CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 Before amortisation[i] and exceptional items $m	2016 Amortisation[i] and exceptional items (note 7) $m	2016 Total $m	2015 Before amortisation[i] and exceptional items $m	2015 Amortisation[i] and exceptional items (note 7) $m	2015 Total $m
Revenue	4	**455.8**	**–**	**455.8**	810.5	–	810.5
Cost of sales		**(403.7)**	**(4.0)**	**(407.7)**	(615.3)	(37.9)	(653.2)
Gross profit		**52.1**	**(4.0)**	**48.1**	195.2	(37.9)	157.3
Other operating income	5	**6.8**	**–**	**6.8**	3.8	–	3.8
Operating expenses	6	**(151.1)**	**(44.5)**	**(195.6)**	(182.6)	(260.7)	(443.3)
(Loss) profit from continuing operations	8	**(92.2)**	**(48.5)**	**(140.7)**	16.4	(298.6)	(282.2)
Finance income	10	**5.5**	**–**	**5.5**	3.3	–	3.3
Finance expense	10	**(6.2)**	**(2.5)**	**(8.7)**	(10.1)	–	(10.1)
Share of associates' post-tax losses		**(0.3)**	**–**	**(0.3)**	(0.2)	–	(0.2)
(Loss) profit before tax from continuing operations		**(93.2)**	**(51.0)**	**(144.2)**	9.4	(298.6)	(289.2)
Taxation	11	**19.9**	**3.0**	**22.9**	(5.4)	63.2	57.8
(Loss) profit for the year:							
From continuing operations		**(73.3)**	**(48.0)**	**(121.3)**	4.0	(235.4)	(231.4)
From discontinued operations	12	**–**	**8.2**	**8.2**	–	4.2	4.2
(Loss) profit for the year		**(73.3)**	**(39.8)**	**(113.1)**	4.0	(231.2)	(227.2)
(Loss) profit attributable to:							
Owners of the parent		**(68.2)**	**(39.3)**	**(107.5)**	4.6	(231.2)	(226.6)
Non-controlling interests		**(5.1)**	**(0.5)**	**(5.6)**	(0.6)	–	(0.6)
		(73.3)	**(39.8)**	**(113.1)**	4.0	(231.2)	(227.2)
(Loss) earnings per share		**cents**		**cents**	cents		cents
Basic – from continuing operations	13	**(45.3)**		**(76.8)**	3.1		(156.1)
– from discontinued operations	13	**–**		**5.5**	–		2.8
Group total	13	**(45.3)**		**(71.3)**	3.1		(153.3)
Diluted – from continuing operations	13	**(45.3)**		**(76.8)**	3.1		(156.1)
– from discontinued operations	13	**–**		**5.5**	–		2.8
Group total	13	**(45.3)**		**(71.3)**	3.1		(153.3)

i. Relates to amortisation of intangible assets that arise on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Comprehensive expense			
Loss for the year		**(113.1)**	(227.2)
Components of other comprehensive expense after tax			
Items that have been reclassified to profit or loss:			
Release of foreign exchange losses	31	**–**	0.6
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**(21.6)**	(17.1)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes		**(4.0)**	9.2
Other comprehensive expense after tax		**(25.6)**	(7.3)
Total comprehensive expense for the year		**(138.7)**	(234.5)
Total comprehensive expense attributable to:			
Owners of the parent		**(129.8)**	(231.9)
Non-controlling interests		**(8.9)**	(2.6)
		(138.7)	(234.5)
Total comprehensive expense attributable to owners of the parent arises from:			
Continuing operations		**(138.0)**	(236.5)
Discontinued operations		**8.2**	4.6
		(129.8)	(231.9)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
ASSETS			
Non-current assets			
Property, plant and equipment	14	**419.0**	460.8
Goodwill	15	**229.8**	230.6
Other intangible assets	16	**150.7**	180.4
Investments in associates		**3.2**	3.7
Investments	17	**10.2**	9.1
Retirement benefit assets	29	**18.5**	41.4
Trade and other receivables	18	**2.9**	4.0
Deferred tax assets	19	**7.0**	2.0
		841.3	932.0
Current assets			
Inventories	20	**259.7**	331.2
Trade and other receivables	18	**111.7**	140.2
Current tax assets		**9.3**	33.5
Investments	17	**0.8**	4.6
Retirement benefit assets	29	**14.8**	–
Cash at bank and in hand		**63.5**	54.4
		459.8	563.9
LIABILITIES			
Current liabilities			
Trade and other payables	21	**70.0**	104.2
Current tax liabilities		**7.1**	14.6
Borrowings	22	**54.3**	52.3
Provisions	24	**4.8**	5.4
		136.2	176.5
Net current assets		**323.6**	387.4
Non-current liabilities			
Borrowings	22	**11.9**	117.2
Deferred tax liabilities	19	**12.6**	10.2
Provisions	24	**10.9**	12.6
Trade and other payables	21	**12.1**	11.3
		47.5	151.3
Net assets		**1,117.4**	1,168.1
Equity attributable to owners of the parent			
Share capital	30	**66.3**	61.7
Share premium	30	**153.0**	153.0
Other components of equity	31	**78.8**	15.7
Retained earnings	32	**800.0**	911.5
		1,098.1	1,141.9
Non-controlling interests		**19.3**	26.2
Total equity		**1,117.4**	1,168.1

The notes on pages 92 to 131 are an integral part of these consolidated financial statements. The financial statements on pages 87 to 131 were approved by the Board of Directors on 2 March 2017 and were signed on its behalf by:

DENNIS PROCTOR
DIRECTOR

PETER ROSE
DIRECTOR

Registered number: 974568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January		**61.7**	**153.0**	**15.7**	**911.5**	**1,141.9**	**26.2**	**1,168.1**
Loss for the year		**–**	**–**	**–**	**(107.5)**	**(107.5)**	**(5.6)**	**(113.1)**
Other comprehensive expense		**–**	**–**	**(18.3)**	**(4.0)**	**(22.3)**	**(3.3)**	**(25.6)**
Total comprehensive expense		**–**	**–**	**(18.3)**	**(111.5)**	**(129.8)**	**(8.9)**	**(138.7)**
Dividends to equity shareholders	33	**–**	**–**	**–**	**(5.9)**	**(5.9)**	**–**	**(5.9)**
Shares issued								
– share option schemes and awards	30	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
– share placing	30 & 31	**4.5**	**–**	**81.5**	**–**	**86.0**	**–**	**86.0**
– share placing costs	31	**–**	**–**	**(2.1)**	**–**	**(2.1)**	**–**	**(2.1)**
Treasury shares								
– purchase of Treasury shares	32	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**–**	**(1.8)**
Share options and awards								
– value of employee services	31	**–**	**–**	**8.0**	**–**	**8.0**	**–**	**8.0**
– discharge	31 & 32	**–**	**–**	**(6.0)**	**7.5**	**1.5**	**–**	**1.5**
– taxation	32	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Investment by non-controlling interest		**–**	**–**	**–**	**–**	**–**	**2.0**	**2.0**
Total transactions with owners		**4.6**	**–**	**81.4**	**–**	**86.0**	**2.0**	**88.0**
At 31 December		**66.3**	**153.0**	**78.8**	**800.0**	**1,098.1**	**19.3**	**1,117.4**

Year ended 31 December 2015

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January		61.6	151.9	30.7	1,163.9	1,408.1	30.2	1,438.3
Loss for the year		–	–	–	(226.6)	(226.6)	(0.6)	(227.2)
Other comprehensive (expense) income		–	–	(14.5)	9.2	(5.3)	(2.0)	(7.3)
Total comprehensive expense		–	–	(14.5)	(217.4)	(231.9)	(2.6)	(234.5)
Dividends to equity shareholders	33	–	–	–	(39.8)	(39.8)	–	(39.8)
Dividends to non-controlling interests		–	–	–	–	–	(2.0)	(2.0)
Shares issued								
– share option schemes and awards	30	0.1	1.1	–	–	1.2	–	1.2
Treasury shares								
– purchase of Treasury shares	32	–	–	–	(1.4)	(1.4)	–	(1.4)
Share options and awards								
– value of employee services	31	–	–	6.2	–	6.2	–	6.2
– discharge	31 & 32	–	–	(6.7)	6.5	(0.2)	–	(0.2)
– taxation	32	–	–	–	(0.3)	(0.3)	–	(0.3)
Investment by non-controlling interest		–	–	–	–	–	0.6	0.6
Total transactions with owners		0.1	1.1	(0.5)	(35.0)	(34.3)	(1.4)	(35.7)
At 31 December		61.7	153.0	15.7	911.5	1,141.9	26.2	1,168.1

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Operating activities			
Reported loss from continuing operations		**(140.7)**	(282.2)
Acquisition amortisation and exceptional items	7	**48.5**	298.6
Depreciation and non-acquisition amortisation	8	**43.3**	45.5
Underlying EBITDA (loss)		**(48.9)**	61.9
Share-based payments expense	9	**8.2**	6.2
Loss on disposal of property, plant and equipment		**–**	1.8
Decrease in inventories		**61.7**	39.4
Decrease in receivables		**26.9**	143.5
Decrease in payables		**(30.2)**	(86.9)
Decrease in provisions		**(1.7)**	(6.7)
Restructuring costs	7	**(5.9)**	(5.9)
Taxation received (paid)		**31.3**	(10.5)
Proceeds from disposal of property, plant and equipment held for rental		**1.7**	2.9
Purchase of property, plant and equipment held for rental		**(2.3)**	(9.0)
Other non-cash flow items		**4.0**	4.6
Discontinued operations		**–**	1.0
Net cash inflow from operating activities		**44.8**	142.3
Investing activities			
Interest received		**0.5**	1.1
Dividends received from associates		**–**	0.1
Net movement on loans to and from associates		**–**	(0.2)
Proceeds from disposal of property, plant and equipment		**1.8**	1.3
Purchase of property, plant and equipment		**(14.9)**	(72.1)
Purchase of intangible assets		**(6.4)**	(8.0)
Decrease (increase) in bank deposit investments		**3.4**	(1.1)
Net proceeds from disposal of subsidiaries		**0.7**	0.7
Net cash in subsidiaries sold		**–**	(3.9)
Discontinued operations: indemnity receipts		**7.9**	0.4
Net cash outflow from investing activities		**(7.0)**	(81.7)
Financing activities			
Interest and bank fees paid		**(5.1)**	(8.5)
Dividends paid to equity shareholders	33	**(5.9)**	(39.8)
Dividends paid to non-controlling interests		**–**	(2.0)
Investment by non-controlling interest		**2.0**	0.6
Share capital issued		**86.0**	1.2
Costs of share issue		**(2.1)**	–
Purchase of Treasury shares		**(1.8)**	(1.4)
Disposal of Treasury shares		**1.6**	–
Proceeds from new borrowings		**12.2**	7.6
Repayment of borrowings		**(125.7)**	(36.3)
Net cash outflow from financing activities		**(38.8)**	(78.6)
Net cash outflow in cash and cash equivalents		**(1.0)**	(18.0)
Cash and cash equivalents at the beginning of the year		**21.9**	38.0
Effect of foreign exchange rates		**(0.6)**	(1.9)
Reclassified from held for sale		**–**	3.8
Cash and cash equivalents at the end of the year		**20.3**	21.9
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		**63.5**	54.4
Bank overdrafts included in borrowings	22	**(43.2)**	(32.5)
		20.3	21.9

1. Basis of Preparation

The financial statements consolidate those of Hunting PLC (the "Company") and its subsidiaries (together referred to as the "Group") and include the Group's interests in associates.

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of available-for-sale financial assets, the defined benefit pension asset and those financial assets and financial liabilities held at fair value through profit or loss. The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 38.

The principal accounting policies applied in the preparation of these financial statements are set out in note 37. 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 2016:

- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Annual Improvements to IFRSs 2012–2014 Cycle
- Annual Improvements to IFRSs 2010–2012 Cycle

Although the adoption of these amendments represents a change in accounting policy, comparative figures for 2015 have not been restated for these, as the changes do not impact the financial performance or position of the Group.

On 1 January 2016, the Group chose to adopt early the Amendments to IAS 7: Disclosure Initiative, which is effective for the financial year beginning on 1 January 2017. This has resulted in the net debt reconciliation tables being presented in note 23 and being removed from the "Non-GAAP Measures" section.

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 Group's results or financial position:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- IFRS 16 Leases[i]
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[i]
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses[i]
- Clarifications to IFRS 15 Revenue from Contracts with Customers[i]
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions[i]

i. Not yet endorsed by the European Union.

IFRS 9 Financial Instruments replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard will be effective for the Group from 1 January 2018. The impact of IFRS 9 is being assessed by management. The main impact is likely to arise from the implementation of the expected loss model although full quantification of this impact is still underway.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard will be effective for the Group from 1 January 2018. To date, management has undertaken a high level review of the Group's revenue generating activities and this has identified certain manufacturing activities that may possibly require an amendment to the Group's revenue accounting policies. These manufacturing activities involve products that have been designed with the customer to meet their individual specifications. The financial impact is not expected to be significant as (1) the total revenue streams from the cash-generating units that are impacted by the amendment are not individually significant, and (2) the requirement to apportion revenue to separate financial reporting periods will be impacted only when a product remains partly-manufactured at the reporting date; as the time period for the manufacture of these products is relatively short, management expects only a small portion of volumes to be in progress at the reporting date and therefore impacted by a change in accounting policy. A full assessment of the financial impact will also require an extensive review of contractual terms with each relevant customer, in particular to identify matters of reimbursement in respect of in-progress contracts, and this will be undertaken during the early part of 2017.

