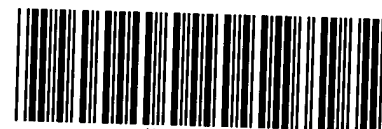


**HUNTING OIL HOLDINGS LIMITED**

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**Registered No: 01103530**

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**HUNTING OIL HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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# **HUNTING OIL HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

## **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
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 2014.

### Review of Business

#### *Business review and principal activities*

The Company is a wholly-owned subsidiary of Hunting PLC and acts as a holding company to the Hunting PLC Group. The Company is UK domiciled and registered in England and Wales. During the year, a central reorganisation took place and a number of subsidiaries were acquired and disposed of. Further details, together with a list of the Company's principal subsidiaries can be found in note 8 to the financial statements.

From 1 July 2014, the functional currency and the presentation currency of the Company has changed from Sterling to US Dollars. See note 1 to the financial statements.

The results and financial position of the Company are set out in the attached financial statements. Profit before tax for the year was \$17,451,000 (2013: loss of \$332,000), an increase of \$17,783,000, which was mainly attributable to an increase in dividend income of \$139,392,000 offset by impairment charges of \$122,094,000 and an increase in net finance income of \$485,000. Profit for the year was \$17,251,000 (2013: loss of \$255,000) and has been transferred to reserves contributing to an increase in net assets from \$232,967,000 in 2013 to \$257,907,000 in 2014. No dividends were paid during the year (2013: \$nil) and the Directors do not recommend the payment of any further dividends (2013: \$nil).

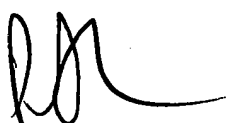
#### *Principal Risks and Uncertainties*

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 36 to 39 of the Hunting PLC 2014 Annual Report and Accounts. Further detail on financial risks is provided within note 14.

#### *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

24 April 2015

# **HUNTING OIL HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report, together with the audited financial statements for the year ended 31 December 2014.

### **Dividends**

No dividends were paid during the year (2013: \$nil) and the Directors do not recommend the payment of any further dividends (2013: \$nil).

### **Risk Management**

Further information on financial risk management is disclosed in note 14.

### **Future Outlook**

No change in the activities of the Company is anticipated in 2015.

### **Political Contributions**

The Company made no payments to political organisations during the year (2013: \$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

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;
- 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Statement on Disclosure of Information to Auditors

In accordance with 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

24 April 2015

## **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'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 Oil Holdings'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 their preparation is applicable law and IFRSs as adopted by the European Union.

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

##### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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

##### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

###### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

###### **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.

## HUNTING OIL HOLDINGS LIMITED

### INDEPENDENT AUDITORS' REPORT

#### TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED (continued)

#### 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**

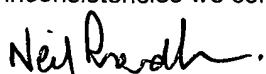
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

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.



Neil Proudlove (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

24 April 2015



# HUNTING OIL HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$'000	2013 \$'000
<b>REVENUE</b>		139,392	-
Other operating expenses – exceptional	3	<u>(122,094)</u>	<u>-</u>
<b>PROFIT FROM OPERATIONS</b>		17,298	-
Finance income	4	1,920	99
Finance expense	5	<u>(1,767)</u>	<u>(431)</u>
<b>PROFIT (LOSS) BEFORE TAX</b>	6	17,451	(332)
Taxation	7	<u>(200)</u>	<u>77</u>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<u>17,251</u>	<u>(255)</u>

The profit for the year arises from the Company's continuing operations.

There is no other comprehensive income for the year.

# HUNTING OIL HOLDINGS LIMITED

## BALANCE SHEET AT 31 DECEMBER 2014

	Notes	2014 \$'000	2013* \$'000	2012* \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in subsidiaries	8	122,733	141,099	138,475
Other accounts receivable	9	135,635	6,990	-
		<u>258,368</u>	<u>148,089</u>	<u>138,475</u>
<b>Current assets</b>				
Other accounts receivable	9	-	116,213	120,930
Cash and cash equivalents	10	1,110	-	-
Current tax asset		-	82	84
		<u>1,110</u>	<u>116,295</u>	<u>121,014</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Current tax liability		(192)	-	-
Borrowings	11	-	(1,205)	(30,590)
Provisions	12	(1,379)	-	-
		<u>(1,571)</u>	<u>(1,205)</u>	<u>(30,590)</u>
<b>Net current (liabilities) assets</b>		<u>(461)</u>	<u>115,090</u>	<u>90,424</u>
<b>Non-current liabilities</b>				
Borrowings	11	-	(30,212)	-
<b>Net assets</b>		<u>257,907</u>	<u>232,967</u>	<u>228,899</u>
<b>Shareholders' equity</b>				
Share capital	16	257,669	257,669	257,669
Retained earnings		18,514	1,263	1,518
Cumulative translation reserve		(18,276)	(25,965)	(30,288)
<b>Total equity</b>		<u>257,907</u>	<u>232,967</u>	<u>228,899</u>

