Registered Number: 01674180

Hunting Energy Services Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2016

Company Information

Directors	Sam McClements Dennis L Proctor (Resigned 1st Sept 2017) Peter Rose Bruce Ferguson Arthur J Johnson
Secretary	Graeme Smith Badentoy Industrial Estate Badentoy Avenue AB12 4YB
Company Number	01674180
Registered office	5 Hanover Square London, W1S 1HQ United Kingdom
Independent auditor	PricewaterhouseCoopers LLP The Capitol 431 Union Street AB11 6DA United Kingdom
Bankers	Barclays Bank Barclays House 5 St Ann's Street Quayside Newcastle Upon Tyne NE1 2BH United Kingdom
Solicitors	CMS Cameron McKenna LLP 6 Queens Road Aberdeen AB15 4ZT United Kingdom

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Strategic Report

The directors present their strategic report on Hunting Energy Services Limited (also referred to as "HESL" or the "Company") for the year ended 31 December 2016.

Hunting Energy Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5 Hanover Square, London, W15 1HQ.

Business Review

The loss before tax for continuing operations for the year was £(3,000) (2015 - loss of £136,000). Although loss before tax is better than the previous year, HESL have continued to make a significant loss primarily due to the large decrease in the oil price. In addition impairment on property, plant and equipment has been taken amounting to £89,000 (2015: £1,859,000) and vacant property provisions (£768,000)

Rentals revenue is shown as revenue from rental fleet, revenue for workshop is shown as revenue from services, revenue from recharges and general sales are all shown as sale of goods. Profits from the gains on disposal of "lost in hole" and "damaged beyond repair" tools are shown in other income.

Hunting Energy Services Limited used to also be responsible for recharging the staff costs for Hunting Energy Services (Well Intervention) Limited and Hunting Energy Services (UK) limited which were then recharged back to the entities given above with no mark up. In June 2016, this arrangement came to an end.

The directors consider the year-end financial position of the Company to be satisfactory considering the market conditions.

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. These risks are mitigated by our wide range of customers operating in different territories. Our foreign exchange risk is monitored on a regular basis to ensure that there is no unnecessary exposure.

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) Loss Before Tax (LBT)

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 £3,000 was made in 2016 in comparison to a loss of £136,000 in 2015. This loss was principally driven by the current climate condition which has continued to create low sales and levels of activity.

(ii) Cash flow

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 a net cash outflow (calculated as cash inflow from operating activities less purchases of property, plant and equipment) of £231,000 (2015 outflow of £140,000) during the year.

Future Developments

The management of Equipment Management Services division is exploring options for the future in particular a buyer of its rental fleet.

On behalf of the Board

Bruce Ferguson – Director

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

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 rental of steel and magnetic tools to drilling operators. This company was also responsible for the payment and recharging of the payroll for the Manufacturing staff to both Hunting Energy Services (UK) Limited and Hunting Energy Services (Well Intervention) Limited based at Badentoy with no mark up however in June 2016 these costs began to be carried under the associated legal entities .

The results of the Company are set out in the Statement of Comprehensive Income on page 8.

Registered Office

The registered office of the company is 5 Hanover Square, London, W1S 1HQ.

Dividend

The Directors declared no dividend payment in 2016 (2015 - £216,915).

Future Developments

The future developments and overseas branches of the Company are disclosed in the strategic report.

Directors

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

Sam McClements
Dennis L Proctor (Resigned 1st Sept 2017)
Peter Rose
Bruce Ferguson
Arthur J Johnson

Plant and Equipment

Details of movements in plant and equipment are shown in note 10 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.

Financial Risk Management

The company's financial risk factors are described in note 17.

Report of the Directors (continued)

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 in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of Disclosure of Information to Auditors

In accordance with the Companies Act 2006, 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. Financial support will be provided by the ultimate parent company, Hunting PLC. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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.

Post – Balance sheet events

Post to the year end results, In March 2017 Hunting Equipment Management Services successfully sold the majority of their rental assets to a company called NXG Drilling Services Limited for £1,000,000.

