HUNTING OIL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered No: 01103530

HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

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HUNTING OIL HOLDINGS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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.

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments became effective for the Company on 1 January 2018. However it has not had to make any adjustments as a result of adopting either standard as the changes do not impact the financial performance or position of the Company, which is discussed in note 1.

The results and financial position of the Company are set out in the attached financial statements.

Dividend income during the year was $nil (2017: $9,736,000). No impairment charges have been recognised in relation to the Company's investment in subsidiaries; however, in 2017 an impairment charge of $3,339,000 was recognised in relation to the Company's investment in HG Management Services Ltd (note 7). The loss from operations for the year was $39,000 (2017: $6,359,000 profit), a decrease of $6,398,000.

Finance income increased by $312,000 to $4,476,000 (2017: $4,164,000). The increase in finance income is due to the increase in the interest rate on the loan receivable from a fellow group company. Profit before tax for the year was $4,437,000 (2017: $10,523,000) and, after a tax charge of $824,000 (2017: $799,000), profit after tax was $3,613,000 (2017: $9,724,000).

The increase in net assets from $262,217,000 in 2017 to $265,830,000 in 2018 was attributable to the profit for the year of $3,613,000 (2017: $9,724,000). There were no dividend payments in the year (2017: $9,736,000). Net cash increased from $145,038,000 to $148,678,000 during the year. Details of the Company's capital risk management are disclosed in note 16.

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 49 to 52 of the Hunting PLC 2018 Annual Report and Accounts. Further detail on financial risks is provided within note 12.

HUNTING OIL HOLDINGS LIMITED

STRATEGIC REPORT (continued)

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

24 April 2019

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for the year ended 31 December 2018.

Dividends

No dividends were paid during the year (2017: $9,736,000). The Directors do not recommend the payment of dividend for the year.

Risk Management

Further information on the Company's financial risks and its financial risk management is disclosed in note 12.

Future Outlook

No change in the activities of the Company is anticipated in 2019.

Political Contributions

The Company made no payments to political organisations during the year (2017: $nil).

Directors

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

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

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 in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements (continued)
In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' Confirmations
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.

Independent Auditors
PricewaterhouseCoopers LLP will stand down as the Company's auditors and on the recommendation of Hunting PLC Group Audit Committee, the Board proposes that Deloitte LLP be appointed as the Company's new auditors in the absence of an Annual General Meeting.

On Behalf of the Board

M.E. Jarvis
Director

24 April 2019

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 2018 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

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.

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 2018 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 of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 5 and 6, 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.

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

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.

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. 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

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

24 April 2019

HUNTING OIL HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		$'000	$'000
REVENUE		**-**	9,736
Other operating income		**2**	-
Other operating expenses – non-exceptional	3	**(41)**	(38)
Other operating expenses – exceptional	3	**-**	(3,339)
Other operating expenses	3	**(41)**	(3,377)
(LOSS) PROFIT FROM OPERATIONS	4	**(39)**	6,359
Finance income	5	**4,476**	4,164
PROFIT BEFORE TAX		**4,437**	10,523
Taxation	6	**(824)**	(799)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,613**	9,724

HUNTING OIL HOLDINGS LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018	2017
		$'000	$'000
ASSETS			
Non-current assets			
Investment in subsidiaries	7	**118,601**	118,601
Accounts receivable	8	**148,678**	145,038
Deferred tax asset	9	**126**	131
		267,405	263,770
LIABILITIES			
Current liabilities			
Provisions	10	**(738)**	(770)
Current tax liability		**(837)**	(783)
		(1,575)	(1,553)
Net current liabilities		**(1,575)**	(1,553)
Net assets		**265,830**	262,217
Shareholders' equity			
Share capital	14	**257,669**	257,669
Retained earnings		**26,437**	22,824
Cumulative translation reserve		**(18,276)**	(18,276)
Total equity		**265,830**	262,217

The notes on pages 14 to 27 form part of these financial statements. The financial statements on pages 10 to 27 were approved by the Board of Directors on 24 April 2019 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 2018

	Share capital $'000	Retained earnings $'000	Cumulative translation reserve $'000	Total equity $'000
At 1 January 2018	**257,669**	**22,824**	**(18,276)**	**262,217**
Total comprehensive income:				
Profit and total comprehensive income for the year	-	**3,613**	-	**3,613**
At 31 December 2018	**257,669**	**26,437**	**(18,276)**	**265,830**

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
Total comprehensive income:				
Profit and total comprehensive income for the year	-	9,724	-	9,724
Transactions with owners:				
Dividend paid (note 15)	-	(9,736)	-	(9,736)
At 31 December 2017	257,669	22,824	(18,276)	262,217

