Registered Number: 03532045

Hunting Energy Services Overseas Holdings Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018

FRIDAY
L84P4T34
LD3 03/05/2019 #33
COMPANIES HOUSE

Contents

Strategic Report 1
Directors' Report 2
Independent Auditors' Report to the Members of Hunting Energy Services Overseas Holdings Limited 4
Statement of Comprehensive Income 7
Balance Sheet 8
Statement of Changes in Equity 9
Statement of Cash Flows 10
Notes to the Financial Statements 11

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 16 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. The Company did not receive any dividend income during the year (2017: £nil) and the loss from operations was £25,000 (2017: £138,000 profit).

After net finance income of £173,000 (2017: £115,000), profit before tax was £148,000 (2017: £253,000). The profit for the year was £119,000 (2017: £232,000) after a tax charge of £29,000 (2017: £21,000).

Net assets have increased from £10,545,000 at 31 December 2017 to £10,664,000 at 31 December 2018 as a result of the profit for the year of £119,000. Net cash has increased from £9,512,000 to £10,610,000, mainly due to the receipt of £925,000 from the disposal of the investment in Tubular Resources Pte. Ltd. Details of the Company's capital risk management are disclosed in note 13.

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 49 to 52 of the Hunting PLC 2018 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

24 April 2019

Directors' Report

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

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

Risk Management
Further information on the Company's financial risks and its financial risk management is disclosed in note 10.

Dividends
The Directors do not recommend the payment of a dividend for the year (2017: £nil).

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

Political Contributions
The Company did not make any payments to political organisations during the year (2017: £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

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. 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.

Directors' Report (continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements (continued)
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 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 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.

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.

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

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 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. 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

24 April 2019

Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**2018**	2017
		£'000	£'000
Other operating income – profit on liquidation of investment in associate		-	211
Operating expenses	4	**(25)**	(73)
(Loss) profit from operations		**(25)**	138
Finance income	5	**174**	115
Finance expense		**(1)**	-
Profit before tax		**148**	253
Taxation	6	**(29)**	(21)
Profit and total comprehensive income for the financial year		**119**	232

Balance Sheet

At 31 December 2018

	Note	**2018** £'000	2017 £'000
ASSETS			
Non-current assets			
Investment in joint ventures	7	**82**	82
Other receivables	8	**10,610**	9,512
		10,692	9,594
Current assets			
Other receivables	8	**-**	972
Current liabilities			
Current tax liabilities		**(28)**	(21)
Net current (liabilities) assets		**(28)**	951
Net assets		**10,664**	10,545
Shareholders' equity			
Share capital	12	**21,163**	21,163
Accumulated losses		**(10,499)**	(10,618)
Total equity		**10,664**	10,545

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 24 April 2019 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 2018

	Share capital	Accumulated losses	Total equity
	£'000	£'000	£'000
At 1 January	**21,163**	**(10,618)**	**10,545**
Total comprehensive income:			
Profit and total comprehensive income for the year	-	**119**	**119**
At 31 December	**21,163**	**(10,499)**	**10,664**

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
Total comprehensive income:			
Profit and total comprehensive income for the year	-	232	232
At 31 December	21,163	(10,618)	10,545

Statement of Cash Flows

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Operating activities		
(Loss) profit from operations	**(25)**	138
Profit on liquidation of investment in associate	**-**	(211)
Decrease (increase) in receivables	**22**	(24)
Decrease in payables	**-**	(1)
Decrease in provisions	**-**	(26)
Tax paid	**(22)**	(2)
Net exchange differences	**25**	90
Net cash outflow from operating activities	**-**	(36)
Investing activities		
Disposal of investment in subsidiaries (note 7)	**-**	6,097
Disposal of investment in associate	**925**	-
Interest received	**175**	122
Net cash inflow from investing activities	**1,100**	6,219
Financing activities		
Bank fees paid	**(1)**	-
New loan issued to fellow group company	**(1,099)**	(9,512)
Net cash outflow from financing activities	**(1,100)**	(9,512)
Net outflow in cash and cash equivalents	**-**	(3,329)
Cash and cash equivalents at the beginning of the year	**-**	3,329
Cash and cash equivalents at the end of the year	**-**	-

Notes to the Financial Statements

1. Basis for Preparation

Hunting Energy Services Overseas Holdings Limited is a private company limited by shares. 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 16.