On behalf of the Board

Bruce Ferguson – Director
28 **September 2017**

Independent auditors' report to the members of Hunting Energy Services Limited

Report on the financial statements

Our opinion

In our opinion, Hunting Energy Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Other Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- *we have not received all the information and explanations we require for our audit;* or

- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

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

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
28 September 2017

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	3	**1,152**	6,530
Cost of sales	4	**(756)**	(4,769)
Gross profit		**396**	1,761
Administrative expenses	4	**(396)**	(1,889)
Operating Loss		**-**	(128)
Finance costs	6	**(3)**	(8)
Loss before tax		**(3)**	(136)
Income tax credit	7	**1**	28
Loss from continuing operations		**(2)**	(108)
Loss from discontinued operations	24	**(1,806)**	(2,213)
Loss for the year	19	**(1,808)**	(2,321)
Other comprehensive (expense) / income for the year (Items that may subsequently be reclassified to profit or loss, net of tax)			
Translation adjustment	19	(9)	22
Total *other comprehensive (expenses)/income for the year,* net of tax		(9)	22
Total comprehensive expense for the year		(1,817)	(2,299)

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

Balance Sheet
At 31 December 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	2	1,400
Intangible assets	9	-	62
Deferred tax asset	15	305	283
		307	1,745
Current assets			
Inventories	10	-	7
Trade and other receivables	11	421	2,264
Current tax asset		308	191
Cash and cash equivalents	12	-	26
Total current assets		729	2,488
Total assets held for sale	13,24	1,000	-
Total assets		2,036	4,233
LIABILITIES			
Current liabilities			
Trade and other payables	14	(3,986)	(4,366)
Total liabilities		(3,986)	(4,366)
Net liabilities		(1,950)	(133)
Equity attributable to owners of the parent			
Share capital	18	2,000	2,000
Accumulated losses	19	(3,987)	(2,179)
Cumulative translation reserve	19	37	46
Total Equity		(1,950)	(133)

Balance Sheet (continued)

The notes on pages 13 to 37 are an integral part of these financial statements.

The financial statements on pages 9 to 37 were approved by the board of Directors on 28 September 2017 and were signed on its behalf by:

Bruce Ferguson - Director

Hunting Energy Services Limited **Registered Number: 01674180**

Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital £'000	Accumulated Losses £'000	Cumulative translation reserve £'000	Total equity £'000
At 1 January	**2,000**	**(2,179)**	**46**	**(133)**
Loss for the year	-	(1,808)	-	**(1,808)**
Other comprehensive expense	-	-	(9)	**(9)**
Total comprehensive expense	**-**	**(1,808)**	**(9)**	**(1,817)**
Dividends paid	-	-	-	-
Total dividends paid	**-**	**-**	**-**	**-**
Balance at 31 December	**2,000**	**(3,987)**	**37**	**(1,950)**

For the year ended 31 December 2015

	Share Capital £'000	Retained Earnings/ (Accumulated Losses) £'000	Cumulative translation reserve £'000	Total equity £'000
At 1 January	2,000	359	24	**2,383**
Loss for the year	-	(2,321)	-	**(2,321)**
Other comprehensive income	-	-	22	**22**
Total comprehensive expense	-	(2,321)	22	**(2,299)**
Dividends paid	-	(217)	-	**(217)**
Total dividends paid	-	(217)	-	**(217)**
Balance at 31 December	2,000	(2,179)	46	**(133)**

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Cash generated (used in)/ generated from operating activities	22	**(297)**	781
Interest received		**25**	-
Interest paid	6	**(33)**	(36)
Tax received / (paid)		**183**	(155)
Net cash (used in) / generated from operating activities		**(122)**	(590)
Investing activities			
Purchase of property, plant and equipment	8	**(72)**	(921)
Purchase of intangible asset	9	**-**	(43)
Proceeds from sale of property, plant and equipment		**129**	348
Proceeds from inter group transfer of property, plant and equipment	8	**-**	239
Disposal of Intangible	9	**48**	-
Net generated from / (used in) investing activities		**105**	(377)
Financing activities			
Dividends paid		**-**	(217)
Net cash used in financing activities		**-**	(217)
Net outflow in cash and cash equivalents		**(17)**	(4)
Cash and cash equivalents at beginning of year		**26**	37
Effect of foreign exchange rate changes		**(9)**	(7)
Cash and cash equivalents at the end of the year		**-**	**26**
Net cash (outflows)/ inflow from discontinued operations	24	**(982)**	266

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards (""IFRS") and IFRS Interpretations Committee (IFRSIC) Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out in note 23. These policies have been consistently applied to all the years presented.

