless (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.

Impairment

On an annual basis the Group considers whether there is any indication that assets, including investments, property, plant and equipment, inventory, trade receivables and other receivables, have been impaired. Where an indication of impairment is identified, the Group conducts an impairment review and where an impairment is determined, the asset is written down to the lower of value in use and fair value less costs to sell.

Group Income Statement

For the Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenue	1	78,706	96,725
Cost of sales	3	(60,118)	(73,444)
Gross profit		18,588	23,281
Other income	2	451	173
Administrative expenses	3	(5,277)	(4,448)
Operating profit		13,762	19,006
Finance income	5	873	698
Finance costs	5	(3,014)	(2,237)
Share of profit of joint venture	8	236	198
Profit before taxation		11,857	17,665
Taxation	6	(3,408)	(4,910)
Profit for the year	19	8,449	12,755

The current and prior year results have been derived wholly from continuing activities.

There are no material differences between the results disclosed above and the results on an unmodified historical cost basis.

Company Income Statement

For the Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
Revenue	1	64,357	83,176
Cost of sales	3	(49,019)	(63,491)
Gross profit		15,338	19,685
Other income	2	1,924	642
Administrative expenses	3	(4,720)	(4,023)
Operating profit		12,542	16,304
Finance income	5	850	688
Finance costs	5	(2,794)	(2,004)
Profit before taxation		10,598	14,988
Taxation	6	(2,771)	(4,148)
Profit for the year	19	7,827	10,840

The current and prior year results have been derived wholly from continuing activities.

There are no material differences between the results disclosed above and the results on an unmodified historical cost basis.

Statements of Recognised Income and Expenses

For the Year Ended 31 December 2008

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Net profit after tax	8,449	12,755	7,827	10,840
Exchange rate adjustments	1,612	342	-	-
Cash payment in respect of share option	(85)	(95)	(85)	(95)
Fair value loss on cash flow hedges (net of tax)	570	-	570	-
Fair value of financial instrument	-	(9)	-	-
Dividends paid to equity shareholders	(6,449)	(4,582)	(6,449)	(4,582)
Total recognised income for the year	4,097	8,411	1,863	6,163

Group Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,299	4,580
Investment in joint venture	8	240	199
Deferred tax assets	14	222	-
		5,761	4,779
Current assets			
Inventories	9	31,149	24,864
Trade and other receivables	10	43,238	71,127
Cash and cash equivalents		571	604
		74,958	96,595
LIABILITIES			
Current Liabilities			
Trade and other payables	11	(46,724)	(68,758)
Borrowings	12	-	(165)
Current tax liabilities	13	(2,851)	(4,383)
		(49,575)	(73,306)
Net current assets		25,383	23,289
Deferred tax liabilities	14	(67)	(77)
Net assets		31,077	27,991
Shareholders' equity			
Ordinary shares	18	1,000	1,000
Retained earnings	19	28,756	26,712
Hedging reserve	19	(570)	-
Foreign exchange reserve	19	1,891	279
Total shareholders' equity		31,077	27,991

The financial statements on pages 8 to 40 were approved by the board of Directors on 17 July 2009 and were signed on its behalf by:

Director



Company Balance Sheet

At 31 December 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	2,371	2,394
Investments	8	100	850
Deferred tax assets	14	222	-
		2,693	3,244
Current assets			
Inventories	9	27,516	22,246
Trade and other receivables	10	40,021	68,713
Cash and cash equivalents		-	100
		67,537	91,059
Liabilities			
Current Liabilities			
Trade and other payables	11	(43,268)	(66,218)
Current tax liabilities	13	(2,768)	(3,983)
		(46,036)	(70,201)
Net current assets		21,501	20,858
Non-current liabilities			
Borrowings	12	(84)	(834)
Deferred tax liabilities	14	(67)	(77)
Net assets		24,043	23,191
Shareholders' equity			
Ordinary shares	18	1,000	1,000
Retained earnings	19	23,613	22,191
Hedging reserve	19	(570)	-
Total shareholders' equity		24,043	23,191

