

Registered Number: 03532045

Hunting Energy Services Overseas Holdings Limited  
Annual Report and Accounts  
For the Year Ended 31 December 2017

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## Strategic Report

### Business Review

The Company is a wholly-owned subsidiary of Hunting Energy Services (International) Limited, is UK domiciled and is registered in England and Wales. The Company operates as an intermediate holding and investment company for the Hunting PLC Group. Details of the Company's investments are given in note 17 to the financial statements.

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

On 26 September 2017, the Company disposed of its investment in Hunting Energy Services (Canada) Ltd and sold it to a fellow group company, Hunting Energy Holdings Limited, for £6,097,000. The carrying value of the investment was £6,097,000, so no gain or loss has been recognised.

Tubular Resources Pte. Ltd, an associate of the Company, has been placed into liquidation. The Company has derecognised its investment, which had a carrying value of £829,000. The Company received a final statement from the liquidators and is due to receive £950,000 upon the winding up of the Company as its share of the net assets, this has been recognised as a current receivable in note 8. A profit on the disposal of £211,000 has been recognised in the statement of comprehensive income (expense) in other operating income.

During 2016, an impairment to the carrying value of the investment in subsidiaries was recognised, resulting in a charge of £8,597,000 in the statement of comprehensive income (expense). No impairment charge was recognised in 2017.

The Company's profit from operations was £138,000 (2016: £8,674,000 loss).

After finance income of £115,000 (2016: £33,000), the profit before tax was £253,000 (2016: £8,641,000 loss). The profit for the year was £232,000 (2016: £8,643,000 loss) after a tax charge of £21,000 (2016: £2,000).

Net assets have increased from £10,313,000 at 31 December 2016 to £10,545,000 at 31 December 2017 as a result of the profit for the year of £232,000.

### Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal 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 10.

### Key Performance Indicators ("KPIs")

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

On Behalf of the Board



M E Jarvis  
Director

26 April 2018

## Directors' Report

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

### Registered Office

The registered office of the Company is 5 Hanover Square, London, W1S 1HQ.

### Risk Management

Further information on financial risk management is disclosed in note 10.

### Dividends

The Directors do not recommend the payment of a dividend for the year (2016: £nil).

### Future Outlook

No change in the activities of the Company is anticipated in 2018.

### Political Contributions

The Company did not make any 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:

P Rose

A J Johnson

M E Jarvis (appointed 21 July 2017)

D L Proctor (resigned 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.

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.

## Directors' Report (continued)

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 stroke extending to the right.

M E Jarvis  
Director

26 April 2018

# Independent Auditors' Report to the Members of Hunting Energy Services Overseas Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Hunting Energy Services Overseas 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 (Expense), 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.

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.

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

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 2 and 3, 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.

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.

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

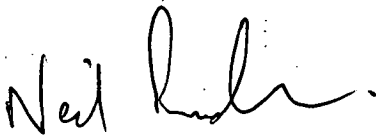
### Other required reporting

#### 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



## Statement of Comprehensive Income (Expense)

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Other operating income – profit on liquidation of investment in associate	7	211	-
Operating expenses – non-exceptional	4	(73)	(77)
Operating expenses – exceptional	4	-	(8,597)
Operating expenses	4	(73)	(8,674)
<b>Profit (loss) from operations</b>		<b>138</b>	<b>(8,674)</b>
Finance income	5	115	33
<b>Profit (loss) before tax</b>		<b>253</b>	<b>(8,641)</b>
Taxation	6	(21)	(2)
<b>Profit (loss) and total comprehensive income (expense) for the financial year</b>		<b>232</b>	<b>(8,643)</b>

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

**Balance Sheet****At 31 December 2017**

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary	7	-	6,097
Investment in associates	7	-	829
Investment in joint ventures	7	82	82
Other receivables	8	9,512	-
		<b>9,594</b>	<b>7,008</b>
<b>Current assets</b>			
Other receivables	8	972	5
Cash at bank and in hand		-	3,329
		<b>972</b>	<b>3,334</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables		-	(1)
Current tax liabilities		(21)	(2)
Provisions		-	(26)
		<b>(21)</b>	<b>(29)</b>
<b>Net current assets</b>		<b>951</b>	<b>3,305</b>
<b>Net assets</b>		<b>10,545</b>	<b>10,313</b>
<b>Shareholders' equity</b>			
Share capital	12	21,163	21,163
Accumulated losses		(10,618)	(10,850)
<b>Total equity</b>		<b>10,545</b>	<b>10,313</b>

