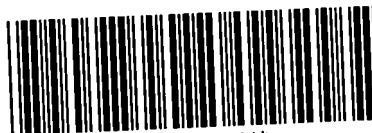


**HUNTING OIL HOLDINGS LIMITED**

**ANNUAL REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Registered No: 01103530**

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**HUNTING OIL HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**HUNTING OIL HOLDINGS LIMITED**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**COMPANY INFORMATION**

Registered number: 01103530

Country of incorporation: England and Wales

Registered office: 5 Hanover Square  
London  
W1S 1HQ

Directors: P. Rose  
D.B. Willey  
M.E. Jarvis  
A.J. Johnson

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 2017.

### 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 \$9,736,000 (2016: \$1,369,000), an increase of \$8,367,000. The increase in dividend income was offset by an impairment charge of \$3,339,000 (2016: \$793,000), recognised in relation to the Company's investment in HG Management Services Ltd (note 7). Profit from operations for the year was \$6,359,000 (2016: \$539,000), an increase of \$5,820,000. Finance income increased by \$1,733,000 to \$4,164,000 (2016: \$2,431,000). The increase in finance income is due to the increase in the interest rate on the loan receivables from fellow group companies. Profit before tax for the year was \$10,523,000 (2016: \$2,970,000) and profit after tax was \$9,724,000 (2016: \$2,947,000).

The decrease in net assets from \$262,229,000 in 2016 to \$262,217,000 in 2017 was attributable to the profit for the year of \$9,724,000 (2016: \$2,947,000) being offset by dividend payments of \$9,736,000 (2016: \$1,328,000).

#### *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 51 to 54 of the Hunting PLC 2017 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



M.E. Jarvis  
Director

26 April 2018

# HUNTING OIL HOLDINGS LIMITED

## DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2017.

### Dividends

An interim dividend of \$9,736,000 (2016: \$1,328,000) was paid during the year. The Directors do not recommend the payment of any further dividends for 2017 (2016: \$nil).

### 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 2018.

### Political Contributions

The Company made no payments to political organisations during the year (2016: \$nil).

### Directors

Except as noted below, the Directors of the Company who served during the year and to the date of this report were as follows:

D.L. Proctor (resigned 1 September 2017)  
R.H. Hunting (resigned 1 September 2017)  
P. Rose  
D.B. Willey  
M.E. Jarvis  
A. J. Johnson (appointed 1 September 2017)

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.

**DIRECTORS' REPORT** (continued)

In preparing these financial statements, the Directors are required to:

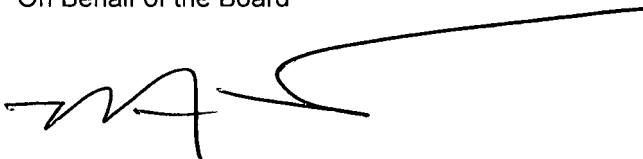
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs, as adopted by the EU, have been followed, subject to any material departures disclosed and explained in the financial statements;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

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

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

On Behalf of the Board

A handwritten signature in black ink, appearing to be 'M.E. Jarvis', with a long horizontal line extending to the right.

M.E. Jarvis  
Director

26 April 2018

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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

In our opinion, Hunting Oil Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

(continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## HUNTING OIL HOLDINGS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HUNTING OIL HOLDINGS LIMITED (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

#### **OTHER REQUIRED REPORTING**

##### **Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

27 April 2018

# HUNTING OIL HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
<b>REVENUE</b>		9,736	1,369
Other operating income		-	6
Other operating expenses – non-exceptional	3	(38)	(43)
Other operating expenses – exceptional	3	(3,339)	(793)
Other operating expenses	3	(3,377)	(836)
<b>PROFIT FROM OPERATIONS</b>		6,359	539
Finance income	4	4,164	2,431
<b>PROFIT BEFORE TAX</b>	5	10,523	2,970
Taxation	6	(799)	(23)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>9,724</u>	<u>2,947</u>