The financial statements on pages 6 to 41 were approved by the board of Directors on 17 July 2009 and were signed on its behalf by:

Director



Group Cash Flow Statement

For the Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
Operating activities			
Cash generated from continuing operations	25	14,425	12,870
Interest received	5	873	698
Interest paid	5	(3,014)	(2,237)
Tax paid		(4,950)	(3,889)
Net cash inflow from operating activities		7,334	7,442
Investing activities			
Purchase of property, plant and equipment	7	(1,091)	(1,438)
Proceeds from sale of property, plant and equipment		-	37
Dividend received from joint venture investment	8	195	76
Net cash (outflow) from investing activities		(896)	(1,325)
Financing activities			
Dividends paid	20	(6,449)	(4,582)
Net cash outflow from financing activities		(6,449)	(4,582)
Net (decrease)/ increase in cash and cash equivalents		(11)	1,535
Cash and cash equivalents at beginning of year		439	(1,098)
Effect of foreign exchange rate changes		143	2
Cash and cash equivalents at the end of the year		571	439

Company Cash Flow Statement

For the Year Ended 31 December 2008

	Note	2008 £'000	2007 £'000
Operating activities			
Cash generated from continuing operations	25	11,522	9,692
Interest received	5	850	688
Interest paid	5	(2,794)	(2,004)
Tax paid		(3,996)	(3,195)
Net cash inflow from operating activities		5,582	5,181
Investing activities			
Purchase of property, plant and equipment	7	(706)	(1,088)
Proceeds from sale of property, plant and equipment		-	37
Repayment of share capital from subsidiary		750	-
Dividend received from joint venture		195	76
Dividend received from subsidiary undertaking		1,278	393
Net cash inflow / (outflow) from investing activities		1,517	(582)
Financing activities			
Repayment of subsidiary loan		(750)	-
Intra-group dividend paid	20	(6,449)	(4,582)
Net cash outflow from financing activities		(7,199)	(4,582)
Net (decrease)/increase in cash and cash equivalents		(100)	17
Cash and cash equivalents at beginning of year		100	83
Cash and cash equivalents at the end of the year		-	100

Notes to the Financial Statements

1. REVENUE

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Sale of goods	76,813	94,240	62,464	80,691
Services	1,893	2,485	1,893	2,485
	78,706	96,725	64,357	83,176

2. OTHER INCOME

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Royalty income	120	2	120	2
Gauge hire income	-	51	-	51
Recharges	88	80	88	80
Gain on non-hedging derivatives	208	3	208	3
Gain on sale of fixed assets	-	37	-	37
Machinery rental income	35	-	35	-
Dividend income	-	-	1,473	469
	451	173	1,924	642

Gain on Non-Hedging Derivatives

The Group review their foreign currency debtors and creditors to establish if any revaluation is necessary due to Embedded Derivatives. At the end of the year the review resulted in a gain to be booked through the results.

Notes to the Financial Statements continued

3. NATURE OF EXPENSES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Depreciation	1,009	768	729	562
Auditors' remuneration:				
Audit services	77	70	45	40
Tax services	16	16	9	11
Other services	-	4	-	4
Employee costs and directors' emoluments	10,402	9,173	8,193	7,589
Operating Lease payments:				
Plant and machinery	189	265	136	132
Property	95	105	95	105
Cost of inventories recognised as an expense	47,804	52,954	42,235	49,152
Other expenses	5,803	14,537	2,297	9,927
Total	65,395	77,892	53,739	67,514

4. EMPLOYEE COSTS AND DIRECTORS' EMOLUMENTS

Employee costs, including Directors, are analysed as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Wages and salaries	7,548	6,389	5,791	5,130
Social security costs	1,039	939	722	710
Other pensions costs	912	785	777	681
Share based payments and long term incentive plan	903	1,060	903	1,060
	10,402	9,173	8,193	7,581

The above table includes costs in respect of other Group companies that are recharged to the respective Companies.