The notes on pages 11 to 21 form part of these financial statements. The financial statements on pages 7 to 21 were approved by the Board of Directors on 26 April 2018 and were signed on its behalf by:



M E Jarvis  
Director

Registered Number: 03532045

## Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital	Accumulated losses	Total Equity
	£'000	£'000	£'000
At 1 January	21,163	(10,850)	10,313
<b>Total comprehensive income:</b>			
Profit and total comprehensive income for the year	-	232	232
At 31 December	21,163	(10,618)	10,545

For the year ended 31 December 2016

	Share Capital	Accumulated losses	Total Equity
	£'000	£'000	£'000
At 1 January	21,163	(2,207)	18,956
<b>Total comprehensive expense:</b>			
Loss and total comprehensive expense for the year	-	(8,643)	(8,643)
At 31 December	21,163	(10,850)	10,313

## Statement of Cash Flows

For the year ended 31 December 2017

	2017 £'000	2016 £'000
<b>Operating activities</b>		
Profit (loss) from operations	138	(8,674)
Impairment of investment in subsidiaries	-	8,597
Profit on liquidation of investment in associate	(211)	-
(Increase) decrease in receivables	(24)	6
Decrease in payables	(1)	(10)
(Decrease) increase in provisions	(26)	26
Tax paid	(2)	(3)
Non-cash flow items	90	-
<b>Net cash outflow from operating activities</b>	<b>(36)</b>	<b>(58)</b>
<b>Investing activities</b>		
Disposal of investment in subsidiaries (note 7)	6,097	-
Interest received	122	25
<b>Net cash inflow from investing activities</b>	<b>6,219</b>	<b>25</b>
<b>Financing activities</b>		
New loan issued to fellow group company	(9,512)	-
<b>Net cash outflow from financing activities</b>	<b>(9,512)</b>	<b>-</b>
<b>Net outflow in cash and cash equivalents</b>	<b>(3,329)</b>	<b>(33)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>3,329</b>	<b>3,362</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>3,329</b>

## Notes to the Financial Statements

### 1. Basis for Preparation

Hunting Energy Services Overseas 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 investments are given in note 17.

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ('IFRS') and International Financial Reporting Standards Interpretations Committee ('IFRSIC') Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out in note 18. 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.

### 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.

## Notes to the Financial Statements (continued)

### 1. Basis for Preparation (continued)

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 financial performance or position following the adoption of IFRS 9 on 1 January 2018.

### 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 Energy Services Overseas Holdings Limited is its Directors.

The average monthly number of persons employed by the Company during the year was nil (2016: nil).

### 3. 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. There were no key estimates at 31 December 2017.

### 4. Operating Expenses

	2017	2016
	£'000	£'000
Legal fees (refund) charge	(17)	55
Management fee	-	22
Foreign exchange losses – loans and receivables	90	-
Administrative expenses – non-exceptional	73	77
Impairment of investment in subsidiaries (note 7) - exceptional	-	8,597
	<b>73</b>	<b>8,674</b>

Auditors' remuneration of £10,000 (2016: £10,000) is borne by Hunting PLC, the Company's ultimate parent company, for services provided to the Company for the statutory audit of the financial statements.

## Notes to the Financial Statements (continued)

### 5. Finance Income

	2017	2016
	£'000	£'000
Interest on loans to fellow group companies	96	-
Bank interest	19	33
	<b>115</b>	<b>33</b>

### 6. Taxation

	2017	2016
	£'000	£'000
<b>UK current tax:</b>		
- current year charge	(21)	(2)
<b>Taxation</b>	<b>(21)</b>	<b>(2)</b>

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

	2017	2016
	£'000	£'000
<b>Profit (loss) before tax</b>	<b>253</b>	<b>(8,641)</b>
Taxation at the standard UK corporation tax rate of 19.25% (2016: 20%)	(49)	1,728
Non-taxable income	24	-
Expenses not deductible for tax purposes	4	(1,730)
<b>Taxation</b>	<b>(21)</b>	<b>(2)</b>

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.

## Notes to the Financial Statements (continued)

### 7. Investments

	2017	2016
Investment in subsidiary	£'000	£'000
<i>Cost:</i>		
At 1 January	23,371	23,371
Disposals	(23,371)	-
At 31 December	-	23,371
<i>Impairment:</i>		
At 1 January	(17,274)	(8,677)
Charge for the year	-	(8,597)
Disposals	17,274	-
At 31 December	-	(17,274)
<i>Net book amount</i>	-	6,097

On 26 September 2017, the Company disposed of its investment in Hunting Energy Services (Canada) Ltd and sold it to a fellow group company, Hunting Energy Holdings Limited, for £6,097,000. The carrying value of the investment was £6,097,000 and no gain or loss has been recognised.

