

Registered Number 01674180

Hunting Energy Services Limited
Annual Report
For the Year Ended 31 December 2011

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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 2011

Principal Activities

The Company operates 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 and accessory equipment manufacture of the oil industry with operations concentrated in the Middle East.

Business Review

The loss before tax for year was £806,000 (2010 - Loss £609,000). The loss during the year is due to the opening of an Equipment Management Services division in 2010 which operates in the Drilling Tools Sector of the Energy Services market. Some delays were encountered winning key contracts with customers and as a result the volume of sales as expected were not materialised. A large proportion of costs are fixed in nature including labour and facility costs which led to the business making a loss.

Future Developments

The Equipment Management Services division will establish a satellite base in the existing HESBV machine shop. This would allow storage of rental products for supply to their continental Europe based clients.

No other developments are expected at this time.

Key Risks and Uncertainties

The key risks 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 risk management objectives and policies have been included in note 12.

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 Company is being managed. A loss before tax of £806,000 was made in 2011 in comparison to a loss of £609,000 in 2010. This was principally due to the delay in winning contracts with potential customers resulting in lower sales generated than expected.

(ii) Cashflow

The cash position of the Company is constantly reviewed to ensure there are adequate cash balances in place to service customer requirements. The Company had cash outflow (calculated as cash outflow from operating activities less purchases of property, plant and equipment) of £3,326,000 (2010 - £323,000) during the year. The decrease from 2010 was primarily due to the repayment of amounts owed to associated undertakings in 2011.

Report of the Directors (continued)

Results

The results of the Company are set out in the Income Statement on page 9

Dividends

The Directors declared no dividend (2010 - £300,000) during the year

Directors

The Directors who held office during the year and up to the date of this report were

R J Davie
S McClements
D L Proctor
P Rose
B Ferguson (Appointed 27 April 2011)

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 6 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 Company policy is to pay all creditors in accordance with agreed terms of business. However, as the Company purchases the majority of its goods from fellow Hunting PLC Group Companies the total amount of trade payables falling due within one year at 31 December 2011 represents 39 days worth (2010 – 18 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

Report of the Directors (continued)

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit for the company for that period.

In preparing these financial statements, the directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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.

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 company is in a net current liability position of £1,049,000 (2010 net current liability £1,760,000). This is mainly due to amounts payable to group companies. The parent company has undertaken to provide such financial support for the foreseeable future to the company to keep it going concern and meet its liabilities as they fall due.

Independent 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.

On behalf of the Board



Bruce Ferguson - Director

26th September 2012

Independent Auditors' Report to the Member of Hunting Energy Services Limited

We have audited the financial statements of Hunting Energy Services Limited for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1-3, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditors' Report to the Member of Hunting Energy Services Limited (Continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, and
- we have not received all the information and explanations we require for our audit



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

26 Sept. 2012

Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards (IFRS) and those IFRS as adopted by the European Union and IFRIC Interpretations, which are effective as at 31 December 2011. The financial statements have been prepared on a going concern basis under the historical cost convention and the accounting policies as disclosed below which have been consistently applied.

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 2011:

- IAS 24 (revised) Related party disclosures
- Amendment to IFRS 7 Financial instruments Disclosures
- Amendment to IFRS 1 on hyperinflation and fixed dates*
- Annual improvements 2010
- Amendment to IFRIC 14, '*Pre-payments of a Minimum Funding Requirement*'
- IFRIC 19, '*Extinguishing financial liabilities with equity instruments*'

Although the adoption of the other standards, amendments and interpretations represents a change in accounting policy, comparative figures for 2010 have not been restated for these, as these changes do not impact the financial performance or position of the Company.

Standards, amendments and interpretations effective subsequent to the year end

- Amendment to IAS 12 *Income taxes on deferred tax**
- Amendment to IAS 1 '*Presentation of financial statements*' on OCI

* Not yet endorsed by the European Union

While these pronouncements have not been adopted for these financial statements, it is anticipated that the requirements will not significantly impact the Company's results or financial position.

Going Concern

The company is in a net current liability position of £1,038,000 (2010 net current liability £1,760,000). This is mainly due to amounts payable to group companies. The parent company has undertaken to provide such financial support for the foreseeable future to the company to keep it going concern and meet its liabilities as they fall due.

Investment in Joint Ventures

Investments in joint ventures are carried at the lower of their cost or 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.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost and depreciated to their expected residual values on a straight line basis over their estimated useful lives, at the following rates:

Principal Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Plant and equipment - 12%

Land and Buildings - 9%

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

Trading results are translated at the average rates for the period. Exchange differences arising from trading transactions are dealt with in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the period. Exchange gains or losses on monetary assets and liabilities are taken to the income statement. The year end exchange rate of GBP Sterling to US Dollar is 1.55 (2010 – 1.57).