Notes to the Financial Statements continued

4. EMPLOYEE AND DIRECTORS' EMOLUMENTS (continued)

The average number of persons employed during the year was:

	Group		Company	
	2008	2007	2008	2007
UK	170	177	170	177
Other	49	42	-	-
	219	219	170	177

Key Management

Key management comprises the Directors and Senior Management of the Company only. The Directors and Senior Management of the Company control the entire Group operations. Their compensation is:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Salaries and short term employment benefits	1,204	1,145	1,204	1,145
Post employment benefits	223	210	223	210
Share based payments and long term incentive plan	903	1,145	903	1,145
	2,330	2,500	2,330	2,500

Directors

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Salaries and short term employment benefits	658	531	658	531
Company contributions to pension scheme	123	99	123	99
Share based payments and long term incentive plan	587	1,060	587	1,060
	1,368	1,690	1,368	1,690

Three (2007 – two) Directors have retirement benefits accruing under a defined benefit pension scheme.

Notes to the Financial Statements continued

4. EMPLOYEE AND DIRECTOR EMOLUMENTS (continued)

Highest Paid Director

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Salaries and short term employment benefits	353	301	353	301
Company contributions to pension scheme	61	60	61	60
Share based payments and long term incentive plan	179	734	179	734
	593	1,095	593	1,095

5. NET FINANCE COSTS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Finance Income				
Bank balances	9	8	-	-
Parent undertaking - loans	814	554	814	554
Foreign exchange gains	-	136	-	134
Others	50	-	36	-
	873	698	850	688
Finance Costs				
Bank interest payable	(39)	(76)	-	(5)
Parent undertaking - loans	(549)	(232)	(549)	(71)
Funding interest	(1,285)	(1,929)	(1,285)	(1,928)
Foreign exchange losses	(1,141)	-	(960)	-
	(3,014)	(2,237)	(2,794)	(2,004)
Net Finance Costs	(2,141)	(1,539)	(1,944)	(1,316)

Notes to the Financial Statements continued

6. TAXATION

The tax charge in the Income Statement comprised:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current tax – continuing operations				
Current year	3,346	4,752	2,709	3,990
Adjustment in respect of previous periods	72	118	72	118
	3,418	4,870	2,781	4,108
Deferred tax – continuing operations				
Origination and reversal of temporary difference	(10)	40	(10)	40
Total tax charged to the Income Statement	3,408	4,910	2,771	4,148

The Group tax for the year is higher (2007 - lower) than the standard rate of UK corporation tax of 28.5% (2007 - 30%). The Company tax for the year is lower (2007: lower) than the standard rate of UK corporation tax of 28.5% (2007 - 30%). The reasons are highlighted in the table below.

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Profit before tax	11,857	17,665	10,598	14,988
Tax at 28.5% (2007 – 30%)	3,379	5,300	3,020	4,496
Adjustment in respect of prior periods	72	118	72	118
Expenses not deductible for tax purposes	(585)	(196)	(255)	(458)
Adjustments in respect of foreign tax rates	509	(304)	(99)	-
Accelerated capital allowances	-	(8)	-	(8)
Movements in respect of revaluations	33	-	33	-
Current tax charge for the year	3,408	4,910	2,771	4,148

Notes to the Financial Statements continued

7. PROPERTY, PLANT AND EQUIPMENT

Year Ended 31 December 2008

Group	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost:				
At 1 January	1,849	185	10,390	12,424
Exchange adjustments	592	-	871	1,463
Additions	-	-	1,091	1,091
Disposals	-	-	(13)	(13)
At 31 December	2,441	185	12,339	14,965
Depreciation:				
At 1 January	526	157	7,161	7,844
Exchange adjustments	168	-	657	825
Charge for the financial year	34	16	959	1,009
Disposals	-	-	(12)	(12)
At 31 December	728	173	8,765	9,666
Net book amount	1,713	12	3,574	5,299