Adoption of new standards, amendments and interpretations

Adoption of new standards, amendments and interpretations

The following standards have been adopted by the company for the first time for the financial year beginning on or after 1 January 2016:

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity method in separate financial statements
- Annual Improvements to IFRSs 2012-2014 cycle
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the consolidation Exception;

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2016 that have a material impact on the Company's financial performance or position.

Standards, amendments and interpretations effective subsequent to the year end

At the date of approval of these financial statements the following accounting standards, amendments and interpretations were issued by the International Accounting Standards Board and IFRS Interpretations Committee, but are not yet effective and therefore have not been applied:

Amendments

- IFRS 9 and various other standards – Financial instruments (Effective for the periods beginning on or after 1 January 2018)*
- IFRS 15 – Revenue from contracts with customers (Effective for the periods beginning on or after 1 January 2018)*
- IFRS 16 – Leases (Effective for periods beginning on or after 1 January 2019)
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (Effective for the periods beginning on or after 1 January 2017)*
- Amendments to IAS 7 – Disclosure initiative (Effective for the periods beginning on or after 1 January 2017)*
- Amendments to IFRS 10 and IAS 28 – Sale of contribution of assets between an investor and its associate or joint venture **
- Annual improvements to IFRS 2014 – 2016 cycle (Effective for the periods beginning on or after 1 January 2018) (Effective for the periods beginning on or after 1 January 2018)*
- Amendments to IFRS 4 – Insurance contracts (Effective for the periods beginning on or after 1 January 2018)*
- Amendments to IFRS 2 – Share-based payment transactions (Effective for the periods beginning on or after 1 January 2018)*
- Amendments to IFRIC - Foreign Currency Transactions and Advance Considerations (Effective for the periods beginning on or after 1 January 2018)*

Notes to the Financial Statements (continued)

1. Basis of Preparation (continued)

Standards, amendments and interpretations effective subsequent to the year end (continued)

- Amendments to IAS 40 – Transfers to Investment Property (Effective for the periods beginning on or after 1 January 2018)*

(*) Not yet endorsed by the European Union

(**) In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Management expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

2. *Critical Accounting Estimates and Judgements*

The preparation of financial statements requires management to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience, consultation with experts and reasonable expectations of future events. Following the property, plant and equipment impairment in 2015 of £1,859k the Company then impaired the assets further by £89k in 2016. These assets were then re-classed from property, plant and equipment to held for sale. A fair value adjustment was then made to the assets held for sale of £152k in line with the sales value achieved in March 2017. Further details provided in note 10. In addition to this a provision was made for dilapidations on the leased property held.

3. Revenue

	2016	2015
	£'000	£'000
Revenue from recharges	**1,152**	6,430
Management fee income	-	100
Total revenue from continuing operations	**1,152**	6,530

4. Nature of expenses

	2016	2015
	£'000	£'000
Total staff costs	**1,152**	6,466
Management fee expense	-	160
Other administrative expenses	-	32
	1,152	6,658

Notes to the Financial Statements (continued)

5. Employee information and directors' remuneration

Employee costs are analysed as follows:

	2016 £'000	2015 £'000
Wages and salaries	**1,034**	5,658
Social security costs	**112**	368
Other pension costs	**6**	24
Termination Benefits	**-**	416
	1,152	6,466

HESL paid a management fee of £60,000 to Hunting Energy Services (UK) Limited. In 2016, this will include a proportion of costs for the directors the actual amount is not calculable due to distribution of the Directors sitting on the boards of multiple companies in the UK and the USA (2015: £60,000).
The average number of employees recharged at no mark up to Hunting Energy Services (UK) Limited and Hunting Energy Services (Well Intervention) Limited was 27 (2015: 128), Hunting Equipment Management Services with 9 (2015: 12) employees providing services to the company.
The average monthly number of persons employed during the year was:

	2016 No.	2015 No.
Factory Direct – HEMS	**6**	8
Factory Direct – Manufacturing	**25**	124
Quality Assurance	**2**	4
Management and Administration	**2**	4
Sales and Marketing	**1**	-
	36	140

Notes to the Financial Statements (continued)

6. Finance costs

	2016	2015
	£'000	£'000
Finance costs		
Interest expense	**-**	(8)
Foreign exchange losses	**(3)**	-
Total finance cost from continuing operations	**(3)**	(8)