	2017	2016
Investment in associates	£'000	£'000
At 1 January and 31 December	-	829

#### Investment in joint ventures

At 1 January and 31 December	82	82
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Tubular Resources Pte. Ltd, an associate of the Company, has been placed into liquidation. The Company has derecognised its investment, which had a carrying value of £829,000. The Company received a final statement from the liquidators and is due to receive £950,000 upon the winding up of the Company as its share of the net assets, this has been recognised as a current receivable in note 8. The receivable was settled on 12 March 2018. A profit on the disposal of £211,000 has been recognised in the statement of comprehensive income (expense) in other operating income.

The Company's associates and joint ventures are detailed in note 17.



## Notes to the Financial Statements (continued)

### 8. Other Receivables

	2017 £'000	2016 £'000
<b>Non-current:</b>		
Loan receivable due from fellow group companies	9,512	-
<b>Current:</b>		
Receivable due from liquidators on winding up of associate (note 7)	950	-
Other receivables	22	5
	972	5

Current receivables are unsecured, interest free. The receivable due from the liquidators is denominated in US dollars, and £17,000 of other receivables are denominated in Singapore dollars and £5,000 is denominated in Sterling.

At 31 December 2017, the Company's receivables were not overdue and the Company does not consider it necessary to provide for any impairment. The 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 none of the receivables 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 the receivables approximates its fair value as described in note 9.

### 9. Financial Instruments: Fair Values

The carrying value of cash at bank and in hand, other receivables and other payables approximates their fair 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 impact of discounting is not significant.

### 10. Financial Risk Management

The Company's activities expose it to certain financial risks, namely market risk (including currency risk and 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) Foreign exchange risk

The Company is exposed to foreign exchange risk from its operating activities. Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in Sterling. The Company has US dollar and Singapore dollar denominated assets, which are translated into Sterling at the year end, with exchange rate differences taken to the income statement. This exposes the Company to movements in foreign exchange rates.

The carrying amount of the Company's financial assets included in other receivables at 31 December, on which exchange differences would be recognised in the statement of comprehensive income (expense) in the following year is £950,000 for US dollar denominated financial assets and £17,000 for Singapore dollar denominated financial assets.

#### b) Interest rate risk

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

## Notes to the Financial Statements (continued)

### 10. Financial Risk Management (continued)

#### c) Credit risk

The Company's credit risk arises from its cash at bank and in hand, loan receivables due from fellow group companies, receivable due from the liquidator and other 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 majority of the Company's outstanding receivables are due from fellow group companies. No losses are expected from non-performance of these counterparties.

#### d) 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.

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

	On demand or within one year	
	2017	2016
	£'000	£'000
Other payables	-	1

### 11. 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 comprise cash at bank and in hand loan receivables due from fellow group companies, receivable due from the liquidator and other 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 and the proportion of financial instruments in foreign currencies remain unchanged. The analysis excludes the impact of movements in market variables on the carrying value of non-financial assets and liabilities.

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

- Foreign exchange rate and 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 profit.

## Notes to the Financial Statements (continued)

### 11. Financial Instruments: Sensitivity Analysis (continued)

#### *i) Interest rate sensitivity*

The sensitivity rate of 0.25% (2016: 0.15%) for UK interest rates represents managements' assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the Company's statement of comprehensive income (expense) for an increase in interest rates was an increase of £19,000 (2016: £4,000). The post-tax impact on the Company's statement of comprehensive income (expense) for a decrease in interest rates was a decrease of £19,000 (2016: £4,000). These movements arise from the floating interest rate on the bank balances in 2016 and the loan receivable due from fellow group companies in 2017.

#### *ii) Foreign exchange rate sensitivity*

The sensitivity rate of 10% for US dollars represents managements' assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates. The Company did not have any exposure to US dollars at the end of 2016.

The post-tax impact on the Company's statement of comprehensive income (expense) for an increase in the US dollar foreign exchange rate was a decrease of £70,000. The post-tax impact on the Company's statement of comprehensive income (expense) for a decrease in the US dollar foreign exchange rate was an increase of £85,000. These movements arise from the US dollar denominated receivable due from the liquidators on the winding up of an associate.