Year Ended 31 December 2007

Group	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost:				
At 1 January	1,684	180	9,210	11,074
Exchange adjustments	149	5	210	364
Additions	16	-	1,422	1,438
Disposals	-	-	(452)	(452)
At 31 December	1,849	185	10,390	12,424
Depreciation:				
At 1 January	460	141	6,726	7,327
Exchange adjustments	40	-	161	201
Charge for the financial year	26	16	726	768
Disposals	-	-	(452)	(452)
At 31 December	526	157	7,161	7,844
Net book amount	1,323	28	3,229	4,580

Notes to the Financial Statements continued

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Year Ended 31 December 2008

Company	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January	185	7,532	7,717
Additions	-	706	706
At 31 December	185	8,238	8,423
Depreciation:			
At 1 January	157	5,166	5,323
Charge for the financial year	16	713	729
At 31 December	173	5,879	6,052
Net book amount	12	2,359	2,371

Year Ended 31 December 2007

Company	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost:			
At 1 January	185	6,896	7,081
Additions	-	1,088	1,088
Disposals	-	(452)	(452)
At 31 December	185	7,532	7,717
Depreciation:			
At 1 January	141	5,072	5,213
Charge for the financial year	16	546	562
Disposals	-	(452)	(452)
At 31 December	157	5,166	5,323
Net book amount	28	2,366	2,394

Notes to the Financial Statements continued

8. INVESTMENTS

Group – Investment in Joint Venture	2008 £'000	2007 £'000
At 1 January	199	77
Share of increase in net assets	236	198
Dividends received from joint venture investment	(195)	(76)
At 31 December	240	199

Aggregated amounts relating to interests in Joint Venture	2008 £'000	2007 £'000
Share of balance sheet:		
Total assets	607	939
Total liabilities	(367)	(740)
	240	199

Share of results:		
Revenues	1,600	2,495
Profit before tax	328	275
Taxation	(92)	(77)
Profit after tax	236	198

Company – investment in subsidiary undertakings	2008 £'000	2007 £'000
Cost and net book amount:		
At 1 January and 31 December	100	850

The Company also has an investment in a Joint Venture that is carried at a cost of £2 (2007 - £2).

In the opinion of the Directors the value of the Company's investments, which relate to shares held in its subsidiary and joint venture undertakings, is not less than the amount at which it is included in the Company's balance sheet.

A list of the key investments, including the name, country of residence, country of incorporation and proportion of ownership interest are provided in note 24.

Notes to the Financial Statements continued

9. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Raw materials	5,515	5,092	4,557	3,814
Work in progress	2,873	1,911	1,134	1,113
Finished goods	23,115	18,443	21,974	17,751
Less: provision for potential write downs	(354)	(582)	(149)	(432)
	31,149	24,864	27,516	22,246

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade receivables	15,732	12,130	12,682	9,702
Less: provision for impairment of receivables	(73)	(162)	(59)	(162)
Net trade receivables	15,659	11,968	12,623	9,540
Amounts owed by group undertakings	24,947	58,660	24,947	58,920
Amounts owed by associated undertakings	1,788	-	1,725	-
Other receivables	710	333	634	195
Prepayments and accrued income	134	166	92	58
	43,238	71,127	40,021	68,713

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade receivables that are neither past due nor impaired are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations. At the year end there are no trade receivables (2007 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

Notes to the Financial Statements continued

10. TRADE AND OTHER RECEIVABLES (continued)

The ageing of the overdue trade receivables is as follows:

No. of days overdue	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
1 – 30 days	3,156	6,835	2,936	5,731
31 – 60 days	868	717	822	282
61 – 90 days	304	469	270	154
More than 120 days	721	263	714	258
	5,049	8,284	4,742	6,425

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

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

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 January	162	58	162	58
Provision for receivables impairment	73	173	59	173
Unused amounts reversed	(162)	(69)	(162)	(69)
At 31 December	73	162	59	162