7. Income tax credit

	2016	2015
	£'000	£'000
Current tax		
- Tax charge on loss for the year	**269**	7
- Adjustments in respect of prior years	**30**	51
Total current tax charge for the year	**299**	58
Deferred tax		
- Origination and reversal of timing differences	**84**	303
- Adjustments in respect of prior years	**(22)**	(138)
- Change in tax rate adjustment	**(40)**	1
Total deferred income tax benefit	**22**	166
Total income tax credit for the year	**321**	224
Income tax credit is attributable to:		
Tax from continuing operations	**1**	28
Tax from discontinued operations	**320**	196

The tax on the Company's profit before tax differs (2015: differs) from the theoretical amount that would arise using standard tax rate in the UK applicable to the profits as follows:

Notes to the Financial Statements (continued)

7. *Income tax credit (continued)*

	2016 £'000	2015 £'000
Loss before tax	**(2,129)**	(2,545)
Loss before tax multiplied by standard rate in the UK 20% (2015 – 20.25%)	**426**	515
Effects of:		
- Adjustments in respect of prior years - current tax	**30**	51
- Adjustments in respect of prior years - deferred tax	**(22)**	(138)
- Non-taxable income	**1**	16
- Expenses not deductible for tax purposes	**(35)**	(11)
- Withholding taxes not deductible	**(39)**	(190)
- Rate difference on deferred tax items	**(13)**	(20)
- Change in tax rate adjustment	**(27)**	1
Total income tax credit for the years	**321**	224

The tax on loss before tax from continuing operations is not significant to the financial statements.

Factors affecting current and future tax charges

A number of changes to the UK corporation tax system were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The Finance Bill 2015 included a reduction to the main corporation tax rate to 19% from 1 April 2017. As the changes in this year's Budget had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

The changes are not expected to have a material effect on the deferred tax balances.

Notes to the Financial Statements (continued)

8. Property, plant and equipment

Year ended 31 December 2016

	Land and Buildings	Plant and equipment	Rental assets	Total
	£'000	£'000	£,000	£'000
Cost:				
At 1 January	56	564	5,082	5,702
Additions	-	56	16	72
Disposals	(56)	(117)	(53)	(226)
Transfers in / out	-	-	(182)	(182)
Reclassification	-	(462)	(4,863)	(5,325)
At 31 December	-	**41**	-	**41**
Accumulated Depreciation:				
At 1 January	41	520	3,741	4,302
Charge for the financial year	7	36	-	43
Exchange Adjustment	-	-	1	1
Disposals	(48)	(83)	(14)	(145)
Transfers in / out	-	-	(77)	(77)
Reclassification	-	(318)	(3,856)	(4,174)
Impairment	-	(116)	205	89
At 31 December	-	**39**	-	**39**
Net book amount	-	**2**	-	**2**

In 2016 an impairment review of property, plant and equipment was undertaken. This resulted in an additional impairment loss of £89,000 within the statement of comprehensive income. (2015 Impairment: £1,859,000). The assets have subsequently been re-classed to held for sale at fair value of £1,000,000.

Notes to the Financial Statements (continued)

8. Property, plant and equipment (continued)

Year ended 31 December 2015

	Land and Buildings	Plant and equipment	Rental assets	Total
	£'000	£'000	£,000	£'000
Cost:				
At 1 January	42	612	4,848	5,502
Additions	-	61	860	921
Disposals	-	(11)	(271)	(282)
Transfers out	-	(42)	(397)	(439)
Reclassification	14	(56)	42	-
At 31 December	**56**	**564**	**5,082**	**5,702**
Accumulated Depreciation:				
At 1 January	22	313	1,830	2,165
Charge for the financial year	8	78	461	547
Disposals	-	(5)	(99)	(104)
Transfers out	-	-	(165)	(165)
Reclassification	11	(64)	53	-
Impairment	-	198	1,661	1,859
At 31 December	**41**	**520**	**3,741**	**4,302**
Net book amount	**15**	**44**	**1,341**	**1,400**

Notes to the Financial Statements (continued)

9. Intangible Assets

Year ended 31 December 2016	2016 Total
	£'000
Cost:	
At 1 January	73
Disposals	(73)
At 31 December	**-**
At 1 January	(11)
Charge for the financial year	(15)
Disposals	26
At 31 December	**-**
Net book amount	**-**

Due to the market downturn £48k of intangible assets were disposed during the year.

