

Registered Number: 01674180

Hunting Energy Services Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2014

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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 2014.

Business Review

The profit before tax for the year was £142,000 (2013 - profit £22,000). The improvements on the previous year have come from winning large contracts with Schlumberger and Target in Africa and the growth in Hunting Equipment Management Services' (HEMS') activities in the North Sea. There has also been the relaunch of the HESL Norway branch; in 2014 this has been a cost centre for the reestablishment of operations in Norway while generating only small amounts of revenue by selling goods from Aberdeen for Hunting Energy Services (Well Intervention) Limited on a commission basis. 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.

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 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 entities given above with no mark up.

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

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 £142,000 was made in 2014 in comparison to a profit of £22,000 in 2013. This improvement was principally driven by new customer contracts and group cost savings.

(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 £206,000 (2013 outflow of £217,000) during the year.

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 2 2015, 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 and 2013 with Target and Schlumberger, HESL continued this growth into other countries in the region with these customers during 2014.

On behalf of the Board



Bruce Ferguson – Director

29 September 2015

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

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) Limited based at Badentoy with no mark up. With the relaunch of the Norwegian branch this has offered an opportunity to act in a new market.

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 and paid a final dividend of £164,144 (2013 - nil) during the year.

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:

Rob J Davie
Sam McClements
Dennis L Proctor
Peter Rose
Bruce Ferguson

Plant and Equipment

Details of movements in plant and equipment are shown in note 9 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.

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.

Report of the Directors (continued)

Environment (continued)

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.

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 2014 represents 46 days' worth (2013 – 16 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, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Directors (continued)

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. 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.

On behalf of the Board



Bruce Ferguson – Director

29 September 2015

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 2014 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.

What we have audited

Hunting Energy Services Limited's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the 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 the preparation of the financial statements 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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.

Independent Auditors' Report to the Members of Hunting Energy Service 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 Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

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.

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

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.



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

29 September 2015

Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Revenue	3	9,600	9,589
Cost of sales	4	(8,241)	(8,709)
Gross profit		1,359	880
Other Income	7	209	112
Administrative expenses	4	(1,356)	(880)
Operating profit		212	112
Finance income	6	15	2
Finance costs	6	(85)	(92)
Profit before tax		142	22
Income tax credit	8	119	20
Profit for the year	18	261	42
Other comprehensive income / (expense) for the year (Items that may subsequently be reclassified to profit or loss, net of tax)			
Translation adjustment	18	19	(2)
Total other comprehensive income for the year, net of tax		19	(2)
Total comprehensive income for the year		280	40

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

Balance Sheet

At 31 December 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	3,337	3,690
Intangible assets		29	-
Deferred tax asset	14	116	-
		3,482	3,690
Current assets			
Inventories	10	-	3
Trade and other receivables	11	2,807	2,151
Cash and cash equivalents	12	37	24
		2,844	2,178
Total assets		6,326	5,868
LIABILITIES			
Current liabilities			
Trade and other payables	13	(3,895)	(3,514)
Current tax liabilities		(48)	-
		(3,943)	(3,514)
Non-current liabilities			
Deferred tax liability	14	-	(87)
		-	(87)
Total liabilities		(3,943)	(3,601)
Net assets		2,383	2,267
Equity attributable to owners of the parent			
Share capital	18	2,000	2,000
Retained earnings	19	359	262
Cumulative translation reserve	19	24	5
Total equity		2,383	2,267

Balance Sheet (continued)

The notes on pages 13 to 32 are an integral part of these financial statements.