Notes to the Financial Statements continued

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade payables	28,480	21,908	25,991	20,153
Accruals and deferred income	12,036	12,657	11,279	12,155
Amounts owed to associate undertakings	3,620	34,098	3,607	33,910
Other taxation and social security	1,793	95	1,596	-
Derivative financial instruments	795	-	795	-
	46,724	68,758	43,268	66,218

12. BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Non-current:				
Loan from subsidiary undertaking	-	-	84	834
Current:				
Bank overdraft, unsecured	-	165	-	-
	-	165	84	834

13. CURRENT TAX LIABILITIES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Corporation tax	2,851	4,383	2,768	3,983

Notes to the Financial Statements continued

14. DEFERRED TAX

Deferred Tax Liabilities

The movement in the deferred tax liability is as follows:

Group and Company	2008 £'000	2007 £'000
At 1 January	(77)	(37)
Charge to income statement	10	(40)
At 31 December	(67)	(77)

The above balances relate entirely to accelerated capital allowances.

Deferred Tax Assets

Group and Company	2008 £'000	2007 £'000
Fair value loss on cash flow hedges	222	-

15. DERIVATIVES AND FINANCIAL INSTRUMENTS

Currency derivatives

The Group uses forward foreign exchange contracts to hedge its exposure to exchange rate movements. At 31 December 2008, the total notional amount of the Group's outstanding forward foreign exchange contracts is £4.2m (2007 - £nil).

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 6 months. Gains and losses recognised in the hedging reserve on forward foreign exchange contracts at 31 December 2008 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

Losses of £0.8m were recognised in the hedging reserve (note 19) during the year. Ineffectiveness of £3,000 arose on the cash flow hedges during the year.

Notes to the Financial Statements continued

15. DERIVATIVES AND FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and financial liabilities

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

Group

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Derivatives At Fair Value Through Equity (cash flow hedges)	Total Carrying Amount	Total Fair value
2008	£'000	£'000	£'000	£'000	£'000
Current Assets					
Net trade receivables(Note 10)	15,659			15,659	15,659
Amounts owed by group undertakings(Note 10)	24,947			24,947	24,947
Amounts owed by associated undertakings(Note 10)	1,788			1,788	1,788
Other Receivables(Note 10)	710			710	710
Prepayments(Note 10)	134			134	134
Cash and cash equivalents	571			571	571
Current Liabilities					
Trade payables(Note 11)		(28,480)		(28,480)	(28,480)
Accruals and other payables(Note 11)		(12,036)		(12,036)	(12,036)
Amounts owed by associated undertakings(Note 11)		(3,620)		(3,620)	(3,620)
Derivative financial liabilities			(795)	(795)	(795)
	43,809	(44,136)	(795)	(1,122)	(1,122)

Notes to the Financial Statements continued

15. FINANCIAL INSTRUMENTS (continued)

Group

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Total Fair value
2007				
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note10)	11,968		11,968	11,968
Amounts owed by group undertakings(Note10)	58,660		58,660	58,660
Other Receivables(Note10)	333		333	333
Prepayments(Note10)	166		166	166
Cash and cash equivalents	604		604	604
Current Liabilities				
Trade payables(Note11)		(21,908)	(21,908)	(21,908)
Accruals and other payables(Note11)		(12,657)	(12,657)	(12,657)
Amounts owed by associated undertakings(Note11)		(34,098)	(34,098)	(34,098)
Borrowings(Note12)		(165)	(165)	(165)
	71,731	(68,828)	2,903	2,903

