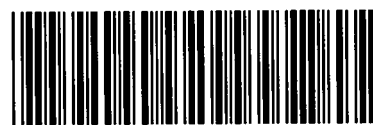


HUNTING OIL HOLDINGS LIMITED

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Registered No: 01103530

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HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

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HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY INFORMATION

Registered number:	01103530
Country of incorporation:	England and Wales
Registered office:	5 Hanover Square London W1S 1HQ
Directors:	P. Rose D.L. Proctor R.H. Hunting D.B. Willey M.E. Jarvis (appointed 20 July 2016)
Company Secretary:	D.B. Willey
Independent Auditors:	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

HUNTING OIL HOLDINGS LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2016.

Review of Business

Business review and principal activities

The Company is a wholly-owned subsidiary of Hunting PLC and acts as a holding company for the Hunting PLC Group. The Company is UK domiciled and registered in England and Wales. Further details of the Company's subsidiaries can be found in note 7 to the financial statements.

The results and financial position of the Company are set out in the attached financial statements. Dividend income during the year was \$1,369,000 (2015: \$nil). This was offset by an impairment charge to the investment in subsidiaries of \$793,000 (2015: \$nil). During 2015, a provision of \$450,000 was released. Profit from operations for the year was \$539,000 (2015: \$377,000). Finance income increased by \$364,000 to \$2,431,000 (2015: \$2,067,000). Profit before tax for the year was \$2,970,000 (2015: \$2,444,000).

The increase in net assets from \$260,610,000 in 2015 to \$262,229,000 in 2016 was attributable to the profit for the year of \$2,947,000 (2015: \$2,703,000), offset by dividend payments of \$1,328,000 (2015: \$nil).

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the primary risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 33 to 37 of the Hunting PLC 2016 Annual Report and Accounts. Further detail on financial risks is provided within note 12.

Key Performance Indicators ("KPI's")

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

On Behalf of the Board



P. Rose
Director

27 April 2017

HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2016.

Dividends

An interim dividend of \$1,328,000 (2015: \$nil) was paid during the year. The Directors do not recommend the payment of any further dividends for 2016 (2015: \$nil). Subsequent to the year end, the Company received a dividend of \$9,735,960 from HG Management Services Ltd and declared and paid an interim dividend of \$9,735,960 on 24 February 2017.

Risk Management

Further information on financial risk management is disclosed in note 12.

Future Outlook

No change in the activities of the Company is anticipated in 2017.

Political Contributions

The Company made no payments to political organisations during the year (2015: \$nil).

Directors

The Directors of the Company who served during the year and to the date of this report were as follows:

D.L. Proctor

R.H. Hunting

P. Rose

D.B. Willey

M.E. Jarvis (appointed 20 July 2016)

No Director had a material interest in any contract of significance to which either the Company or its subsidiaries were a party.

Directors' and Officers' Liability Insurance

Hunting PLC maintains insurance against certain liabilities which could arise from a negligent act or a breach of duty by its Directors and officers and those of its subsidiaries in the discharge of their duties. This is a qualifying third party indemnity provision, which was in force throughout the financial year and at the date of approval of the financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' 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 ("EU"). 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.

HUNTING OIL HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

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 IFRSs, as adopted by the EU, 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on 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. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On Behalf of the Board



P. Rose
Director

27 April 2017

HUNTING OIL HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Hunting Oil Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its 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

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

- the Balance Sheet as at 31 December 2016;
- 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 IFRSs as adopted by the European Union, and applicable law.

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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.

HUNTING OIL HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED

(continued)

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 pages 4 and 5, 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.

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.

