Registered Number 01674180

Hunting Energy Services Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2013

Contents

Strategic Report

Business Review

The profit before tax for the year was £22,000 (2012 - loss £298,000) The improvements on the previous year have come from winning large contracts with Schlumberger and Target in Africa During the period a revision has been made to the account estimate relating to depreciation, meaning HESL now depreciate over 7 years to a residual value of 25%, this is due to the scrap value of the tools even once they exceed their useful lives

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 now shown in other income, previous they formed part of the Sale of Goods revenues The Equipment Management Services division has established a satellite base in the Netherlands, this is to allow us to compete for work in Continental Europe

Hunting Energy Services Limited is also responsible for recharging the staff costs for Hunting Energy Services (Well Intervention) Limited and Hunting Energy Services (UK) limited These staff costs are recharged back to the original entity with no mark up

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) 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 profit before tax of £22,000 was made in 2013 in comparison to a loss of £298,000 in 2012 This improvement was principally driven by new customer contracts, a change in depreciation estimates and group cost savings

(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 inflow from operating activities less purchases of property, plant and equipment) of £217,000 (2012 outflow of £461,000) during the year The increased from borrowings from 2012 was primarily due to the greater investment in plant, property & equipment during the year, and the improved profit performance being partially due to the change in depreciation policy, which will not affect cash flows

Future Developments

The Equipment Management Services division is looking to establish a greater foothold in the market with new innovations and products They have completed the development of a newly designed multi-stage hole opener, which should be ready for by Quarter 3 2014, the design registration for this has been accepted and it is currently subject to a patent application, they are awaiting this before beginning manufacture Following successful moves into Africa in 2012 with Target and Schlumberger, HESL continued this growth into other countries in the region with these customers during 2013 There is the potential for a base serving the African continent being developed, this would allow faster servicing of orders and a facility for the tools to be repaired to Hunting's standards

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2013

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 is 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 based at Badentoy with no mark up

The results of the Company are set out in the Income Statement on page 7

Registered Office

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

Dividends

The Directors declared no dividend (2012 - nil) 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

Plant and Equipment

Details of movements in plant and equipment are shown in note 8 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

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

Report of the Directors (continued)

Environment (continued)

- 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

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 2013 represents 16 days' worth (2012 – 15 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date, adjusted to remove Manufacturing salaries from cost of sales

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Director's report 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 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 these financial statements, the directors are required to

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

Report of the Directors (continued)

Going Concern

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

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

By order of the Board

Bruce Ferguson - Director

18 September 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Hunting Energy Services Limited, comprise

- the balance sheet as at 31 December 2013,
- the income statement and statement of 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 their preparation is applicable law and IFRSs as adopted by the European Union

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

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

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

audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

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

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, 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 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

Bruce Collins

Bruce Collins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
18 September 2014

Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	2013 £'000	Restated 2012 £'000
Revenue	3	**9,589**	8,857
Cost of revenue	4	**(8,709)**	(8,148)
Gross profit / (loss)		**880**	709
Other Income	7	**112**	98
Administrative expenses	4	**(880)**	(1,163)
Operating profit / (loss)		**112**	(356)
Dividend received	14	**-**	168
Finance income	6	**2**	8
Finance costs	6	**(92)**	(118)
Profit / (loss) before tax		**22**	(298)
Income tax credit	8	**20**	152
Profit / (loss) for the year	19	**42**	(146)
Other comprehensive income for the year (Items that may subsequently be reclassified to income line for the year, net of tax)		**-**	-
Translation adjustment	19	**(2)**	1
Total other comprehensive income for the year, net of tax		**(2)**	1
Total comprehensive income / (expense) for the year		**40**	(145)