Notes to the Financial Statements continued

15. FINANCIAL INSTRUMENTS (continued)

Company

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Derivatives At Fair Value Through Equity (cash flow hedges)	Total Carrying Amount	Total Fair value
2008	£'000	£'000	£'000	£'000	£'000
Current Assets					
Net trade receivables(Note10)	12,623			12,623	12,623
Amounts owed by group undertakings(Note10)	24,947			24,947	24,947
Amounts owed by associated undertakings(Note10)	1,725			1,725	1,725
Other Receivables(Note10)	634			634	634
Prepayments(Note10)	92			92	92
Cash and cash equivalents	-			-	-
Current Liabilities					
Trade payables(Note11)		(25,994)		(25,994)	(25,994)
Accruals and other payables(Note11)		(11,279)		(11,279)	(11,279)
Amounts owed by associated undertakings(Note11)		(3,607)		(3,607)	(3,607)
Derivative financial liabilities			(795)	(795)	(795)
	40,021	(40,880)	(795)	(1,654)	(1,654)

Notes to the Financial Statements continued

15. FINANCIAL INSTRUMENTS (continued)

Company

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Total Fair value
2007				
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note10)	9,540		9,540	9,540
Amounts owed by group undertakings(Note10)	58,920		58,920	58,920
Other Receivables(Note10)	195		195	195
Prepayments(Note10)	58		58	58
Cash and cash equivalents	100		100	100
Current Liabilities				
Trade payables(Note11)		(20,153)	(20,153)	(20,153)
Accruals and other payables(Note11)		(12,155)	(12,155)	(12,155)
Amounts owed by associated undertakings(Note11)		(33,910)	(33,910)	(33,910)
	68,813	(66,218)	2,595	2,595

16. FINANCIAL RISK FACTORS

The activities of the Group expose it to certain financial risks, namely currency 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 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 foreign currency and cash management.

The Group works closely with the treasury function of Hunting PLC to ensure proper implementation of the policies for foreign currency and cash management.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk from its operating activities carried out in its foreign branches. 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.

Notes to the Financial Statements continued

16. FINANCIAL RISK FACTORS (continued)

(i) Transactional risk

The exposure to exchange rate movements in significant future transactions and cash flows is hedged using forward foreign exchange contracts. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. The Group prepares quarterly rolling twelve month cash flow forecasts on a monthly basis to enable working capital currency exposures to be identified. Action is then taken to eliminate any potential exposures that are arising. No speculative positions are entered into by the Group.

(ii) Translational risk

Foreign exchange risk arises from the Company's investment in its foreign subsidiary. However, it is deemed that the risk is not material and as a result no hedging instruments are required.

(b) Credit risk

The Group's credit risk arises on its outstanding receivables which 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 a credit insurance policy taken out with an external insurer, subject to certain conditions.

(c) Liquidity risk

Surplus funds are lent to the Group's parent company with interest paid at the Bank of England base rate + 1% prevailing during the loan for Sterling balances and US Prime Rate for US Dollar balances.

All of the Group's financial liabilities are payable on demand or within one year (2007 – on demand or within one year).

(d) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group and Company 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 2008.

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 and Company results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.
- The carrying value of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(i) Interest rate sensitivity

At 31 December 2008, if UK interest rates had been 0.5% higher or lower, with all other variables held constant, the post-tax effects for the year would have been as follows:

Notes to the Financial Statements continued

16. FINANCIAL RISK FACTORS (continued)

Group	2008		2007	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0.5%	69	-	(43)	-
UK Interest Rates -0.5%	(69)	-	43	-

These movements arise from the Sterling floating rate on the bank balances and the loans to Hunting PLC treasury.

Company	2008		2007	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0.5%	69	-	(44)	-
UK Interest Rates -0.5%	(69)	-	44	-

These movements arise from the Sterling floating rate on the bank balances and the loans to Hunting PLC treasury.

(ii) Foreign exchange rate sensitivity

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

Group	2008		2007	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
US dollar exchange rates +15%	(215)	391	(3,563)	-
US dollar exchange rates -15%	247	(450)	4,088	-

Company	2008		2007	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
US dollar exchange rates +15%	(213)	391	(3,511)	-
US dollar exchange rates -15%	245	(450)	4,027	-

The movement on the post-tax profit is primarily due to a change in the value of the inter-company loans. The equity movements relate to fair value movements on the derivatives outstanding at the end of the year.