HUNTING OIL HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED

(continued)

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

Neil Proudlove (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 April 2017

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
REVENUE		1,369	-
Other operating income		6	-
Other operating expenses – non-exceptional	3	(43)	377
Other operating expenses – exceptional	3	(793)	-
Other operating expenses	3	<u>(836)</u>	<u>377</u>
PROFIT FROM OPERATIONS		539	377
Finance income	4	<u>2,431</u>	<u>2,067</u>
PROFIT BEFORE TAX	5	2,970	2,444
Taxation	6	<u>(23)</u>	<u>259</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,947</u>	<u>2,703</u>

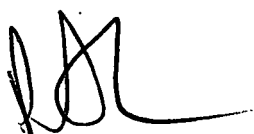
The profit and total comprehensive income for the year arises from the Company's continuing operations.

HUNTING OIL HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	7	121,940	122,733
Other accounts receivable	8	140,920	135,636
Deferred tax asset	9	147	158
		<u>263,007</u>	<u>258,527</u>
Current assets			
Cash at bank and in hand		52	2,872
Current tax asset		-	41
		<u>52</u>	<u>2,913</u>
LIABILITIES			
Current liabilities			
Provisions	10	(830)	(830)
		<u>(830)</u>	<u>(830)</u>
Net current (liabilities) assets		<u>(778)</u>	<u>2,083</u>
Net assets		<u>262,229</u>	<u>260,610</u>
Shareholders' equity			
Share capital	14	257,669	257,669
Retained earnings		22,836	21,217
Cumulative translation reserve		<u>(18,276)</u>	<u>(18,276)</u>
Total equity		<u>262,229</u>	<u>260,610</u>

The notes on pages 13 to 24 form part of these financial statements. The financial statements on pages 9 to 24 were approved by the Board of Directors on 27 April 2017 and were signed on its behalf by:



P. Rose
Director

Registered No: 01103530

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital \$'000	Retained earnings \$'000	Cumulative translation reserve \$'000	Total equity \$'000
At 1 January 2016	257,669	21,217	(18,276)	260,610
Total comprehensive income:				
Profit for the year	-	2,947	-	2,947
Transactions with owners:				
Dividend paid	-	(1,328)	-	(1,328)
At 31 December 2016	<u>257,669</u>	<u>22,836</u>	<u>(18,276)</u>	<u>262,229</u>

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital \$'000	Retained earnings \$'000	Cumulative translation reserve \$'000	Total equity \$'000
At 1 January 2015	257,669	18,514	(18,276)	257,907
Total comprehensive income:				
Profit for the year	-	2,703	-	2,703
At 31 December 2015	<u>257,669</u>	<u>21,217</u>	<u>(18,276)</u>	<u>260,610</u>

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$'000	2015 \$'000
Operating activities		
Profit from operations	539	377
Decrease in receivables	1	-
Decrease in provisions	-	(549)
Taxation received (paid)	29	(133)
Non-cash flow items – impairment of investment of subsidiaries (note 3)	793	-
Net cash inflow (outflow) from operating activities	<u>1,362</u>	<u>(305)</u>
Investing activities		
Interest received	<u>2,421</u>	<u>2,067</u>
Net cash inflow from investing activities	<u>2,421</u>	<u>2,067</u>
Financing activities		
Dividend paid	(1,328)	-
New loans to fellow group companies	<u>(5,275)</u>	<u>-</u>
Net cash outflow from financing activities	<u>(6,603)</u>	<u>-</u>
Net (outflow) inflow in cash and cash equivalents	(2,820)	1,762
Cash and cash equivalents at the beginning of the year	<u>2,872</u>	<u>1,110</u>
Cash and cash equivalents at the end of the year	<u>52</u>	<u>2,872</u>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention. The going concern basis is considered to be appropriate as Hunting PLC, the Company's ultimate parent company, will continue to support the operations of the Company for a period of not less than one year from the date of approval of the financial statements and will provide such financing as is necessary to enable the Company to meet its liabilities as they fall due.

The principal accounting policies applied in the preparation of these financial statements are set out below. 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 2016:

- Amendments to IAS 1: Disclosure Initiative
- Amendment to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Annual Improvements to IFRSs 2012-2014 Cycle
- Annual Improvements to IFRSs 2010-2012 Cycle

Although the adoption of these standards, amendments and interpretations represents a change in accounting policy, comparative figures for 2015 have not been restated for these as the changes do not impact the financial performance or position of the Company.