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 ("IFRS") and International Financial Reporting Standards 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 in note 17. 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 and has been applied retrospectively. 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 joint ventures, which is outside the scope of IFRS 15.

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. The new accounting policies are set out below in note 17 IFRS 9 Financial Instruments became effective for the Company on 1 January 2018 and is generally applied retrospectively, except as described below.

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.

Notes to the Financial Statements

1. Basis for Preparation (continued)

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; however it has not had to make any retrospective adjustments as a result.

The loan receivable from a fellow group company, the receivable due from liquidators on the winding up of an associate and other receivables were 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

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.

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 Energy Services Overseas Holdings Limited is its Directors. The average monthly number of persons employed by the Company during the year was nil (2017: 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. Management believe that there are no critical judgements applied in the preparation of the financial statements.

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 joint ventures, as the carrying value of each investment must not be less than the minimum future benefits that are expected to be generated by that investment.

Notes to the Financial Statements (continued)

4. Operating Expenses

	2018	2017
	£'000	£'000
Legal fees refund	**-**	(17)
Foreign exchange losses – loans and receivables	**25**	90
	25	73

Auditors' remuneration of £10,000 (2017: £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.

5. Finance Income

	2018	2017
	£'000	£'000
Interest on loan to fellow group company	**174**	96
Bank interest	**-**	19
	174	115

6. Taxation

	2018	2017
	£'000	£'000
UK current tax:		
- current year charge	**(28)**	(21)
- Prior year charge	**(1)**	-
Taxation	**(29)**	(21)

Tax for the year is higher (2017: lower) then the standard rate of corporation tax in the UK of 19% (2017: 19.25%) for the following reasons:

	2018	2017
	£'000	£'000
Profit before tax	**148**	253
Taxation at the standard UK corporation tax rate of 19% (2017: 19.25%)	**(28)**	(49)
Non-taxable income	**-**	24
Adjustment in respect of prior years	**(1)**	-
Expenses not deductible for tax purposes	**-**	4
Taxation	**(29)**	(21)

Notes to the Financial Statements (continued)

6. Taxation (continued)

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. Investments

Investment in subsidiary	**2018 £'000**	2017 £'000
Cost:		
At 1 January	-	23,371
Disposals	-	(23,371)
At 31 December	-	-
Impairment:		
At 1 January	-	(17,274)
Disposals	-	17,274
At 31 December	-	-
Net book amount at 31 December	-	-

The net book value of investments in subsidiaries on 1 January 2017 was £6,097,000.

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.

Investment in joint ventures	**2018 £'000**	2017 £'000
At 1 January and 31 December	**82**	82

The Company's joint ventures are detailed in note 16.

8. Other Receivables

	2018 £'000	2017 £'000
Non-current:		
Loan receivable due from a fellow group company	**10,610**	9,512
Current:		
Receivable due from liquidators on winding up of associate	-	950
Other receivables	-	22
	-	972

Notes to the Financial Statements (continued)

8. Other Receivables (continued)

The loan receivable from a fellow group company, the receivable due from liquidators on the winding up of an associate and other receivables are financial assets measured at amortised cost.

The interest-bearing loan receivable due from a fellow group company is repayable in March 2023, is unsecured, has a variable interest rate based on a margin over UK bank lending rates.

Current receivables in 2017 were unsecured and interest-free. The receivable due from the liquidators was denominated in US dollars, £17,000 of other receivables were denominated in Singapore dollars and £5,000 was denominated in Sterling.

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 10(c)).

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

Due to their short-term nature, the carrying value of current receivables approximates their fair values. 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.

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 had US dollar and Singapore dollar denominated assets at 31 December 2017, which were translated into Sterling at the year end, with exchange rate differences taken to the income statement. This exposed the Company to movements in foreign exchange rates.