Notes to the Financial Statements continued

17. POST RETIREMENT BENEFITS

Pensions

The company contributes to a defined contribution scheme, in addition to the defined benefit scheme managed by Hunting PLC. The Company contributed £625,000(2007: £588,000) to the defined benefit scheme and £152,000 (2007:£93,000) to the defined contribution scheme in 2008, which are charged to the profit and loss account as they fall due. Full details of the Pension schemes on offer are detailed in the Annual Report & Accounts of Hunting PLC. Copies can be obtained from the Hunting PLC Company Secretary.

18. ORDINARY SHARES

	2008 £'000	2007 £'000
Authorised, Allotted, Called up and Fully Paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

Hunting Energy Services (UK) Limited is a private limited company domiciled and incorporated in England and Wales.

19. RETAINED EARNINGS AND OTHER RESERVES

Group	Hedging Reserve		Foreign Currency Translation		Retained Earnings		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 January	-	-	279	(68)	26,712	18,554	26,991	18,486
Retained profit	-	-	-	-	8,449	12,755	8,449	12,755
Cost of share based	-	-	-	-	129	85	129	85
Cash payments in respect of share	-	-	-	-	(85)	(95)	(85)	(95)
Dividends paid	-	-	-	-	(6,449)	(4,582)	(6,449)	(4,582)
Translation adjustment	-	-	1,612	347	-	-	1,612	347
Fair value loss on cash flow hedges	(792)	-	-	-	-	-	(792)	-
- taxation	222	-	-	-	-	-	222	-
Others	-	-	-	-	-	(5)	-	(5)
At 31 December	(570)	-	1,891	279	28,756	26,712	30,077	26,991

There are six cash flow hedges in place at the end of the year (2007: nil) of US\$1m each. One cash flow hedge will mature each month for the first six months of 2009 with all losses being transferred to the Income Statement in line with the Accounting Policy in place.

Notes to the Financial Statements continued

19. RETAINED EARNINGS AND OTHER RESERVES (continued)

Company	Hedging Reserve		Retained Earnings		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 January	-	-	22,191	15,943	22,191	15,943
Retained profit	-	-	7,827	10,840	7,827	10,840
Cost of share based	-	-	129	85	129	85
Cash payments in respect of share based payments	-	-	(85)	(95)	(85)	(95)
Dividends paid	-	-	(6,449)	(4,582)	(6,449)	(4,582)
Fair value loss on cash flow hedges	(792)	-	-	-	(792)	-
- taxation	222	-	-	-	222	-
At 31 December	(570)	-	23,613	22,191	23,043	22,191

20. DIVIDENDS PAID

	2008 £'000	2007 £'000
Declared and paid during the year:		
Final dividend for the year ended 31 December	6,449	4,582

21. SHARE BASED PAYMENTS

Executive Share Options

The Company participates in the Hunting PLC, ultimate parent undertaking, executive share options scheme which grants options to eligible employees. Vesting of options granted is subject to the achievement of performance targets 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 any 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	31.03.2004	14.03.2003
Exercise price (p)	784.5	640.0	383.0	220.7	116.9	79.0
Share price at grant (p)	784.5	640.0	383.0	236.0	125.0	84.5
Expected volatility (% pa)	32	36	38	38	39	41
Dividend yield (% pa)	1.1	1.17	1.31	1.59	3.07	3.88
Risk-free interest rate (% pa)	4.3	4.9	4.3	4.9	4.6	3.9
Turnover rates (% pa)	5	5	5	5	5	5
Fair value at grant (p)	294.9	248.4	149.8	91.0	44.0	28.0
Fair value adjusted for rights issue (p)	n/a	n/a	n/a	85.1	41.1	26.2

Notes to the Financial Statements continued

21. SHARE BASED PAYMENTS (continued)

Assumed likelihood of satisfying performance condition at:

31st December 2007	n/a	75%	75%	75%	100%	100%
31st December 2008	75%	75%	100%	100%	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 £129,000 (2007 - £85,000).