IFRS 16 Leases replaces IAS 17 Leases and its related interpretations. The standard will be effective for the Group from 1 January 2019. The full impact of IFRS 16 has not yet been assessed, however management anticipates that a significant proportion of the future minimum lease payments under non-cancellable operating leases, as disclosed in note 35, shall be recognised as liabilities as a consequence of its implementation, together with a right of use asset. The majority of the Group's operating lease arrangements relate to property leases, mainly in respect of our distribution centres. As such, the lease term is generally short term in nature, with the majority of leases having an unexpired term of less than five years at 31 December 2016. There will also be a positive impact on EBITDA as the lease costs will be presented as depreciation and interest expense in the income statement, rather than operating lease expense.

2. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the Directors to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience, consultation with experts and reasonable expectations of future events. Accounting estimates and judgements are applied in determining the carrying amounts of the following significant assets and liabilities:

Asset/liability	Nature of estimates or judgement
Goodwill Carrying value at 31 December 2016 $229.8m (2015 – $230.6m)	• The Group comprises a number of cash generating units ("CGUs"), which are managed separately, typically being organised into country and/or product line groupings, and that generate independent cash flows. When goodwill is initially recognised upon a business combination, it is allocated to the CGUs that are expected to benefit from the combination. • The goodwill of each CGU is subsequently reviewed for impairment at least annually by comparing its carrying value with the recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). Management initially prepare calculations using the FVLCD basis which represents the value of the CGU in a sales transaction on an arms length basis. In 2016 no impairments resulted from the FVLCD calculations and therefore no VIU estimates were prepared. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by the CGU and are discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. • The estimated future gross cash flows utilise independent market forecasts adjusted to reflect the Directors' view of the CGU's future trading prospects and can include known growth projects. • Any shortfall in the recoverable amount is charged to the income statement immediately. • The continuing poor trading conditions were considered to be indicators of potential impairment and impairment reviews were carried out in preparation of the interim and full year results. However, no impairment charges were recorded in 2016 as a result of the reviews. • Further details of goodwill are disclosed in note 15.
Property, plant and equipment and other intangible assets Combined carrying value at 31 December 2016 $569.7m (2015 – $641.2m)	• The Group's property, plant and equipment and other intangible assets (except goodwill) are depreciated/amortised at rates that are intended to spread the irrecoverable cost of the assets over their remaining useful lives. • On an annual basis, management review the estimates of the useful lives, residual values and the expected pattern of consumption of their carrying values with any change made prospectively. In addition, management consider whether there are indicators of impairment. • In addition, the carrying value of each asset must not be less than the minimum future benefits that are expected to be generated by that asset. The impairment exercise referred to in relation to goodwill above, also provides comfort regarding the aggregate carrying value of property, plant and equipment and other intangible assets were reviewed. No impairment charges were recorded in 2016 as a result of the review. • The depreciation rates currently in use are disclosed in note 37. Further details of the Group's property, plant and equipment and the other intangible assets are disclosed in notes 14 and 16 respectively.
Inventories Cost at 31 December 2016 $286.4m (2015 – $351.1m); inventory provisions at 31 December 2016 $26.7m (2015 – $19.9m); carrying value at 31 December 2016 $259.7m (2015 – $331.2m)	• The carrying value of the Group's inventory must be stated at the lower of cost or net realisable value ("NRV"). NRV is the selling price of a product as at the balance sheet date minus the costs to be incurred in completing the product and minus the costs to sell the product. • In determining an estimate of NRV, management has made judgements in respect of the durability and general high quality of the Group's products, which provide a certain degree of protection against adverse market conditions, and competitor product development and pricing activity. • The significant downturn in the industry has reduced transaction volumes meaning that some items of inventory may not have been sold near the balance sheet date, increasing the level of judgement required. Some market transactions reflect the actions of distressed sellers and are not applicable to the market as a whole. • Overall, Hunting's provision has increased from 5.7% of gross inventory balances at December 2015 to 9.3% at December 2016. Included in the carrying value of inventory is $57.3m (2015 – $28.0m) held at NRV. • In light of the improving market conditions, management do not expect a material adverse increase in inventory provisions in 2017. • Details of the Group's inventories are disclosed in note 20.

2. Critical Accounting Estimates and Judgements continued

Asset/liability	Nature of estimates or judgement
Taxation Carrying value of the net tax liability at 31 December 2016 $3.4m (2015 – $10.7m net asset)	• We operate in a number of countries around the world and tax computations and supporting calculations are prepared in accordance with tax legislation enacted or substantively enacted at the balance sheet date for each jurisdiction. Interpretation of tax legislation sometimes requires estimates, judgement and an appropriate assessment of the tax risks to be used in determining the tax charge or credit as uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. • The principal areas of uncertainty for Hunting relate to transfer pricing arrangements for intra-group trading. We regularly conduct market benchmark studies for material markets and transaction flows in this area to determine reasonable price levels. These require an assessment of appropriate comparable transactions and the determination of the appropriate base to use under the OECD rules which is judgemental in nature. Our global trading activities can also inadvertently create taxable permanent establishments in countries depending on the nature of the sales and import processes. We have reviewed our level of risk and currently do not expect any material change in provisions in 2017. • Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This assessment is made on the basis of long-term business forecasts approved by the Board. We have unrecognised tax losses as shown in note 19. • The deferred tax balances at 31 December 2016 represent an estimate of the amounts that are expected to be paid or recovered from the tax authorities in future periods if assets and liabilities in the balance sheet were recovered at their carrying values based on tax laws and rates that have been substantively enacted by the balance sheet date. Measurement of deferred tax balances therefore require us to assess the applicable tax legislation and rates, the timing of the reversal of existing taxable and deductible temporary differences and the nature, timing and amount of taxable income which would potentially be available to support the recognition of deferred tax assets (note 19). We base estimates of the recoverability of deferred tax assets using these criteria for each separate significant category of deductible temporary difference and losses carried forward.

3. Segmental Reporting

For the year ended 31 December 2016, the Group reports on five operating segments, one being a discontinued operation, in its internal management reports which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The Group's continuing operating segments are strategic business units that offer different products and services to international oil and gas companies and undertake exploration and production activities.

The Group measures the performance of its operating segments based on revenue and profit or loss from operations, before exceptional items and the amortisation of acquired intangible assets. Accounting policies used for segment reporting reflect those used for the Group. Inter-segment sales are priced in line with the transfer pricing policy on an arm's length basis.

(a) Continuing Operations
The Well Construction segment provides products and services used by customers during the drilling phase of oil and gas wells, along with associated equipment used by the underground construction industry for telecommunication infrastructure build-out and precision machining services for the energy, aviation and power generation sectors.

The Well Completion segment provides products and services used by customers during the completion phase of oil and gas wells.

The Well Intervention segment provides products and services used by customers during the production, maintenance and restoration of existing oil and gas wells.

The Exploration and Production segment comprises the Group's oil and gas exploration and production activities in the Southern US and offshore Gulf of Mexico. The Board of Hunting will not be making any new capital investment, beyond where the division has contractual commitments. No exploration and evaluation activities have occurred during the year. The division will in future focus on producing out its remaining reserves, with a view to winding down the operation.

Costs and overheads incurred centrally are apportioned to the continuing operating segments on the basis of time attributed to those operations by senior executives.

(b) Discontinued Operations
The discontinued operations comprise Gibson Shipbrokers, which was sold on 31 March 2015 and Gibson Energy, which was sold in 2008. Gibson Energy continues to generate accounting entries due to sale-related transactions and is required to be reported for reconciliation purposes.

The following tables present the results of the operating segments on the same basis as that used for internal reporting purposes to the CODM.

3. Segmental Reporting continued

(c) Results from Operations

	Total gross revenue $m	Inter-segmental revenue $m	Total revenue $m	Loss from operations before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items $m	Total $m
	Year ended 31 December 2016					
Continuing operations:						
Hunting Energy Services						
Well Construction	**107.1**	**(1.6)**	**105.5**	**(24.2)**	**(8.9)**	**(33.1)**
Well Completion	**295.7**	**(0.6)**	**295.1**	**(45.9)**	**(34.6)**	**(80.5)**
Well Intervention	**52.4**	**(0.2)**	**52.2**	**(19.5)**	**(1.9)**	**(21.4)**
	455.2	**(2.4)**	**452.8**	**(89.6)**	**(45.4)**	**(135.0)**
Other Activities						
Exploration and Production	**3.0**	**–**	**3.0**	**(2.6)**	**–**	**(2.6)**
	458.2	**(2.4)**	**455.8**	**(92.2)**	**(45.4)**	**(137.6)**
Exceptional defined benefit curtailment not apportioned to operating segments				**–**	**(3.1)**	**(3.1)**
Loss from continuing operations				**(92.2)**	**(48.5)**	**(140.7)**
Net finance expense				**(0.7)**	**(2.5)**	**(3.2)**
Share of associates' post-tax losses				**(0.3)**	**–**	**(0.3)**
Loss before tax from continuing operations				**(93.2)**	**(51.0)**	**(144.2)**
Discontinued operations:						
Gibson Energy	**–**	**–**	**–**	**–**	**8.4**	**8.4**
Total from discontinued operations	**–**	**–**	**–**	**–**	**8.4**	**8.4**
Taxation				**–**	**(0.2)**	**(0.2)**
Profit from discontinued operations				**–**	**8.2**	**8.2**

	Total gross revenue $m	Inter-segmental revenue $m	Total revenue $m	Profit from operations before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items $m	Total $m
	Year ended 31 December 2015					
Continuing operations:						
Hunting Energy Services						
Well Construction	216.6	(5.2)	211.4	1.9	(113.8)	(111.9)
Well Completion	495.0	(6.4)	488.6	14.2	(146.8)	(132.6)
Well Intervention	107.6	(1.3)	106.3	4.6	(31.6)	(27.0)
	819.2	(12.9)	806.3	20.7	(292.2)	(271.5)
Other Activities						
Exploration and Production	4.2	–	4.2	(4.3)	(6.4)	(10.7)
Total from continuing operations	823.4	(12.9)	810.5	16.4	(298.6)	(282.2)
Net finance expense				(6.8)	–	(6.8)
Share of associates' post-tax losses				(0.2)	–	(0.2)
Profit (loss) before tax from continuing operations				9.4	(298.6)	(289.2)
Discontinued operations:						
Gibson Shipbrokers	11.6	–	11.6	–	4.9	4.9
Gibson Energy	–	–	–	–	0.4	0.4
Total from discontinued operations	11.6	–	11.6	–	5.3	5.3
Net finance income				0.1	–	0.1
Taxation				(0.1)	(1.1)	(1.2)
Profit from discontinued operations				–	4.2	4.2

i. Relates to amortisation of acquired intangible assets.

3. Segmental Reporting continued

(d) Other Segment Items

	2016			2015		
	Depreciation $m	**Amortisation of intangible assets $m**	**Impairment $m**	Depreciation $m	Amortisation of intangible assets $m	Impairment $m
Continuing operations:						
Hunting Energy Services						
Well Construction	**14.1**	**3.5**	**5.0**	14.1	7.7	106.8
Well Completion	**17.2**	**31.0**	**10.1**	18.4	32.4	118.7
Well Intervention	**8.1**	**0.8**	**0.6**	7.3	0.7	30.0
	39.4	**35.3**	**15.7**	39.8	40.8	255.5
Other Activities						
Exploration and Production	**1.8**	**–**	**–**	3.8	–	6.4
Total – continuing operations	**41.2**	**35.3**	**15.7**	43.6	40.8	261.9

(e) Geographical Information

The Group operates across a number of geographical areas. The UK is the domicile of Hunting PLC. The table below shows revenues from external customers, which are attributed to individual countries on the basis of the location in which the sale originated. Information on the location of non-current assets is also presented below. Non-current assets exclude defined benefit assets and deferred tax assets.

	External revenue		(Loss) profit from operations before amortisation[i] and exceptional items		Non-current assets	
	2016 $m	2015 $m	**2016 $m**	2015 $m	**2016 $m**	2015 $m
Continuing operations:						
Hunting Energy Services						
US	**290.5**	507.0	**(36.4)**	31.7	**702.1**	748.4
Canada	**38.8**	56.1	**(4.5)**	(3.6)	**7.9**	9.1
North America	**329.3**	563.1	**(40.9)**	28.1	**710.0**	757.5
UK	**59.1**	119.4	**(22.1)**	(2.7)	**47.5**	66.3
Rest of Europe	**11.1**	15.2	**(3.6)**	(1.5)	**5.6**	4.7
Europe	**70.2**	134.6	**(25.7)**	(4.2)	**53.1**	71.0
Singapore	**31.6**	67.2	**(8.6)**	1.6	**7.8**	10.8
Rest of Asia	**12.1**	22.9	**(4.7)**	(1.9)	**14.2**	17.3
Asia Pacific	**43.7**	90.1	**(13.3)**	(0.3)	**22.0**	28.1
Middle East, Africa and Other	**9.6**	18.5	**(9.7)**	(2.9)	**25.4**	25.6
	452.8	806.3	**(89.6)**	20.7	**810.5**	882.2
Other activities						
US	**3.0**	4.2	**(2.6)**	(4.3)	**5.3**	6.4
	455.8	810.5	**(92.2)**	16.4	**815.8**	888.6
Discontinued operations:						
UK	**–**	9.9	**–**	(0.2)	**–**	–
Other	**–**	1.7	**–**	0.2	**–**	–
	–	11.6	**–**	–	**815.8**	888.6
Unallocated assets:						
Deferred tax assets					**7.0**	2.0
Retirement benefit assets					**18.5**	41.4
Total non-current assets					**841.3**	932.0

i. Relates to amortisation of acquired intangible assets.