The financial statements on pages 8 to 32 were approved by the board of Directors on 29 September 2015 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 2014

	Note	Share Capital £'000	Retained Earnings £'000	Cumulative translation reserve £'000	Total equity £'000
At 1 January		2,000	262	5	2,267
Profit for the year		-	261	-	261
Other comprehensive income		-	-	19	19
Total comprehensive income		-	261	19	280
Dividends paid		-	(164)	-	(164)
Total dividends paid		-	(164)	-	(164)
Balance at 31 December		2,000	359	24	2,383

For the year ended 31 December 2013

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

Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Operating activities			
Cash generated from operating activities	21	264	190
Interest paid	6	(85)	(92)
Interest received	6	15	2
Tax received		-	106
Net cash inflow from operating activities		194	206
Investing activities			
Purchase of property, plant and equipment	9	(400)	(423)
Proceeds from sale of property, plant and equipment		386	216
Net cash used in investing activities		(14)	(207)
Financing activities			
Dividends paid		(164)	-
Net cash used in financing activities		(164)	-
Net inflow / (outflow) in cash and cash equivalents		16	(1)
Cash and cash equivalents at beginning of year		24	27
Effect of foreign exchange rate changes		(3)	(2)
Cash and cash equivalents at the end of the year		37	24

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 22. These policies have been consistently applied to all the years presented.

Adoption of new standards, amendments and interpretations

The following standards, amendments and interpretations have been adopted and are effective for the Company's accounting period beginning on or after 1 January 2014:

- IAS 28 (revised) Investments in Associates and Joint Ventures
- IAS 32 (amendment) Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- IAS 36 (amendment), 'Impairment of assets', on the recoverable amount disclosures for non-financial assets
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRIC 21 Levies
- IAS 27 (Revised) Separate financial statements

Although the adoption of these standards, amendments and interpretations represents a change in accounting policy, comparative figures for 2013 have not been restated for these as the changes do no impact the financial performance or position of the Company.

Statements, Amendments and Interpretations effective subsequent to the year end

The following standards, amendments and interpretations are effective subsequent to the year end and are being assessed to determine whether there is a significant impact on the Company's results or financial position:

Notes to the Financial Statements

1. Basis of Preparation (continued)

New standards and interpretations

- IFRS 9 – Financial Instruments (effective for annual periods on or after 1 January 2018)*
- IFRS 14 – Regulatory Deferral Accounts (effective for annual periods on or after 1 January 2016)*
- IFRS 15 – Revenue from Contracts with Customers (effective for annual periods on or after 1 January 2017)*

Amendments

- Annual Improvements to IFRSs 2010-2012 Cycle (effective for annual periods beginning on or after 1 July 2014)
- Amendments to IAS 19 – Defined benefit plans: Employee Contributions (effective for annual periods beginning 1 July 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)*
- Amendments to IAS 1 – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)*
- Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016)*
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)*
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (effective for annual periods beginning 1 January 2016)*
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for the periods beginning on or after 1 January 2016)*
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective for the periods beginning on or after 1 January 2016)*

(*) Not endorsed by the European Union

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.

Notes to the Financial Statements (continued)

3. Revenue

	2014	2013
	£'000	£'000
Sale of goods	30	33
Revenue from services	218	188
Revenue from rental fleet	2,408	2,066
Revenue from recharges	6,944	7,302
Total revenue	9,600	9,589

4. Nature of expenses

	2014	2013
	£'000	£'000
Total staff costs	7,893	8,019
Cost of inventories recognised as an expense	3	-
Direct cost of sales	462	461
Indirect cost of sales	59	21
Depreciation	533	593
Amortization	1	-
Operating Lease Payments:		
- Plant hire	29	29
- Property	181	169
Other property costs	99	116
Sales and marketing costs	59	17
Other administrative expenses	219	146
Services provided by company's auditor		
- Fees payable for the audit	35	17
- Fees payable for other services – tax compliance	7	(1)
Foreign exchange losses	17	2

Notes to the Financial Statements (continued)

5. Employee information and directors' remuneration

Employee costs are analysed as follows:

	2014	2013
	£'000	£'000
Wages and salaries	6,551	6,653
Social security costs	735	748
Other pension costs	608	610
Share options	-	8
	7,893	8,019

HESL paid a management fee of £60,000 to Hunting Energy Services (UK) Ltd. in 2014, 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 (2013: as in 2014).