On 1 January 2016, the Company chose to adopt early the Amendments to IAS 7: Disclosure Initiative, which is effective for the financial year beginning on 1 January 2017.

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:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*
- Clarifications to IFRS 15 Revenue from Contracts with Customers*
- Annual Improvements to IFRSs 2014-2016 Cycle*

*Not yet endorsed by the European Union.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. ACCOUNTING POLICIES (continued)

1.2 Revenue

Dividend income is recognised in the statement of comprehensive income in the period in which it has been approved, by the relevant company's shareholders or, if earlier, declared and paid by that company.

1.3 Interest

Interest income and expense is recognised in the statement of comprehensive income using the effective interest method and is included in finance income and finance expense.

1.4 Foreign Currency Translation

The financial statements of the Company are prepared and presented using its functional currency, which is US dollars. The functional currency is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities that are not denominated in US dollars are retranslated at the exchange rates ruling at the balance sheet date. Transactions in currencies other than US dollars are translated at the exchange rate ruling at the date of transaction. All exchange differences are taken to the statement of comprehensive income.

1.5 Taxation

The taxation recognised in the statement of comprehensive income comprises current tax and deferred tax arising on the current year's result before tax and adjustments to tax arising on prior years' results.

Current tax is the expected tax receivable or payable arising in the current year on the current year's profit before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax in respect of prior years' profits.

Deferred tax is the tax that is expected to arise when the assets and liabilities recognised in the Company's balance sheet are realised, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the asset is realised or the liability is settled.

Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet and are reported as non-current assets and liabilities. Deferred tax assets are recognised only to the extent that they are expected to be recoverable.

1.6 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand. Accrued interest is disclosed as part of the year-end balance.

1.7 Investment in Subsidiaries

Investments in subsidiaries are stated at cost, which is the fair value of the consideration paid, less any provision for impairment.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. ACCOUNTING POLICIES (continued)

1.8 Exceptional Items

Exceptional items are items of income and expense, which the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Company's financial performance. Exceptional items in the financial statements comprise the impairment of the investment in subsidiaries.

1.9 Financial Assets

The Company classifies its financial assets into *loans and receivables*. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus transaction costs.

The Company assesses at each balance sheet date whether a financial asset is impaired and, if necessary, the carrying amount is reduced to the appropriate value and the loss is recognised in the statement of comprehensive income immediately. Financial assets 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise receivables due from fellow group companies and cash at bank and in hand. 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. By virtue of the nature of the effective interest method, interest accrued on loans carried at amortised cost is regarded as an integral part of the loan balance and is, therefore, included within the carrying value of those loans. Consequently, interest receivable within twelve months on loans due after more than one year is recognised within non-current assets.

1.10 Impairments

The Company assesses at least annually whether there have been any events or changes in circumstances that indicate that the investment in subsidiaries may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use, being the net present value of estimated future cash flows. Impairments are recognised immediately in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

1. ACCOUNTING POLICIES (continued)

1.11 Provisions

Provisions are liabilities where the amount or timing of future expenditure is uncertain. Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value. If an obligation is not capable of being reliably estimated it is classified as a contingent liability.

1.12 Group Financial Statements

The Company has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006, as applicable to companies reporting under IFRS, as it is a wholly-owned subsidiary of Hunting PLC, a company registered in England and Wales, in whose consolidated financial statements the Company is included.

1.13 Share Capital

The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.

1.14 Dividends

Dividends paid to the Company's shareholders are recognised as liabilities in the financial statements in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. All dividends paid are recognised in the statement of changes in equity.

1.15 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.