(f) Major Customer Information

The Group received $39.2m (2015 – $86.3m) of revenue from the Halliburton Company Group, which is 9% (2015 – 11%) of the Group's revenue from external customers. The revenue is included within the Well Construction, Well Completion and Well Intervention segments.

4. Revenue

	2016 $m	2015 $m
Sale of goods	**392.3**	687.0
Revenue from services	**43.3**	72.3
Rental revenue	**20.2**	51.2
Continuing operations	**455.8**	810.5

5. Other Operating Income

	2016 $m	2015 $m
Operating lease rental income	**0.7**	0.7
Gain on disposal of property, plant and equipment	**1.3**	1.3
Foreign exchange gains	**3.5**	1.1
Other income	**1.3**	0.7
Continuing operations	**6.8**	3.8

6. Operating Expenses

	2016 $m	2015 $m
Administration expenses[i] before amortisation[ii] and exceptional items	**102.0**	111.1
Distribution and selling costs	**47.8**	68.4
Loss on disposal of property, plant and equipment	**1.3**	3.1
Operating expenses before amortisation[ii] and exceptional items	**151.1**	182.6
Amortisation[ii] and exceptional items (note 7)	**44.5**	260.7
Continuing operations	**195.6**	443.3

i. Includes foreign exchange losses of $2.8m (2015 – $1.6m).
ii. Relates to amortisation of acquired intangible assets.

7. Amortisation and Exceptional Items

	2016 $m	2015 $m
Impairment of property, plant and equipment	**–**	33.2
Restructuring costs	**4.0**	4.7
Charged to cost of sales	**4.0**	37.9
Amortisation of acquired intangible assets	**33.2**	38.9
Restructuring costs	**8.2**	2.4
Defined benefit pension curtailment	**3.1**	–
Impairment of goodwill (note 15)	**–**	208.2
Impairment of other intangible assets (note 16)	**–**	11.2
Charged to operating expenses	**44.5**	260.7
Total charged to (loss) profit from operations	**48.5**	298.6
Capitalised loan facility fees written off - charged to finance expense	**2.5**	–
Amortisation and exceptional items	**51.0**	298.6
Taxation on amortisation and exceptional items (note 11)	**(3.0)**	(63.2)
Continuing operations	**48.0**	235.4

Management continues to implement cost base reduction measures at all levels across the Group, resulting in restructuring costs of $12.2m (2015 – $7.1m), which gave rise to cash outflows of $5.9m during the year (2015 – $5.9m). As part of the Group's restructuring. a decision to close the Group's European Drilling Tools business was made. Assets of $1.6m were classified as held for sale at 30 June 2016, with an impairment charge of $2.9m being posted to the income statement to recognise the assets at their net realisable value. Following a review of the net realisable value at 31 December 2016, a fair value loss of $1.6m has been recognised, reducing the carrying value of the held for sale assets to $nil. The impairment charge of $2.9m and the fair value loss of $1.6m have been included in restructuring costs of $12.2m.

On 11 March 2016, it was agreed that the defined benefit pension section of the Group's UK pension scheme would be closed to future accrual of further benefits from 30 June 2016. The active members have been offered membership of the defined contribution section of the scheme from 1 July 2016. The effect of this change has been recognised in the 2016 financial statements, resulting in a gain on the curtailment of future defined benefit scheme accruals of $6.5m and a past service cost of $9.6m on defined benefit members' uplift on 11 March 2016, the net charge being $3.1m.

7. Amortisation and Exceptional Items continued

A series of amendments to the Group's borrowing facilities became effective on 20 July 2016, see note 27 for further details. For accounting purposes, as the revised Revolving Credit Facility ("RCF") size and covenant terms were significantly different, the existing RCF was deemed to have been extinguished and replaced by a new facility. Consequently, the unamortised portion of the capitalised loan facility fees of $2.5m relating to the RCF negotiations in 2015 have been written off to the income statement.

During 2015, plant and equipment impairment of $26.8m was recognised in the US Drilling Tools business following a review of the carrying value given the trading conditions and future expectations at the time and an impairment charge of $6.4m for oil and gas exploration and development expenditure was recorded, bringing the impairment charge for 2015 to $33.2m.

A detailed review on the carrying values of goodwill held by Hunting's relevant businesses was undertaken at the half and full year, which confirmed that no further impairments beyond those recorded in 2015 were required. Following a detailed review in 2015, a goodwill impairment charge of $208.2m was recognised. See note 15 for further details.

An impairment charge of $11.2m for other intangible assets was recognised in 2015 following a review of customer relationships arising on the acquisition of the Hunting Electronics and Hunting Doffing businesses.

8. Loss from Continuing Operations

The following items have been charged in arriving at loss from continuing operations:

	2016 $m	2015 $m
Staff costs (note 9)	157.3	207.7
Depreciation of property, plant and equipment (note 14)	41.2	43.6
Amortisation of acquired intangible assets	33.2	38.9
Amortisation of other intangible assets	2.1	1.9
Amortisation of intangible assets (included in operating expenses) (note 16)	35.3	40.8
Impairment of other intangible assets (included in operating expenses) (note 16)	–	11.2
Impairment of goodwill (included in operating expenses) (note 15)	–	208.2
Impairment of property, plant and equipment (included in cost of sales)	0.6	33.2
Impairment of property, plant and equipment (included in other operating expenses)	2.9	–
Impairment of property, plant and equipment (note 14)	3.5	33.2
Impairment of trade and other receivables (included in operating expense) (note 18)	1.9	0.2
Cost of inventories recognised as expense (included in cost of sales)	368.0	559.5
Write down in inventories (included in cost of sales)	10.3	9.3
Net loss on disposal of property, plant and equipment	–	1.8
Operating lease payments (note 35)	12.2	14.2
Research and development expenditure	1.3	0.6

Fees payable to the Group's auditors PricewaterhouseCoopers LLP and its associates for:

	2016 $m	2015 $m
The audit of these accounts	1.9	1.9
The audit of the accounts of the Company's subsidiaries	0.4	0.4
Total audit	2.3	2.3
Audit-related assurance services	–	0.1
Total audit and audit-related services	2.3	2.4
Taxation compliance services	–	0.2
Taxation advisory services	–	0.1
Total services relating to taxation	–	0.3
Total fees	2.3	2.7

9. Employees

	2016	2015		
	Total $m	Continuing operations $m	Discontinued operations $m	Total $m
Wages and salaries	**127.2**	177.7	7.7	185.4
Social security costs	**10.7**	12.8	0.9	13.7
Share-based payments (note 34)	**8.2**	6.2	–	6.2
Pension costs				
– defined contribution schemes (note 29)	**6.7**	8.0	0.3	8.3
– defined benefit schemes (note 29)	**2.4**	3.7	0.5	4.2
Defined benefit charge (credit) included in exceptional items (note 29)	**3.1**	–	(5.5)	(5.5)
Pension costs – net interest included in net finance expense (note 29)	**(1.1)**	(0.8)	–	(0.8)
Staff costs for the year	**157.2**	207.6	3.9	211.5

Staff costs for the year are included in the accounts as follows:

	2016	2015		
	Total $m	Continuing operations $m	Discontinued operations $m	Total $m
Staff costs included in loss from operations (note 8)	**157.3**	207.7	3.9	211.6
Staff costs included in net finance expense	**(1.1)**	(0.8)	–	(0.8)
Staff costs capitalised as R&D	**1.0**	0.7	–	0.7
	157.2	207.6	3.9	211.5

The average monthly number of employees by operating segment (including executive Directors) during the year was:

	2016	2015		
	Total	Continuing operations	Discontinued operations[i]	Total
Well Construction	**568**	866	–	866
Well Completion	**1,291**	1,877	–	1,877
Well Intervention	**356**	499	–	499
Exploration and Production	**4**	4	–	4
Gibson Shipbrokers	**–**	–	44	44
Central	**89**	65	–	65
	2,308	3,311	44	3,355

The average monthly number of employees by geographical area (including executive Directors) during the year was:

	2016	2015		
	Total	Continuing operations	Discontinued operations[i]	Total
UK	**267**	386	39	425
Rest of Europe	**58**	82	–	82
Canada	**115**	180	–	180
USA	**1,379**	2,032	–	2,032
Singapore	**179**	221	4	225
Rest of Asia Pacific	**222**	344	1	345
Middle East, Africa & Other	**88**	66	–	66
	2,308	3,311	44	3,355

i. The average monthly number of employees for discontinued operations was 178 for the three months during which the discontinued operations were part of the Group. In presenting the Group's average numbers for the year, the discontinued average has been calculated across 12 months.

The actual number of employees at the year end was:

	2016	2015
Male	**1,674**	2,227
Female	**433**	557
	2,107	2,784

9. Employees continued

Key management comprises the executive and non-executive Directors only. Their compensation in the year was:

	2016 $m	2015 $m
Salaries and short-term employee benefits	**1.8**	2.1
Social security costs	**0.1**	0.4
Post-employment benefits	**0.3**	0.2
Share-based payments	**0.2**	–
	2.4	2.7

Salaries and short-term benefits are included within the Directors Remuneration table on page 73 of the Annual Report on Remuneration. Post-employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the income statement. Details of share options and awards are disclosed on page 77 of the Annual Report on Remuneration.

10. Net Finance Expense

	2016 $m	2015 $m
Finance income:		
Bank balances and deposits	**0.7**	0.9
Pension interest income	**1.4**	1.1
Foreign exchange gains	**2.0**	0.8
Other finance income	**1.4**	0.5
	5.5	3.3
Finance expense:		
Bank overdrafts	**(0.6)**	(0.8)
Bank borrowings	**(2.0)**	(2.6)
Bank fees and commissions	**(2.0)**	(5.1)
Foreign exchange losses	**(0.7)**	(0.4)
Other finance expense	**(0.9)**	(1.2)
Finance expense before exceptional items	**(6.2)**	(10.1)
Capitalised loan facility fees written off – exceptional item (note 7)	**(2.5)**	–
Total finance expense	**(8.7)**	(10.1)
Net finance expense – continuing operations	**(3.2)**	(6.8)

11. Taxation

	2016			2015		
	Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items $m	Total $m	Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items $m	Total $m
Current tax						
– current year credit	**(11.5)**	**(1.6)**	**(13.1)**	(0.7)	(26.8)	(27.5)
– adjustments in respect of prior years	**(1.1)**	**–**	**(1.1)**	(0.4)	–	(0.4)
	(12.6)	**(1.6)**	**(14.2)**	(1.1)	(26.8)	(27.9)
Deferred tax						
– origination and reversal of temporary differences	**(7.7)**	**(1.4)**	**(9.1)**	6.1	(36.4)	(30.3)
– change in tax rate	**(0.2)**	**–**	**(0.2)**	0.1	–	0.1
– adjustments in respect of prior years	**0.6**	**–**	**0.6**	0.3	–	0.3
	(7.3)	**(1.4)**	**(8.7)**	6.5	(36.4)	(29.9)
Taxation (credit) charge – continuing operations	**(19.9)**	**(3.0)**	**(22.9)**	5.4	(63.2)	(57.8)

i. Relates to amortisation of acquired intangible assets.

The weighted average applicable tax rate for continuing operations before amortisation and exceptional items is 21% (2015 – 57%).

The tax credit in the income statement of $3.0m (2015 – $63.2m) for amortisation and exceptional items comprises credits of $1.9m (2015 – $1.3m) relating to restructuring costs, $1.1m (2015 – $nil) in relation to the defined benefit curtailment charge, $nil (2015 – $15.1m) on the amortisation of acquired intangible assets, $nil (2015 – $9.2m) on the impairment of plant, machinery and motor vehicles, $nil (2015 – $2.6m) on the impairment of oil and gas development expenditure, $nil (2015 – $3.1m) on the impairment of other intangible assets and $nil (2015 – $31.9m) on the impairment of goodwill.

11. Taxation continued

The total tax credit for the year is lower (2015 – lower) than the standard rate of UK corporation tax of 20% (2015 – 20.25%) for the following reasons:

	2016 $m	2015 $m
Loss before tax from continuing operations	**(144.2)**	(289.2)
Tax at 20% (2015 – 20.25%)	**(28.8)**	(58.6)
Permanent differences including tax credits	**0.9**	2.1
Non-tax deductible (untaxed) exceptional items	**–**	41.4
Higher rate of tax on overseas profits	**(17.7)**	(45.8)
Current year losses not recognised	**23.4**	3.1
Change in tax rates	**(0.2)**	0.1
Adjustments in respect of prior years	**(0.5)**	(0.1)
Taxation – continuing operations	**(22.9)**	(57.8)

Tax effects relating to each component of other comprehensive income were as follows:

	2016			2015		
	Before tax $m	Tax (charged) credited $m	After tax $m	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**(21.7)**	**0.1**	**(21.6)**	(17.2)	0.1	(17.1)
Release of foreign exchange losses	**–**	**–**	**–**	0.6	–	0.6
Remeasurement of defined benefit pension schemes	**3.5**	**(7.5)**	**(4.0)**	10.9	(1.7)	9.2
	(18.2)	**(7.4)**	**(25.6)**	(5.7)	(1.6)	(7.3)

In respect of the tax on the remeasurement of defined benefit pension schemes, a $1.4m charge (2015 – $2.0m) arises on the current year’s movement and a charge of $6.1m (2015 – $0.3m credit) is due to a change in tax rates as the Group now expects refunds of the pension surplus which attracts a 35% tax rate. The $7.5m charge comprises of deferred tax.

