Registered Number· 00908371

Hunting Energy Services (UK) Limited

Annual Report

For the Year Ended 31 December 2009

Contents

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2009

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

Sales have increased due to improved trading with our customers based in the UKCS The first half of 2009 saw excellent activity levels that declined in the second half of 2009 as the decline in drilling programs in the North Sea resulted in lower sales

The Group profit before tax for the period decreased in comparison to 2008 by £1,153,000 This is primarily due to reduced margins made on sales as a result of price reductions offered to customers during the period of lower steel prices Although activity levels on a whole were better than 2008, prices came under pressure as customers looked to reduce their cost base This drove the margins achieved during the year lower and consequently impacted on profit

As the Company makes up the majority of the results for the Group the factors outlined above are the same factors that impacted on the Company sales, margins and profit before tax The Company profit before tax decreased in comparison to 2008 by £1,330,000 as a result of lower steel prices

Overall the Directors of the Group and the Company are satisfied with the performance during 2009 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 and 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 economic downturn impacted on business levels in quarter 4 of 2009 Although 2010 has begun more positively the potential of a "double dip" recession is continually being monitored to ensure no surprises emerge

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 12% during the year which is a 3% decrease on 2008 (15%) This is principally due to reduced margin levels made on sales

Company
PBT as a percentage of sales was 13% during the year which is a 3% decrease on 2008 (16%) This is principally due to reduced margin levels made on sales

Report of the Directors (continued)

(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

Group

The Group had a free Cashflow (calculated as cashflow from operating activities less purchases of property, plant and equipment) of £5,324,000 (2008 - £6,243,000) during the year The lower amount for 2009 compared to 2008 is a result of paying the large corporation tax balance relating to 2008 Cash generation from operations was largely in line with the Group profit before tax which suggests that working capital movements were neutral and no improvement was made in reducing the working capital cycle

Company

The Company had a free Cashflow (calculated as cashflow from operating activities less purchases of property, plant and equipment) of £3,075,000 (2008 - £4,876,000) during the year The working capital cycle absorbed cash in 2009 as activity levels reduced leaving stock on the balance sheet This has impacted cash generation for the year However, it is expected that 2010 will generate significant levels of cash as stock levels are reduced on the back of customer activity levels increasing

Results

The results of the Group and Company are set out in their respective Income Statements on pages 12 and 13

Dividends

The Directors paid a dividend amounting to £4,224,000 (2008 - £6,449,000) during the year

Directors

The Directors who held office during the year were

D L Proctor
S McClements
T J Jackson
B H Ferguson
W Reith
T Kaneda (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

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

Report of the Directors (continued)

Policy on Payment of Creditors

The Group and Company policy is to pay all creditors in accordance with agreed terms of business The calculations below are adjusted to reflect agreed contract terms with principal suppliers, Marubeni-Itochu, Mitsui and Sumitomo

Group
The total amount of trade payables falling due within one year at 31 December 2009 represents 28 days worth (2008 – 54 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 27 days worth (2008 – 46 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

The environmental policies aim to ensure that

- 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

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 whether applicable IFRSs 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 confirm that they have complied with the above requirements in preparing the financial statements

Report of the Directors (continued)

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

Disclosure of Information to Auditors

In accordance with Companies Act 2006 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

30th **July 2010**

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 2009 which comprise the Group and Parent Company's Income Statements, the Group and Parent Company's Statements of Comprehensive Income, the Group and Parent Company's Balance Sheet, the Group and Parent Company's Statement of Changes in Equity, the Group and Parent Company's Cash Flow Statements, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3-4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and 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 parent company company's affairs as at 31 December 2009 and of the group's and parent company's profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept 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 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

K Reynard

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
30 July 2010

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 no impact on these financial statements as the Company has no publicly traded debt or equity

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

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 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
- Improvements to IFRSs - April 2009*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments**

* Not yet endorsed by the European Union

It is anticipated that the new requirements will not significantly impact the Group'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 comprehensive income 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 GBP Sterling

Assets and liabilities of overseas subsidiaries are translated into GBP 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 61 (2008 1 44) and 1 13 (2008 1 03)

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

The company surrenders the benefit of any tax losses to other group companies in the form of group relief Consideration for the full amount of the tax loss surrendered is payable by the claimant company and the company recognises this as group relief within its balance sheet