Year ended 31 December 2015	2015 Total
	£'000
Cost:	
At 1 January	30
Additions	43
At 31 December	**73**
Accumulated Depreciation:	
At 1 January	(1)
Charge for the financial year	(10)
At 31 December	**(11)**
Net book amount	**62**

Notes to the Financial Statements (continued)

10. Inventories

	2016	2015
	£'000	£'000
Raw materials	-	7
	-	7

11. Trade and other receivables

	2016	2015
	£'000	£'000
Net trade receivables	**242**	357
Amounts owed by group undertakings	**84**	1,038
Prepayments	-	69
Other receivables	**1**	345
Accrued revenue	**94**	455
Total trade and other receivables	**421**	2,264

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

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 31 December 2016 trade receivables of £136,000 (2015 – £375,000) were past due but not impaired. The ageing of these trade receivables at the year-end is as follows:

Number of days overdue:	**2016**	2015
	£'000	£'000
1 – 30 days	**16**	145
31 – 60 days	**12**	56
61 - 90 days	-	69
91-120 days	**4**	88
Over 120 days	**104**	17
At 31 December	**136**	375

All of these balances relate to customers for whom there is no recent history of default. There is no provision for impairment in 2016 (2015: £2,000) for the impairment of trade receivables; this is based on the age of the receivables and the likelihood of default, which is deemed to be very low.

There are no amounts owed by group or accrued revenues which are past due or impaired (2015: nil).

Notes to the Financial Statements (continued)

12. Cash and cash equivalents

	2016	2015
	£'000	£'000
Total cash at bank	-	26

13. Non-current assets held for sale

	2016	2015
	£'000	£'000
Held for sale assets	**1,000**	-
Total non-current assets held for sale	**1,000**	-

The assets held for sale relate to the rental equipment of Hunting Energy Services Limited in its entirety and have been presented as held for sale following the approval of the company's management to dispose of these assets. The completion date for the disposal was March 2017.

Notes to the Financial Statements (continued)

14. Trade and other payables

	2016 £'000	2015 £'000
Amounts owed to group undertakings	**3,031**	3,846
Accruals and other payables	**911**	451
Trade payables	**44**	69
	3,986	4,366

Amount owed to group undertakings include interest bearing loans amounting to £2,979,000 (2015: £3,705,000) which bear interest at 0.5% - 1% (2015 – 0.5% - 1%), these are repayable on demand. Other amounts owed to group undertakings are unsecured and are repayable on demand.

15. Deferred tax asset

The analysis of the deferred tax asset is as follows:

Deferred tax asset:	2016 £'000	2015 £'000
Accelerated capital allowances	**305**	283

The gross movement on the deferred income tax account is as follows:

At 1 January	**283**	116
Credit to income statement for accelerated capital allowances	**22**	167
At 31 December	**305**	283

The company has no unrecognised deferred tax assets or liabilities at the end of the year.

Deferred tax is calculated in full on the temporary differences under the liability method using a tax rate of 17% (2015: 18%).

The deferred amount is deemed to be recoverable following calculations by the Hunting tax department, this relates to the fixed assets purchased previously. The amounts result from variations in timing for depreciation under Hunting's policy and under tax regulations.

It is expected that this will be recovered in the next 12 months due to the assets of the business being sold.

Notes to the Financial Statements (continued)

16. 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.

Under IFRS 13, fair value measurements should be classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Interest bearing loans included in amounts owed to group undertakings are all shown at Level 2. All other financial instruments are all shown at Level 3.

	Loans and Receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Value	Total Fair Value
2016				
	£'000	**£'000**	**£'000**	**£'000**
Current Assets				
Trade receivables (Note 11)	242	-	242	242
Amounts owed by group undertakings (Note 11)	84	-	84	84
Assets Held for Sale (Note 13)	1,000	-	1,000	1,000
Other Receivables (Note 11)	1	-	1	1
Accrued revenues (Note 11)	94	-	94	94
Total current assets	**1,421**	**-**	**1,421**	**1,421**
Current Liabilities				
Trade payables (Note 14)	-	(44)	(44)	(44)
Accruals and other payables (Note 14)	-	(911)	(911)	(911)
Amounts owed to group undertakings (Note 14)	-	(3,031)	(3,031)	(3,031)
Total current liabilities	-	(3,986)	(3,986)	(3,986)
Total current assets and liabilities	**1,421**	**(3,986)**	**(2,565)**	**(2,565)**