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

Balance Sheet
At 31 December 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,690	3,964
		3,690	3,964
Current assets			
Inventories	10	3	-
Trade and other receivables	11	2,151	1,797
Current tax asset		-	185
Cash and cash equivalents	12	24	27
		2,178	2,009
Total assets		5,868	5,973
LIABILITIES			
Current liabilities			
Trade and other payables	13	(3,514)	(3,560)
		(3,514)	(3,560)
Non-current liabilities			
Deferred tax liability	15	(87)	(186)
		(87)	(186)
Total liabilities		(3,601)	(3,746)
Net assets		2,267	2,227
Equity attributable to owners of the parent			
Share capital	18	2,000	2,000
Retained earnings	19	262	220
Cumulative translation reserve	19	5	7
Total equity		2,267	2,227

The notes on pages 11 to 29 are an integral part of these financial statements

The financial statements on pages 7 to 29 were approved by the board of Directors on 18 September 2014 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 2013

	Note	Share Capital £'000	Retained Earnings £'000	Cumulative translation reserve £'000	Total £'000
At 1 January		**2,000**	220	7	**2,227**
Profit for the year		-	42	-	**42**
Other comprehensive loss		-	-	(2)	**(2)**
Total comprehensive income		-	42	(2)	**40**
Balance at 31 December		2,000	262	5	**2,267**

For the year ended 31 December 2012

	Note	Share Capital £'000	Retained Earnings £'000	Cumulative translation reserve £'000	Total £'000
At 1 January		2,000	366	6	2,372
(Loss) for the year		-	(146)	-	(146)
Other comprehensive income		-	-	1	1
Total comprehensive income		-	(146)	1	(145)
Balance at 31 December		2,000	220	7	2 227

Statement of Cash Flows
For the year ended 31 December 2013

	Note	2013 £'000	Restated 2012 £'000
Operating activities			
Cash generated from operating activities	22	**190**	581
Interest paid	6	**(92)**	(118)
Interest received	6	**2**	8
Tax received		**106**	250
Net cash inflow from operating activities		**206**	721
Investing activities			
Purchase of property, plant and equipment	9	**(423)**	(1,182)
Proceeds from sale of property, plant and equipment		**216**	300
Dividends received	14	**-**	168
Net cash outflow from investing activities		**(207)**	(714)
Net (outflow) / inflow in cash and cash equivalents		**(1)**	7
Cash and cash equivalents at beginning of year		**27**	19
Effect of foreign exchange rate changes		**(2)**	1
Cash and cash equivalents at the end of the year		**24**	27

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 IFRIC 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

IAS 19 (revised) Employee Benefits

IAS 19 (revised) Employee Benefits has been adopted from 1 January 2013 The Group has applied the standard retrospectively in accordance with the transition provisions of the standard Under IAS 19 (revised), scheme expenses are now recognised as incurred rather than charged against a reserve within the defined benefit obligation There is no impact on the Company's financial statements due to the adoption of this standard

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement, which is to be applied retrospectively as of 1 January 2013, describes how fair value is to be measured for all IFRS reporting standards and extends the disclosures to be made on fair value measurement, but does not stipulate in which cases fair value is to be used There is no impact on the Company's financial statements due to the adoption of this standard

Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has adopted early the amendment to IAS 36, which removes the requirement to disclose the recoverable amount of CGU's with significant carrying amounts of goodwill There is no impact on the Company's financial statements due to the adoption of this standard

There are no other new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2013 that have a material impact on the Company's financial performance or position

Standards, Amendments and Interpretations Effective Subsequent to the Year End

- IFRS 9 Financial Instruments*
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 19 – Defined Benefit Plans, Employee Contributions*
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Annual Improvements to IFRSs 2010 - 2012*
- Annual Improvements to IFRSs 2011 - 2013*

* Not yet endorsed by the European Union

Notes to the Financial Statements (continued)

1 Basis of Preparation (continued)

New requirements contained within International Financial Reporting Standards, referred to above, are currently being assessed to determine whether there is a significant impact on the Company's results or financial position