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 separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

Deferred taxation is recognised in the income statement unless it relates to taxable transactions taken directly to equity, in which case the deferred tax is also recognised in equity. The deferred tax is released to the income statement at the same time as the taxable transaction is recognised in the income statement.

Deferred taxation on unremitted overseas earnings is provided for to the extent of estimated tax charge.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include bank overdrafts and deposits with a maturity of less than three months.

Financial Assets

The Company classifies its financial assets into two categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. The Company assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with its present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised in the income statement immediately. Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(a) Financial assets at fair value through the profit and loss

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

Principal Accounting Policies (continued)

Financial Assets (Continued)

(b) Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest rate method

Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less transaction costs. The Company subsequently re-measures all of its non-derivative financial liabilities, including trade payables, at amortised cost.

Capital Management

The Company's objective when managing capital is to provide sufficient resources to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt (which includes loan from parent company, trade and other payables and accruals), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and retained earnings.

Gearing Ratio

The management of the Company reviews the capital structure regularly. As part of this review, the Company considers the cost of capital and the risks associated with the capital. The Company will balance its overall capital structure through the issues of new shares as well as the utilisation of bank borrowings. During the year, £2,000,000 was invested by Hunting Energy Services (International) Ltd.

The gearing ratio at the year end was as follows -

	2011	2010
	£'000	£'000
Debts	(1,614)	(4,649)
Cash and cash equivalents	19	1,249
Net debt	(1,595)	(3,400)
Equity	2,372	964
Net debt to equity	67%	352%

Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience and reasonable expectations of future events.

Accounting estimates are applied in determining the carrying amounts of the following significant assets and liabilities: property, plant and equipment (useful lives) and deferred taxation (timing of liabilities and timing and recoverability of assets).

Dividend Distributions

Dividend distributions to the Company's shareholders are recognised in the financial statements in the period that they are declared and are dealt within the Statement of Changes in Equity.

Income Statement

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	1	1,075	2,180
Cost of sales	2	(1,214)	(2,138)
Gross (loss) / profit		(139)	42
Administrative expenses	2	(526)	(652)
Operating loss		(665)	(610)
Finance income	4	21	86
Finance costs	4	(162)	(85)
Loss before tax		(806)	(609)
Income tax credit	5	215	159
Loss for the year	14	(591)	(450)

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 loss for the year above and their historical cost equivalents

Statement of Other Comprehensive Income

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Loss for the year	14	(591)	(450)
Translation adjustment	14	(1)	1
Total comprehensive loss for the year		(592)	(449)

Items in the statement above are disclosed net of tax

Balance Sheet

At 31 December 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,601	2,838
Investment in joint venture	17	-	-
		3,601	2,838
Current assets			
Inventories		-	680
Trade and other receivables	7	2,298	1,516
Cash and cash equivalents		19	1,249
Current tax asset	9	277	284
		2,594	3,729
LIABILITIES			
Current liabilities			
Trade and other payables	8	(3,643)	(5,489)
		(3,643)	(5,489)
Net current liability		(1,049)	(1,760)
Non-current liabilities			
Deferred tax liability	10	(180)	(114)
		(180)	(114)
Net assets		2,372	964
Shareholder's equity			
Share Capital	13	2,000	-
Retained earnings	14	366	957
Cumulative translation reserve	14	6	7
Total shareholder's equity		2,372	964

The financial statements on pages 6 to 25 were approved by the board of Directors on 26th September 2012 and were signed on its behalf by



Bruce Ferguson - Director

Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Share Capital £'000	Retained Earnings £'000	Other reserves £'000	Total £'000
At 1 January		-	957	7	964
Comprehensive income					
Loss for the year		-	(591)	(1)	(592)
Total comprehensive income		-	(591)	(1)	(592)
Transactions with owners					
Proceeds from shares issued	13	2,000	-	-	2,000
Total transactions with owners		2,000	-	-	2,000
Balance at 31 December		2,000	366	6	2,372

For the year ended 31 December 2010

	Note	Share Capital £'000	Retained Earnings £'000	Other reserves £'000	Total £'000
At 1 January		-	1,707	6	1,713
Comprehensive income					
Loss for the year		-	(450)	1	(449)
Total comprehensive income		-	(450)	1	(449)
Transactions with owners					
Dividend	15	-	(300)	-	(300)
Total transactions with owners		-	(300)	-	(300)
Balance at 31 December		-	957	7	964

Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Cash (used in) / generated from operations	18	(2,133)	3,430
Interest paid	4	(162)	(85)
Tax received / (paid)		288	(162)
Net cash (outflow) / inflow from operating activities		(2,007)	3,269
Investing activities			
Purchase of property, plant and equipment		(1,287)	(2,946)
Proceeds from sale of property, plant and equipment		44	30
Interest received		21	86
Net cash outflow from investing activities		(1,222)	(2,916)
Financing activities			
Dividends paid	15	-	(300)
Proceeds from shares issued		2,000	-
Net cash inflow / (outflow) from financing activities		2,000	(300)
Net (outflow) / inflow in cash and cash equivalents		(1,229)	53
Cash and cash equivalents at beginning of year		1,249	1,195
Effect of foreign exchange rate changes		(1)	1
Cash and cash equivalents at the end of the year		19	1,249

Notes to the Financial Statements

1. Revenue

	2011 £'000	2010 £'000
Sale of goods	1,075	2,180

2 Nature of expenses

	2011 £'000	2010 £'000
Depreciation	491	111
Auditors' remuneration		
- audit	8	12
- tax services	3	6
Operating Lease Payments		
- property	150	36
Cost of inventories recognised as an expense	680	-
Profit on disposal of property, plant and equipment	11	14

3 Employee information and directors' remuneration

Employee costs are analysed as follows

	2011 £'000	2010 £'000
Wages and salaries	568	404
Social security costs	57	26
Pension costs – defined benefit schemes	47	24
	672	454

The average number of company employees during the year was thirteen (2010 - fifteen) No remuneration was paid to key Management or Directors for services to the company during the year (2010 - nil)

Notes to the Financial Statements (continued)

4. Net finance (expenses)/income

	2011 £'000	2010 £'000
Finance income		
From balances relating to Group undertakings	12	8
From balances relating to Joint Venture undertakings	2	2
Net foreign exchange gains	7	76
	21	86
Finance costs		
Parent undertaking loan	(84)	(25)
Foreign exchange losses	(78)	(60)
	(162)	(85)
Net finance (expense) / income	(141)	1

Notes to the Financial Statements (continued)

5 Income tax credit

	2011	2010
	£'000	£'000
Current tax		
- Tax credit on loss for the year	(277)	(284)
- Adjustments in respect of prior year	(4)	(5)
Total current tax credit	(281)	(289)
Deferred tax		
- Origination and reversal of timing differences	66	130
Total tax credit on loss for the year	(215)	(159)

The taxes for the year is lower (2010 - higher) than the standard rate of corporation tax in the UK for the following reasons

	2011	2010
	£'000	£'000
Loss before tax	(806)	(609)
Loss for the year multiplied by standard rate in the UK 26.5% (2010 – 28%)	(214)	(170)
Effects of		
- Adjustment to tax in respect of prior years		
- Current tax	(4)	(5)
- Rate adjustment for deferred tax	(13)	(4)
- Expenses not deductible for tax purposes	(1)	24
- Other	17	(4)
Income tax credit for the period	(215)	(159)

Factors affecting current and future tax charges

The UK substantively enacted on 29 March 2011 an amendment to the corporation tax rate from 28% to 26% effective from 1 April 2011. In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. The changes propose to reduce the main rate of corporation tax rate from 26% to 24% from 1 April 2012 which is in addition to the decrease to 25% enacted in Finance Act 2011. The reduction of the main corporation tax rate to 24% was substantively enacted on 26 March 2012. The budget also proposes to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Notes to the Financial Statements (continued)

6 Property, plant and equipment

Year ended 31st December 2011

	Land and Buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January	22	2,973	2,995
Additions	12	1,275	1,287
Disposals	-	(88)	(88)
At 31 December	34	4,160	4,194
Depreciation			
At 1 January	2	155	157
Charge for the financial year	3	488	491
Disposals	-	(55)	(55)
At 31 December	5	588	593
Net book amount	29	3,572	3,601

Year ended 31st December 2010

	Land and Buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January	-	65	65
Additions	22	2,924	2,946
Disposals	-	(16)	(16)
At 31 December	22	2,973	2,995
Depreciation			
At 1 January	-	46	46
Charge for the financial year	2	109	111
At 31 December	2	155	157
Net book amount	20	2,818	2,838

Notes to the Financial Statements (continued)

7. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	257	694
Amounts owed by group undertakings	1,626	246
Amounts owed by joint venture	160	160
Other receivables	231	378
Prepayments	24	38
	2,298	1,516

Trade receivables that are neither past due nor impaired are expected to be fully recoverable 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 (2010 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

Amounts owed by group undertakings include loans amounting to £78,000 (2010 nil), which are interest bearing and the interest rate range between 2.25% - 3.5%.