\* 2013 and 2012 have been restated for a change in presentation currency as disclosed in note 1

The notes on pages 12 to 25 form part of these financial statements. The financial statements on pages 8 to 25 were approved by the Board of Directors on 24 April 2015 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 2014

	Share capital \$'000	Retained earnings \$'000	Cumulative translation reserve \$'000	Total equity \$'000
At 1 January 2014*	257,669	1,263	(25,965)	232,967
Profit for the year	-	17,251	-	17,251
Foreign exchange	-	-	7,689	7,689
At 31 December 2014	<u>257,669</u>	<u>18,514</u>	<u>(18,276)</u>	<u>257,907</u>

\* restated for a change in presentation currency as disclosed in note 1

### FOR THE YEAR ENDED 31 DECEMBER 2013\*

	Share capital \$'000	Retained earnings \$'000	Cumulative translation reserve \$'000	Total equity \$'000
At 1 January 2013	257,669	1,518	(30,288)	228,899
Loss for the year	-	(255)	-	(255)
Foreign exchange	-	-	4,323	4,323
At 31 December 2013	<u>257,669</u>	<u>1,263</u>	<u>(25,965)</u>	<u>232,967</u>

\* restated for a change in presentation currency as disclosed in note 1

# HUNTING OIL HOLDINGS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 \$'000	2013 \$'000
<b>Operating activities</b>		
Profit from operations	17,298	-
Increase (decrease) in payables	1	(1)
Increase in provisions	1,379	-
Taxation received	78	81
Foreign exchange	2,990	-
Non-cash flow items – impairment of subsidiaries	122,094	-
<b>Net cash inflow from operating activities</b>	<b>143,840</b>	<b>80</b>
<b>Investing activities</b>		
Interest received	1,097	117
Investment in subsidiaries	(99,162)	-
<b>Net cash (outflow) inflow from investing activities</b>	<b>(98,065)</b>	<b>117</b>
<b>Financing activities</b>		
Interest paid	(236)	(492)
Loans from fellow group companies repaid	(134,679)	(28,542)
New loans from fellow group companies	103,445	28,542
Loans to fellow group companies repaid	342,709	6,603
New loans to fellow group companies	(355,557)	(6,603)
<b>Net cash outflow from financing activities</b>	<b>(44,318)</b>	<b>(492)</b>
<b>Net inflow (outflow) in cash and cash equivalents</b>	<b>1,457</b>	<b>(295)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>(347)</b>	<b>(34)</b>
Effect of foreign exchange rates	-	(18)
<b>Cash and cash equivalents at the end of the year</b>	<b>1,110</b>	<b>(347)</b>
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand (note 10 )	1,110	-
Bank overdrafts included in borrowings (note 11 )	-	(347)
	<b>1,110</b>	<b>(347)</b>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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 Interpretations ("IFRIC Interpretations") as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention. The going concern basis is considered to be appropriate due to the availability of parent company support, which will 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.

#### Change in Functional Currency

IAS 21 The Effects of Changes in Foreign Exchange Rates describes functional currency as "the currency of the primary economic environment in which an entity operates". A change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. During the year, a central reorganisation took place and the Company acquired a number of subsidiary investments, with the largest of the acquisitions having a US dollar functional currency. In addition, two of the Company's subsidiaries having a sterling functional currency were placed into voluntary liquidation. Following the restructuring activity and having considered the aggregate effect of all relevant factors, the Directors concluded that the functional currency of Hunting Oil Holdings Limited had changed from Sterling to US dollars in the second half of 2014. Accordingly, the change in functional currency of the Company is effective from 1 July 2014. Further details of the central reorganisation can be found in note 8.

In accordance with IAS 21 this change has been accounted for prospectively from this date.

#### Change in Presentation Currency

Following the change in functional currency, the Company has changed the currency in which it presents its financial statements from Sterling to US dollars.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Financial information reported in Sterling in the Company's 2013 financial statements has been restated into US dollars using the procedures outlined below:

- a) assets and liabilities denominated in non-US dollar currencies were translated into US dollars at closing rates of exchange. Non-US dollar transactions in the income statement were translated into US dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to the translation reserve;
- b) the cumulative translation reserve was set to nil at 1 January 2004 (i.e. the transition date to IFRS); and
- c) share capital has been translated into US dollars at historic rates prevailing at the dates of transactions.