Amendments to Previously Reported Results

	2012 Previously reported £'000	Amend classification of dividends £'000	Restated 2012 £'000
Revenue	9,157	(300)	8,857
Cost of Revenue	(8,350)	202	(8,148)
Gross profit	807	(98)	709
Other Income	-	98	98
Administrative expenses	(1,163)	-	(1,163)
Income from investment in subsidiaries	168	(168)	-
Operating profit / (loss)	(188)	(168)	(356)
Finance income	8	-	8
Finance expense	(118)	-	(118)
Dividend income	-	168	168
Profit before taxation	(298)	-	(298)
Tax credit / (charge)	152	-	152
Profit for the year	(146)	-	(146)
Other Comprehensive Income for the year	-	-	-
Total Comprehensive Income for the year	146	-	146

Prior year dividend income has been restated as an investing activity This was reported in the 2012 Statutory Financial Statements as an operating activity There was a change in accounting policy during the year whereby management decided that dividend income shall be presented below operating profit / (loss), because it is considered to be a more appropriate and relevant classification

There was an additional restatement of the proceeds and costs of disposal of assets "lost in hole" and "damaged beyond repair" Previously these were presented in the revenue and cost of revenue lines, in 2013 the directors determined that as a non-core activity of the business, the net gain / (loss) would be shown in other income which is considered a more appropriate and relevant classification

Notes to the Financial Statements (continued)

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 The estimate and assumptions that has a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is mainly on impairment of investments

3 Revenue

	2013 £'000	2012 £'000
Sale of goods	33	157
Revenue from services	188	122
Revenue from rental fleet	2,066	1,732
Revenue from recharges	7,302	6,846
Total revenue	9,589	8,857

4. Nature of expenses

	2013 £'000	2012 £'000
Total staff costs	8,019	7,614
Direct cost of sales	461	482
Indirect cost of sales	21	40
Depreciation	593	617
Operating Lease Payments		
- Plant hire	29	34
- Property	169	181
Other property costs	116	97
Sales and marketing costs	17	12
Other administrative expenses	146	193
Services provided by company's auditor		
- Fees payable for the audit	17	8
- Fees payable for other services – tax compliance	(1)	(3)
Foreign exchange losses	2	36

Notes to the Financial Statements (continued)

5. Employee information and directors' remuneration

Employee costs are analysed as follows

	2013 £'000	2012 £'000
Wages and salaries	**6,653**	6,148
Social security costs	**748**	705
Other costs – defined benefit schemes	**610**	761
Share options	**8**	-
	8,019	7,614

No remuneration was paid to key Management or Directors for services to the company during the year (2012 - nil)

The average number of employees recharged at no mark up to Hunting Energy Services (UK) Limited and Hunting Energy Services Well Intervention Limited was 148, with 13 employees providing services to the company

The average monthly number of persons employed during the year was

	2013	2012
Factory Direct – HEMS	**6**	7
Factory Direct – Manufacturing	**141**	120
Quality Assurance	**7**	28
Sales and Marketing	**7**	8
	161	163

6 Net finance income / (costs)

	2013 £'000	2012 £'000
Finance income		
Interest Income	**2**	8
Total finance income	**2**	8
Finance costs		
Interest expense	**(82)**	(82)
Foreign exchange losses	**(10)**	(36)
Total finance cost	**(92)**	(118)
Finance costs, net	**(90)**	(110)

Notes to the Financial Statements (continued)

7 Other income

	Note	2013 £'000	2012 £'000 Restated
Proceeds from "lost in hole" and "damaged beyond repair" tools	Cashflow	216	300
Net book value of disposed tools	9	(104)	(202)
Total other income		112	98

8 Income tax credit

	2013 £'000	2012 £'000
Current tax		
- Tax (charge) / credit on profit / (loss) for the year	(56)	154
- Adjustments in respect of prior year	(23)	4
Total current tax (charge) / credit for the year	(79)	158
Deferred tax		
- Origination and reversal of timing differences	70	(36)
- Adjustments in respect of prior year	17	30
- Rate difference current year deferred tax	(10)	-
- Change in tax rate adjustment	22	-
Total deferred income tax benefit / (expense)	99	(6)
Total income tax credit for the year	20	152