Long Term Incentive Plan

The Company participates in the Hunting PLC Long Term Incentive Plan ("LTIP") for key executives.

LTIP awards may be settled in shares or cash. The charge to the income statement attributable to the LTIP is £264,000 (2007 - £225,000).

22. OPERATING LEASES

The Group and Company are committed to the following minimum lease payments in respect of operating leases:

Group	2008		2007	
	Land and buildings	Other	Land and buildings	Other
Within one year	398	286	191	167
Between two to five years	385	307	321	368
After five years	-	35	-	6

Company	2008		2007	
	Land and buildings	Other	Land and buildings	Other
Within one year	200	222	95	127
Between two to five years	277	161	93	291

Notes to the Financial Statements continued

23. PARENT COMPANY AND RELATED PARTIES

Hunting Energy Services (International) Limited, a Company registered in England and Wales, is the immediate parent undertaking of the company.

Hunting PLC is the ultimate parent Company. Copies of the Group financial statements of Hunting PLC may be obtained from the Company Secretary, Hunting PLC, 3 Cockspur Street, London, SW1Y 5BQ.

Hunting Energy Services (UK) Limited is a 60% subsidiary of Hunting Energy Services (International) Limited. Additionally 20% of the remaining ordinary share capital is held by Marubeni-Itochu Tubulars Europe PLC, and 20% by Marubeni-Itochu Steel Inc. Transactions with these related parties comprise:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Transactions with associated undertakings:				
Trade purchases from	16,447	12,152	14,714	12,045
Interest paid to	193	286	193	286
Dividends paid to	-	(1,833)	-	(1,833)
Amounts owed to	(10,082)	(6,190)	(10,082)	(6,190)
Trade sales to	(829)	(1,822)	(1,787)	(1,308)
Amounts owed from	202	646	202	599
Transactions with Companies in the Hunting PLC Group:				
Dividends paid to	(6,449)	(2,749)	(6,449)	(2,749)
Dividends received from	1,278	393	1,278	393
Amounts owed by	24,947	58,660	24,947	58,920
Amounts owed to	(3,620)	(34,098)	-	(33,910)
Loans from	-	-	(84)	(834)
Payments made to Directors	1,058	1,678	1,058	1,678

Notes to the Financial Statements continued

24. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

		Holding	Percentage interest in ordinary shares and proportion of voting rights held	Country of Incorporation / Registration / Residence
Hunting Energy Dutch Holdings Limited	Subsidiary	Direct	100	England and Wales
Badentoy Tubular Services Limited	Joint Venture	Direct	33	Scotland
Hunting Energy Services BV	Subsidiary	Indirect	100	Netherlands

Liquidation

On 28 January 2009 the voluntary liquidation of Hunting Oilfield Equipment Services Limited was completed. This had no material affect on the results of the Company.

25. CASH GENERATED FROM OPERATIONS

Reconciliation of net profit to net cash inflow from operating activities:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Net profit before tax	11,857	17,665	10,598	14,988
Adjustments for:				
Depreciation	1,009	768	729	562
Finance income	(873)	(698)	(850)	(688)
Finance costs	3,014	2,237	2,794	2,004
Profit on disposal of property, plant and equipment	-	(37)	-	(37)
Share of results in joint venture	(236)	(198)	-	-
Dividend received	-	-	(1,473)	-
Other non-cash movements	-	-	-	-
Changes in working capital:				
(Increase) in inventories	(6,285)	(2,826)	(5,269)	(4,644)
Decrease / (increase) in trade and other receivables	27,899	(33,394)	28,692	(33,158)
(Decrease) / increase in trade and other payables	(21,960)	29,353	(23,699)	30,665
Cash generated from continuing operations	14,425	12,870	11,522	9,692