A number of changes to the UK corporation tax system were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The Finance Bill 2016, which included these changes, received Royal Assent on 15 September 2016. The Finance Bill 2015 included a reduction to the main corporation tax rate to 19% from 1 April 2017. The changes are not expected to have a material impact on the Group’s UK deferred tax balances.

12. Discontinued Operations

The results from discontinued operations were as follows:

	2016	2015		
	Gibson Energy $m	Gibson Shipbrokers $m	Gibson Energy $m	Total $m
Trading results:				
Revenue	**–**	11.6	–	11.6
Gross profit	**–**	11.6	–	11.6
Other operating income	**–**	0.1	–	0.1
Other operating expenses	**–**	(11.7)	–	(11.7)
Profit from operations	**–**	–	–	–
Finance income	**–**	0.1	–	0.1
Profit before tax	**–**	0.1	–	0.1
Taxation	**–**	(0.1)	–	(0.1)
Profit for the year	**–**	–	–	–
Exceptional gain on disposal:				
Gain on sale before tax	**8.4**	4.9	0.4	5.3
Taxation	**(0.2)**	(1.1)	–	(1.1)
Gain on sale after tax	**8.2**	3.8	0.4	4.2
Total profit from discontinued operations	**8.2**	3.8	0.4	4.2

Gibson Energy: The sale of Gibson Energy Inc, Hunting’s Canadian midstream services operation, was completed on 12 December 2008. Subsequent gains reported relate to the settlement of tax items.

Gibson Shipbrokers: On 31 March 2015, the Group sold E.A. Gibson Shipbrokers Limited and its subsidiaries (together referred to as “Gibson Shipbrokers”) to an employee-owned trust formed by Gibson Shipbrokers’ employees. The selling price was $3.7m, with $3.0m deferred in the form of an interest-bearing loan note and the remainder paid in cash. A curtailment gain on the Group’s pension obligations of $5.5m was also recognised upon the sale.

13. Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. The dilution in respect of share options applies where the exercise price is less than the average market price of the Company's Ordinary shares during the year and the possible issue of shares under the Group's long-term incentive plans.

Reconciliations of the earnings and weighted average number of Ordinary shares used in the calculations are set out below:

	2016 $m	2015 $m
Basic and diluted (loss) earnings attributable to Ordinary shareholders		
From continuing operations	**(115.7)**	(230.8)
From discontinued operations	**8.2**	4.2
Total	**(107.5)**	(226.6)
Basic and diluted (loss) earnings attributable to Ordinary shareholders before amortisation[i] and exceptional items		
From continuing operations	**(115.7)**	(230.8)
Add: amortisation[i] and exceptional items after taxation	**47.5**	235.4
Total	**(68.2)**	4.6
From discontinued operations	**8.2**	4.2
Less: exceptional items after taxation	**(8.2)**	(4.2)
Total	**–**	–

	millions	millions
Basic weighted average number of Ordinary shares	**150.7**	147.8
Dilutive outstanding share options	**–**	0.1
Long-term incentive plans	**6.4**	2.0
Adjusted weighted average number of Ordinary shares	**157.1**	149.9

	cents	cents
(a) Reported (Loss) Earnings per Share		
Basic EPS		
From continuing operations	**(76.8)**	(156.1)
From discontinued operations	**5.5**	2.8
	(71.3)	(153.3)
Diluted EPS[ii]		
From continuing operations	**(76.8)**	(156.1)
From discontinued operations	**5.5**	2.8
	(71.3)	(153.3)
(b) Underlying (Loss) Earnings per Share		
Basic EPS		
From continuing operations	**(45.3)**	3.1
From discontinued operations	**–**	–
	(45.3)	3.1
Diluted EPS[ii]		
From continuing operations	**(45.3)**	3.1
From discontinued operations	**–**	–
	(45.3)	3.1

i. Relates to amortisation of acquired intangible assets.
ii. For the years ended 31 December 2015 and 2016, the effect of dilutive share options and long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

14. Property, Plant and Equipment

	Year ended 31 December 2016				
	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development $m	Total $m
Cost:					
At 1 January	**266.9**	**326.1**	**103.2**	**180.9**	**877.1**
Exchange adjustments	**(7.0)**	**(4.4)**	**(2.3)**	**–**	**(13.7)**
Additions	**2.3**	**10.1**	**2.3**	**0.7**	**15.4**
Disposals	**(1.4)**	**(6.5)**	**(3.6)**	**–**	**(11.5)**
Reclassification to held for sale assets	**–**	**(0.6)**	**(6.6)**	**–**	**(7.2)**
Reclassification to inventories	**–**	**(0.5)**	**(0.1)**	**–**	**(0.6)**
Reclassification	**(4.9)**	**4.9**	**–**	**–**	**–**
At 31 December	**255.9**	**329.1**	**92.9**	**181.6**	**859.5**
Accumulated depreciation and impairment:					
At 1 January	**28.1**	**170.1**	**42.0**	**176.1**	**416.3**
Exchange adjustments	**(1.1)**	**(3.5)**	**(1.6)**	**–**	**(6.2)**
Charge for the year	**6.7**	**28.6**	**4.1**	**1.8**	**41.2**
Impairment of assets	**0.6**	**0.1**	**2.8**	**–**	**3.5**
Disposals	**(0.3)**	**(5.8)**	**(2.1)**	**–**	**(8.2)**
Reclassification to held for sale assets	**–**	**(0.4)**	**(5.2)**	**–**	**(5.6)**
Reclassification to inventories	**–**	**(0.2)**	**(0.3)**	**–**	**(0.5)**
Reclassification	**0.2**	**(0.2)**	**–**	**–**	**–**
At 31 December	**34.2**	**188.7**	**39.7**	**177.9**	**440.5**
Net book amount	**221.7**	**140.4**	**53.2**	**3.7**	**419.0**

Following the closure of the Group's European Drilling Tools business, rental tools were impaired by $2.8m and plant, machinery and motor vehicles by $0.1m, totalling $2.9m. The assets of the Group's European Drilling Tools rental business were classified as held for sale during the year.

With the market slowdown impacting the Group's Asia Pacific operations, certain regional assets were impaired, with a $0.6m charge recognised.

Included in the net book amount is expenditure relating to assets in the course of construction of $0.1m (2015 – $50.2m) for land and buildings, $8.8m (2015 – $26.3m) for plant and machinery and $0.8m (2015 – $2.5m) for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to $1.2m (2015 – $4.8m).

The net book amount of land and buildings of $221.7m (2015 – $238.8m) comprises freehold land and buildings of $218.1m (2015 – $234.1m) and capitalised leasehold improvements of $3.6m (2015 – $4.7m).

As a result of the amendments to the Group's financial covenants over the bank facility in 2016, security has been granted over specific properties in the UK and US, which have a carrying value of $239.2m (2015 – $nil).

Oil and gas productive and development assets are tested for impairment at least annually. Following a valuation of oil and gas reserves at 31 December 2016, performed for impairment purposes, no impairment charges were required (2015 – $6.4m) reflecting a stabilisation in the market, principally of commodity prices. The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted cash flow projections based on estimated oil and gas reserves, future production and the income and costs in generating this production. Cash flows are based on productive lives between one and fifteen years and are discounted using a nominal pre-tax rate of 12% (2015 – 12%).

The carrying value of PPE assets in certain CGUs remains sensitive to potential declines in future revenue growth rates. Based on the impairment test process described in note 15, if the expected compound annual growth rate ("CAGR") for revenue between 2016 and 2021 for US Drilling Tools fell by 2%, for UK OCTG fell by 2% or for Canada fell by 3% impairments could be required. The net book value of PPE for US Drilling Tools is $60.5m, for UK OCTG is $8.0m and for Canada is $4.2m. There is no reasonably foreseeable change in revenue growth rates that would give rise to impairment charges in other CGUs.

14. Property, Plant and Equipment continued

	Year ended 31 December 2015				
	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development $m	Total $m
Cost:					
At 1 January	243.6	304.2	139.4	178.4	865.6
Exchange adjustments	(3.3)	(8.9)	(2.0)	–	(14.2)
Additions	28.5	36.5	9.6	2.5	77.1
Disposals	(1.9)	(5.7)	(7.7)	–	(15.3)
Classified as held for sale	–	–	(35.9)	–	(35.9)
Reclassification to inventory	–	–	(0.2)	–	(0.2)
At 31 December	266.9	326.1	103.2	180.9	877.1
Accumulated depreciation and impairment:					
At 1 January	24.8	152.2	49.7	165.9	392.6
Exchange adjustments	(0.9)	(5.8)	(1.1)	–	(7.8)
Charge for the year	4.9	28.1	6.8	3.8	43.6
Impairment of assets	0.5	0.1	26.2	6.4	33.2
Disposals	(1.2)	(5.2)	(3.0)	–	(9.4)
Classified as held for sale	–	–	(35.9)	–	(35.9)
Reclassification	–	0.7	(0.7)	–	–
At 31 December	28.1	170.1	42.0	176.1	416.3
Net book amount	238.8	156.0	61.2	4.8	460.8

The net book amount of property, plant and equipment at 1 January 2015 was $473.0m.

15. Goodwill

	2016 $m	2015 $m
Cost:		
At 1 January	**517.1**	522.5
Exchange adjustments	**(2.0)**	(5.4)
At 31 December	**515.1**	517.1
Accumulated impairment:		
At 1 January	**286.5**	81.9
Exchange adjustments	**(1.2)**	(3.6)
Charge for the year	**–**	208.2
At 31 December	**285.3**	286.5
Net book amount	**229.8**	230.6

The net book amount of goodwill at 1 January 2015 was $440.6m.

(a) Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") as follows:

CGU	**2016 $m**	2015 $m
Hunting Perforating Systems (formally Hunting Titan)	**180.5**	180.4
Hunting Stafford "Subsea" (formally National Coupling Company)	**15.0**	15.0
Dearborn	**12.5**	12.5
US Manufacturing	**12.5**	12.5
Hunting Specialty	**5.0**	5.0
Welltonic	**4.3**	5.2
At 31 December	**229.8**	230.6

15. Goodwill continued

Impairment Tests for Goodwill

The continuing poor trading conditions and the subsequent renegotiation of bank facilities were considered indicators of potential impairment and impairment tests were carried out in preparation for interim and year end reporting.

The recoverable amount for each CGU has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the CGU in a sales transaction on an arms length basis. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by the CGU and are discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections.

The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied.

For 2017, cash flows are based on the approved Board budget. For 2018 to 2021, management has made revenue projections using Spears and Associates “Drilling and Production Outlook” reports as a default basis, selecting the most appropriate geographic market and driver (rig count, footage drilled or E&P spend) for each CGU. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management has then modelled the expected impact on margins and cash flow from the resulting revenue projections.

Whilst market conditions have stabilised in 2016, and there are now some signs of recovery, the speed and extent of the recovery is difficult to predict and it will impact CGUs differently. The compound annual growth rates (“CAGR”) for revenue for the CGUs between 2016 and 2021 vary between 9% and 26%. These growth rates should be seen in the context of the year-on-year declines in revenue in 2015 and 2016 which were 42% and 44% respectively. After 2021, a terminal value has been calculated assuming growth above inflation of 50 basis points, giving nominal growth rates between 1% and 6%. For material CGUs this is between 2% and 3%.

Cash flows have been discounted using nominal pre-tax rates between 10% and 18%. The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

Management remains confident that market fundamentals will drive a significant recovery in the sector and this assessment of the mid to long-term outlook has not changed materially since 31 December 2015. No impairment charges have been recorded as a result of the impairment reviews carried out in the year.

(b) Material CGU

Hunting Perforating Systems – Hunting Perforating Systems represents 79% of the goodwill balance at the year end (2015 – 78%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of $448.2m (2015 – $503.0m). Projected annual growth rates vary between 13% and 31%. Cash flows have been discounted at a nominal pre-tax rate of 12%. There is no reasonably foreseeable change in revenue growth rates, or terminal growth rates, or discount rates which will give rise to impairment charges.

(c) Sensitivities

The carrying value of certain CGUs is dependent on the strength and speed of the expected recovery in the sector. The following sensitivities have been considered.

(i) Revenue growth rates
The only reasonably foreseeable change in CAGR which could give rise to an impairment charge relates to the Welltonic CGU. For this CGU a 5% reduction in the expected CAGR for revenue between 2016 and 2021 would result in the full impairment of the remaining $4.6m of goodwill.

(ii) Terminal growth rates
A fall in terminal growth rate expectations of 25 basis points would not give rise to any impairment charges.

(iii) Discount rates
For Hunting Perforating Systems, Hunting Stafford, Hunting Dearborn, US Manufacturing and Hunting Specialty nominal pre-tax discount rates of 12% have been applied. For Welltonic the discount rate is 11%. An increase in pre-tax discount rates of 50 basis points would give rise to a $0.7m impairment to the Welltonic CGU. No other goodwill balances would be impacted.