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

	2013 £'000	2012 £'000
Profit / (Loss) on ordinary activities before taxation	22	(298)
Profit / (loss) for the year multiplied by standard rate in the UK 23 25% (2012 – 24 5%)	(5)	73
Effects of		
- Adjustments in respect of prior year current tax	(23)	4
- Adjustments in respect of prior year deferred tax	17	30
- Dividend received not taxable	-	45
- Expenses not deductible for tax purposes	19	(3)
- Rate adjustment for deferred tax	(10)	3
- Change in tax rate adjustment	22	-
Total income tax credit for the years	20	152

Notes to the Financial Statements (continued)

8 Income tax credit (continued)

Factors affecting current and future tax charges

A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement From 1 April 2013 the main rate of corporation tax was reduced to 23% and the impact of this change has been recognised in calculating the effective rate of tax for the year ended 31 December 2013 Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was included in the Finance Act 2013, which received Royal Assent on 17 July 2013 and, accordingly, have been used in the calculation of deferred tax balances The changes have not had a material impact on the Company's deferred tax balances

9 Property, plant and equipment

Year ended 31 December 2013

	Land and Buildings	Plant and equipment	Rental assets	Total
	£'000	£'000	£,000	£'000
Cost				
At 1 January	42	516	4,577	5,135
Additions	-	9	414	423
Disposals	-	-	(152)	(152)
At 31 December	**42**	**525**	**4,839**	**5,406**
Accumulated Depreciation				
At 1 January	9	170	992	1,171
Charge for the financial year	5	65	523	593
Disposals	-	-	(48)	(48)
At 31 December	**14**	**235**	**1,467**	**1,716**
Net book amount	**28**	**290**	**3,372**	**3,690**

During the period a revision has been made to the account estimate relating to depreciation, meaning HESL now depreciate over 7 years to a residual value of 25%, this is due to the scrap value of the tools even once they exceed their useful lives

Had the estimate of residual value not been applied the annual cost of depreciation would have been £168k more than charge in the Income statement

Notes to the Financial Statements (continued)

9 Property, plant and equipment (continued)

Year ended 31 December 2012

	Land and Buildings	Plant and equipment	Rental assets	Total
	£'000	£'000	£,000	£'000
Cost				
At 1 January	34	469	3,691	4,194
Additions	8	47	1,127	1,182
Disposals	-	-	(241)	(241)
At 31 December	42	516	4,577	5,135
Accumulated Depreciation				
At 1 January	5	97	491	593
Charge for the financial year	4	73	540	617
Disposals	-	-	(39)	(39)
At 31 December	9	170	992	1,171
Net book amount	33	346	3,585	3,964

10 Inventories

	2013	2012
	£'000	£'000
Raw materials	3	-
	3	-

11 Trade and other receivables

	2013	2012
	£'000	£'000
Trade receivables	396	276
Amounts owed by group undertakings	1,142	956
Amounts owed by joint venture	-	-
Accrued revenue	463	231
Other receivables	88	80
Prepayments	62	254
Total trade and other receivables	**2,151**	**1,797**

Notes to the Financial Statements (continued)

11. Trade and other receivables (continued)

Amounts owed by group undertakings include loans amounting to £21,000 (2012 £214,000), which bear interest at 0 75% - 2 5%

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 2013 trade receivables of £357,000 (2012 – £276,000) were past due but not impaired The ageing of these trade receivables at the year-end is as follows

Number of days overdue	**2013**	2012
	£'000	£'000
1 – 30 days	**181**	37
31 – 60 days	**126**	162
61 - 90 days	**12**	11
91-120 days	**36**	65
Over 120 days	**2**	1
At 31 December	**357**	276

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

12 Cash and cash equivalents

	2013	2012
	£'000	£'000
Total cash at bank	**24**	27

Notes to the Financial Statements (continued)

13. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	41	43
Accruals and other payables in financial instruments	86	77
Accruals and other payables	401	347
Amounts owed to group undertakings	2,986	3,093
	3,514	3,560