The average number of employees recharged at no mark up to Hunting Energy Services (UK) Limited and Hunting Energy Services (Well Intervention) Limited was 144 (2013: 148), with 13 (2013: 13) employees providing services to the company and 1 based with Hunting Energy Services Limited Norway (2013: 0).

The average monthly number of persons employed during the year was:

	2014	2013
	No.	No.
Factory Direct – HEMS	8	6
Factory Direct – Manufacturing	137	141
Quality Assurance	7	7
Management and Administration	4	6
Sales and Marketing	2	1
	158	161

6. Net finance costs

	2014	2013
	£'000	£'000
Finance income		
Interest Income	1	2
Foreign exchange gains	14	-
Total finance income	15	2
Finance costs		
Interest expense	(55)	(82)
Foreign exchange losses	(30)	(10)
Total finance cost	(85)	(92)
Finance costs, net	(70)	(90)

Notes to the Financial Statements (continued)

7. Other income

		2014	2013
	Note	£'000	£'000
Proceeds from "lost in hole" and "damaged beyond repair" tools	Cash flow	386	216
Net book value of disposed tools	9	(177)	(104)
Total other income		209	112

8. Income tax credit

	2014	2013
	£'000	£'000
Current tax		
- Tax charge on profit for the year	(84)	(56)
- Adjustments in respect of prior years	-	(23)
Total current tax charge for the year	(84)	(79)
Deferred tax		
- Origination and reversal of timing differences	103	70
- Adjustments in respect of prior years	107	17
- Rate difference current year deferred tax	-	(10)
- Change in tax rate adjustment	(7)	22
Total deferred income tax benefit	203	99
Total income tax credit for the year	119	20

The tax on the Company's profit before tax differs (2013: differs) from the theoretical amount that would arise using standard tax rate in the UK applicable to the profits as follows:

	2014	2013
	£'000	£'000
Profit on ordinary activities before taxation	142	22
Profit before tax multiplied by standard rate in the UK 21.5% (2013 – 23.25%)	(31)	(5)
Effects of:		
- Adjustments in respect of prior years - current tax	-	(23)
- Adjustments in respect of prior years - deferred tax	107	17
- Non-taxable income	48	-
- Expenses not deductible for tax purposes	2	19
- Rate adjustment for deferred tax	-	(10)
- Change in tax rate adjustment	(7)	22
Total income tax credit for the years	119	20

Notes to the Financial Statements (continued)

8. Income tax credit (continued)

Factors affecting current and future tax charges

Changes to the UK corporation tax rate were introduced by the UK Finance Act 2012, including a reduction to the UK main corporation tax rate to 24% effective as from 1 April 2012 and a further tax rate reduction to 23% effective as from 1 April 2013. Further changes reducing the UK corporation tax rate to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015 were introduced by Finance Act 2013 enacted on 17 July 2013.

The relevant deferred tax balances have been re-measured to 20%, the rate enacted by the year-end date.

9. Property, plant and equipment

Year ended 31 December 2014

	Land and Buildings	Plant and equipment	Rental assets	Total
	£'000	£'000	£,000	£'000
Cost:				
At 1 January	42	525	4,839	5,406
Additions	-	91	285	376
Disposals	-	(4)	(276)	(280)
At 31 December	42	612	4,848	5,502
Accumulated Depreciation:				
At 1 January	14	235	1,467	1,716
Charge for the financial year	8	78	447	533
Disposals	-	-	(84)	(84)
At 31 December	22	313	1,830	2,165
Net book amount	20	299	3,018	3,337

Notes to the Financial Statements (continued)

9. Property, plant and equipment (continued)

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

10. Inventories

	2014	2013
	£'000	£'000
Raw materials	-	3
	-	3

11. Trade and other receivables

	2014	2013
	£'000	£'000
Net trade receivables	1,237	396
Amounts owed by group undertakings	809	1,142
Prepayments	280	62
Other receivables	243	88
Accrued revenue	238	463
Total trade and other receivables	2,807	2,151

Notes to the Financial Statements (continued)

11. Trade and other receivables (continued)

Amounts owed by group undertakings include loans amounting to nil (2013: £21,000).