Amounts owed by group undertakings are unsecured and are repayable on demand. 'Group' companies are those that are part of Hunting PLC group.

At 31 December 2011 trade receivables of £257,000 (2010 – £694,000) were past due but not impaired. The ageing of these trade receivables at the year-end is as follows:

No. of days overdue	2011 £'000	2010 £'000
1 – 30 days	100	412
31 – 60 days	107	217
61-90 days	46	12
91-120 days	4	-
Over 120 days	-	12
At 31 December	257	653

All of these balances relate to customers for whom there is no recent history of default. There is no provision for the impairment of receivables.

Notes to the Financial Statements (continued)

8 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	117	88
Accruals and other creditors	286	506
Amounts owed to group undertakings	3,240	4,895
	3,643	5,489

Amount owed to group undertakings include interest bearing loans amounting to £2,908,000 (2010 £4,649,000) which bear interest at 2.5%

Amounts owed to group undertakings are unsecured and are repayable on demand. 'Group' companies are those that are part of Hunting PLC group.

9. Current tax asset

	2011 £'000	2010 £'000
Current tax asset	277	284

10. Deferred tax liability

	2011 £'000	2010 £'000
Accelerated capital allowances	(180)	(114)
The gross movement on the deferred income tax account is as follows		
	2011 £'000	2010 £'000
At 1 January	(114)	16
(Debit) to profit and loss	(66)	(130)
At 31 December	(180)	(114)

The company has no unrecognised deferred tax assets or liabilities.

Notes to the Financial Statements (continued)

11 Financial instruments

Fair values of financial assets and financial liabilities

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

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total	Total
2011	Carrying Amount		Fair Value	
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note 7)	257	-	257	257
Amounts owed by group undertakings (Note 7)	1,626	-	1,626	1,626
Amounts owed by joint venture (Note 7)	160	-	160	160
Other Receivables (Note 7)	231	-	231	231
Prepayments (Note 7)	24	-	24	24
Cash and cash equivalents	19		19	19
Current Liabilities				
Trade payables (Note 8)	-	(117)	(117)	(117)
Accruals and other payables (Note 8)	-	(286)	(286)	(286)
Amounts owed to group undertakings (Note 8)	-	(3,240)	(3,240)	(3,240)
	2,317	(3,643)	(1,326)	(1,326)

Notes to the Financial Statements (continued)

11. Financial instruments (continued)

	Loans and Receivables	Financial Liabilities Measured at Amortised Cost	Total	Total
2010	Carrying Amount		Fair Value	
	£'000	£'000	£'000	£'000
Current Assets				
Net trade receivables (Note 7)	694	-	694	694
Amounts owed by group undertakings (Note 7)	246	-	246	246
Amounts owed by joint venture (Note 7)	160	-	160	160
Other Receivables (Note 7)	378	-	378	378
Prepayments (Note 7)	38	-	38	38
Cash and cash equivalents	1,249	-	1,249	1,249
Current Liabilities				
Trade payables (Note 8)	-	(88)	(88)	(88)
Accruals and other payables (Note 8)	-	(506)	(506)	(506)
Amounts owed to group undertakings (Note 8)	-	(4,895)	(4,895)	(4,895)
	2,765	(5,489)	(2,724)	(2,724)

12 Financial risk factors

The activities of the Company expose it to certain financial risks, namely currency risk, credit risk and liquidity risk. The Company's risk management strategy seeks to minimise potential adverse effects on its financial performance.

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 Company 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 Company 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 Company's local operations.

(i) Transactional risk

The Company prepares quarterly rolling twelve month cash flow forecasts 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 Company.

Notes to the Financial Statements (continued)

12 Financial risk factors (continued)

(ii) Translational risk

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

(b) Credit risk

The Company'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 Company is covered by the Group credit insurance policy taken out with an external insurer, subject to certain conditions.

(c) Liquidity risk

The Company is party to the Hunting Plc group set-off arrangement with Barclays Bank Plc.

Surplus funds are loaned to the Company's parent company with interest paid at the Bank of England base rate + 1% prevailing during the loan.

All of the Company's financial liabilities are payable on demand or within one year (2010 – 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 Company's financial instruments and show the impact on profit or loss and shareholder's equity. The sensitivity analysis relates to the position as at 31 December 2011.

It has been assumed in calculating the sensitivity analysis that foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Company's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.