### 12. Share Capital

	2017	2016
	£'000	£'000
<b>Authorised, allotted, called up and fully paid</b>		
21,163,000 ordinary shares of 1 each	21,163	21,163

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

### 13. Capital Risk Management

The capital structure of the Company consists of cash at bank and in hand, loan receivables due from fellow group companies and equity attributable to equity holders of the Company, comprising issued share capital and accumulated losses. 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.

## Notes to the Financial Statements (continued)

### 13. Capital Risk Management (continued)

At the year end, capital comprised:

	2017 £'000	2016 £'000
Total equity	10,545	10,313
Loan receivable due from fellow group companies	(9,512)	-
Cash at bank and in hand	-	(3,329)
Less: net cash	(9,512)	(3,329)
Capital employed	1,033	6,984

The increase in total equity during the year is attributable to the profit for the year of £232,000. The main reason for the increase in net cash is the disposal of the investment in Hunting Energy Services (Canada) Ltd for £6,097,000 (see note 7). 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. There have been no significant changes in the Company's funding policy during the year.

### 14. Banking Arrangements

The Company is party to a Group set-off arrangement with Barclays Bank Plc. There is no set-off in the presentation of cash balances held by the Company in the financial statements. Under this arrangement the Company is jointly and severally liable for any net liability position across the companies' party to the arrangement in the event of default. Any net liability position cannot exceed a facility limit of £1.5 million.

### 15. Ultimate Parent Undertaking

Hunting Energy Services (International) Limited is the Company's immediate parent undertaking. The results of the Company are included in the consolidated Group statutory financial statements of Hunting PLC, which is its ultimate parent company. Copies of the financial statements of Hunting Energy Services (International) Limited and Hunting PLC may be obtained from Hunting PLC, 5 Hanover Square, London W1S 1HQ.

### 16. Related Party Transactions

	2017 £'000	2016 £'000
Related party transactions during the year were as follow:		
Management fee:		
- paid to HG Management Services Ltd (under common control)	-	22

On 26 September 2017, the Company disposed of its investment in Hunting Energy Services (Canada) Ltd and sold it to a fellow group company, Hunting Energy Holdings Limited, for £6,097,000.

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, the Company has a loan receivable balance of £9,512,000 with Hunting Knightsbridge Holdings Limited, a fellow group company. The Company received interest of £96,000 on the loan.

## Notes to the Financial Statements (continued)

### 17. Associates and Joint Ventures

Associates and a joint ventures at 31 December 2017 an 2016 <sup>1/2</sup>	Registered address
Hunting Airtrust Tubulars Pte Limited (50%)	19, Keppel Road, 08-05 JIT Poh Building, 089058, Singapore
Tianjin Huaxin Premium Connections Pipe Co Limited (28.5%)	Jintang Road, Dongli District, Tianjin, 300301, China

1. All ownership interests are in the equity shares of these companies.
2. The companies are incorporated and operating in the countries indicated.

Subsidiaries and associates at 31 December 2016 only <sup>1/2</sup>	Registered address
Hunting Energy Services (Canada) Holdings Limited <sup>3</sup>	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Canada) Limited	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Drilling Tools) Limited	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Titan ULC	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Tubular Resources Pte Limited (30%)	79 Anson Road, 07-03, 079906, Singapore

### 18. Principal Accounting Policies

#### 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.

#### Revenue

Dividend income received from subsidiary undertakings, associates and joint ventures are recognised in the financial statements in the period in which it has been approved, by the relevant company's shareholders or, if earlier, declared and paid by that company.

#### Interest

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

#### Investments

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

#### Foreign Currencies

The financial statements of the Company are prepared and presented using its functional currency, which is Sterling. 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 Sterling are retranslated at the exchange rates ruling at the balance sheet date. Transactions in currencies other than Sterling are translated at the exchange rate ruling at the date of transaction. All exchange differences are taken to the statement of comprehensive income (expense).

## Notes to the Financial Statements (continued)

### 18. Principal Accounting Policies (continued)

#### Taxation

The taxation recognised in the statement of comprehensive income (expense) comprises current 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.

#### 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.

#### 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 (expense) 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 other receivables 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.

#### 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 (expense).

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.

#### 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 in 2016. There are no exceptional items in 2017.

## Notes to the Financial Statements (continued)

### 18. Principal Accounting Policies (continued)

#### Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less transaction costs. The Company subsequently re-measures all of its financial liabilities, including other payables, at amortised cost. Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

#### Share Capital

The Company's share capital comprises a single class of Ordinary shares, which are classified as equity. Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.