16. Other Intangible Assets

	2016				
	Customer relationships $m	**Unpatented technology $m**	**Patents & Trademarks $m**	**Other $m**	**Total $m**
Cost:					
At 1 January	**247.4**	**64.4**	**53.9**	**22.4**	**388.1**
Exchange adjustments	**(0.6)**	**(0.2)**	**(0.1)**	**(0.7)**	**(1.6)**
Additions	**–**	**5.1**	**1.2**	**0.1**	**6.4**
Disposals	**–**	**(0.1)**	**–**	**(0.2)**	**(0.3)**
At 31 December	**246.8**	**69.2**	**55.0**	**21.6**	**392.6**
Accumulated amortisation and impairment:					
At 1 January	**128.9**	**23.5**	**36.2**	**19.1**	**207.7**
Exchange adjustments	**(0.6)**	**(0.1)**	**–**	**(0.4)**	**(1.1)**
Charge for the year	**21.7**	**6.1**	**6.3**	**1.2**	**35.3**
At 31 December	**150.0**	**29.5**	**42.5**	**19.9**	**241.9**
Net book amount	**96.8**	**39.7**	**12.5**	**1.7**	**150.7**

	2015				
	Customer relationships $m	Unpatented technology $m	Patents & Trademarks $m	Other $m	Total $m
Cost:					
At 1 January	247.6	60.2	50.7	22.6	381.1
Exchange adjustments	(0.2)	(0.2)	–	(0.3)	(0.7)
Additions	–	4.4	3.2	0.4	8.0
Disposals	–	–	–	(0.3)	(0.3)
At 31 December	247.4	64.4	53.9	22.4	388.1
Accumulated amortisation and impairment:					
At 1 January	92.1	17.5	28.6	18.1	156.3
Exchange adjustments	(0.2)	0.1	–	(0.2)	(0.3)
Charge for the year	25.8	5.9	7.6	1.5	40.8
Impairment of assets	11.2	–	–	–	11.2
Disposals	–	–	–	(0.3)	(0.3)
At 31 December	128.9	23.5	36.2	19.1	207.7
Net book amount	118.5	40.9	17.7	3.3	180.4

The net book amount of other intangible assets at 1 January 2015 was $224.8m.

Other intangible assets of $1.7m (2015 – $ 3.3m) include software of $1.4m (2015 – $2.7m).

Internally generated intangible assets have been included within unpatented technology. The carrying value at the beginning of the year was $10.4m (2015 – $6.7m). Additions during the year were $5.2m (2015 – $4.4m), disposals were $0.1m (2015 – $nil) and the amortisation charge for the year was $0.8m (2015 – $0.5m). After foreign exchange losses of $0.2m (2015 – $0.2m), the carrying value at the end of the year was $14.5m (2015 – $10.4m).

All intangible assets are regarded as having a finite life and are amortised accordingly. All amortisation charges relating to intangible assets have been charged to operating expenses.

A review of the carrying value of other intangible assets was undertaken in 2015, which led to the impairment of customer relationships arising on the acquisition of the Electronics and Doffing businesses of $11.2m.

16. Other Intangible Assets continued

Individual Material Intangible Assets
Included in the table above are the following individual material intangible assets:

	2016	
	Customer relationships – Dearborn $m	Customer relationships – Perforating Systems $m
Cost:		
At 1 January and 31 December	**14.7**	**190.2**
Accumulated amortisation:		
At 1 January	**8.1**	**81.6**
Charge for the year	**1.8**	**19.1**
At 31 December	**9.9**	**100.7**
Net book amount	**4.8**	**89.5**
Remaining amortisation period at 31 December – years	**2.5**	**4.8**

17. Investments

	2016 $m	2015 $m
Non-current:		
Listed equity investments and mutual funds	**10.2**	9.1
Current:		
Bank deposits maturing after more than three months	**0.8**	4.6

18. Trade and Other Receivables

	2016 $m	2015 $m
Non-current:		
Loan note	**1.2**	2.2
Prepayments	**1.6**	1.6
Other receivables	**0.1**	0.2
	2.9	4.0
Current:		
Trade receivables	**97.6**	119.1
Less: provision for impairment of receivables	**(4.4)**	(2.7)
Net trade receivables	**93.2**	116.4
Prepayments	**8.0**	13.1
Accrued revenue	**4.1**	3.8
Loan note	**0.6**	0.7
Other receivables	**5.8**	6.2
	111.7	140.2

Trade receivables that are not overdue and not impaired are expected to be fully recovered as there is no recent history of default or any indications that the customers will not meet their payment obligations. At the year end there are no trade receivables (2015 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

18. Trade and Other Receivables continued

At 31 December 2016, trade receivables of $48.9m (2015 – $56.5m) were overdue but not impaired. The ageing of these receivables at the year end is as follows:

	2016 $m	2015 $m
Number of days overdue:		
1-30 days	**26.0**	26.6
31-60 days	**10.0**	11.5
61-90 days	**7.4**	6.9
91-120 days	**2.4**	5.5
more than 120 days	**3.1**	6.0
Receivables overdue not impaired	**48.9**	56.5
Receivables not overdue	**44.3**	59.8
Receivables not overdue and impaired	**–**	0.1
Receivables overdue and impaired	**4.4**	2.7
Impairment	**(4.4)**	(2.7)
Net trade receivables	**93.2**	116.4

Receivables that are overdue but not impaired relate to customers for whom there is no recent history of default. Receivables that have been impaired mainly relate to debtors in financial difficulty where defaults in payments have occurred or concerns have been raised about the customer's liquidity. Trade receivables are impaired when there is evidence that the Group will not be able to collect all amounts due according to the original terms of sale.

During the year, a provision of $2.2m (2015 – $0.7m) for the impairment of receivables was recognised, $0.2m (2015 – $nil) receivables were written off and $0.3m (2015 – $0.5m) unused provisions were released. The provision for the impairment of trade receivables at the year end was $4.4m (2015 – $2.7m).

The other classes of financial assets within trade and other receivables do not contain impaired assets.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the fair value of each class of receivable. The carrying value of each class of receivable approximates their fair value as described in note 26.

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

As a result of the amendments to the Group's financial covenants over the bank facility in 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $75.7m (2015 – $nil).

19. Deferred Tax

Deferred income tax assets and liabilities are only offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same fiscal authority and there is an intention to settle the balance net. The offset amounts are as follows:

	2016 $m	2015 $m
Deferred tax assets	**7.0**	2.0
Deferred tax liabilities	**(12.6)**	(10.2)
	(5.6)	(8.2)

The movement in the net deferred tax liability is as follows:

	2016 $m	2015 $m
At 1 January	**(8.2)**	(35.9)
Exchange adjustments	**1.4**	0.7
Credit to the income statement[i]	**8.3**	28.9
Change in tax rates	**0.2**	(0.1)
Taken direct to equity	**(7.3)**	(1.8)
At 31 December	**(5.6)**	(8.2)

i. The credit to the income statement comprises a credit of $9.1m (2015 – $30.3m) for the origination and reversal of temporary differences and a charge of $0.6m (2015 – $0.3m) for adjustments in respect of prior years relating to continuing operations (note 11) and a charge of $0.2m relating to discontinued operations (2015 – $1.1m).

Deferred tax assets of $50.0m (2015 – $32.6m) have not been recognised as realisation of the tax benefit is not probable. This includes $30.9m in respect of tax losses (2015 – $3.8m). The tax losses do not have an expiry date.

Deferred tax assets of $7.0m (2015 – $2.0m) are expected to be recovered after more than 12 months. Deferred tax liabilities of $5.2m (2015 – $nil) are expected to be released within 12 months and $7.4m (2015 – $10.2m) are expected to be released after more than 12 months.

19. Deferred Tax continued

The movements in deferred tax assets and liabilities, prior to taking into consideration the offsetting of balances within the same tax jurisdictions, are shown below:

	At 1 January 2016 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2016 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	**0.4**	**(0.3)**	**6.0**	**(0.5)**	**–**	**–**	**5.6**	**5.6**	**–**
Inventory	**7.8**	**–**	**(0.4)**	**–**	**–**	**(0.1)**	**7.3**	**0.3**	**7.0**
Goodwill and intangibles	**15.7**	**–**	**(0.4)**	**–**	**–**	**3.8**	**19.1**	**0.5**	**18.6**
Post-retirement benefits	**(5.2)**	**1.8**	**1.1**	**0.8**	**(7.5)**	**0.2**	**(8.8)**	**–**	**(8.8)**
Asset decommissioning provision	**2.2**	**–**	**–**	**–**	**–**	**(0.1)**	**2.1**	**–**	**2.1**
Accumulated tax depreciation	**(27.5)**	**–**	**1.6**	**(0.1)**	**–**	**2.5**	**(23.5)**	**0.7**	**(24.2)**
Share-based payments	**0.3**	**(0.1)**	**0.1**	**–**	**0.2**	**–**	**0.5**	**–**	**0.5**
Other	**(1.9)**	**–**	**0.3**	**–**	**–**	**(6.3)**	**(7.9)**	**(0.1)**	**(7.8)**
	(8.2)	**1.4**	**8.3**	**0.2**	**(7.3)**	**–**	**(5.6)**	**7.0**	**(12.6)**

	At 1 January 2015 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2015 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	1.0	–	(0.6)	–	–	–	0.4	0.4	–
Inventory	7.2	–	1.2	–	–	(0.6)	7.8	0.6	7.2
Goodwill and intangibles	(20.2)	–	35.5	(0.1)	–	0.5	15.7	0.9	14.8
Post-retirement benefits	(3.7)	0.3	(0.3)	–	(1.5)	–	(5.2)	–	(5.2)
Asset decommissioning provision	2.2	–	0.4	–	–	(0.4)	2.2	–	2.2
Accumulated tax depreciation	(28.4)	0.4	0.5	–	–	–	(27.5)	0.3	(27.8)
Share-based payments	6.0	–	(4.7)	–	(0.3)	(0.7)	0.3	–	0.3
Unremitted earnings	(0.2)	–	0.2	–	–	–	–	–	–
Other	0.2	–	(3.3)	–	–	1.2	(1.9)	(0.2)	(1.7)
	(35.9)	0.7	28.9	(0.1)	(1.8)	–	(8.2)	2.0	(10.2)

A deferred tax asset of $5.6m (2015 – $nil) has been recognised in respect of tax losses in various locations on the basis of forecast future taxable profits against which those tax losses could be utilised.

20. Inventories

	2016 $m	2015 $m
Raw materials	**79.7**	94.1
Work in progress	**37.6**	43.9
Finished goods	**169.1**	213.1
Gross inventories	**286.4**	351.1
Less: provisions for losses	**(26.7)**	(19.9)
Net inventories	**259.7**	331.2

The net inventory balance comprises $202.4m of inventory carried at cost (2015 – $303.2m) and $57.3m of inventory carried at net realisable value (2015 – $28.0m).

The Group expects that $177.5m (2015 – $259.8m) of the Group's inventories of $259.7m (2015 – $331.2m) will be realised within 12 months of the balance sheet date and $82.2m (2015 – $71.4m) will be realised after 12 months.

In 2016 a $12.1m impairment against the Group's inventory carrying values was booked (2015 – $11.4m). During the year the Group reversed $1.8m (2015 – $2.1m) of a previous inventory impairment as the goods were sold during the year for an amount greater than their carrying value. The net amount of $10.3m (2015 – $9.3m) has been included in cost of sales in the income statement. $2.9m (2015 – $0.9m) of the provision was utilised during the year and, after foreign exchange gains of $0.6m (2015 – $0.4m), the provision for impairment of inventories at the year end was $26.7m (2015 – $19.9m).

As a result of the amendments to the Group's financial covenants over the bank facility in 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $166.9m (2015 – $nil).

21. Trade and Other Payables

	2016 $m	2015 $m
Non-current:		
Trade payables	**0.2**	0.4
Accruals	**1.4**	1.7
Social security and other taxes	**0.3**	0.1
Other payables - US deferred compensation plan obligation (note 29)	**10.2**	9.1
	12.1	11.3

	2016 $m	2015 $m
Current:		
Trade payables	**35.1**	57.1
Social security and other taxes	**7.0**	7.3
Accruals	**22.7**	36.0
Other payables	**5.2**	3.8
	70.0	104.2

22. Borrowings

	2016 $m	2015 $m
Non-current:		
Secured bank loans[i]	**8.0**	–
Unsecured bank loans[ii]	**–**	113.3
Other unsecured loans	**3.9**	3.9
	11.9	117.2
Current:		
Bank overdrafts secured	**43.2**	–
Bank overdrafts unsecured	**–**	32.5
Secured bank loans	**11.1**	–
Unsecured bank loans	**–**	19.8
	54.3	52.3
Total borrowings	**66.2**	169.5

i. Secured bank loans include $0.6m capitalised loan facility fees.
ii. Unsecured bank loans include $2.7m capitalised loan facility fees.

Analysis of Borrowings by Currency

The carrying amount of the Group's borrowings is denominated in the following currencies:

	Canadian dollars $m	Sterling $m	US dollars $m	Euro $m	Other $m	Capitalised loan facility fees $m	Total $m
Secured bank loans	**–**	**19.7**	**–**	**–**	**–**	**(0.6)**	**19.1**
Other unsecured loans	**–**	**–**	**3.9**	**–**	**–**	**–**	**3.9**
Bank overdrafts secured	**–**	**17.6**	**25.5**	**0.1**	**–**	**–**	**43.2**
At 31 December 2016	**–**	**37.3**	**29.4**	**0.1**	**–**	**(0.6)**	**66.2**

	Canadian dollars $m	Sterling $m	US dollars $m	Euro $m	Other $m	Capitalised loan facility fees $m	Total $m
Unsecured bank loans	29.8	24.9	78.3	2.3	0.5	(2.7)	133.1
Other unsecured loans	–	–	3.9	–	–	–	3.9
Bank overdrafts	–	13.1	19.4	–	–	–	32.5
At 31 December 2015	29.8	38.0	101.6	2.3	0.5	(2.7)	169.5

23. Changes in Net Debt

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of interest offsetting arrangements and other such measures. As the Group manages funding on a net debt basis, internal reporting focuses on changes in net debt and this is presented in the Strategic Report. The net debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items.

Net debt comprises bank overdrafts, current and non-current borrowings, less cash and cash equivalents and bank deposits maturing after more than three months.