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

Consignment Stock

The Company have consignment stock agreements with Marubeni-Itochu Tubulars Europe PLC and Mitsui & Co Europe PLC These are a mix of open-ended and closed-end consignment agreements which allow the Company to defer recognising the stock in their inventory until it is either used or meets the conditions of the consignment deal

Principal Accounting Policies (continued)

Inventories (continued)

The Closed-end Consignment agreements work on the basis of a twelve month period As the stock is used, the value of the stock used is due for payment 30 days after being taken out of consignment However, if the Company has not used the stock within twelve months of the goods being delivered into the Company's yard, then it automatically transfers to Company stock and is due for payment 30 days later

The Open-ended Consignment agreement has no date limit and is invoiced to the Company when it is used It is also due for payment 30 days after use

Funding Agreement
The Company has an agreement with Marubeni-Itochu Tubulars Europe PLC and Mistui & Co Europe PLC to defer payment of the amounts becoming due under the Consignment Stock Agreements in place between the parties Interest is payable by the Company for the period that the invoice is not settled

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

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 on a straight-line basis over the life of the lease

Cash and cash equivalents

For the purposes of the statements of cashflows, 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

Principal Accounting Policies (continued)

Derivatives and financial instruments (continued)

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

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

Dividend Distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period that they are approved by the Company's shareholders

Group Income Statement
For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	1	**88,249**	78,706
Cost of sales	3	**(69,593)**	(60,118)
Gross profit		**18,656**	18,588
Other income	2	**555**	451
Administrative expenses	3	**(7,478)**	(5,277)
Operating profit		**11,733**	13,762
Finance income	5	**260**	873
Finance costs	5	**(1,341)**	(3,014)
Share of profit of joint venture	8	**52**	236
Profit before taxation		**10,704**	11,857
Taxation	6	**(3,029)**	(3,408)
Profit for the year	19	**7,675**	8,449

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

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year above and their historical cost equivalents

Company Income Statement

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	1	**72,413**	64,357
Cost of sales	3	**(58,289)**	(49,019)
Gross profit		**14,124**	15,338
Other income	2	**1,796**	1,924
Administrative expenses	3	**(5,571)**	(4,720)
Operating profit		**10,349**	12,542
Finance income	5	**260**	850
Finance costs	5	**(1,341)**	(2,794)
Profit before taxation		**9,268**	10,598
Taxation	6	**(2,356)**	(2,771)
Profit for the year	19	**6,912**	7,827

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

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year above and their historical cost equivalents

Statements of Comprehensive Income
For the year ended 31 December 2009

	Note	Group		Company	
		2009 **£'000**	2008 £'000	**2009** **£'000**	2008 £'000
Profit for the year		**7,675**	8,449	**6,912**	7,827
Other comprehensive income					
Exchange rate adjustments		**(649)**	1,612	-	-
Cash payments in respect of share options		**(129)**	(85)	**(129)**	(85)
Cost of share based payments		**142**	129	**142**	129
Fair value less cashflow hedges		**570**	(570)	**570**	(570)
Total other comprehensive income for the year, net of tax		**(66)**	1,086	**583**	(526)
Total comprehensive income for the year		**7,609**	9,535	**7,495**	7,301

Items in the statement above are disclosed net of tax

Group Balance Sheet
At 31 December 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	**4,840**	5,299
Investment in joint venture	8	**92**	240
Deferred tax assets	14	**-**	222
		4,932	5,761
Current assets			
Inventories	9	**37,199**	31,149
Trade and other receivables	10	**28,942**	43,238
Cash and cash equivalents		**1,512**	571
		67,653	74,958
Liabilities			
Current Liabilities			
Trade and other payables	11	**(35,714)**	(46,724)
Current tax liabilities	13	**(2,364)**	(2,851)
		(38,078)	(49,575)
Net current assets		**29,575**	25,383
Deferred tax liabilities	14	**(45)**	(67)
Net assets		**34,462**	31,077
Shareholders' equity			
Ordinary shares	18	**1,000**	1,000
Retained earnings	19	**32,220**	28,756
Hedging reserve	19	**-**	(570)
Foreign exchange reserve	19	**1,242**	1,891
Total shareholders' equity		**34,462**	31,077

The financial statements on pages 7 to 43 were approved by the Board of Directors on 30th July 2010 and were signed on its behalf by