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

# HUNTING OIL HOLDINGS LIMITED

## BALANCE SHEET

AT 31 DECEMBER 2017

	Note	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	7	118,601	121,940
Other accounts receivable	8	145,038	140,920
Deferred tax asset	9	131	147
		<u>263,770</u>	<u>263,007</u>
<b>Current assets</b>			
Cash at bank and in hand		-	52
		<u>-</u>	<u>52</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Provisions	10	(770)	(830)
Current tax liability		(783)	-
		<u>(1,553)</u>	<u>(830)</u>
<b>Net current liabilities</b>		<u>(1,553)</u>	<u>(778)</u>
<b>Net assets</b>		<u>262,217</u>	<u>262,229</u>
<b>Shareholders' equity</b>			
Share capital	14	257,669	257,669
Retained earnings		22,824	22,836
Cumulative translation reserve		<u>(18,276)</u>	<u>(18,276)</u>
<b>Total equity</b>		<u>262,217</u>	<u>262,229</u>

The notes on pages 13 to 25 form part of these financial statements. The financial statements on pages 9 to 25 were approved by the Board of Directors on 26 April 2018 and were signed on its behalf by:



M.E. Jarvis  
Director

Registered No: 01103530

# HUNTING OIL HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital \$'000	Retained earnings \$'000	Cumulative translation reserve \$'000	Total equity \$'000
At 1 January 2017	257,669	22,836	(18,276)	262,229
<b>Total comprehensive income:</b>				
Profit and total comprehensive income for the year	-	9,724	-	9,724
<b>Transactions with owners:</b>				
Dividend paid (note 15)	-	(9,736)	-	(9,736)
	<u>257,669</u>	<u>22,824</u>	<u>(18,276)</u>	<u>262,217</u>
At 31 December 2017	257,669	22,824	(18,276)	262,217

### 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
<b>Total comprehensive income:</b>				
Profit and total comprehensive income for the year	-	2,947	-	2,947
<b>Transactions with owners:</b>				
Dividend paid (note 15)	-	(1,328)	-	(1,328)
	<u>257,669</u>	<u>22,836</u>	<u>(18,276)</u>	<u>262,229</u>
At 31 December 2016	257,669	22,836	(18,276)	262,229

# HUNTING OIL HOLDINGS LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 \$'000	2016 \$'000
<b>Operating activities</b>		
Profit from operations	6,359	539
(Increase) decrease in receivables	(2)	1
Decrease in provisions	(60)	-
Taxation received	-	29
Impairment of investment of subsidiaries – exceptional item (note 3)	3,339	793
<b>Net cash inflow from operating activities</b>	<u>9,636</u>	<u>1,362</u>
<b>Investing activities</b>		
Interest received	<u>4,142</u>	<u>2,421</u>
<b>Net cash inflow from investing activities</b>	<u>4,142</u>	<u>2,421</u>
<b>Financing activities</b>		
Dividend paid (note 15)	(9,736)	(1,328)
Loans issued to fellow group companies	<u>(4,094)</u>	<u>(5,275)</u>
<b>Net cash outflow from financing activities</b>	<u>(13,830)</u>	<u>(6,603)</u>
<b>Net outflow in cash and cash equivalents</b>	(52)	(2,820)
<b>Cash and cash equivalents at the beginning of the year</b>	<u>52</u>	<u>2,872</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>-</u>	<u>52</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of Accounting

Hunting Oil Holdings Limited was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 2. The Company acts as a holding company for the Hunting PLC Group. Details of the Company's subsidiaries are given in note 7.

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 Group's accounting period beginning on or after 1 January 2017:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs 2014-2016 Cycle

Although these amendments became effective for the financial year beginning 1 January 2017, the Company did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these amendments. Therefore, the comparative figures for 2016 have not been restated, 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
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments\*
- Annual Improvements to IFRS Standards 2015-2017 Cycle\*

\*Not yet endorsed by the European Union.

## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 1. ACCOUNTING POLICIES (continued)

##### 1.1 Basis of Accounting (continued)

###### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and establishes principles for the recognition, derecognition, classification and measurement of financial assets and liabilities, together with new requirements relating to the impairment of financial assets and new simplified hedge accounting rules.

IFRS 9 becomes effective for the Company on 1 January 2018 and is generally applied retrospectively, except for hedge accounting requirements, which are generally applied prospectively.