	At 1 January 2016 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Other movements $m	At 31 December 2016 $m
Cash at bank and in hand	**54.4**	**12.4**	**(3.3)**	**–**	**–**	**63.5**
Bank overdrafts (note 22)	**(32.5)**	**(13.4)**	**2.7**	**–**	**–**	**(43.2)**
Cash and cash equivalents	**21.9**	**(1.0)**	**(0.6)**	**–**	**–**	**20.3**
Current investments (note 17)	**4.6**	**(3.4)**	**(0.4)**	**–**	**–**	**0.8**
Non-current borrowings	**(119.9)**	**105.2**	**2.2**	**–**	**–**	**(12.5)**
Current bank loans (note 22)	**(19.8)**	**8.3**	**0.4**	**–**	**–**	**(11.1)**
Total net borrowings	**(113.2)**	**109.1**	**1.6**	**–**	**–**	**(2.5)**
Capitalised loan facility fees	**2.7**	**–**	**–**	**(2.1)**	**–**	**0.6**
Total net debt	**(110.5)**	**109.1**	**1.6**	**(2.1)**	**–**	**(1.9)**

Due to losses reported in the relevant test period, the bank covenants relating to the Group's RCF were breached at 30 June 2016. Prior to this occurring, management had been in discussions with the bank lending group to seek amendments to the covenants. For accounting purposes, as the revised facility size and covenant terms were significantly different, the RCF was deemed to have been extinguished and replaced by a new RCF. Consequently, capitalised loan facility fees of $2.5m were written off to the income statement. Further details on the revised terms are provided in note 27.

	At 1 January 2015 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified from held for sale[ii] $m	At 31 December 2015 $m
Cash at bank and in hand	88.5	(35.0)	(2.9)	–	3.8	54.4
Bank overdrafts (note 22)	(50.5)	17.0	1.0	–	–	(32.5)
Cash and cash equivalents	38.0	(18.0)	(1.9)	–	3.8	21.9
Current investments (note 17)	3.8	1.1	(0.3)	–	–	4.6
Non-current borrowings	(160.9)	36.3	4.7	–	–	(119.9)
Current bank loans (note 22)	(14.9)	(7.6)	2.7	–	–	(19.8)
Total net borrowings	(134.0)	11.8	5.2	–	3.8	(113.2)
Capitalised loan facility fees	3.0	–	–	(0.3)	–	2.7
Total net debt	(131.0)	11.8	5.2	(0.3)	3.8	(110.5)

i. During the year, $0.9m (2015 – $2.7m) loan facility fees were paid, $0.5m (2015 – $3.0m) fees were amortised and $2.5m (2015 – $nil) fees were written off and shown in exceptional items (note 7).
ii. The net assets of Gibson Shipbrokers disposed of on 31 March 2015 included $3.8m of cash and cash equivalents that were classified as held for sale at 31 December 2014.

24. Provisions

	Onerous contracts $m	Other $m	Total $m
At 1 January 2016	**7.7**	**10.3**	**18.0**
Exchange adjustments	**(1.1)**	**(0.4)**	**(1.5)**
Charged to the income statement	**0.3**	**1.3**	**1.6**
Adjustments to property, plant and equipment	**–**	**0.2**	**0.2**
Provisions utilised	**(1.5)**	**(1.0)**	**(2.5)**
Unutilised amounts reversed	**–**	**(0.4)**	**(0.4)**
Change in discount rate	**0.1**	**–**	**0.1**
Unwinding of discount	**0.1**	**0.1**	**0.2**
At 31 December 2016	**5.6**	**10.1**	**15.7**

Provisions are due as follows:

	2016 $m	2015 $m
Current	**4.8**	5.4
Non-current	**10.9**	12.6
	15.7	18.0

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that $1.9m of the provision will be utilised in 2017, $0.7m in 2018 and the remaining balance of $3.0m utilised from 2019 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.01% and 0.69% p.a., for the net rental deficit on these properties to the end of the lease term.

Other provisions include asset decommissioning and remediation obligations of $7.0m (2015 – $6.1m) relating to the Group's obligation to dismantle, remove and restore items of property, plant and equipment and warranties and tax indemnities of $1.0m (2015 – $1.3m). The asset decommissioning provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation. Provision is made on a discounted basis, the majority of which is estimated to be utilised over a period of fourteen years.

25. Derivatives and Hedging

(a) Currency Derivatives

The Group has used spot and forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year.

At 31 December 2016, the total notional amount of the Group's outstanding forward foreign exchange contracts was $1.9m (2015 – $3.1m).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement, with $nil (2015 – $0.2m loss) being recognised in the income statement during the year for continuing operations.

Certain highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts during the year. These forecast transactions all occurred during 2016. Gains and losses recognised during the year on these contracts were immaterial.

Fair values of derivative financial instruments:

	2016		2015	
	Total assets $m	Total liabilities $m	Total assets $m	Total liabilities $m
Forward foreign exchange contracts – not in a hedge	**0.1**	**(0.1)**	–	(0.1)

(b) Hedge of Net Investments in Foreign Operations

The Group had both Canadian dollar and Sterling denominated borrowings during the year, which it designated as a hedge of the net investment in its Canadian and UK subsidiaries respectively. Following the equity placing in October 2016, the Group repaid a large portion of its borrowings. At 31 December 2016, the carrying amount of net Canadian dollar borrowings designated as a hedge was $nil (2015 – $21.1m) and the carrying amount of net Sterling borrowings was $19.6m (2015 – $22.1m). During 2016, foreign exchange gains of $2.5m (2015 – $5.1m) on translation of the borrowings into US dollars were recognised in the currency translation reserve.

26. Financial Instruments: Fair Values

The carrying value of investments, non-current trade and other receivables, net trade receivables, accrued revenue, other receivables, deposits maturing after three months, cash and cash equivalents, assets classified as held for sale, trade payables, accruals, other payables, provisions, liabilities classified as held for sale, bank overdrafts, unsecured bank loans and other unsecured loans approximates their fair value. Drawdowns under the revolving credit facility are typically for periods of one month or less and, as a result, the carrying value and the fair value are considered to be the same.

The following tables present the Group's other financial assets and liabilities that are measured at fair value at the year end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

	Fair value at 31 December 2016 $m	**Level 1 $m**	**Level 2 $m**
Non-current investments			
Listed equity investments and mutual funds	**10.2**	**10.2**	**–**
Derivatives held for trading			
Derivative financial assets	**0.1**	**–**	**0.1**
Derivative financial liabilities	**(0.1)**	**–**	**(0.1)**
	10.2	**10.2**	**–**

	Fair value at 31 December 2015 $m	Level 1 $m	Level 2 $m
Non-current investments			
Listed equity investments and mutual funds	9.1	9.1	–
Derivatives held for trading			
Derivative financial liabilities	(0.1)	–	(0.1)
	9.0	9.1	(0.1)

The fair value hierarchy has the following levels:
Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The fair value of listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year end exchange rate.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy.

27. Financial Risk Management

The Group's activities expose it to certain financial risks, namely market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's risk management strategy seeks to mitigate potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge certain risk exposures.

There are clearly defined objectives and principles for managing financial risk established by the Board of Directors, with policies, parameters and procedures covering the specific areas of funding, banking relationships, foreign currency and interest rate exposures and cash management.

The Group's treasury function is responsible for implementing the policies and providing a centralised service to the Group for funding, foreign exchange and interest rate management and counterparty risk management. It is also responsible for identifying, evaluating and hedging financial risks in close co-operation with the Group's operating companies.

(a) Foreign Exchange Risk

The Group's international base is exposed to foreign exchange risk from its investing, financing and operating activities, particularly in respect of Sterling and Canadian dollars. Foreign exchange risks arise from future transactions and cash flows, and from recognised monetary assets and liabilities that are not denominated in the functional currency of the Group's local operations.

27. Financial Risk Management continued

The Group's material foreign exchange rates are:

	Sterling		Canadian dollar	
	2016	2015	**2016**	2015
Average exchange rate to US dollars	**0.74**	0.65	**1.33**	1.28
Year end exchange rate to US dollars	**0.81**	0.68	**1.34**	1.39

(i) Transactional Risk
The exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts or currency options. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. Operating companies prepare quarterly rolling 12-month cash flow forecasts to enable working capital currency exposures to be identified. Currency exposures arise where the cash flows are not in the functional currency of the entity. Exposures arising from committed long-term projects beyond a 12-month period are also identified. The currency flows to be hedged are committed foreign currency transactions greater than $400,000 equivalent per month and/or currency flows that in aggregate exceed $400,000 equivalent per annum.

No speculative positions are entered into by the Group.

The table below shows the carrying values of the Group's financial instruments at 31 December, including derivative financial instruments, on which exchange differences would potentially be recognised in the income statement in the following year. The table excludes derivatives designated in a cash flow hedge and loans to subsidiaries that are considered to be part of the net investment in a foreign operation, as exchange differences arising on these are recognised in other comprehensive income.

	Currency of denomination						
At 31 December 2016	**Sterling $m**	**US dollars $m**	**Canadian dollars $m**	**Euro $m**	**Chinese CNY $m**	**Other currencies $m**	**Total $m**
Functional currency of Group's entities:							
Sterling	**–**	**3.4**	**–**	**–**	**–**	**–**	**3.4**
US dollars	**(1.7)**	**–**	**4.7**	**4.5**	**1.9**	**0.1**	**9.5**
Canadian dollars	**–**	**0.6**	**–**	**–**	**–**	**–**	**0.6**
Singapore dollars	**–**	**1.6**	**–**	**–**	**–**	**–**	**1.6**
Chinese CNY	**–**	**(2.1)**	**–**	**–**	**–**	**–**	**(2.1)**
	(1.7)	**3.5**	**4.7**	**4.5**	**1.9**	**0.1**	**13.0**

The Sterling and US dollar denominated financial instruments consist of cash balances, trade receivables, accrued revenue, trade payables, accrued expenses, bank borrowings and intra-group loans.

	Currency of denomination						
At 31 December 2015	Sterling $m	US dollars $m	Canadian dollars $m	Euro $m	Chinese CNY $m	Other currencies $m	Total $m
Functional currency of Group's entities:							
Sterling	–	0.4	–	(0.6)	–	(0.1)	(0.3)
US dollars	(2.7)	–	(0.6)	–	0.9	0.2	(2.2)
Canadian dollars	–	0.8	–	–	–	–	0.8
Singapore dollars	–	2.5	–	–	–	–	2.5
Euro	(0.4)	0.6	–	–	–	–	0.2
Chinese CNY	(0.1)	(2.6)	–	–	–	–	(2.7)
	(3.2)	1.7	(0.6)	(0.6)	0.9	0.1	(1.7)

The Sterling and US dollar denominated financial instruments consist of cash balances, trade receivables, accrued revenue, trade payables, accrued expenses, bank borrowings and intra-group loans.

(ii) Translational Risk
Foreign exchange risk also arises from the Group's investments in foreign operations.

The foreign exposure to net investments in foreign operations is managed using borrowings denominated in the same functional currency as that of the net assets. The borrowings are designated as a hedge of the net investment in foreign operations. The foreign exchange exposure primarily arises from Sterling and Canadian dollar denominated net investments.

(b) Interest Rate Risk
Variable interest rates on cash at bank, deposits, overdrafts and borrowings expose the Group to cash flow interest rate risk and fixed interest rates on loans and deposits expose the Group to fair value interest rate risk. The treasury function manages the Group's exposure to interest rate risk and uses interest rate swaps and caps, when considered appropriate.

27. Financial Risk Management continued

(c) Credit Risk

The Group's credit risk arises from its pension assets, cash and cash equivalents, investments, derivative financial instruments, loan note and outstanding receivables.

At the year end, the Group had credit risk exposures to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities.

Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the treasury function can invest surplus cash with all must have a minimum A2, P2 or F2 short-term rating from Standard and Poor's, Moody's or Fitch rating agencies respectively and AAA rating for Money Market Funds.

At the year end, cash at bank and in hand totalled $63.5m (2015 – $54.4m) and current investments $0.8m (2015 – $4.6m). 88% (2015 – 90%) of cash at bank and in hand balances were deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining 12% (2015 – 10%), the vast majority (10%) was held on deposit with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit.

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument.

Trade and other receivables are continuously monitored. Credit account limits are primarily based on the credit quality of the customer and past experience through trading relationships. To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions.

The Group operates a pension scheme in the UK, which includes a funded defined benefit section with pension plan net assets of $33.3m (2015 – $41.4m). The majority of the Scheme's defined benefits are now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated. The pension buy-in has been effected by using a number of insurers, so as to spread its credit risk. The credit rating of these insurers is monitored.

The Group also operates a defined benefit pension scheme in the US, which is unfunded. Contributions are paid into a separate investment vehicle and invested in a wide portfolio of US mutual funds that are recognised as non-current investments. Investments at the year end amounted to $10.2m (2015 – $9.1m) and are expected to be fully recovered.

(d) Liquidity Risk

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable them to monitor the Group's requirements.

The Group has sufficient credit facilities to meet both its long and short-term requirements. The Group's credit facilities are provided by a variety of funding sources and total $219.2m (2015 – $414.6m) at the year end. The facilities comprise $200.0m of secured committed facilities (2015 – $350.0m unsecured), and $19.2m secured uncommitted facilities (2015 – $64.6m unsecured).