Se Mc Carthy

Director

Hunting Energy Services (UK) Limited **Registered number 00908371**

Company Balance Sheet
At 31 December 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	**2,169**	2,371
Investments	8	**100**	100
Deferred tax assets	14	**-**	222
		2,269	2,693
Current assets			
Inventories	9	**34,810**	27,516
Trade and other receivables	10	**25,762**	40,021
Cash and cash equivalents		**123**	-
		60,695	67,537
Liabilities			
Current Liabilities			
Trade and other payables	11	**(33,085)**	(43,268)
Current tax liabilities	13	**(2,436)**	(2,768)
		(35,521)	(46,036)
Net current assets		**25,174**	21,501
Non-current liabilities			
Borrowings	12	**(84)**	(84)
Deferred tax liabilities	14	**(45)**	(67)
Net assets		**27,314**	24,043
Shareholders' equity			
Ordinary shares	18	**1,000**	1,000
Retained earnings	19	**26,314**	23,613
Hedging reserve	19	**-**	(570)
Total shareholders' equity		**27,314**	24,043

The financial statements on pages 7 to 43 were approved by the board of Directors on 30th July 2010 and were signed on its behalf by

Director

Hunting Energy Services (UK) Limited **Registered number 00908371**

Group Statement of Changes in Equity

For the year ending 31 December 2009

	Note	Ordinary shares	Retained earnings	Other reserves	Total
		£'000	£'000	£'000	£'000
Balance at 1 January		1,000	28,756	1,321	31,077
Comprehensive income					
Profit		-	7,675	-	7,675
Other comprehensive income					
Exchange rate adjustments	19	-	-	(649)	(649)
Cash payment in respect of share options	19	-	(129)	-	(129)
Cost of share based payments	19	-	142	-	142
Fair value less cash flow hedges	19	-	-	570	570
Total other comprehensive income		-	13	(79)	(66)
Total comprehensive income		-	**7,688**	**(79)**	**7,609**
Transactions with owners					
Dividend	20	-	(4,224)	-	(4,224)
Total transactions with owners		-	(4,224)	-	(4,224)
Balance at 31 December		**1,000**	**32,220**	**1,242**	**34,462**

	Note	Ordinary shares	Retained earnings	Other reserves	Total
Year ended 31 December 2008					
Balance at 1 January		1,000	26,712	279	27,991
Comprehensive income					
Profit		-	8,449	-	8,449
Other comprehensive income					
Exchange rate adjustments	19	-	-	1,612	1,612
Cash payment in respect of share options	19	-	(85)	-	(85)
Cost of share based payments	19	-	129	-	129
Fair value less cashflow hedges	19	-	-	(570)	(570)
Total other comprehensive income		-	44	1,042	1,086
Total comprehensive income		-	**8,493**	**1,042**	**9,535**
Transactions with owners					
Dividend	20	-	(6,449)	-	(6,449)
Total transaction with owners		-	(6,449)	-	(6,449)
Balance at 31 December		**1,000**	**28,756**	**1,321**	**31,077**

Company Statement of Changes in Equity
For the year ended 31 December 2009

	Note	Ordinary shares	Retained earnings	Other reserves	Total
		£'000	£'000	£'000	£'000
Balance at 1 January		1,000	23,613	(570)	24,043
Comprehensive income					
Profit		-	6,912	-	6,912
Other comprehensive income					
Cash payments in respect of share options	19	-	(129)	-	(129)
Cost of share based payments	19	-	142	-	142
Fair value less cash flow hedges	19	-	-	570	570
Total other comprehensive income		-	13	570	583
Total comprehensive income		-	6,925	570	7,495
Transactions with owners					
Dividend	20	-	(4,224)	-	(4,224)
Total transactions with owners		-	(4,224)	-	(4,224)
Balance at 31 December		**1,000**	**26,314**	-	**27,314**
Year ended 31 December 2008					
Balance at 1 January		**1,000**	**22,191**	-	**23,191**
Comprehensive income					
Profit		-	7,827	-	7,827
Other comprehensive income					
Cash payment in respect of share options	19	-	(85)	-	(85)
Cost of share based payments	19	-	129	-	129
Fair value less cashflow hedges	19	-	-	(570)	(570)
Total other comprehensive income			44	(570)	(526)
Total comprehensive income			7,871	(570)	7,301
Transactions with owners					
Dividend	20	-	(6,449)	-	(6,449)
Total transaction with owners		-	(6,449)	-	(6,449)
Balance at 31 December		**1,000**	**23,613**	**(570)**	**24,043**