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	$'000	$'000
Operating activities		
(Loss) profit from operations	**(39)**	6,359
Increase in receivables	-	(2)
Decrease in provisions	**(32)**	(60)
Taxation paid	**(765)**	-
Impairment of investment of subsidiaries – exceptional item (note 3)	-	3,339
Net cash (outflow) inflow from operating activities	**(836)**	9,636
Investing activities		
Interest received	**4,503**	4,142
Net cash inflow from investing activities	**4,503**	4,142
Financing activities		
Dividend paid (note 15)	-	(9,736)
Loans issued to fellow group companies	**(3,667)**	(4,094)
Net cash outflow from financing activities	**(3,667)**	(13,830)
Net outflow in cash and cash equivalents	-	(52)
Cash and cash equivalents at the beginning of the year	-	52
Cash and cash equivalents at the end of the year	-	-

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

Hunting Oil Holdings Limited is a private company limited by shares. 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 as applicable to companies using IFRS 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, except as noted below.

Adoption of New Standards, Amendments and Interpretations

The following standards have been adopted and are effective for the financial year beginning on 1 January 2018. The impact of adopting these accounting standards is explained further in the notes below.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

A number of amendments to other IFRS became effective for the financial year beginning on 1 January 2018, however the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers became effective for the Company on 1 January 2018. There has been no impact on the financial performance or position of the Company as a result of adopting IFRS 15, as the Company's revenue is dividend income from its subsidiaries, which is outside the scope of IFRS 15.

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 Financial Instruments became effective for the Company on 1 January 2018.

In accordance with the transitional provisions of IFRS 9 (7.2.15), comparative figures have not been restated in respect of IFRS 9's classification and measurement (including impairment) requirements. Accordingly, the information presented for the year ended 31 December 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. Any differences in the carrying amounts of financial assets and financial liabilities as a result of adopting IFRS 9 are recognised in retained earnings as at 1 January 2018. There was no impact on the Company's retained earnings as at 1 January 2018 as a result of adopting IFRS 9. The Company has changed its accounting policies as a result of adopting IFRS 9.

On 1 January 2018, the date of initial application of IFRS 9, management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. 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. The Company has a hold to collect business model and therefore the classification of financial assets has not changed following the adoption of IFRS 9. As a result, there has been no impact on the Company's retained earnings.

The interest-bearing loan receivable due from a fellow group company was previously classified as loans and receivables under IAS 39 are now classified as at amortised cost under IFRS 9. The carrying amounts for financial assets under IFRS 9 have not changed from the carrying amounts under IAS 39.

Effective Subsequent to the Year End

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

- Annual Improvements to IFRS Standards 2015-2017 Cycle*
- Amendment to IAS 1 and IAS 8: Definition of Material*
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

*Not yet endorsed by the European Union

1. ACCOUNTING POLICIES (continued)

1.1 Basis of Accounting (continued)

In addition to the above, IFRIC 23 Uncertainty over Income Tax Treatments is effective for the Company on 1 January 2019. A preliminary assessment of the potential impact of adopting IFRIC 23 Uncertainty over Income Tax Treatments on 1 January 2019 has been carried out and there is no material impact on the Company's results or financial position.

1.2 Revenue

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

1.4 Foreign Currency Translation

The financial statements of the Company are prepared and presented using its functional currency, which is US Dollar. 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 the US dollar are translated at the exchange rate ruling at the date of transaction. All exchange differences are taken to the statement of comprehensive income (expense).

1.5 Taxation

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

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. ACCOUNTING POLICIES (continued)

1.6 Investment in Subsidiaries

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

1.7 Exceptional Items

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

1.8 Financial Assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the income statement.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset in order to generate cash flows and the cash flow characteristics of the financial asset. Debt instruments that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. The Company's debt instruments are classified as carried at amortised cost. Interest income from these financial assets is included in finance income 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.

Debt instruments held for collection of contractual cash flows include the loan receivable due from a fellow group company.

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan receivables due from fellow group companies carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue.

1. ACCOUNTING POLICIES (continued)

1.8 Financial Assets (continued)

Previous Accounting Policy Applied in 2017

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 (expense) 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.

1.9 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.

1. ACCOUNTING POLICIES (continued)

1.10 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.

1.11 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 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.

1.12 Share Capital

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

1.13 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.

1.14 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 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.

In respect of the carrying value of the Company's investments in subsidiaries, this is reviewed for impairment at least annually by comparing its carrying value with the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Management prepare calculations using the FVLCD basis, which represents the value of the subsidiary in a sales transaction on an arms length basis. As there is no active market for the Company's subsidiaries, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by the subsidiary and are discounted at a rate that is determined for each company in isolation by consideration of their business risk profiles.