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

#### 1. ACCOUNTING POLICIES (continued)

The average exchange rates used to translate the Company's results into US dollars and the closing rates for each reporting period included in this report are as follows:

Exchange rates	2014	2013	2012
US\$/£ – average	1.6689	1.5648	1.5851
US\$/£ – period end	1.7099	1.6563	1.6255

#### 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 32 (amendment) Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- IFRS 12 Disclosure of Interests in Other Entities

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 not impact the financial performance or position of the Company.

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\*
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception\*
- Amendments to IAS 1 Disclosure initiative\*
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\*
- Amendments to IAS 27 Equity Method in Separate Financial Statements\*
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations\*
- Annual Improvements to IFRSs 2010–2012 Cycle – effective 1 July 2014
- Annual Improvements to IFRSs 2012–2014 Cycle – effective 1 January 2016\*

\*Not yet endorsed by the European Union.

#### 1.2 Revenue

Dividend income is recognised in the income statement in the period in which it has been approved, by the relevant company's shareholders or, if earlier, declared and paid by that company. Overseas dividends are stated in the income statement gross of overseas withholding taxes but net of other underlying overseas tax attributable to dividends.

#### 1.3 Interest

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

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Foreign Currency Translation

The financial statements of the Company are prepared and presented using its functional currency, which is US Dollar. The functional currency is the currency of the primary economic environment in which the Company operates. Monetary assets and liabilities denominated in non-functional currencies are retranslated into US Dollar at the exchange rates ruling at the balance sheet date. Transactions in currencies other than the functional currency of the Company are translated into the functional currency at the exchange rate ruling at the date of transaction. All exchange differences are taken to the income statement.

#### 1.5 Taxation

The taxation credit in the income statement comprises current tax arising on the current year's profit before tax.

Current tax is the expected net tax receivable 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.

#### 1.6 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 income statement.

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.

#### 1.7 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.

For cash flow statement purposes, cash and cash equivalents include bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 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 2014 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 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 income statement 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. 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 Financial Liabilities

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

Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

By virtue of the nature of the effective interest method, interest accrued on loans that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and is, therefore, included within the carrying value of those loans. Consequently, interest payable within twelve months on loans due after more than one year is recognised in non-current borrowings.

##### 1.11 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.



# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 1. ACCOUNTING POLICIES (continued)

#### 1.12 Share Capital

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

#### 1.13 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 (2013: \$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 (2013: nil).

### 3. OTHER OPERATING EXPENSES - EXCEPTIONAL

	2014 \$'000	2013 \$'000
Impairment of subsidiaries (note 8)	<u>122,094</u>	<u>-</u>

### 4. FINANCE INCOME

	2014 \$'000	2013 \$'000
Foreign exchange gains	818	-
Loans to fellow group companies	<u>1,102</u>	<u>99</u>
	<u>1,920</u>	<u>99</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 5. FINANCE EXPENSE

	2014 \$'000	2013 \$'000
Foreign exchange losses	1,534	-
Bank interest	3	3
Loans from fellow group companies	230	428
	<u>1,767</u>	<u>431</u>

### 6. PROFIT (LOSS) BEFORE TAX

Auditors' remuneration of \$22,429 (2013 - \$22,000) 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.

### 7. TAXATION

	2014 \$'000	2013 \$'000
UK Corporation Tax:		
Current tax – current year charge (credit)	<u>200</u>	<u>(77)</u>

The tax charge (2013: credit) for the year is lower than (2013: the same as) the UK standard rate for corporation tax of 21.5% (2013: 23.25%) because of the following:

	2014 \$'000	2013 \$'000
Profit (loss) before tax	<u>17,451</u>	<u>(332)</u>
Taxation at the standard UK corporation tax rate of 21.5% (2013: 23.25%)	3,752	(77)
Non-taxable income	(29,970)	-
Expenses not deductible for tax purposes	<u>26,418</u>	<u>-</u>
	<u>200</u>	<u>(77)</u>

In July 2013, the UK Government enacted a change in the UK corporation tax rate from 23% to 21% effective from 1 April 2014 and to 20% from 1 April 2015. The changes are not expected to have a material impact on the financial statements.