Group Statement of Cashflow
For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Cash generated from continuing operations	25	**10,679**	14,425
Interest received		**260**	873
Interest paid		**(1,215)**	(3,014)
Tax paid		**(3,538)**	(4,950)
Net cash inflow from operating activities		**6,186**	7,334
Investing activities			
Purchase of property, plant and equipment	7	**(862)**	(1,091)
Proceeds collected from sale of property, plant and equipment		**31**	-
Dividend received from joint venture investment	8	**200**	195
Net cash outflow from investing activities		**(631)**	(896)
Financing activities			
Dividends paid	20	**(4,224)**	(6,449)
Net cash outflow from financing activities		**(4,224)**	(6,449)
Net increase/(decrease) in cash and cash equivalents		**1,331**	(11)
Cash and cash equivalents at beginning of year		**571**	439
Effect of foreign exchange rate changes		**(390)**	143
Cash and cash equivalents at the end of the year		**1,512**	571

Company Statement of Cashflow
For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Cash generated from continuing operations	25	**7,298**	11,522
Interest received		**260**	850
Interest paid		**(1,214)**	(2,794)
Tax paid		**(2,711)**	(3,996)
Net cash inflow from operating activities		**3,633**	5,582
Investing activities			
Purchase of property, plant and equipment	7	**(558)**	(706)
Repayment of share capital from subsidiary		**-**	750
Dividend received from joint venture		**200**	195
Dividend received from subsidiary undertaking		**1,072**	1,278
Net cash inflow from investing activities		**714**	1,517
Financing activities			
Repayment of subsidiary loan		**-**	(750)
Intra-group dividend paid	20	**(4,224)**	(6,449)
Net cash outflow from financing activities		**(4,224)**	(7,199)
Net increase/(decrease) in cash and cash equivalents		**123**	(100)
Cash and cash equivalents at beginning of year		**-**	100
Cash and cash equivalents at the end of the year		**123**	-

Notes to the Financial Statements

1. Revenue

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Sale of goods	**85,450**	76,813	**69,614**	62,464
Services	**2,799**	1,893	**2,799**	1,893
	88,249	78,706	**72,413**	64,357

2 Other income

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Royalty income	**143**	120	**143**	120
Recharges	**189**	88	**189**	88
Gain on non-hedging derivatives	**104**	208	**104**	208
Gain on sale of fixed assets	**119**	-	**88**	-
Machinery rental income	-	35	-	35
Dividend income	-	-	**1,272**	1,473
	555	451	**1,796**	1,924

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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Depreciation	**1,062**	1,009	**760**	729
Auditors' remuneration				
Audit services	**92**	77	**63**	45
Tax services	**12**	16	**14**	9
Other services	**7**	-	-	-
Employee costs and directors' emoluments	**10,357**	10,402	**8,111**	8,193
Operating Lease payments				
Plant and machinery	**299**	189	**221**	136
Property	**884**	95	**671**	95
Cost of inventories recognised as an expense	**58,256**	47,804	**50,561**	42,235
Other expenses	**6,102**	5,803	**3,459**	2,297
Total	**77,071**	65,395	**63,860**	53,739

4. Employee costs and directors' emoluments

Employee costs, including Directors, are analysed as follows

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Wages and salaries	**8,231**	7,548	**6,243**	5,791
Social security costs	**962**	1,039	**704**	722
Other pensions costs	**860**	912	**860**	777
Share based payments and long term incentive plan	**304**	903	**304**	903
	10,357	10,402	**8,111**	8,193

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 costs and directors' emoluments (continued)

The average number of persons employed dunng the year was

	Group		Company	
	2009	2008	**2009**	2008
UK	**179**	170	**179**	170
Other	**51**	49	-	-
	230	219	**179**	170

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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Salaries and short term employment benefits	**1,255**	1,204	**1,255**	1,204
Post employment benefits	**192**	223	**192**	223
Share based payments and long term incentive plan	**304**	903	**304**	903
	1,751	2,330	**1,751**	2,330