1. ACCOUNTING POLICIES (continued)

1.14 Critical Accounting Estimates and Judgements (continued)

The estimated future gross cash flows utilise independent market forecasts adjusted to reflect the Directors' view of the subsidiary's future trading prospects and can include known growth projects and are discounted at a rate that is determined for each business unit in isolation by consideration of their business risk profiles. Any shortfall in the recoverable amount is charged to the statement of comprehensive income (expense) immediately. Details of the impairment review are disclosed in note 7.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any remuneration during the year in respect of their services to the Company (2017: $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 (2017: nil).

3. OTHER OPERATING EXPENSES

	2018	2017
	$'000	$'000
Management fees	**41**	38
Other operating expenses – non-exceptional	**41**	38
Impairment of investment in subsidiaries – exceptional	**-**	3,339
	41	3,377

4. (LOSS) PROFIT FROM OPERATIONS

	2018	2017
	$'000	$'000
(Loss) profit from operations is stated after charging (crediting):		
Impairment of investment in subsidiaries – exceptional	-	3,339
Net foreign exchange (gains) losses		
- financial liabilities measured at amortised cost	**(2)**	-

Auditors' remuneration of $23,000 (2017: $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.

5. FINANCE INCOME

	2018 $'000	2017 $'000
Bank interest	-	1
Interest on loans to fellow group companies	4,476	4,163
	4,476	4,164

6. TAXATION

	2018 $'000	2017 $'000
UK Corporation Tax:		
– current year charge	(837)	(783)
– adjustments in respect of prior years	18	-
Current tax	(819)	(783)
Deferred tax (note 9):		
– current year charge	(5)	(11)
– change in tax rate	-	1
– adjustments in respect of prior years	-	(6)
	(5)	(16)
Total tax charge	(824)	(799)

The tax charge (2017: charge) for the year is lower (2017: lower) than the UK standard rate for corporation tax of 19% (2017: 19.25%) for the following reasons:

	2018 $'000	2017 $'000
Profit before tax	4,437	10,523
Taxation at the standard UK corporation tax rate of 19% (2017: 19.25%)	(843)	(2,026)
Non-taxable income	1	1,874
Expenses not deductible for tax purposes	-	(642)
Adjustments in respect of prior years	18	(6)
Change in tax rates	-	1
Total tax charge	(824)	(799)

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 29 October 2018. The Finance Act 2019 was enacted on 12 February 2019. 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 tax balances.

7. INVESTMENT IN SUBSIDIARIES

	2018	2017
	$'000	$'000
Cost:		
At 1 January and 31 December	**163,537**	163,537
Impairment:		
At 1 January	**44,936**	41,597
Charge for the year	**-**	3,339
At 31 December	**44,936**	44,936
Net book value	**118,601**	118,601

During 2017, an impairment charge of $3,339,000 was recognised in relation to the Company's investment in HG Management Services Ltd. The investment was written down to the Directors' best estimate of its recoverable amount. This was determined based on the undiscounted cash flows from the recovery of the underlying net assets of the subsidiary. The valuation is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. At 31 December 2018, the cost of investments in subsidiaries that were impaired was $93,373,000 (2017: $93,373,000) and the provision for impairment was $44,936,000 (2017: $44,936,000). 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.

Subsidiaries[ii/iv]	Registered Address
Huntfield Trust Limited[i/iii]	5 Hanover Square, London, W1S 1HQ, England
HG Management Services Ltd[i]	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited[i]	5 Hanover Square, London, W1S 1HQ, England
Field Insurance Limited[i]	The Albany, South Esplanade, St Peter Port, GY1 4NF, Guernsey
Hunting Aviation Limited[i/iii]	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited[i]	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited[iii]	5 Hanover Square, London, W1S 1HQ, England

i. Interests in these companies are held directly by the Company. For all other companies, the interest is held indirectly.

ii. Companies are incorporated and operate in the countries indicated, except for Field Insurance Limited, which was incorporated in Isle of Man and operates in Guernsey.

iii. Dormant company and exempt from being audited.

iv. All interests in the companies are in the equity shares of those companies. The proportion of voting rights is represented by the interest in the equity shares of those companies.

Sensitivities

Foreign exchange rates

A 10% increase in the Sterling/US dollar foreign exchange rate at the year end would result in an impairment charge of $2,060,000 in relation to the investment in HG Management Services Ltd and an impairment charge of $119,000 in relation to the investment in Field Insurance Limited.

8. ACCOUNTS RECEIVABLE

	2018	2017
	$'000	$'000
Non-current:		
Loan receivable due from a fellow group company – interest-bearing	**148,678**	145,038

The interest-bearing loan receivable due from a fellow group company is repayable in March 2023, is unsecured, has a variable interest rate, which is the US Federal Reserve plus a margin of 0.85%, and is denominated in US dollars.

The interest-bearing loan receivable due from a fellow group company is a financial asset measured at amortised cost.

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan receivable due from a fellow group company carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend upon whether there has been a significant increase in credit risk. To assess whether there has been a significant increase in credit risk, the risk of default occurring as at 31 December 2018 is compared with the risk of default occurring as at the date of initial recognition. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue. Macroeconomic information is also considered.