Accounting estimates are applied in determining the carrying value of investments in subsidiaries. Assessments are undertaken at least annually to determine whether there have been any events or changes in circumstances that indicate that the carrying value may be impaired. An impairment review is carried out when such indicators are present by comparing the carrying value of a subsidiary to its recoverable amount. The recoverable amount is the higher of either the fair value less costs to sell or the net present value of estimated future cash flows, known as value in use. Any impairment is recognised in the statement of comprehensive income immediately.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2015: \$nil). Remuneration received by Directors was for their services to Hunting PLC, the ultimate parent company acting in various Group capacities. The key management of Hunting Oil Holdings Limited is its Directors. The average monthly number of persons employed by the Company during the year was nil (2015: nil).

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

3. OTHER OPERATING EXPENSES

	2016 \$'000	2015 \$'000
Management fees	43	73
Release of provision	-	(450)
Other operating expenses – non-exceptional	43	(377)
Impairment of investment in subsidiaries – exceptional	793	-
	<u>836</u>	<u>(377)</u>

4. FINANCE INCOME

	2016 \$'000	2015 \$'000
Bank interest	16	3
Loans to fellow group companies	2,415	2,064
	<u>2,431</u>	<u>2,067</u>

5. PROFIT BEFORE TAX

Auditors' remuneration of \$22,114 (2015: \$21,061) is borne by Hunting PLC, the Company's immediate and ultimate parent company, for services provided to the Company for the statutory audit of the financial statements.

6. TAXATION

	2016 \$'000	2015 \$'000
UK Corporation Tax:		
Current tax – current year credit	-	41
Adjustments in respect of prior years	(12)	60
	<u>(12)</u>	<u>101</u>
Deferred tax (note 9):		
- current year credit (charge)	7	(111)
- change in tax rate	(18)	(7)
- adjustment in respect of prior years	-	276
	<u>(11)</u>	<u>158</u>
Total tax (charge) credit	<u>(23)</u>	<u>259</u>

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

6. TAXATION (continued)

The tax charge (2015: credit) for the year is lower than (2015: lower than) the UK standard rate for corporation tax of 20% (2015: 20.25%) because of the following:

	2016 \$'000	2015 \$'000
Profit before tax	<u>2,970</u>	<u>2,444</u>
Taxation at the standard UK corporation tax rate of 20% (2015: 20.25%)	(594)	(495)
Non-taxable income	274	-
Expenses not deductible for tax purposes	(159)	-
Group relief – no payment	486	425
Adjustments to tax in respect of prior periods	(12)	336
Change in tax rates	<u>(18)</u>	<u>(7)</u>
	<u>(23)</u>	<u>259</u>

A number of changes to the UK corporation tax system were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The Finance Bill 2016, which included these changes, received Royal Assent on 15 September 2016. The Finance Bill 2015 included a reduction to the main corporation tax rate to 19% from 1 April 2017. The changes are not expected to have a material impact on the Company's deferred tax balances.

7. INVESTMENT IN SUBSIDIARIES

	2016 \$'000	2015 \$'000
Cost:		
At 1 January and 31 December	<u>163,537</u>	<u>163,537</u>
Impairment:		
At 1 January	40,804	40,804
Charge for the year	<u>793</u>	<u>-</u>
At 31 December	<u>41,597</u>	<u>40,804</u>
Net book value	<u>121,940</u>	<u>122,733</u>

During the year, an impairment charge of £793,000 was recognised in relation to a subsidiary. The investment in the subsidiary has been written down to the directors' best estimate of its recoverable amount.

At 31 December 2016, the cost of investments in subsidiaries that were impaired was \$66,536,000 (2015: \$64,375,000) and the provision for impairment was \$41,597,000 (2015: \$40,804,000).