Amount owed to group undertakings include interest bearing loans amounting to £2,943,000 (2012 £2,623,000) which bear interest at 2 5% (2012 – 2 5%) Amounts owed to group undertakings are unsecured and are repayable on demand

14 Dividend received

	2013 £'000	2012 £'000
SCM Partners Limited	-	168

15. Deferred tax liability

The analysis of the deferred tax liabilities is as follows

Deferred tax liabilities	2013 £'000	2012 £'000
Accelerated capital allowances	87	186

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

At 1 January	186	180
(Credit) / debit to income statement for accelerated capital allowances	(99)	6
At 31 December	87	186

The company has no unrecognised deferred tax assets or liabilities at the end of the year (2012 £nil)

Deferred tax is calculated in full on the temporary differences under the liability method using a tax rate of 20% (2012 23%)

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

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total	Total
2013		Carrying Amount		Fair Value
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables (Note 11)	396	-	396	396
Amounts owed by group undertakings (Note 11)	1,142	-	1,142	1,142
Accrued revenues (Note 11)	463	-	463	463
Cash and cash equivalents (Note 12)	24	-	24	24
Current Liabilities				
Trade payables (Note 13)	-	(41)	(41)	(41)
Accruals and other payables (Note 13)	-	(86)	(86)	(86)
Amounts owed to group undertakings (Note 13)	-	(2,986)	(2,986)	(2,986)
Totals	**2,025**	**(3,113)**	**(1,088)**	**(1,088)**

Notes to the Financial Statements (continued)

16 Financial instruments (continued)

	Loans and receivables	Financial Liabilities Measured at Amortised Cost	Total	Total
2012		Carrying Amount		Fair Value
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables (Note 11)	276	-	276	276
Amounts owed by group undertakings (Note 11)	956	-	956	956
Accrued revenues (Note 11)	231	-	231	231
Cash and cash equivalents (Note 12)	27	-	27	27
Current Liabilities				
Trade payables (Note 13)	-	(43)	(43)	(43)
Accruals and other payables (Note 13)	-	(77)	(77)	(77)
Amounts owed to group undertakings (Note 13)	-	(3,093)	(3,093)	(3,093)
Totals	**1,490**	**(3,213)**	**(1,723)**	**(1,723)**

17 Financial risk factors

The activities of the Company expose it to certain financial risks, namely foreign exchange risk, credit risk, liquidity risk, and 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)

	2013		2012	
	US Dollars	Euros	US Dollars	Euros
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables	181	79	46	15
Amounts owed by group undertakings	8	13	201	13
GBP value of accrued foreign currency invoices	385	28	59	58
Current Liabilities				
Trade payables	(6)	(9)	-	(14)
Accruals and other payables	-	(6)	(208)	-
Totals	**568**	**105**	**98**	**72**

(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 now generate 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 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 (2012 – 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 2013

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

	2013		2012	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
UK Interest Rates +0 5%	**(15)**	-	(12)	-
UK Interest Rates -0 5%	**15**	-	12	-

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

	2013		2012	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
US dollar exchange rates +15%	**(74)**	-	(31)	-
US dollar exchange rates -15%	**85**	-	36	-

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

	2013		2012	
	Income Statement	**Equity**	Income Statement	Equity
	£'000	**£'000**	£'000	£'000
Euro exchange rates +15%	**(14)**	-	(2)	-
Euro exchange rates -15%	**17**	-	2	-

Notes to the Financial Statements (continued)

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

18 Share capital

	2013	2012
	£'000	£'000
Authorised		
5,000,000 (2012 5,000,000) ordinary shares of £1 each	**5,000**	5,000
Allotted, called up and fully paid		
2,000,000 (2012 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

19 Retained earnings and other reserves

	2013			2012		
	Retained Earnings	**Cumulative Translation Reserve**	**Total**	Retained Earnings	Cumulative Translation Reserve	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
At 1 January	**220**	**7**	**227**	366	6	372
Profit / (Loss) for the year	**42**	**-**	**42**	(146)	-	(146)
Translation adjustment	**-**	**(2)**	**(2)**	-	1	1
At 31 December	**262**	**5**	**267**	220	7	227