Directors

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Salaries and short term employment benefits	**685**	658	**685**	658
Company contributions to pension scheme	**94**	123	**94**	123
Share based payments and long term incentive plan	**162**	587	**162**	587
	941	1,368	**941**	1,368

Three (2008 – three) Directors have retirement benefits accruing under a defined benefit pension scheme

Notes to the Financial Statements (continued)

4. Employee costs and directors' emoluments (continued)

Highest Paid Director

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Salaries and short term employment benefits	**372**	353	**372**	353
Company contributions to pension scheme	**27**	61	**27**	61
Share based payments and long term incentive plan	**162**	179	**162**	179
	561	593	**561**	593

5. Net finance costs

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Finance Income				
Bank interest receivable	-	9	-	-
Parent undertaking - loans	**260**	814	**260**	814
Others	-	50	-	36
	260	873	**260**	850
Finance Costs				
Bank interest payable	-	(39)	-	-
Parent undertaking - loans	-	(549)	-	(549)
Funding interest	**(625)**	(1,285)	**(625)**	(1,285)
Foreign exchange losses	**(716)**	(1,141)	**(716)**	(960)
	(1,341)	(3,014)	**(1,341)**	(2,794)
Net Finance Costs	**(1,081)**	(2,141)	**(1,081)**	(1,944)

Notes to the Financial Statements (continued)

6. Taxation

The tax charge in the Income Statement comprised

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Current tax – continuing operations				
Current year	**3,130**	3,346	**2,457**	2,709
Adjustment in respect of previous periods	**(79)**	72	**(79)**	72
Double tax relief	**(9)**	-	**(9)**	-
Foreign tax – continuing operations				
Current year	**9**	-	**9**	-
Adjustment in respect of previous periods	**-**	-	**-**	-
	3,051	3,418	**2,378**	2,781
Deferred tax – continuing operations				
Origination and reversal of temporary difference	**(22)**	(10)	**(22)**	(10)
Total tax charged to the Income Statement	**3,029**	3,408	**2,356**	2,771

The Group tax for the year is higher (2008 - higher) than the standard rate of UK corporation tax of 28% (2008 – 28 5%) The Company tax for the year is lower (2008 lower) than the standard rate of UK corporation tax of 28% (2008 – 28 5%) The reasons are highlighted in the table below

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Profit before tax	**10,704**	11,857	**9,268**	10,598
Tax at 28% (2008 – 28 5%)	**2,997**	3,379	**2,596**	3,020
Adjustment in respect of prior periods	**(79)**	72	**(79)**	72
Expenses not deductible for tax purposes	**164**	(585)	**(185)**	(255)
Adjustments in respect of foreign tax rates	**(77)**	509	**-**	(99)
Movements in respect of revaluations	**24**	33	**24**	33
Current tax charge for the year	**3,029**	3,408	**2,356**	2,771

Notes to the Financial Statements (continued)

7. Property, plant and equipment

Year ended 31 December 2009

Group	Freehold land and buildings £'000	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January	2,441	185	12,339	14,965
Exchange adjustments	(216)	-	(349)	(565)
Additions	180	4	678	862
Disposals	-	-	(172)	(172)
At 31 December	**2,405**	**189**	**12,496**	**15,090**
Depreciation				
At 1 January	728	173	8,765	9,666
Exchange adjustments	(64)	-	(242)	(306)
Charge for the financial year	34	11	1,017	1,062
Disposals	-	-	(172)	(172)
At 31 December	**698**	**184**	**9,368**	**10,250**
Net book amount	**1,707**	**5**	**3,128**	**4,840**

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**

Notes to the Financial Statements (continued)

7 Property, plant and equipment (continued)

Year ended 31 December 2009

Company	Short leasehold buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	185	8,238	8,423
Additions	4	554	558
Disposals	-	(172)	(172)
At 31 December	**189**	**8,620**	**8,809**
Depreciation			
At 1 January	173	5,879	6,052
Charge for the financial year	11	749	760
Disposals	-	(172)	(172)
At 31 December	**184**	**6,456**	**6,640**
Net book amount	**5**	**2,164**	**2,169**

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**

Notes to the Financial Statements (continued)

8. Investments

Group – Investment in Joint Venture	2009 £'000	2008 £'000
At 1 January	240	199
Share of increase in net assets	52	236
Dividends received from joint venture investment	(200)	(195)
At 31 December	92	240