The full impact of adopting IFRS 9 on the Company's financial statements will depend on the financial instruments that the Company has during 2018, as well as the economic conditions and judgements that are made as at the year end. The main changes to the standard that may have an impact on the Company's financial statements are:

- The classification and measurement of financial assets is now driven by the cash flow characteristics of the asset and the business model of the company.
- IAS 39's "incurred loss" model has been replaced with a new impairment model, the 'expected loss' model. An entity will recognise a loss allowance from the point of initial recognition for all financial assets based on expected credit losses, which will result in the earlier recognition of credit losses i.e. a "day one" loss will be recognised. This will result in the earlier recognition of bad debt provisions. There is a simplified impairment model for short-term trade and other receivables and a choice of applying the simplified model to long-term trade receivables. The Company currently expects to apply the simplified model to long-term trade receivables.

The Company has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9, 1 January 2018. Currently there is no material impact on the Company's results or financial position following the adoption of IFRS 9 on 1 January 2018.

##### 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.

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (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 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.

#### 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.



# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (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 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 2017 (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 (2016: \$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 (2016: nil).

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 3. OTHER OPERATING EXPENSES

	2017 \$'000	2016 \$'000
Management fees	<u>38</u>	<u>43</u>
Other operating expenses – non-exceptional	38	43
Impairment of investment in subsidiaries – exceptional (note 7)	<u>3,339</u>	<u>793</u>
	<u>3,377</u>	<u>836</u>

### 4. FINANCE INCOME

	2017 \$'000	2016 \$'000
Bank interest	1	16
Interest on loans to fellow group companies	<u>4,163</u>	<u>2,415</u>
	<u>4,164</u>	<u>2,431</u>

### 5. PROFIT BEFORE TAX

Auditors' remuneration of \$22,000 (2016: \$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.

### 6. TAXATION

	2017 \$'000	2016 \$'000
UK Corporation Tax:		
Current tax – current year charge	(783)	-
Adjustments in respect of prior years	<u>-</u>	<u>(12)</u>
	<u>(783)</u>	<u>(12)</u>
Deferred tax (note 9):		
- current year (charge) credit	(11)	7
- change in tax rate	1	(18)
- adjustments in respect of prior years	<u>(6)</u>	<u>-</u>
	<u>(16)</u>	<u>(11)</u>
Total tax charge	<u>(799)</u>	<u>(23)</u>

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 6. TAXATION (continued)

The tax charge (2016: charge) for the year is lower (2016: lower) than the UK standard rate for corporation tax of 19.25% (2016: 20%) for the following reasons:

	2017 \$'000	2016 \$'000
Profit before tax	<u>10,523</u>	<u>2,970</u>
Taxation at the standard UK corporation tax rate of 19.25% (2016: 20%)	(2,026)	(594)
Non-taxable income	1,874	274
Expenses not deductible for tax purposes	(642)	(159)
Group relief – no payment	-	486
Adjustments in respect of prior years	(6)	(12)
Change in tax rates	<u>1</u>	<u>(18)</u>
Total tax charge	<u>(799)</u>	<u>(23)</u>

A number of changes to the UK corporation tax system were announced in the Chancellor's Budget on 8 March 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017. The Finance (No.2) Bill 2017-19 includes changes announced in the Autumn Budget 2017. The Finance Bill 2015 included a reduction to the main corporation tax rate to 19% from 1 April 2017. The Finance Bill 2016, which received Royal Assent on 15 September 2016, included reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The changes are not expected to have a material impact on the Company's financial statements.

### 7. INVESTMENT IN SUBSIDIARIES

	2017 \$'000	2016 \$'000
<b>Cost:</b>		
At 1 January and 31 December	<u>163,537</u>	<u>163,537</u>
<b>Impairment:</b>		
At 1 January	41,597	40,804
Charge for the year	<u>3,339</u>	<u>793</u>
At 31 December	<u>44,936</u>	<u>41,597</u>
<b>Net book value</b>	<u>118,601</u>	<u>121,940</u>

During the year, an impairment charge of \$3,339,000 was recognised in relation to the Company's investment in HG Management Services Ltd. The investment has been written down to the directors' best estimate of its recoverable amount. This is determined based on the undiscounted cash flows from the recovery of the underlying net assets of the subsidiary. At 31 December 2017, the cost of investments in subsidiaries that were impaired was \$93,373,000 (2016: \$66,536,000) and the provision for impairment was \$44,936,000 (2016: \$41,597,000).