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 2014 trade receivables of £782,000 (2013 – £357,000) were past due but not impaired. The ageing of these trade receivables at the year-end is as follows:

Number of days overdue:	2014 £'000	2013 £'000
1 – 30 days	542	181
31 – 60 days	30	126
61 - 90 days	132	12
91-120 days	13	36
Over 120 days	65	2
At 31 December	782	357

All of these balances relate to customers for whom there is no recent history of default. There is a provision of £2k (2013: nil) 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 (2013: nil).

12. Cash and cash equivalents

	2014 £'000	2013 £'000
Total cash at bank	37	24

Notes to the Financial Statements (continued)

13. Trade and other payables

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	3,317	2,986
Accruals and other payables	372	401
Trade payables	124	41
Accruals and other payables in financial instruments	82	86
	3,895	3,514

Amount owed to group undertakings include interest bearing loans amounting to £3,212,000 (2013: £2,943,000) which bear interest at 0.5% - 1% (2013 – 2.5%), these are repayable on demand. Other amounts owed to group undertakings are unsecured and are repayable on demand.

14. Deferred tax asset / (liability)

The analysis of the deferred tax asset / (liability) is as follows:

Deferred tax asset / (liability):	2014	2013
	£'000	£'000
Accelerated capital allowances	116	(87)

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

At 1 January	(87)	(186)
(Credit) / debit to income statement for accelerated capital allowances	203	99
At 31 December	116	(87)

The company has no unrecognised deferred tax assets or liabilities at the end of the year (2013: £nil).

Deferred tax is calculated in full on the temporary differences under the liability method using a tax rate of 20% (2013: 20%).

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 over multiple years as the deductions for the tax differences catch up to the deductions made on the financial statements.

Notes to the Financial Statements (continued)

15. 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	Total
2014		Carrying Amount		Fair Value
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables (Note 11)	1,237	-	1,237	1,237
Amounts owed by group undertakings (Note 11)	809	-	809	809
Accrued revenues (Note 11)	238	-	238	238
Cash and cash equivalents (Note 12)	37	-	37	37
Current Liabilities				
Trade payables (Note 13)	-	(124)	(124)	(124)
Accruals and other payables (Note 13)	-	(82)	(82)	(82)
Amounts owed to group undertakings (Note 13)	-	(3,317)	(3,317)	(3,317)
Totals	2,231	(3,523)	(1,202)	(1,202)

Notes to the Financial Statements (continued)

15. Financial instruments (continued)

	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)

16. 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)

16. Financial risk factors (continued)

(a) Foreign exchange risk (continued)

	2014		2013	
	US Dollars	Euros	US Dollars	Euros
	£'000	£'000	£'000	£'000
Current Assets				
Trade receivables	777	264	181	79
Amounts owed by group undertakings	-	-	8	13
Accrued foreign currency invoices	147	49	385	28
Current Liabilities				
Trade payables	-	(14)	(6)	(9)
Amounts owed to group undertakings	(661)	(180)	-	-
Accruals and other payables	-	-	-	(6)
Totals	263	119	568	105

(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. 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 (2013 – on demand or within one year).

Notes to the Financial Statements (continued)

16. 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 2014.