Aggregated amounts relating to interests in Joint Venture	2009 £'000	2008 £'000
Share of balance sheet		
Total assets	592	607
Total liabilities	(500)	(367)
	92	240
Share of results		
Revenues	1,495	1,600
Profit before tax	66	328
Taxation	(14)	(92)
Profit after tax	52	236

Company – investment in subsidiary undertakings	2009 £'000	2008 £'000
Cost and net book amount		
At 1 January and 31 December	100	100

The Company also has an investment in a Joint Venture that is carried at a cost of £2 (2008 - £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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Raw materials	**8,207**	5,515	**7,353**	4,557
Work in progress	**1,487**	2,873	**910**	1,134
Finished goods	**28,966**	23,115	**27,858**	21,974
Less provision for potential write downs	**(1,461)**	(354)	**(1,311)**	(149)
	37,199	31,149	**34,810**	27,516

10. Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade receivables	**10,881**	15,732	**7,881**	12,682
Less provision for impairment of receivables	**(286)**	(73)	**(286)**	(59)
Net trade receivables	**10,595**	15,659	**7,595**	12,623
Amounts owed by group undertakings	**15,902**	24,947	**15,897**	24,947
Amounts owed by associated undertakings	**259**	1,788	**252**	1,725
Other receivables	**1,701**	710	**1,687**	634
Prepayments and accrued income	**485**	134	**331**	92
	28,942	43,238	**25,762**	40,021

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand 'Group' companies are those that are part of the Hunting Plc group Hunting Energy Services (UK) Limited group transactions have been eliminated on consolidation

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 (2008 – 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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
1 – 30 days	**3,454**	3,156	**1,768**	2,936
31 – 60 days	**913**	868	**275**	822
61 – 90 days	**405**	304	**345**	270
91-120 days	**715**	-	**217**	-
More than 120 days	**-**	721	**-**	714
	5,487	5,049	**2,605**	4,742

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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
At 1 January	**73**	162	**59**	162
Provision for receivables impairment	**285**	73	**285**	59
Unused amounts reversed	**(72)**	(162)	**(58)**	(162)
At 31 December	**286**	73	**286**	59

Notes to the Financial Statements (continued)

11. Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade payables	**24,016**	28,480	**23,011**	25,991
Accruals and deferred income	**4,952**	12,036	**3,867**	11,279
Amounts owed to group undertakings	**1,411**	-	**872**	-
Amounts owed to associated undertakings	**5,335**	3,620	**5,335**	3,607
Other taxation and social security	-	1,793	-	1,596
Derivative financial instruments	-	795	-	795
	35,714	46,724	**33,085**	43,268

'Group' companies are those that are part of the Hunting Plc group Hunting Energy Services (UK) Limited group transactions have been eliminated on consolidation

12. Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Non-current				
Loan from subsidiary undertaking	-	-	84	84
	-	-	84	84

13. Current tax liabilities

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Corporation tax	**2,364**	2,851	**2,436**	2,768

Notes to the Financial Statements (continued)

14. Deferred tax

Deferred Tax Lιabιlιtιes

The movement ιn the deferred tax lιabιlιty ιs as follows

Group and Company	**2009**	**2008**
	£'000	**£'000**
At 1 January	**(67)**	(77)
Charge to ιncome statement	**22**	10
At 31 December	**(45)**	(67)

The above balances relate entιrely to accelerated capιtal allowances

Deferred Tax Assets

Group and Company	**2009**	**2008**
	£'000	**£'000**
Faιr value loss on cash flow hedges	-	222

15. Derivatives and financιal instruments

Currency derιvatιves

When necessary the Group uses forward foreιgn exchange contracts to hedge ιts exposure to exchange rate movements There was no requιrement to have forward foreιgn exchange contracts ιn place at 31 December 2009 (2008 - £4 2m)

The forward foreιgn exchange contracts ιn place at 31 December 2008 were closed out durιng the year to 31 December 2009 Thιs resulted ιn £0 8m of exchange losses ιmpactιng on the ιncome statement These losses relate to the effectιveness of the cash flow hedges In addιtιon, there was a £3,000 exchange gaιn arιsιng on the cash flow hedges durιng the year that relate to the ιneffectιveness of the cash flow hedges