At 31 December 2017, the carrying amount of the Company's financial assets included in other receivables, on which exchange differences would be recognised in the statement of comprehensive income in the following year is £950,000 for US dollar denominated financial assets and £17,000 for Singapore dollar denominated financial assets. The Company did not have any financial instruments denominated in a foreign currency at 31 December 2018.

b) 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.

Notes to the Financial Statements (continued)

10. Financial Risk Management (continued)

c) Credit Risk

The Company's credit risk arises from its loan receivable due from a fellow group company. 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.

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 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.

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.

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 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 gross liability held by any of the companies that are party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of £2.6m.

The Company did not have any financial liabilities at the end of 2018 or 2017.

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 the loan receivables due from a fellow group company, the receivable due from the liquidator and other 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 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.

Notes to the Financial Statements (continued)

11. Financial Instruments: Sensitivity Analysis (continued)

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.

i) Interest rate sensitivity
The sensitivity rate of 0.25% (2017: 0.25%) for UK interest rates represents managements' assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the Company's statement of comprehensive income for an increase in interest rates was an increase of £21,000 (2017: £19,000). The post-tax impact on the Company's statement of comprehensive income for a decrease in interest rates was a decrease of £21,000 (2017: £19,000). These movements arise from the loan receivable due from fellow group companies.

ii) Foreign exchange rate sensitivity
The Company does not have any exposure to changes in foreign exchange rates as the year end. The sensitivity rate of 10% in 2017 for GBP/USD exchange rates 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.

In 2017, the post-tax impact on the Company's statement of comprehensive income 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 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

	2018	2017
	£'000	£'000
Authorised, allotted, called up and fully paid		
21,163,000 ordinary shares of 1 each	**21,163**	21,163

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

13. Capital Risk Management

The Company's capital consists of equity and net cash. Net cash comprises the loan receivable due from a fellow group company. Equity attributable to equity holders of the Company comprises 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:

	2018	2017
	£'000	£'000
Total equity	**10,664**	10,545
Less net cash: Loan receivable due from a fellow group company (note 8)	**(10,610)**	(9,512)
Capital employed	**54**	1,033

The increase in total equity during the year is attributable to the profit for the year of £119,000. The main reason for the increase in net cash is the receipt of £925,000 from the disposal of the investment in Tubular Resources Pte. Ltd. There have been no significant changes in the Company's funding policy during the year.

14. Ultimate Parent Undertaking

Hunting Energy Services (International) Limited is the Company's immediate parent undertaking. The 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.

15. Related Party Transactions

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.

At the end of the year, the Company has a loan receivable balance of £10,610,000 (2017: £9,512,000) with Hunting Knightsbridge Holdings Limited, a fellow group company. The Company received interest of £174,000 (2017: £96,000) on the loan during the year.

During the year, the Company received a dividend of £925,000 on the winding up of a former associate, Tubular Resources Pte. Ltd.

16. Joint Ventures

Joint ventures at 31 December 2018 and 2017[1/2]	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. The proportion of voting rights is represented by the interest in the equity shares of those companies. The percentage interest in ordinary shares and proportion of voting rights held in the companies listed above has not changed in comparison to prior year.
2. The companies are incorporated and operating in the countries indicated.

Notes to the Financial Statements (continued)

17. 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 joint ventures is 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 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.

Taxation

The taxation recognised in the statement of comprehensive income comprises current tax arising on the current year's result 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.

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. Debt instruments held for collection of contractual cash flows include the loan receivable from a fellow group company and other receivables, and are therefore carried at amortised cost. 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 that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and is, therefore, included within the carrying value of the loan. Consequently, interest receivable within twelve months on loans due after more than one year is recognised in non-current receivables.

Notes to the Financial Statements (continued)

17. Principal Accounting Policies (continued)

Financial Assets (continued)

Interest income from these financial assets is included in finance income using the effective interest method.

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 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.

The Company has chosen to apply lifetime ECLs to its other accounts receivable upon their initial recognition.

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 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 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 joint ventures, associates or 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.

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.

Notes to the Financial Statements (continued)

17. Principal Accounting Policies (continued)

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.