(i) Interest rate sensitivity

At 31 December, 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:

	2011		2010	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0.5%	(14)	-	(19)	-
UK Interest Rates -0.5%	14	-	19	-

These movements arise from the GBP Sterling floating rate on the inter-company loans.

Notes to the Financial Statements (continued)

12 Financial risk factors (continued)

(ii) Foreign exchange rate sensitivity

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

	2011		2010	
	Income Statement £'000	Equity £'000	Income Statement £'000	Equity £'000
US dollar exchange rates +15%	(9)	-	(71)	-
US dollar exchange rates -15%	10	-	82	-

The movement on the post-tax profit is a result of a change in the value of cash, receivable and payable balances denominated in US dollars

13 Share capital

	2011 £'000	2010 £'000
Authorised		
5,000,000 (2010: 1,000,000) ordinary shares of £1 each	5,000	1,000
Allotted, called up and fully paid		
2,000,000 (2010: 2) ordinary shares of £1 each	2,000	-

Hunting Energy Services Limited is a private limited company incorporated and domiciled in England and Wales

14 Retained earnings and other reserves

	2011			2010		
	Retained Earnings £'000	Cumulative Translation Reserve £'000	Total £'000	Retained Earnings £'000	Cumulative Translation Reserve £'000	Total £'000
At 1 January	957	7	964	1,707	6	1,713
Loss for the year	(591)	-	(591)	(450)	-	(450)
Dividends paid	-	-	-	(300)	-	(300)
Translation adjustment	-	(1)	(1)	-	1	1
At 31 December	366	6	372	957	7	964

Notes to the Financial Statements (continued)

15 Dividends paid

	2011	2010
	£'000	£'000
Dividends paid to ordinary shareholders	-	300

No dividend was declared for the 2011 financial year (2010 - £300,000)

16. Operating leases

The company are committed to the following minimum lease payments in respect of operating leases

	2011	2010
	£'000	£'000
	Land and buildings	Land and buildings
Within one year	150	150
Between two to five years	600	600
After five years	525	675

Notes to the Financial Statements (continued)

17. Parent undertaking and related party transactions

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

Hunting PLC is the parent undertaking of the only group to consolidate these financial statements and is the ultimate parent undertaking

Copies of the group financial statements of Hunting PLC may be obtained from the Company Secretary, Hunting PLC, 3 Cockspur Street, London SW1Y 5BQ

	2011 £'000	2010 £'000
Dividends paid to Hunting Energy Services (International) Limited	-	300
Interest received on Hunting Knightsbridge Holdings \$ loan receivable balance	12	8
Interest received on SCM Partners Ltd balance	2	2
Interest Paid on Hunting Knightsbridge Holdings £ loan payable balance	(84)	(25)
Intra-group balances receivable at 31 December	1,626	246
Hunting Energy Services International Ltd	243	241
Hunting Energy Services UK Ltd	971	-
Hunting Energy Services Well Intervention Ltd	334	4
Hunting Knightsbridge Holdings \$ Loan	76	-
Hunting Knightsbridge Holdings Euro Loan	2	-
Hunting Energy Services PTE	-	1
Joint venture balances receivable at 31 December	160	160
SCM Partners Ltd	160	160
Intra-group balances payable at 31 December	(3,240)	(4,895)
Hunting Energy Services UK Ltd	(99)	(163)
Hunting Energy Services Well Intervention Ltd (Dubai)	(4)	-
Hunting Knightsbridge Holdings £ Loan	(2,908)	(3,970)
Huntaven Properties	(229)	-
Hunting Knightsbridge Holdings \$ Loan	-	(679)
Hunting Energy Services INC – Connections Division	-	(81)
Hunting Energy Services INC - US Manufacturing Division	-	(2)

Notes to the Financial Statements (continued)

18 Investment in joint venture

The investment in joint venture of the company is as follows

		Holding	Percentage interest in ordinary shares and proportion of voting rights held	Country of Incorporation / Registration
SCM Partners Limited	Joint Venture	Direct	40	England

The carrying value of the investment in SCM Partners Limited is nil (2010 - nil)

19 Cash (used in) / generated from operations

Reconciliation of net profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Loss before tax	(806)	(609)
Adjustments for		
- Depreciation	491	111
- Finance income	(21)	(86)
- Finance costs	162	85
- Profit on disposal of Property, Plant and Equipment	(11)	(14)
Changes in working capital		
- Decrease / (increase) in inventories	680	(681)
- Increase in trade and other receivables	(551)	(105)
- (Decrease) / increase in trade in other payables	(2,077)	4,729
Cash (used in) / generated from operations	(2,133)	3,430