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

2009	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Total Fair value
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note10)	10 595		10,595	10 595
Amounts owed by group undertakings (Note 10)	15,902		15,902	15,902
Amounts owed by associated undertakings (Note 10)	259		259	259
Other Receivables (Note 10)	1,701		1,701	1,701
Prepayments (Note 10)	485		485	485
Cash and cash equivalents	1,512		1,512	1,512
Current Liabilities				
Trade payables (Note 11)		(24,016)	(24,016)	(24,016)
Accruals and other payables (Note 11)		(4 952)	(4,952)	(4,952)
Amounts owed to associated undertakings (Note 11)		(5,335)	(5,335)	(5,335)
Amounts owed to group undertakings (Note 11)		(1,411)	(1,411)	(1,411)
	30,454	**(35,714)**	**(5,260)**	**(5,260)**

Notes to the Financial Statements (continued)

15 Fınancıal instruments (contınued)

Group

2008	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Derivatives At Fair Value Through Equity (cash flow hedges)	Total Carrying Amount	Total Fair value
	£'000	£'000	£'000	£'000	£'000
Current Assets					
Net trade receıvables (Note10)	15,659			15,659	15 659
Amounts owed by group undertakıngs (Note 10)	24,947			24,947	24,947
Amounts owed by assocıated undertakıngs (Note 10)	1,788			1,788	1,788
Other Receıvables (Note 10)	710			710	710
Prepayments (Note 10)	134			134	134
Cash and cash equıvalents	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 to assocıated undertakıngs (Note 11)		(3,620)		(3,620)	(3,620)
Denvatıve financıal lıabılıtıes			(795)	(795)	(795)
	43,809	**(44,136)**	**(795)**	**(1,122)**	**(1,122)**

Notes to the Financial Statements (continued)

15. Financial instruments (continued)

Company

2009	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Total Fair value
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note10)	7,595		7,595	7,595
Amounts owed by group undertakings (Note10)	15,897		15,897	15,897
Amounts owed by associated undertakings (Note10)	252		252	252
Other Receivables (Note10)	1,687		1 687	1,687
Prepayments (Note10)	331		331	331
Cash and cash equivalents	123		123	123
Current Liabilities				
Trade payables (Note11)		(23,011)	(23,011)	(23,011)
Accruals and other payables (Note11)		(3 867)	(3,867)	(3,867)
Amounts owed to associated undertakings (Note11)		(5 335)	(5,335)	(5,335)
Amounts owed to group undertakings (Note 11)		(872)	(872)	(872)
	25,885	**(33,085)**	**(7,200)**	**(7,200)**

Notes to the Financial Statements (continued)

15 Financial instruments (continued)

Company

2008	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Derivatives At Fair Value Through Equity (cash flow hedges)	Total Carrying Amount	Total Fair value
	£'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)		(25,991)		(25,991)	(25,991)
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 (Note 11)			(795)	(795)	(795)
	40,021	**(40,877)**	**(795)**	**(1,651)**	**(1,651)**

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 nsk

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 nsk

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

(b) Credit nsk

The Group's credit nsk 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 nsk exposure from outstanding receivables, the Group has a credit insurance policy taken out with an external insurer, subject to certain conditions

(c) Liquidity nsk

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 GBP 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 (2008 – 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 nsk include borrowings, deposits and derivative financial instruments The sensitivity analysis relates to the position as at 31 December 2009

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 2009, 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	2009		2008	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0 5%	27	-	69	-
UK Interest Rates -0 5%	(27)	-	(69)	-

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

Company	2009		2008	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0 5%	27	-	69	-
UK Interest Rates -0 5%	(27)	-	(69)	-

These movements arise from the GBP 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	2009		2008	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
US dollar exchange rates +15%	(311)	-	(215)	391
US dollar exchange rates -15%	358	-	247	(450)

Company	2009		2008	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
US dollar exchange rates +15%	(343)	-	(213)	391
US dollar exchange rates -15%	394	-	245	(450)

The movement on the post-tax profit is primarily due to a change in the value of the inter-company loans The equity movement relates to fair value movements on the derivatives outstanding at the end of the prior 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 £649,000 (2008 £625,000) to the defined benefit scheme and £211,000 (2008 £152,000) to the defined contribution scheme in 2009, 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