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 8. INVESTMENT IN SUBSIDIARIES

	2014 \$'000	2013 \$'000
<b>Cost:</b>		
At 1 January	168,018	164,894
Foreign exchange	5,438	3,124
Additions	99,162	-
Disposals	(109,081)	-
At 31 December	163,537	168,018
<b>Impairment:</b>		
At 1 January	26,919	26,419
Foreign exchange	872	500
Charge for the year	122,094	-
Disposals	(109,081)	-
At 31 December	40,804	26,919
<b>Net book value</b>	<u>122,733</u>	<u>141,099</u>

During the year, a central reorganisation took place and the Company acquired HG Management Services Ltd, Hunting Knightsbridge Holdings Limited and Field Insurance Limited from its parent, Hunting PLC. In addition, Hunting Aviation Limited and Hunting Defence Limited were placed into voluntary liquidation. These restructuring activities resulted in additions to the impairment provision of \$122,094,000 being recognised during the year (2013: \$nil) of which \$109,081,000 was subsequently released relating to subsidiaries in liquidation. At 31 December 2014, the cost of investments in subsidiaries that were impaired was \$64,375,000 (2013: \$49,689,000) and the provision for impairment was \$40,804,000 (2013: \$26,919,000).

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.

The subsidiaries comprise:	Country of incorporation & operations	% interest in ordinary shares	Business
Huntfield Trust Limited	England	100	Holding company
HG Management Services Ltd**	England	100	Service company
Hunting Knightsbridge Holdings Limited	England	100	Finance
Field Insurance Limited*	Guernsey	100	Insurance
Huntaven Properties Limited	England	100	Group properties

\* incorporated in the Isle of Man and operating in Guernsey

\*\* HG Management Services Ltd, Hunting Knightsbridge Holdings Limited & Field Insurance Limited were acquired during 2014

\*\*\* Hunting Aviation Limited and Hunting Defence Limited were placed into liquidation during 2014

Interests in companies are held directly by the Company.

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 9. OTHER ACCOUNTS RECEIVABLE

	2014 \$'000	2013 \$'000
<b>Non-current:</b>		
Receivables due from fellow group companies	<u>135,635</u>	<u>6,990</u>
	2014 \$'000	2013 \$'000
<b>Current:</b>		
Receivables due from fellow group companies	<u>-</u>	<u>116,213</u>

At 31 December 2014, 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 (2013: 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 13.

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

Current receivables due from fellow group companies of \$nil (2013: \$116,213,000) are interest free and unsecured. Non-current receivables of \$135,635,000 (2013: \$6,990,000) are interest bearing at 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.

### 10. CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash at bank and in hand	<u>1,110</u>	<u>-</u>

Cash and cash equivalents have been deposited with a bank that has a Fitch rating of F1 and are expected to be fully recovered. Cash and cash equivalents at the year-end are denominated in US Dollars.

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 11. BORROWINGS

	2014 \$'000	2013 \$'000
<b>Non-current:</b>		
Payables due to fellow group companies - loans	-	30,212
<b>Current:</b>		
Payables due to fellow group companies - loans	-	858
Unsecured bank overdraft	-	347
	-	1,205
Total borrowings	-	31,417

Payables due to fellow group companies at 31 December 2013 of \$858,000 were unsecured, interest free and repayable on demand. Payables due to fellow group companies at 31 December 2013 of \$30,212,000 were unsecured with interest charged at 1% above the UK base rate. These borrowings were denominated in Sterling and were repaid during the year.

### 12. PROVISIONS

	Warranties \$'000
At 1 January 2014	-
Additions	1,458
Amounts utilised	(79)
At 31 December 2014	1,379

The warranty provision relates to claims by former employees of a former fellow group company, Aero Sekur SpA, which was sold on 12 July 2007. The provision was transferred at its carrying amount from a former subsidiary company, Hunting Defence Limited, which was placed into voluntary liquidation during the year as disclosed in note 8. The Company received \$1,458,000 from Hunting Defence Limited for the provision transfer. The provision is expected to be utilised during 2015.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014** (continued)

**13. FINANCIAL INSTRUMENTS: FAIR VALUES**

The carrying values of receivables due from fellow group companies, cash and cash equivalents, payables due to fellow group companies 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 and liabilities are a reasonable approximation of their fair values, as the impact of discounting is not significant.

**14. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to certain financial risks, namely market risk (including cash flow interest risk and fair value interest 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 and cash equivalents, receivables due from fellow group companies and owed to fellow group companies, which are at variable interest rates. The Company is exposed to fair value interest rate risk from its interest free loans to and from fellow group companies.