(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:

	2014		2013	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
UK Interest Rates +0.5%	(10)	-	(15)	-
UK Interest Rates -0.5%	10	-	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:

	2014		2013	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
US dollar exchange rates +15%	(34)	-	(74)	-
US dollar exchange rates -15%	39	-	85	-

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:

	2014		2013	
	Income Statement	Equity	Income Statement	Equity
	£'000	£'000	£'000	£'000
Euro exchange rates +15%	(8)	-	(14)	-
Euro exchange rates -15%	9	-	17	-

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)

17. Share capital

	2014 £'000	2013 £'000
Authorised:		
5,000,000 (2013: 5,000,000) ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
2,000,000 (2013: 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

	2014 £'000	2013 £'000
Hunting Energy Services (International) Ltd	(164)	-

Dividends per share in the year were 8.2p per share (2013: nil)

18. Retained earnings and other reserves

	2014			2013		
	Retained Earnings	Cumulative Translation Reserve	Total	Retained Earnings	Cumulative Translation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	262	5	267	220	7	227
Profit / (Loss) for the year	261	-	261	42	-	42
Translation adjustment	-	19	19	-	(2)	(2)
Dividend paid	(164)	-	(164)	-	-	-
At 31 December	359	24	383	262	5	267

Notes to the Financial Statements (continued)

19. 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:

	2014	2013
	£'000	£'000
	Land and buildings	Land and buildings
Within one year	150	150
Between two to five years	600	600
After five years	75	225

Notes to the Financial Statements (continued)

20. 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:

	2014	2013
	£'000	£'000
<hr/>		
Interest:		
- income from Hunting Knightsbridge Holdings Limited – under control of ultimate parent	1	2
- expense to Hunting Knightsbridge Holdings Limited – under control of ultimate parent	(51)	(82)
 Revenue from recharge of employee costs:		
- Hunting Energy Services (UK) Limited – under common control	4,006	4,288
- Hunting Energy Services (Well Intervention) Limited – under common control	2,938	3,013
 At year end the balances with related parties were as follows:		
 Amounts owed from group undertakings:		
- Hunting Knightsbridge Holdings Limited - (note 11) – under control of ultimate parent	-	21
- Hunting Energy Services (International) Limited (note 11) – immediate parent	34	16
- Hunting Energy Services (UK) Limited (note 11) – under common control	423	685
- Hunting Energy Services (Well Intervention) Limited (note 11) – under common control	352	420
 Amounts owed to group undertakings:		
- Hunting Knightsbridge Holdings Limited (note 13) – under control of ultimate parent	(3,212)	(2,943)
- Hunting Energy Services (Well Intervention) Limited (note 13) – under common control	(46)	-
- Hunting Energy Services (UK) Limited (note 13) - under common control	(45)	(43)
- Hunting Energy Services (BV) Limited (note 13) - under common control	(14)	-

Notes to the Financial Statements (continued)

21. Cash generated from operations

Reconciliation of profit to cash generated from operating activities:

	2014 £'000	2013 £'000
Profit before tax	142	22
Adjustments for:		
- Depreciation	533	593
- Finance income	(15)	(2)
- Finance costs	85	92
- Profit on disposal of Property, Plant and Equipment	(209)	(112)
Changes in working capital:		
- Decrease / (Increase) in inventories	3	(3)
- (Increase) in trade and other receivables	(656)	(354)
- Increase / (Decrease) in trade and other payables	381	(46)
Cash generated from operations	264	190

22. 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. Revenue from services is made up of revenues generated from the workshop for repairs and maintenance of third party equipment.

Revenue is also generated by the Company on the recharge of the payroll for the manufacturing staff based at Badentoy. These costs are recharged with a zero mark up to the operating company, either Hunting Energy Services (UK) Limited or Hunting Energy Services (Well Intervention) Limited.

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 1.56 (2013: 1.66) and 1.29 (2013: 1.20) respectively.

Notes to the Financial Statements (continued)

22. 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 at 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 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.

Notes to the Financial Statements (continued)

22. 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)

22. Principal Accounting Policies (continued)

Capital Management (continued)

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

	2014	2013
	£'000	£'000
Debts	(3,212)	(2,986)
Cash and cash equivalents	37	24
Net debt	(3,175)	(2,898)
Equity	2,383	2,267
Net debt to equity	133%	131%

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.