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

7. INVESTMENT IN SUBSIDIARIES (continued)

Subsidiaries ⁱ	Registered Address
Huntfield Trust Limited	5 Hanover Square, London, W1S 1HQ, England
HG Management Services Ltd	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Field Insurance Limited ⁱⁱ	The Albany, South Esplanade, St Peter Port, GY1 4NF, Guernsey
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Kenya Ltd (1%) ^{iv}	5 th Floor, West Wing, ICEA Lion Centre, Riverside Park, Chiromo Road, Nairobi, Kenya
Stag Line Limited ⁱⁱⁱ	5 Hanover Square, London, W1S 1HQ, England

i. Companies are wholly owned, except where indicated, being incorporated and operating in the countries indicated.

ii. Field Insurance Limited was incorporated in Isle of Man and operates in Guernsey.

iii. Dormant company and exempt from being audited.

iv. Subsidiary incorporated during the year.

In the opinion of the Directors, the value of the investments in the subsidiaries is not less than the aggregate amount shown in the balance sheet.

Sensitivities

(i) Foreign exchange rates

A 15% increase in the Sterling/US dollar foreign exchange rate at the year end would result in a further impairment charge of \$3,082,000.

8. OTHER ACCOUNTS RECEIVABLE

	2016	2015
	\$'000	\$'000
Non-current:		
Receivables due from fellow group companies	<u>140,920</u>	<u>135,636</u>

At 31 December 2016, none of the Company's receivables were overdue and the Company does not consider it necessary to provide for any impairment, as the receivables are due from fellow group companies. Receivables are expected to be fully recovered as there is no recent history of default or any indications that the debtors will not meet their payment obligations.

At the year end there are no receivables (2015: none) whose terms have been renegotiated and would otherwise be overdue or impaired.

The Company's maximum exposure to credit risk is the fair value of each class of receivable. The carrying value of receivables approximates their fair value as described in note 12.

The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

8. OTHER ACCOUNTS RECEIVABLE (continued)

Non-current receivables of \$140,920,000 (2015: \$135,636,000) are interest bearing at 1.75% (2015: 1.5%), unsecured and are due to be repaid in June 2018.

All financial assets included in other accounts receivable at the year-end are denominated in US dollars.

9. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:

	Tax losses	
	2016	2015
	\$'000	\$'000
Non-current:		
At 1 January	158	-
Credit to the statement of comprehensive income (note 6)	(11)	158
At 31 December	<u>147</u>	<u>158</u>

Deferred tax assets of \$147,000 (2015: \$158,000) have been recognised as the Company has assessed the realisation of the benefit is probable. Deferred tax assets of \$147,000 (2015: \$158,000) are expected to be recovered after more than twelve months.

10. PROVISIONS

	Warranties \$'000
At 1 January and 31 December 2016	<u>830</u>

The warranty provision relates to claims by former employees of a former fellow group company, Aero Sekur SpA, which was sold by the Hunting PLC Group on 12 July 2007. The provision is expected to be utilised during 2017.

11. FINANCIAL INSTRUMENTS: FAIR VALUES

The carrying values of receivables due from fellow group companies, cash at bank and in hand and provisions approximates their values. The fair value of financial instruments that are not traded in an active market is determined using standard valuation techniques, predominantly based on discounted cash flows. The carrying amounts of current financial assets are a reasonable approximation of their fair values, as the impact of discounting is not significant.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

12. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to certain financial risks, namely market risk (including cash flow interest rate risk) credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

a) Interest rate risk

The Company is exposed to cash flow interest rate risk from its cash at bank and in hand and receivables due from fellow group companies, which are at variable interest rates.

b) Credit risk

The Company's credit risk arises from its outstanding receivables. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk other than from related parties. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities. Cash at bank and in hand has been deposited with a bank that has a Fitch rating of F1 and is expected to be fully recovered. The Company's outstanding receivables are due from fellow group companies, and no losses are expected from non-performance of these counterparties.

c) Liquidity risk

All the Company's funds are arranged centrally through the Hunting PLC Group's treasury function, which has facilities available to satisfy the Company's requirements.

13. FINANCIAL INSTRUMENTS: 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 shareholders' equity. Financial instruments affected by market risk include cash at bank and in hand and receivables. The sensitivity analysis relates to the position as at 31 December 2016.