**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.

The Company's outstanding receivables are due from fellow group companies, and no losses are expected from non-performance of these counterparties.

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

### 14. FINANCIAL RISK MANAGEMENT (continued)

#### c) Liquidity risk

The Company has sufficient facilities available to satisfy its requirements.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts presented in the table are the contractual undiscounted cash flows, whereas the carrying amounts in the balance sheet are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

	2014		
	On demand or within one year \$'000	Between two and five years \$'000	Total \$'000
Non-derivative financial liabilities:			
Payables due to fellow group companies - loans	-	-	-
Unsecured bank overdraft	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
	2013		
	On demand or within one year \$'000	Between two and five years \$'000	Total \$'000
Non-derivative financial liabilities:			
Payables due to fellow group companies - loans	858	30,212	31,070
Unsecured bank overdraft	347	-	347
<b>Total financial liabilities</b>	<b>1,205</b>	<b>30,212</b>	<b>31,417</b>

The Company did not have any derivative financial instruments.

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

#### 15. 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 borrowings and receivables. The sensitivity analysis relates to the position as at 31 December 2014.

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 2014. No foreign currency sensitivity testing has been performed because the financial instruments at 31 December 2014 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 a decrease in losses.

#### *Interest rate sensitivity*

The sensitivity rate of 0.25% (2013: 0.25%) for UK 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 (2013: loss) for an increase and decrease in interest rates, with all other variables unchanged, at 31 December.

	2014	2013
	Income statement	Income statement
	\$'000	\$'000
US interest rates +0.25% (2013: +0.25%)	268	-
US interest rates -0.25% (2013: -0.25%)	(268)	-
UK interest rates +0.25% (2013: +0.25%)	-	(47)
UK interest rates -0.25% (2013: -0.25%)	-	47

The movements to the 2014 income statement arise from the US dollar denominated cash and cash equivalents and loans from fellow group companies. The movements to the 2013 income statement arise from Sterling denominated bank overdrafts and loans to and from fellow group companies. There is no impact on other comprehensive income.



## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

#### 16. SHARE CAPITAL

	2014		2013	
	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.

#### 17. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents, receivables due from and amounts owed to 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:

	2014	2013
	\$'000	\$'000
Total equity	257,907	232,967
Less: net cash	(136,745)	(91,786)
Gross capital employed	121,162	141,181

There have been no significant changes in the Company's funding policy during the year.

#### 18. BANKING ARRANGEMENTS

The Company is party to a Group set-off arrangement with Lloyds TSB 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 net liability position across the companies' party to the arrangement in the event of default. Any gross liability position cannot exceed a facility limit of £60m.

#### 19. 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.

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

#### 20. RELATED PARTY TRANSACTIONS

Hunting Energy Holdings Limited, a fellow group company, owed the Company \$nil (2013: \$116,213,000) at the year end on their interest free loan.

The Company was owed \$nil (2013: \$6,990,000) on an interest bearing loan by Hunting PLC, its parent company. Interest of \$52,000 (2013: \$99,000) was charged on the loan during the year.

The Company owed \$nil (2013: \$16,564,000) on an interest bearing loan from Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of \$123,000 (2013: \$235,000) was charged on the loan.

Stag Line Limited, a wholly-owned subsidiary of Huntfield Trust Limited, which is a wholly-owned subsidiary of the Company, was owed \$nil (2013: \$858,000) at the year end on the interest free loan.

The Company was owed \$135,635,000 (2013: \$nil) on an interest bearing loan by Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of \$1,041,000 (2013: \$nil) was charged on the loan during the year.

During the year, the Company earned interest of \$9,000 (2013: \$nil) on an interest bearing loan of \$219,928,000 which was advanced to Hunting Knightsbridge Holdings Limited and then subsequently repaid.

During the year, the Company paid interest of \$1,000 (2013: \$nil) on an interest bearing loan of \$32,484,000 advanced by Hunting Defence Limited which was subsequently repaid and paid interest of \$3,000 (2013: \$nil) on an interest bearing loan of \$70,961,000 advanced by Hunting Aviation Limited, also subsequently repaid. Additionally, the Company paid interest of \$102,000 (2013: \$193,000) on an interest-bearing loan owed to Hunting Defence Limited which was outstanding at the 2013 year-end of \$13,648,000. This loan was repaid during 2014.

The Company received \$1,458,000 from Hunting Defence Limited for the transfer of a warranty provision for former employee claims. Further details are disclosed in note 12.