# HUNTING OIL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 7. INVESTMENT IN SUBSIDIARIES (continued)

Subsidiaries <sup>i</sup>	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 <sup>ii</sup>	The Albany, South Esplanade, St Peter Port, GY1 4NF, Guernsey
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited <sup>iii</sup>	5 Hanover Square, London, W1S 1HQ, England

i. Companies are wholly owned, except where indicated, being incorporated and operating in the countries indicated. There have been no changes to the Company's subsidiaries during the year.

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

iii. Dormant company and exempt from being audited.

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 10% increase in the Sterling/US dollar foreign exchange rate at the year end would result in a further impairment charge of \$2,136,000 in relation to the investment in HG Management Services Ltd and a further impairment charge of \$111,000 in relation to the investment in Field Insurance Limited.

### 8. OTHER ACCOUNTS RECEIVABLE

	2017 \$'000	2016 \$'000
<b>Non-current:</b>		
Loan receivables due from fellow group companies	<u>145,038</u>	<u>140,920</u>

At 31 December 2017, 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 (2016: 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 2017 (continued)

#### 8. OTHER ACCOUNTS RECEIVABLE (continued)

Non-current receivables of \$145,038,000 (2016: \$140,920,000) are interest bearing, with a variable interest rate of 3.25% (2016: 1.75%), unsecured and are due to be repaid in March 2022. The interest rate is based on the US Federal Rate of 1.25% plus a margin of 2%.

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	
	2017 \$'000	2016 \$'000
<b>Non-current:</b>		
At 1 January	147	158
Charge to the statement of comprehensive income (note 6)	(16)	(11)
At 31 December	<u>131</u>	<u>147</u>

Deferred tax assets of \$131,000 (2016: \$147,000) have been recognised as the Company has assessed that the realisation of the benefit is probable. Deferred tax assets of \$131,000 (2016: \$147,000) are expected to be recovered after more than twelve months.

#### 10. PROVISIONS

	Warranties \$'000
At 1 January	830
Utilised	<u>(60)</u>
At 31 December	<u>770</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 2018.

#### 11. FINANCIAL INSTRUMENTS: FAIR VALUES

The carrying value of loan receivables due from 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 are a reasonable approximation of their fair values, as the impact of discounting is not significant.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017 (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 loan 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. 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 receivables. The sensitivity analysis relates to the position as at 31 December 2017.

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 2017. No foreign currency sensitivity testing has been performed because the financial instruments at 31 December 2017 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 2017 (continued)

### 13. FINANCIAL INSTRUMENTS: SENSITIVITY ANALYSIS (continued)

#### *Interest rate sensitivity*

The sensitivity rate of 0.75% (2016: 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	
	2017	2016
	\$'000	\$'000
US interest rates +0.75% (2016: +0.5%)	878	564
US interest rates -0.75% (2016: -0.5%)	(878)	(564)

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

### 14. SHARE CAPITAL

	2017		2016	
	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

	2017		2016	
	Cents per share	\$'000	Cents per share	\$'000
Interim dividends paid	6.838	9,736	0.933	1,328



## HUNTING OIL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

#### 16. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising cash and cash equivalents and loan 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:

	2017 \$'000	2016 \$'000
Total equity	262,217	262,229
Cash at bank and in hand	-	(52)
Receivables due from fellow group companies (note 8)	(145,038)	(140,920)
Less: net cash	(145,038)	(140,972)
Gross capital employed	117,179	121,257

The decrease in total equity during the year is attributable to the profit for the year of \$9,724,000, offset by the dividend paid of \$9,736,000. The bank balance was transferred as a loan to the Hunting Group's treasury function. During March 2017, the Group's treasury function put in place a sweeping arrangement with the Company, such that at the end of each day any balances in its bank accounts are swept to the treasury function, with a corresponding increase in the loan receivable balance with fellow group companies. As a result, at the end of the year, cash at bank is \$nil. The net increase in the loan during the year was \$4,119,000, which is mainly due to interest income received of \$4,142,000. 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.

## **HUNTING OIL HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017** (continued)

#### **19. RELATED PARTY TRANSACTIONS**

During the year, the Company paid \$38,000 (2016: \$43,000) management fees to HG Management Services Ltd, a fellow group company. There was no balance at the year end.

The Company was also owed \$145,038,000 (2016: \$140,920,000) on an interest bearing loan by Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of \$4,163,000 (2016: \$2,415,000) was charged on the loan during the year.