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

	2013	2012
	£'000	£'000
	Land and buildings	Land and buildings
Within one year	**150**	150
Between two to five years	**600**	600
After five years	**225**	375

Notes to the Financial Statements (continued)

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 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	**2013**	2012
	£'000	£'000
Interest		
- income from Hunting Knightsbridge Holdings Limited – under control of ultimate parent	**2**	8
- expense to Hunting Knightsbridge Holdings Limited – under control of ultimate parent	**(82)**	(82)
Revenue from recharge of employee costs		
- Hunting Energy Services (UK) Limited – under common control	**4,288**	4,412
- Hunting Energy Services (Well Intervention) Limited – under common control	**3,013**	2,434

At year end the balances with related parties were as follows

Amounts owed from group undertakings		
- Hunting Knightsbridge Holdings Limited - (note 10) – under control of ultimate parent	**21**	214
- Hunting Energy Services (International) Limited (note 10) – immediate parent	**16**	1
- Hunting Energy Services (UK) Limited (note 10) – under common control	**685**	354
- Hunting Energy Services (Well Intervention)Limited (note 10) – under common control	**420**	380
- Hunting Welltonic (note 10) – under common control	**-**	7
Amounts owed to group undertakings		
- Hunting Knightsbridge Holdings Limited (note 12) – under control of ultimate parent	**(2,943)**	(2,623)
- Huntaven Properties (note 12) – under control of ultimate parent	**-**	(218)
- Hunting Energy Services (International) Limited (note 12) - immediate parent	**-**	(8)
- Hunting Energy Services (UK) Limited (note 12) - under common control	**(43)**	(244)

Notes to the Financial Statements (continued)

22 Cash generated from operations

Reconciliation of profit to cash generated from operating activities

	2013 £'000	2012 £'000
Profit / (loss) before tax	**22**	(298)
Adjustments for		
- Depreciation	**593**	617
- Finance income	**(2)**	(8)
- Finance costs	**92**	118
- Profit on disposal of Property, Plant and Equipment	**(112)**	(98)
-Dividends received from subsidiary undertaking	**-**	(168)
Changes in working capital		
- (Increase) in inventories	**(3)**	-
- (Increase) / decrease in trade and other receivables	**(354)**	501
- Decrease in trade and other payables	**(46)**	(83)
Cash generated from operations	**191**	581

23 Principal Accounting Policies

Investments

Investments are valued at the lower of cost and net realisable value and represent investments in the equity share capital of subsidiary undertakings, associates, and jointly controlled entities Income from investments is credited to the profit and loss account when dividends are received Impairment to investments is considered on an annual basis Any impairment in carrying value which is deemed as being permanent is taken immediately as a charge to the income statement

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 were 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

Interest

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

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 66 (2012 1 63) and 1 20 (2012 1 23) respectively

Notes to the Financial Statements (continued)

23 Principal Accounting Policies (continued)

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 a the balance sheet date

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%

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 cashflows

Where impairment exists, the asset is written down to the higher of (a) its fair value minus costs to sell, 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

Notes to the Financial Statements (continued)

23. Principal Accounting Policies (continued)

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 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

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 Payments to defined benefit retirement schemes is the increase in the retirement benefit obligation resulting from the additional service provided by the participating employees during the year which is measured using the projected unit method

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

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

Notes to the Financial Statements (continued)

23 Principal Accounting Policies (continued)

Capital Management (continued)

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

	2013 £'000	2012 £'000
Debts	**(2,986)**	(3,093)
Cash and cash equivalents	**24**	27
Net debt	**(2,962)**	(3,066)
Equity	**2,267**	2,227
Net debt to equity	**131%**	137%

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

Dividend Income

Dividend income received from subsidiary undertakings are recognised in the financial statements in the period that they are received and are dealt with in the Statement of Comprehensive Income, below operating profit (investing activity)

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