The sensitivity analysis has been prepared on the basis that the amount of net cash and the ratio of fixed to floating interest rates of the net cash remain unchanged at 31 December 2016. No foreign currency sensitivity testing has been performed because the financial instruments at 31 December 2016 were all denominated in US dollars.

The following assumptions have been made in calculating the sensitivity analysis:

- The analysis excludes the impact of movements in market variables on the carrying value of non-financial assets and liabilities.
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to be outstanding for the whole year.

Positive figures represent an increase in profits.

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

13. FINANCIAL INSTRUMENTS: SENSITIVITY ANALYSIS (continued)

Interest rate sensitivity

The sensitivity rate of 0.5% (2015: 0.5%) for US interest rates represents managements' assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The table below shows the post-tax impact on the Company's profit for an increase and decrease in interest rates, with all other variables unchanged, at 31 December.

	Statement of comprehensive income	
	2016	2015
	\$'000	\$'000
US interest rates +0.5% (2015: +0.5%)	564	552
US interest rates -0.5% (2015: -0.5%)	(564)	(552)

The movements in the statement of comprehensive income arise from the US dollar denominated cash at bank and in hand and receivables due from fellow group companies. There is no impact on other comprehensive income.

14. SHARE CAPITAL

	2016		2015	
	No of shares	\$'000	No of shares	\$'000
Ordinary equity shares of £1 each:				
Allotted, issued and fully paid	142,380,266	257,669	142,380,266	257,669

There are no restrictions to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights.

15. DIVIDENDS PAID

	2016		2015	
	Cents per share	\$'000	Cents per share	\$'000
Interim dividends paid	0.09	1,328	-	-

HUNTING OIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

16. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents, receivables due from fellow group companies. It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate and currency risks and the availability of borrowing facilities. Changes in equity arise from the retention of earnings and, from time to time, issues of share capital. Net cash is monitored on a periodic basis and is managed by the control of dividend payments and the purchase and disposal of investments.

At the year end, capital comprised:

	2016 \$'000	2015 \$'000
Total equity	262,229	260,610
Cash at bank and in hand	(52)	(2,872)
Receivables due from fellow group companies (note 8)	(140,920)	(135,636)
Less: net cash	(140,972)	(138,508)
Gross capital employed	121,257	122,102

The increase in total equity during the year is attributable to the profit for the year of \$2,947,000, offset by the dividend paid of \$1,328,000. During the year the Company received dividend income of \$1,369,000. The majority of the bank balance was transferred as a loan to the Hunting Group's treasury function. As the loan balance increased, interest received on the loan also increased during the year. The net increase in the loan during the year was \$5,284,000. There have been no significant changes in the Company's funding policy during the year.

17. BANKING ARRANGEMENTS

The Company is party to a Group set-off arrangement with Lloyds Bank Plc. There is no set-off in the presentation of cash balances held by the Company in the financial statements. Under this arrangement the Company is jointly and severally liable for any gross liability position held by any of the companies' party to the arrangement in the event of default. Any gross liability position cannot exceed a facility limit of £60 million.

18. ULTIMATE PARENT COMPANY

The immediate and ultimate parent company and controlling company is Hunting PLC, a company registered in England and Wales. The only group of which the Company is a member and for which consolidated financial statements are prepared is Hunting PLC. The consolidated financial statements of Hunting PLC can be obtained from its registered office at 5 Hanover Square, London, W1S 1HQ.

19. RELATED PARTY TRANSACTIONS

During the year, the Company paid \$43,000 (2015: \$73,000) management fees to HG Management Services Ltd, a fellow group company. The Company was also owed \$140,920,000 (2015: \$135,636,000) on an interest bearing loan by Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of \$2,415,000 (2015: \$2,064,000) was charged on the loan during the year.

HUNTING OIL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

20. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end, the Company received a dividend of \$9,735,960 from HG Management Services Ltd and declared and paid an interim dividend of \$9,735,960 on 24 February 2017.