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

2015	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total Carrying Value	Total Fair Value
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables (Note 11)	357	-	357	357
Amounts owed by group undertakings (Note 11)	1,038	-	1,038	1,038
Accrued revenues (Note 11)	455	-	455	455
Cash and cash equivalents (Note 12)	26	-	26	26
Total current assets	1,876	-	1,876	1,876
Current Liabilities				
Trade payables (Note 14)	-	(69)	(69)	(69)
Accruals and other payables (Note 14)	-	(451)	(451)	(451)
Amounts owed to group undertakings (Note 14)	-	(3,846)	(3,846)	(3,846)
Total current liabilities	-	(4,366)	(4,366)	(4,366)
Total current assets and liabilities	**1,876**	**(4,366)**	**(2,490)**	**(2,490)**

17. Financial risk factors

The activities of the Company expose it to certain financial risks, namely foreign exchange risk, credit risk, liquidity risk, and sensitivity to the interest rate. 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 branch (HEMS Holland). 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. The company does not use derivative instruments to hedge foreign currency exposures. However, the management aims to minimise open positions in foreign currencies to the extent that is necessary to conduct its activities. The table below shows the foreign currency positions at 31 December in Sterling:

Notes to the Financial Statements (continued)

17. Financial risk factors (continued)

(a) Foreign exchange risk (continued)

	2016		2015	
	US Dollars	Euros	US Dollars	Euros
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables	98	94	232	194
Accrued foreign currency invoices	73	21	152	46
Amounts owed by group undertakings	92	169	-	-
Current Liabilities				
Trade payables	-	-	(76)	7
Amounts owed to group undertakings	-	(53)	(18)	(57)
Accruals and other payables	-	-	-	-
Totals	**263**	**231**	**290**	**190**

(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. HESL generates a loan liability position with Hunting Knightsbridge Holdings to offset trade and other receivable assets negating the effects of changes in exchange rates.

(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. The maximum exposure to credit risk as at 31 December 2016 is the carrying value of each class of receivables in note 13. 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 needs to ensure it has sufficient liquid funds to support its working capital and capital expenditure requirements.

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 (2015 – on demand or within one year).

Notes to the Financial Statements (continued)

17. Financial risk factors (continued)

(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 2016.

(i) Interest rate sensitivity

Interest rate risk arises from loans payable included in amounts owed to group undertakings. 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:

	2016		2015	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
UK Interest Rates +0.5%	**(15)**	-	(15)	-
UK Interest Rates -0.5%	**15**	-	15	-

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

(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 end equity for the year would have been as follows:

	2016		2015	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
US dollar exchange rates +15%	**(20)**	-	(11)	-
US dollar exchange rates -15%	**23**	-	13	-

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.

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

	2016		2015	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
Euro exchange rates +15%	**(23)**	-	**(6)**	-
Euro exchange rates -15%	**26**	-	**7**	-

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

Notes to the Financial Statements (continued)

18. Share capital

	2016 £'000	2015 £'000
Authorised:		
5,000,000 (2015: 5,000,000) ordinary shares of £1 each	**5,000**	5,000
Allotted, called up and fully paid		
2,000,000 (2015: 2,000,000) ordinary shares of £1 each	**2,000**	2,000

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

Dividend paid

	2016 £'000	2015 £'000
Hunting Energy Services (International) Limited	**-**	(217)

There were no dividend payments in 2016 (2015: 10.9p per share)

19. Accumulated losses and other reserves

	2016			2015		
	Accumulated Losses	**Cumulative Translation Reserve**	**Total**	Accumulated Losses	Cumulative Translation Reserve	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
At 1 January	**(2,179)**	**46**	**(2,133)**	359	24	383
Loss for the year	**(1,808)**	**-**	**(1,808)**	(2,321)	-	(2,321)
Translation adjustment	**-**	**(9)**	**(9)**	-	22	22
Dividend paid	**-**	**-**	**-**	(217)	-	(217)
At 31 December	**(3,987)**	**37**	**(3,950)**	(2,179)	46	(2,133)

Notes to the Financial Statements (continued)

20. Operating leases

The company is committed to the following minimum lease payments in respect of operating leases for the rental of the facility at Altens until July 2020:

	2016	2015
	£'000	£'000
	Land and buildings	Land and buildings
Within one year	**153**	153
Between two to five years	**395**	534
After five years	**-**	-

21. Ultimate 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 ultimate parent undertaking and the ultimate controlling party, and the only group to consolidate these financial statements.