At 31 December 2018, the Company's loan receivable was not overdue and the Company does not consider it necessary to provide for any impairment. The loan receivable is expected to be fully recovered, as there is no recent history of default or any indications that the contractual payments will not be made (see note 12(b)).

At the year end there are no receivables (2017: none) whose terms have been renegotiated and would otherwise be overdue or impaired.

At the year end there are no receivables (2017: none) whose terms have been renegotiated and would otherwise be overdue or impaired. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. The Company's maximum exposure to credit risk is the fair value of each class of receivable. The carrying amount of receivables approximates their fair value as described in note 11.

9. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:

	Tax losses	
	2018	2017
	$'000	$'000
Non-current:		
At 1 January	**131**	147
Charge to the statement of comprehensive income (note 6)	**(5)**	(16)
At 31 December	**126**	131

Deferred tax assets of $126,000 (2017: $131,000) have been recognised as the Company has assessed that the realisation of the benefit is probable. Deferred tax assets of $126,000 (2017: $131,000) are expected to be recovered after more than twelve months.

10. PROVISIONS

	Warranties
	$'000
At 1 January	**770**
Utilised	**(32)**
At 31 December	**738**

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 reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation.

11. FINANCIAL INSTRUMENTS: FAIR VALUES

The carrying value of the loan receivable due from a fellow group company and the warranties provision approximates their values.

Due to its short-term nature, the carrying value of the provision approximates its fair value. The carrying value of the interest-bearing loan receivable due from a fellow group company approximates its fair value as interest is charged based on a margin over current bank lending rates.

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.

12. FINANCIAL RISK MANAGEMENT (continued)

a) Interest rate risk

The Company is exposed to cash flow interest rate risk from its loan receivable due from a fellow group company, which is 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 interest-bearing loan receivable due from a fellow group company has not been impaired as no losses are expected from non-performance of this counterparty. The credit risk at the time the loan was taken out was deemed to be low and there has not been an increase in the credit risk since the time the loan was initially recognised. Therefore, management does not believe that there is a significant increase in credit risk such that the loan moves from stage 1 to stage 2 of the IFRS 9 general impairment model. There is no history of default and previously all payments under the original terms of the loan have been made.

The loan is with the Group's central treasury company, which has sufficient cash, short-term deposits and credit facilities, in the form of the $160 million Revolving Credit Facility ("RCF"), to repay the loan. Management does not have any reason to believe that any future payments will not be made in accordance with the terms of the loan and no losses are expected from non-performance from this counterparty. Therefore no provision for 12-month expected credit losses has been made under IFRS 9.

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.

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. As a result, at the end of the year, cash a bank was $nil.

The Company is party to a cross guarantee and 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 held by any of the companies that are party to the aforementioned arrangements in the event of default.

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 2018.

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 2018. No foreign currency sensitivity testing has been performed because the financial instruments at 31 December 2018 were all denominated in US dollars.

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

- Interest rate sensitivities have an asymmetric impact on the Company's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.
- 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.
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

Positive figures represent an increase in profits.

Interest rate sensitivity
The sensitivity rate of 0.5% (2017: 0.75%) 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 post-tax impact on the Company's statement of comprehensive income (expense) for an increase in interest rates was an increase of $602,000 (2017: $878,000). The post-tax impact on the Company's statement of comprehensive income (expense) for a decrease in interest rates was a decrease of $602,000 (2017: $878,000).

The movements in the statement of comprehensive income (expense) arise from the US dollar denominated interest-bearing loan receivable due from a fellow group company. There is no impact on other comprehensive income ("OCI").

14. SHARE CAPITAL

	2018		2017	
	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

	2018		2017	
	Cents per share	**$'000**	Cents per share	$'000
Interim dividends paid	-	-	6.838	9,736

16. CAPITAL RISK MANAGEMENT

The Company's capital consists of equity and net cash, comprising the loan receivable due from a fellow group company. 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:

	2018	2017
	$'000	$'000
Total equity	**265,830**	262,217
Less net cash: Receivable due from a fellow group company	**(148,678)**	(145,038)
Gross capital employed	**117,152**	117,179

The increase in total equity during the year is attributable to the profit for the year of $3,613,000. The net increase in the loan during the year was $3,640,000, which is mainly due to interest income received of $4,503,000. There have been no significant changes in the Company's funding policy during the year.

17. 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.

18. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fees of $41,000 (2017: $38,000) to HG Management Services Ltd, a fellow group company. There was no balance at the year end.

The Company was also owed $148,678,000 (2017: $145,038,000) on an interest-bearing loan by Hunting Knightsbridge Holdings Limited, a fellow group company. Interest of $4,476,000 (2017: $4,163,000) was charged on the loan during the year.