	2009 £'000	2008 £'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	
	2009 £'000	**2008 £'000**	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
At 1 January	**(570)**	-	**1,891**	279	**28,756**	26,712	**30,077**	26,991
Retained profit	-	-	-	-	**7,675**	8,449	**7,675**	8,449
Cost of share based payments	-	-	-	-	**142**	129	**142**	129
Cash payments in respect of share	-	-	-	-	**(129)**	(85)	**(129)**	(85)
Dividends paid	-	-	-	-	**(4,224)**	(6,449)	**(4,224)**	(6,449)
Translation adjustment	-	-	**(649)**	1,612	-	-	**(649)**	1,612
Fair value loss on cash flow hedges	**792**	(792)	-	-	-	-	**792**	(792)
- taxation	**(222)**	222	-	-	-	-	**(222)**	222
Others	-	-	-	-	-	-	-	-
At 31 December	-	(570)	**1,242**	1,891	**32,220**	28,756	**33,462**	30,077

There are no cash flow hedges in place at 31 December 2009 (2008 six of US$1m each) One cash flow hedge matured 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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 1 January	(570)	-	23,613	22,191	23,043	22,191
Retained profit	-	-	6,912	7,827	6,912	7,827
Cost of share based payments	-	-	142	129	142	129
Cash payments in respect of share based payments	-	-	(129)	(85)	(129)	(85)
Dividends paid	-	-	(4,224)	(6,449)	(4,224)	(6,449)
Fair value loss on cash flow hedges	792	(792)	-	-	792	(792)
- taxation	(222)	222	-	-	(222)	222
At 31 December	-	(570)	26,314	23,613	26,314	23,043

20. Dividends paid

	2009 £'000	2008 £'000
Declared and paid during the year		
Final dividend for the year ended 31 December	4,224	6,449

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
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

Notes to the Financial Statements continued

21. Share based payments (continued)

Assumed likelihood of satisfying performance conditions at

31st December 2008	**75%**	75%	100%	100%
31st 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 £142,000 (2008 - £129,000)

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 £162,000 (2008 - £264,000)

22. Operating leases

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

Group	2009		2008	
	Land and buildings	**Other**	Land and buildings	Other
Within one year	**144**	**67**	398	286
Between two to five years	**4**	**304**	385	307
After five years	**105**	**20**	-	35

Company	2009		2008	
	Land and buildings	**Other**	Land and buildings	Other
Within one year	**-**	**-**	200	222
Between one to five years	**-**	**113**	277	161
Later than five years	**105**	**-**	-	-

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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Transactions with associated undertakings				
Trade purchases from	**14,963**	16,447	**14,713**	14,714
Interest paid to	**624**	193	**624**	193
Dividends paid to	**1,690**	-	**1,690**	-
Amounts owed to	**5,335**	10,082	**5,335**	10,082
Trade sales to	**2,286**	829	**1,787**	1,787
Amounts owed from	**259**	202	**252**	202
Transactions with Companies in the Hunting PLC Group				
Dividends paid to	**2,534**	6,449	**2,534**	(6,449)
Dividends received from	**1,072**	1,278	**1,072**	1,278
Amounts owed by	**15,902**	24,947	**15,897**	24,947
Amounts owed to	**1,411**	3,620	**872**	-
Loans to	**14,519**	-	**14,519**	-
Loans from	-	-	**84**	84
Payments made to Directors	**941**	1,058	**941**	1,058

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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Net profit before tax	**10,704**	11,857	**9,268**	10,598
Adjustments for				
Depreciation	**1,062**	1,009	**760**	729
Finance income	**(260)**	(873)	**(260)**	(850)
Finance costs	**1,341**	3,014	**1,341**	2,794
Profit on disposal of property, plant and equipment	**(119)**	-	**(88)**	-
Share of results in joint venture	**(52)**	(236)	**-**	-
Dividend received	**-**	-	**(1,272)**	(1,473)
Foreign exchange loss on forward contracts	**767**	-	**767**	-
Changes in working capital				
(Increase) in inventories	**(6,050)**	(6,285)	**(7,294)**	(5,269)
Decrease in trade and other receivables	**14,296**	27,899	**14,259**	28,692
(Decrease) in trade and other payables	**(11,010)**	(21,960)	**(10,183)**	(23,699)
Cash generated from continuing operations	**10,679**	14,425	**7,298**	11,522