Companies under common control are companies controlled by Hunting PLC. Copies of the financial statements of Hunting PLC may be obtained from the Company Secretary, Hunting PLC, 5 Hanover Square, London W1S 1HE.

The following transactions were carried out with related parties: 2016

	Immediate Parent Undertaken £000's	**Under Common Control £000's**	**Total £000's**
Interest paid net, to	-	**(30)**	**(30)**
Amounts payable to related parties	-	**(3,031)**	**(3,031)**
Amounts receivable from related parties	-	**84**	**84**

The following transactions were carried out with related parties: 2015:

	Immediate Parent Undertaken £000's	**Under Common Control £000's**	**Total £000's**
Dividends paid	**(217)**	-	**(217)**
Revenue from sale of goods and services	-	**6,528**	**6,528**
Interest paid net, to	-	**(36)**	**(36)**
Amounts payable to related parties	-	**(3,846)**	**(3,846)**
Amounts receivable from related parties	-	**1,038**	**1,038**

Notes to the Financial Statements (continued)

22. Cash generated from operations

Reconciliation of loss to cash generated from operating activities:

	2016 £'000	2015 £'000
Loss before tax	**(2,130)**	(2,545)
Adjustments for:		
- Depreciation	**43**	547
- Amortisation	**15**	10
- Finance income	**(25)**	-
- Finance costs	**33**	36
- Loss / Profit on disposal of Property, Plant and Equipment	**56**	(133)
- Fair value adjustment of assets held for sale	**152**	-
- Impairment of Property, Plant and Equipment	**89**	1,859
Changes in working capital:		
- Decrease / (Increase) in inventories	**7**	(7)
- Decrease / (Increase) in trade and other receivables	**1,843**	(400)
- (Decrease) / Increase in trade and other payables	**(380)**	1,414
Cash (used in) / generated from operations	**(297)**	781

23. Principal Accounting Policies

Revenue

Revenue represents the invoiced amount, excluding sales related taxes, of goods sold and services provided and are recognised when title passes to the customer or when the service has been rendered. The main focus of this company is the rental of drilling tools to drilling contractor companies, this revenue is recognised as an accrual at the end of each period, and the invoices are then issued the following period. Any tools where rental ends during a period are invoiced in the same period. Revenue from tools rentals is mainly on short term contracts; this revenue is recognised when the services are rendered. Revenue from services is made up of revenues generated from the workshop for repairs and maintenance of third party equipment.

Revenue was also generated by the Company on the recharge of the payroll for the manufacturing staff based at Badentoy. These costs were recharged with a zero mark up to the operating company, either Hunting Energy Services (UK) Limited or Hunting Energy Services (Well Intervention) Limited however in June 2016 it was decided for all costs to be borne by the legal entities.

Interest

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

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, which is specifically exempt from this requirement.

Notes to the Financial Statements (continued)

23. Principal Accounting Policies (continued)

Non-current assets held for sale and discontinued operations (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Foreign currencies

Functional currency of the Company is GBP. Exchange differences arising from trading transactions are dealt with in the income statement. Trading results are translated at the average rate for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the financial period. Exchange gains or losses on monetary assets and liabilities are taken to the income statement. The year-end exchanges of GBP to US Dollar and to Euro are 1.24 (2015: 1.47) and 1.17 (2015: 1.36) respectively.

Taxation

The tax charge represents the sum of tax currently payable, deferred tax and managements estimated provision for a portfolio of tax claims. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are taxable or deductible in a different year. The company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward, and in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

A tax charge is created to reflect management's best estimate of the amount payable in relation to a portfolio of tax claims and the risk of occurrence of each claim as at the balance sheet date.

Notes to the Financial Statements (continued)

23. Principal Accounting Policies (continued)

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.

Depreciation is charged so as to write off the cost of assets to their residual value, over their estimated useful lives. Assets are depreciated using the straight-line method at the following rates:

- Plant and equipment – 11% to 33%
- Land and Buildings – 9%
- Rental Assets – 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income/income statement.

Impairment

The Company assesses at least annually whether there have been any events or changes in circumstances that indicate that plant and equipment and investments may be impaired. An impairment review is carried out whenever the assessment indicates that the carrying amount may not be fully recoverable. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where impairment exists, the asset is written down to the higher of (a) its fair value minus costs of disposal; and (b) its value in use. Impairments are recognised immediately in the income statement. When applicable, an impairment of any asset is reversed, but only to the extent that the consequent carrying value does not exceed what would have been the carrying value had the impairment not originally been made.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash.