Due to losses reported in the relevant test period, the financial covenants relating to the Group's $350m Revolving Credit Facility ("RCF") were breached at 30 June 2016. In anticipation of this event, management commenced discussions with the lending banks to seek amendments to the terms and conditions relating to the RCF and the other funding arrangements available to the Group. On 20 July 2016 the revised terms became effective. The main revised covenants and terms to apply throughout the suspension period, which runs up to and including the 30 June 2018 covenant test date, are:

- Commited facilities reduced from $350m to $200m to reflect the Group's reduced requirements.
- First priority security charge taken by the bank group over certain trade receivables and inventories held by Group subsidiaries in the US, Canada and UK subsidiaries, together with security charges over the Group's principal properties in the US and UK.
- Drawings under the committed facilities to be covered by the secured assets.
- The balance of discounted trade receivables and accrued revenue values shall not be less than 40% of the utilisation of the committed facilities.
- Tangible net worth of the Group must exceed $450m.
- Rolling 12-month cash flow targets tested semi annually.
- Capital expenditure limited to a maximum of $30m per annum in 2017 and 2018.
- Cessation of dividend payments until the end of the suspension period.
- An amendment fee of $400,000 was payable and the interest margin over LIBOR on funds drawn increases to 2.75%.

As at 31 December 2016, all covenants were covered with adequate headroom and the Group remained compliant with the amended terms and conditions of the committed facilties.

The ratio of net debt to EBITDA and the EBITDA interest cover covenants included in the facility agreement signed in October 2015 have been suspended until the 30 June 2018 covenant test date. If trading conditions improve before the end of the amendment period then Hunting can elect to return to the original facility covenants. The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities. The Group had undrawn committed borrowing facilities available at the year end totalling $179.5m (2015 – $233.9m), which expire between two and five years.

27. Financial Risk Management continued

The following tables analyse the Group'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 are the contractual, undiscounted cash flows. 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.

	2016			
	On demand or within one year $m	**Between two and five years $m**	**After five years $m**	**Total $m**
Non-derivative financial liabilities:				
Trade payables	**35.1**	**0.2**	**–**	**35.3**
Accruals	**22.7**	**0.6**	**0.8**	**24.1**
Other payables	**2.9**	**–**	**10.2**	**13.1**
Onerous lease contracts	**1.9**	**2.8**	**1.0**	**5.7**
Secured bank loans	**13.0**	**14.0**	**–**	**27.0**
Other unsecured loans	**–**	**–**	**3.9**	**3.9**
Bank overdrafts secured	**43.2**	**–**	**–**	**43.2**
Total	**118.8**	**17.6**	**15.9**	**152.3**

	2015			
	On demand or within one year $m	Between two and five years $m	After five years $m	Total $m
Non-derivative financial liabilities:				
Trade payables	57.1	0.4	–	57.5
Accruals	36.0	0.6	1.1	37.7
Other payables	2.3	–	9.1	11.4
Onerous lease contracts	1.6	4.3	2.0	7.9
Unsecured bank loans	22.0	124.4	–	146.4
Other unsecured loans	–	–	3.9	3.9
Bank overdrafts unsecured	32.5	–	–	32.5
Total	151.5	129.7	16.1	297.3

The Group had no net settled financial liabilities at the year end (2015 – none).

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis, into maturity groupings based on the period remaining from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

	2016		2015
	On demand or within one year $m	**Between two and five years $m**	On demand or within one year $m
Currency derivatives – held for trading			
– inflows	**18.9**	**0.6**	11.2
– outflows	**(19.0)**	**(0.6)**	(11.3)

(e) Capital Risk Management

The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on page 48. Within this section, the Group provides a definition of capital, provides details of the external financial covenants imposed, key measures for managing capital and the objectives for managing capital. Quantitative disclosures have been made together with the parameters for meeting external financial covenants.

28. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and cash equivalents, borrowings, deposits and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2016.

The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

28. 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 Group'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.
- Fixed-rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis.
- 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 or equity.

(a) Interest Rate Sensitivity

The sensitivity rate of 0.5% (2015 – 0.5%) for US interest rates represents management's 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 income statement, with all other variables held constant, at 31 December, for an increase of 0.5% (2015 – 0.5%) in US interest rates, is to reduce profits by $nil (2015 – $0.3m). If US interest rates were to decrease by 0.5% (2015 – 0.5%), then the post-tax impact on the income statement would be to increase profits by $nil (2015 – $0.3m). The movements in 2015 arose on US dollar denominated borrowings. There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

The sensitivity rate of 15% (2015 – 10%) for Sterling and 5% (2015 – 10%) Canadian dollar and Singapore dollar exchange rates represents management's 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 table below shows the post-tax impact for the year of a reasonably possible change in foreign exchange rates, with all other variables held constant, at 31 December.

	2016		2015	
	Income statement $m	**OCI $m**	Income statement $m	OCI $m
Sterling exchange rate +15% (2015: +10%)	**(0.9)**	**(0.3)**	(0.8)	–
Sterling exchange rate -15% (2015: -10%)	**1.1**	**0.3**	0.9	–
Canadian dollar exchange rates +5% (2015: +10%)	**(0.5)**	**(0.8)**	(0.1)	–
Canadian dollar exchange rates -5% (2015: -10%)	**0.6**	**0.9**	0.1	–
Singapore dollar exchange rates +5% (2015: +10%)	**–**	**–**	0.3	–
Singapore dollar exchange rates -5% (2015: -10%)	**0.1**	**–**	(0.4)	–

The movements in the income statement mainly arise from cash, bank overdrafts, intra-group balances, trade receivables and payables and accrued expenses, where the functional currency of the entity is different from the currency that the monetary items are denominated in.

The movements in OCI arise from net Sterling borrowings designated in a hedge of the net investment in foreign subsidiaries and from Sterling and Canadian dollar denominated loans that have been recognised as part of the Group's net investment in foreign subsidiaries.

29. Post-Employment Benefits

(a) UK Pensions

Within the UK, the Group operates a funded pension scheme, which includes a defined benefit section with benefits linked to price inflation and a defined contribution section with benefits dependent on future investment returns. The defined benefit section closed to future accrual on 30 June 2016 and existing contributing members of that section joined the defined contribution section with effect from 1 July 2016. The majority of UK employees are members of the defined contribution section of the scheme.

The UK scheme is registered with HMRC for tax purposes, is operated separately from the Group and is managed by a board of trustees. The trustees are responsible for the payment of benefits and the management of the scheme's assets.

The UK scheme is subject to UK regulations, which require the Group and the trustees to agree a funding strategy and contributions schedule for the defined benefit section of the UK scheme. Contributions due to the defined contribution section of the UK scheme and other Group defined contribution arrangements are charged directly to profit and loss.

29. Post-Employment Benefits continued

Risk exposures and investment strategy
The scheme is managed so that it is well funded and represents a low risk to the Group. In particular, the scheme's assets are invested in a range of deferred annuity and immediate annuity policies with a number of insurers, which largely match the benefits to be paid to members of the scheme. This strategy significantly reduces the Group's investment, inflation and demographic risks in relation to the scheme's liabilities. The position would change materially if one of the insurers was no longer able to meet its obligations as the pension obligation ultimately rests with the Group.

The decrease in the Group's pension asset seen over 2016 principally reflects the agreement of the trustees and the Group to meet the contributions of the defined contribution section from the surplus in the scheme and the loss as a result of the closure of the defined benefit section, partially offset by the gain arising from the trustees' decision to surrender part of one of their insurance annuity policies.

Funding strategy
The trustees and the Group together agree a funding strategy for the UK scheme every three years. As the defined benefit section is closed to future accrual and the benefits earned by the members are covered in full by annuity policies, the Group does not expect to pay any further contributions into the defined benefit section of the scheme. The trustees and the Group have also agreed that contributions to the defined contribution section can be met from the excess assets in the scheme for the time being and that a repayment of £12.0m ($14.8m) net of tax of £4.2m ($5.2m) from the scheme to the Group has been made on 24 February 2017.

The net assets for the UK post-employment benefit scheme are:

	2016 $m	2015 $m
Present value of obligations	**(418.3)**	(387.1)
Total fair value of plan assets	**451.6**	428.5
Net asset	**33.3**	41.4

The net asset is recognised in the balance sheet as follows:

	2016 $m	2015 $m
Non-current	**18.5**	41.4
Current	**14.8**	–
Net asset	**33.3**	41.4

Changes in the net asset recognised in the balance sheet

	2016 $m	2015 $m
Opening balance sheet net asset	**41.4**	30.9
Exchange adjustments	**(6.7)**	(2.1)
Expense charged to the income statement – continuing operations	**(0.9)**	(2.9)
Past service cost charged to the income statement – continuing operations	**(3.1)**	–
Past service cost credited to the income statement – discontinued operations	**–**	5.5
Amount recognised in other comprehensive income	**4.2**	10.6
Transfer to defined contribution section	**(1.6)**	(1.8)
Employers contributions paid	**–**	1.2
Closing balance sheet net asset	**33.3**	41.4

The Group has concluded that it can recognise the full amount of the surplus on the grounds that it could gain sufficient economic benefit from a future reduction of its contributions to the defined contribution section of the scheme or through a future refund from the scheme. This is happening in practice as contributions to the defined contribution section are already being met from the scheme's excess assets and a repayment to the Group has been agreed for 2017. Amendments to the current accounting rules on recognising a surplus (IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) are currently being considered. The Group has concluded that the above accounting treatment will not be affected by the current proposed changes to these rules.

29. Post-Employment Benefits continued

Movements in the present value of the defined benefit obligation for the defined benefit section of the UK scheme

	2016 $m	2015 $m
Opening defined benefit obligation	**387.1**	438.3
Exchange adjustments	**(71.2)**	(23.0)
Current service cost (employer)	**2.3**	4.0
Contributions by plan participants	**0.1**	0.3
Interest on benefit obligations	**13.2**	15.1
Remeasurements due to:		
Changes in financial assumptions	**101.9**	(7.5)
Changes in demographic assumptions	**–**	(4.5)
Experience on benefit obligations	**(2.4)**	(11.3)
Past service cost	**3.1**	(5.5)
Benefits and expenses paid	**(15.8)**	(18.8)
Present value of the obligation at the end of the year	**418.3**	387.1

Movements in the fair value of the assets for the defined benefit section of the UK scheme

	2016 $m	2015 $m
Opening fair value of plan assets	**428.5**	469.2
Exchange adjustments	**(77.9)**	(25.1)
Interest on plan assets	**14.6**	16.2
Actual returns over interest on plan assets	**103.7**	(12.7)
Transfer to defined contribution scheme	**(1.6)**	(1.8)
Contributions by employer	**–**	1.2
Contributions by plan participants	**0.1**	0.3
Benefits and expenses paid	**(15.8)**	(18.8)
Closing fair value of plan assets	**451.6**	428.5

The "Actual returns over interest on plan assets" shown in the table above principally includes the impact of both a gain arising from the surrender of some of the annuity policies (about $3.1m) and from changes in the financial assumptions used to value the insurance annuity policies (about $100.6m) after allowing for membership experience. The gain due to the changes in the assumptions broadly offsets the corresponding loss on the remeasurement of the defined benefit obligation, demonstrating that the pensions related risks have largely been mitigated by the scheme's investment strategy.

Major asset categories for the defined benefit section of the UK scheme

	2016 $m	2015 $m
Insurance annuity policies	**418.9**	395.3
Multi-asset fund	**–**	18.0
Bonds	**–**	10.6
Cash/other	**32.7**	4.6
Fair value of plan assets	**451.6**	428.5

The fair value of the insurance annuity policies has been calculated using the same financial and demographic assumptions as those used to value the corresponding obligations. The scheme does not invest in property occupied by the Group or in financial securities issued by the Group.

Amounts recognised in the income statement in respect of the UK scheme

	2016 Total $m
Current service cost – operating expenses	**2.3**
Past service cost – defined benefit members uplift (note 7)	**9.6**
Past service cost – gain on curtailment (note 7)	**(6.5)**
Total expense included within loss from operations	**5.4**
Net interest on the defined benefit asset – finance income (note 10)	**(1.4)**
Total expense included within staff costs (note 9)	**4.0**

29. Post-Employment Benefits continued

	2015		
	Continuing operations $m	Discontinued operations $m	Total $m
Current service cost – operating expenses	3.5	0.5	4.0
Past service cost – gain on curtailment (note 12)	–	(5.5)	(5.5)
Total expense (credit) included within profit (loss) from operations	3.5	(5.0)	(1.5)
Net interest on the defined benefit asset – finance income (note 10)	(1.1)	–	(1.1)
Total expense (credit) included within staff costs (note 9)	2.4	(5.0)	(2.6)

The current service cost includes $1.5m (2015 – $1.2m) of administration costs.

In addition, employer contributions of $6.7m (2015 – $8.3m) for various Group defined contribution arrangements (including the defined contribution section of the UK scheme) are recognised in the income statement.

Special events
As part of the closure of the defined benefit section, existing contributing members of that section were given a one-off uplift to their pensions. The net effect of the closure and these uplifts has been recognised in the income statement.

A repayment from the scheme to the Group of excess assets of £7.8m net of tax (approximately $9.6m) has been agreed for 2017. The impact of this repayment will be reflected in the 2017 financial statements. It has also been agreed that the defined benefit section of the scheme will be wound up, with the insurance annuity policies transferred into the names of the individual members.

The principal assumptions used for accounting purposes reflect prevailing market conditions are:

	2016	2015
Discount rate	**2.6% p.a.**	3.8% p.a.
Future pension increase	**3.5% p.a.**	3.3% p.a.
Future salary increase	**n/a**	5.3% p.a.

Mortality assumption – life expectancy

	2016 Years	2015 Years
Male aged 65 at the accounting date	**25.1**	25.0
Female aged 65 at the accounting date	**27.8**	27.7
Male aged 65 in 20 years	**27.0**	26.9
Female aged 65 in 20 years	**29.3**	29.1

The assumptions used to determine the end-of-year benefit obligations are also used to calculate the following year's cost.