For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Financial Assets

Loans and receivables are initially recognised at fair value at the trade date which is normally the consideration paid plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets.

The company assesses at each balance sheet date whether a loan or receivable is impaired and if necessary the carrying amount is reduced to the appropriate value. The loss is recognised immediately in the income statement. Loans and receivables cease to be recognised when the right to receive cash flows has expired or the company has transferred substantially all the risks and rewards of ownership.

Notes to the Financial Statements (continued)

23. Principal Accounting Policies (continued)

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

Post-Employment Benefits
Payments made to defined contribution retirement schemes are charged to the income statement when they fall due.

Share Capital
The Company's share capital comprises a single class of Ordinary shares, which are classified as equity. Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

Capital Management
The company's objective when managing capital is to ensure that the Company will be able to continue as a going concern while maximising the return of the 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.

Notes to the Financial Statements (continued)

23. Principal Accounting Policies (continued)

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.

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.

Capital Management

The gearing ratio at the end of the year was as follows:

	2016	2015
	£'000	£'000
Debts	**(2,979)**	(3,705)
Cash and cash equivalents	**-**	26
Net debt	**(2,979)**	(3,679)
Equity	**(1,950)**	(133)
Net debt to equity	**152%**	2766%

Dividend Distributions

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

Leases

The company only has operating leases and the rental of these is charged to the Income Statement on a straight-line basis over the life of the lease.

Notes to the Financial Statements (continued)

24. Discounted Operations

Description

In the first half of 2016, the company decided to look for buyers for the rental fleet. As such the financial performance of the rental fleet for the 2016 financial year has been disclosed as discontinued operations and the rental assets disclosed as assets held for sale. The assets were subsequently sold in April 2017 for one million pounds.

a) Financial performance

The financial performance information presented are for the year ended 31 December 2016 and 2015.

	Note	2016 £'000	2015 £'000
Revenue		**644**	2,080
Cost of sales		**(646)**	(1,505)
Gross profit		**(2)**	575
Other (expenses) / Income		**(56)**	133
Administrative expenses		**(2,063)**	(3,089)
Operating Loss		**(2,121)**	(2,381)
Finance income		**25**	-
Finance costs		**(30)**	(28)
Loss before tax		**(2,126)**	(2,409)
Income tax credit	**7**	**320**	196
Loss for the year		**(1,806)**	(2,213)

b) Assets and liabilities reclassified as held for sale as at 31 December 2016

	2016 £'000	2015 £'000
Assets classified as held for sale		
Property, plant and equipment assets held for sale	**1,000**	1,384
Total assets held for sale	**1,000**	1,384

Notes to the Financial Statements (continued)

24. Discounted Operations (continued)

c) Cashflow statement for discontinued operations

	Note	**2016 £'000**	2015 £'000
Operating activities			
Cash generated from operating activities		**(1,034)**	93
Interest paid	6	**(30)**	(28)
Interest received		**25**	-
Net cash (used in) / generated from operating activities		**(1,039)**	65
Investing activities			
Purchase of property, plant and equipment	8	**(72)**	(918)
Proceeds from sale of property, plant and equipment	8	**129**	355
Proceeds from inter group transfer of property, plant and equipment	8	**-**	232
Net generated from / (used in) investing activities		**57**	(331)
Net (outflow)/ inflow in cash and cash equivalents		**(982)**	266

Notes to the Financial Statements (continued)

24. Discounted Operations (continued)

c) Cashflow statement for discontinued operations (continued)

Cash (used in) / generated from operations

Reconciliation of loss to cash generated from operating activities

	2016 £'000	2015 £'000
Loss before tax	**(2,126)**	(2,409)
Adjustments for:		
- Depreciation	**43**	546
- Finance income	**(25)**	-
- Finance costs	**30**	28
- Loss / Profit on disposal of Property, Plant and Equipment	**56**	(141)
- *Fair value adjustment of assets held for sale*	**152**	-
- Impairment of Property, Plant and Equipment	**89**	1,856
Changes in working capital:		
- Increase/(decrease) in trade and receivables	**193**	(18)
- Decrease in trade and other payables	**554**	231
Net cash (used in) / generated from operating activities	**(1,034)**	93