Sensitivity analysis
The weighted average duration to payment of the projected future cash flows from the defined benefit section of the scheme is about 17 years. As the defined benefit section is closed to future accrual and members' benefits are covered in full by annuity policies, any change in the obligation arising as a result of changes in the above assumptions is broadly matched by a corresponding change in the value of the insurance policies, so that the impact on the net balance sheet asset is significantly dampened.

The net balance sheet is therefore only largely sensitive to changes in the market value of the invested assets. The investment strategy for the defined benefit section, with all funds in either annuity policies or cash, should mean the surplus figure is stable.

(b) Other Pensions
The Group also operates a cash balance arrangement in the US for certain executives. Members build up benefits in this arrangement by way of notional contributions and notional investment returns. Actual contributions are paid into an entirely separate investment vehicle held by the Company, which is used to pay benefits due from the cash balance arrangement when the member retires.

Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme, although in practice operates like a defined contribution arrangement with the obligations matched by the assets in the separate investment vehicle.

The amounts recognised in the income statement during the year were $0.1m (2015 – $0.2m) for the employer's current service cost (recognised in operating expenses) and $0.3m (2015 – $0.3m) interest cost (recognised in finance expense).

29. Post-Employment Benefits continued

Movements in the present value of the obligation for the defined benefit US deferred compensation plan

	2016 $m	2015 $m
Present value of the obligation at the start of the year	**9.1**	8.9
Current service cost (equal to the notional contributions)	**0.1**	0.2
Interest on benefit obligations	**0.3**	0.3
Remeasurement – excess of notional investment returns over interest cost	**0.7**	(0.3)
Present value of the obligation at the end of the year	**10.2**	9.1

30. Share Capital and Share Premium

	2016		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January	**148,841,508**	**61.7**	**153.0**
Shares issued – share placing (note 31)	**14,608,771**	**4.5**	**–**
Shares issued – share option schemes and awards	**289,407**	**0.1**	**–**
At 31 December	**163,739,686**	**66.3**	**153.0**

	2015		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January	148,468,677	61.6	151.9
Shares issued – share option schemes and awards	372,831	0.1	1.1
At 31 December	148,841,508	61.7	153.0

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 148. All of the Ordinary shares in issue are fully paid.

At 31 December 2016, 791,852 (2015 – 914,225) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 32.

31. Other Components of Equity

	2016			
	Merger reserve $m	Other reserves $m	Currency translation reserve $m	Total $m
At 1 January	**–**	**14.6**	**1.1**	**15.7**
Exchange adjustments	**–**	**–**	**(18.3)**	**(18.3)**
Shares issued				
– share premium on share placing	**81.5**	**–**	**–**	**81.5**
– share placing costs	**(2.1)**	**–**	**–**	**(2.1)**
Share options and awards				
– value of employee services	**–**	**8.0**	**–**	**8.0**
– discharge	**–**	**(6.0)**	**–**	**(6.0)**
At 31 December	**79.4**	**16.6**	**(17.2)**	**78.8**

On 31 October 2016, the Company completed a share placing of 14,608,771 new Ordinary 25p shares at a price of 485.0 pence, representing approximately 9.8% of Hunting PLC's existing issued Ordinary share capital. The premium from the share placing of $81.5m, together with costs of $2.1m, was credited to the merger reserve, in accordance with section 612 of the Companies Act 2006, instead of to the share premium account. The net proceeds of $83.9m were used to reduce the Group's borrowings and increase financial flexibility.

31. Other Components of Equity continued

	2015		
	Other reserves $m	Currency translation reserve $m	Total $m
At 1 January	15.1	15.6	30.7
Exchange adjustments	–	(15.1)	(15.1)
Release of foreign exchange losses net of tax	–	0.6	0.6
Share options and awards			
– value of employee services	6.2	–	6.2
– discharge	(6.7)	–	(6.7)
At 31 December	14.6	1.1	15.7

32. Retained Earnings

	2016 $m	2015 $m
At 1 January	**911.5**	1,163.9
Loss for the year	**(107.5)**	(226.6)
Remeasurement of defined benefit pension schemes net of tax	**(4.0)**	9.2
Dividends paid to equity shareholders	**(5.9)**	(39.8)
Treasury shares		
– purchase of Treasury shares	**(1.8)**	(1.4)
Share options and awards		
– discharge	**7.5**	6.5
– taxation	**0.2**	(0.3)
At 31 December	**800.0**	911.5

The share options and awards taxation credit taken directly to equity of $0.2m (2015 – $0.3m charge) comprises of deferred tax.

Retained earnings include the following amounts in respect of the carrying amount of Treasury shares:

	2016 $m	2015 $m
Cost:		
At 1 January	**(11.8)**	(14.8)
Purchase of Treasury shares	**(1.8)**	(1.4)
Disposal of Treasury shares	**4.9**	4.4
At 31 December	**(8.7)**	(11.8)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was $3.3m (2015 – $4.4m).

33. Dividends Paid to Equity Shareholders

	2016		2015	
	Cents per share	**$m**	Cents per share	$m
Ordinary dividends:				
2015 final paid	**4.0**	**5.9**	–	–
2015 interim paid	**–**	**–**	4.0	5.9
2014 final paid	**–**	**–**	22.9	33.9
	4.0	**5.9**	26.9	39.8

Following the revision to the Group's banking facilities, dividend payments have ceased until the end of the suspension period, which runs up to and including 30 June 2018.

34. Share-Based Payments

(a) 2001 Executive Share Option Plan

The Company operated an executive share option plan between 2001 and 2008 which granted options to eligible employees. Under this scheme, the final granting of options occurred on 4 March 2008 and the final vesting of options occurred on 4 March 2011. There is no longer a charge to the income statement attributable to this scheme. Following successful vesting of the options, the employee, subject to continued employment, has seven years in which to exercise the option. Details of movements in outstanding share options are set out below.

(i) Share Option Movements During the Year

	2016		2015	
	Number of options	**Weighted average exercise price p**	Number of options	Weighted average exercise price p
Outstanding at the beginning of the year	**700,700**	**571**	1,094,313	454
Exercised during the year	**(293,510)**	**383**	(372,831)	221
Lapsed during the year	**(43,490)**	**672**	(20,782)	707
Outstanding and exercisable at the year end	**363,700**	**711**	700,700	571

Options were granted with an exercise price equal to the average closing mid-market price of the Company's share price for the three trading days prior to the date of grant.

The weighted average share price at the date of exercise during 2016 was 430.0 pence (2015 – 491.1 pence).

(ii) Share Options Outstanding at the Year End

	2016 Number of options	2015 Number of options	Exercise price range p	Exercise period
Executive Share Options 2006 – vested	**–**	298,471	383.0	08.03.09 – 07.03.16
Executive Share Options 2007 – vested	**185,283**	205,440	640.0	06.03.10 – 05.03.17
Executive Share Options 2008 – vested	**178,417**	196,789	784.5	04.03.11 – 03.03.18
	363,700	700,700		

(b) 2009 Performance Share Plan ("PSP")

(i) Performance-Based Awards and Options

The Company granted performance-based share awards and options under the PSP between 2009 and 2013. Under the PSP, annual conditional awards of shares and options were made to executive Directors and senior employees. Awards and options are subject to performance conditions during the vesting period. The PSP was replaced by the 2014 Hunting Performance Share Plan ("HPSP") following shareholder approval of the HPSP at the Annual General Meeting ("AGM") of the Company on 16 April 2014.

The final grant under the PSP occurred in 2013 with the final measurements of the performance conditions being completed in 2016. PSP awards for continued service were also measured and vested in the year. Awards and options were granted at nil cost under the PSP.

Performance-based awards and options vest subject to a median or above total shareholder return ("TSR") performance over a three-year period from the date of grant, relative to comparator companies from the DJ US Oil Equipment and Services sector index and the DJ STOXX TM Oil Equipment and Services sector index.

Details of the performance-based PSP awards and options movements during the year are set out below:

	2016 Number of awards	2015 Number of awards
Outstanding at the beginning of the year	**152,598**	383,683
Lapsed during the year	**(152,598)**	(231,085)
Outstanding at the end of the year	**–**	152,598
Exercisable at the end of the year	**–**	–

34. Share-Based Payments continued

Details of the performance-based PSP awards and options outstanding at 31 December 2016 are as follows:

	2016 Number of shares	2015 Number of shares	Normal vesting date
Date of grant:			
20 March 2013	–	152,598	20.03.16
Outstanding at the end of the year	–	152,598	

There were no exercises of the performance-based PSP awards and options during 2015 and 2016.

The fair value charge to the income statement attributable to the performance-based PSP is $0.1m (2015 – $0.6m), which is recognised in operating expenses.

(ii) Time-Based Awards and Options
The Company granted time-based share awards and options under the PSP between 2009 and 2013. Annual awards of shares and options were made to employees, subject to continued employment, during the vesting period. There were no performance conditions attached. Time-based awards continue to be granted under the HPSP. The final grant under the PSP occurred in 2013 and vested in 2016. Awards and options were granted at nil cost under the PSP.

Details of the time-based PSP awards and options movements during the year are as follows:

	2016 Number of awards	2015 Number of awards
Outstanding at the beginning of the year	**315,460**	553,497
Vested and exercised during the year	**(296,594)**	(207,156)
Lapsed during the year	**(2,622)**	(30,881)
Outstanding at the end of the year	**16,244**	315,460
Exercisable at the end of the year	**16,244**	15,896

The weighted average share price at the date of exercise during 2016 was 369.5 pence (2015 – 589.0 pence).

Details of the time-based PSP awards and options outstanding at 31 December 2016 are as follows:

	2016 Number of shares	2015 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	**875**	875	25.02.14
17 April 2012	**6,628**	15,021	17.04.15
20 March 2013	**8,741**	299,564	20.03.16
Outstanding at the end of the year	**16,244**	315,460	

The fair value charge to the income statement attributable to the time-based PSP is $0.4m (2015 – $1.5m), which is recognised in operating expenses.

(c) 2014 Hunting Performance Share Plan ("HPSP")
(i) Performance-Based Awards
The Company now grants performance-based share awards annually to executive Directors and senior employees under the HPSP, which has replaced both the LTIP, which expired in 2015, and the PSP, which is no longer used. Awards are granted at nil cost under the HPSP.

The performance-based HPSP awards to the executive Directors are divided equally into three tranches. Each tranche is subject to a three-year vesting period, and is also subject to performance conditions. The three conditions are Company performance over a three-year period against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS") growth, and (iii) average underlying Return on Capital Employed ("ROCE") achieved. The performance period for the 2016 awards granted under the HPSP is 1 January 2016 to 31 December 2018. The vesting date of the 2016 awards is 11 March 2019.

34. Share-Based Payments continued

Details of the performance-based HPSP awards movements during the year are set out below:

	2016 Number of shares	2015 Number of shares
Outstanding at the beginning of the year	**1,691,530**	692,750
Granted during the year to executive Directors	**756,584**	478,047
Granted during the year to senior managers[i]	**965,354**	629,540
Lapsed during the year	**–**	(108,807)
Outstanding at the end of the year	**3,413,468**	1,691,530

i. HPSP awards granted to senior managers incorporate a fourth performance condition based on Hunting's reported manufacturing reject rate.

Details of the performance-based HPSP awards outstanding at 31 December 2016 are as follows:

	2016 Number of shares	2015 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**644,772**	644,772	01.05.17
28 April 2015	**1,046,758**	1,046,758	28.04.18
11 March 2016	**1,721,938**	–	11.03.19
Outstanding at the end of the year	**3,413,468**	1,691,530	

There were no exercises of the performance-based HPSP awards and options during 2015 and 2016.

(ii) Time-Based Awards
The Company also grants time-based share awards annually under the HPSP. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost under the HPSP.

Details of the time-based HPSP awards movements during the year are set out below:

	2016 Number of shares	2015 Number of shares
Outstanding at the beginning of the year	**1,496,931**	654,842
Granted during the year	**1,536,936**	1,040,708
Vested and exercised during the year	**(63,319)**	(16,250)
Lapsed during the year	**(154,688)**	(182,369)
Outstanding at the year end	**2,815,860**	1,496,931

The weighted average share price at the date of exercise during 2016 was 480.7 pence (2015 – 426.4 pence).

Details of the time-based HPSP awards outstanding at 31 December 2016 are as follows:

	2016 Number of shares	2015 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**498,429**	557,959	01.05.17
28 April 2015	**856,895**	938,972	28.04.18
11 March 2016	**1,460,536**	–	11.03.19
Outstanding at the end of the year	**2,815,860**	1,496,931	

34. Share-Based Payments continued

(iii) Fair Value of HPSP Awards
The fair value of awards granted under the HPSP is calculated using two separate models:

(1) The fair value of awards subject to a market-related performance condition, specifically Company performance against the TSR of a bespoke peer group, has been calculated using the Stochastic pricing model (also known as the "Monte Carlo" model).

The assumptions used in this model were as follows:

	2016	2015
Date of grant/valuation date	**11.03.16**	28.04.15
Weighted average share price at grant	**379.0p**	590.5p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**48.1%**	36.5%
Risk-free rate	**0.57%**	0.73%
Expected life	**3 years**	3 years
Fair value	**258.7p**	300.5p

(2) The fair value of performance-based awards not subject to a market-related performance condition, specifically Company performance against EPS and ROCE targets, and the time-based HPSP awards has been calculated using the Black-Scholes pricing model.

The assumptions used in this model were as follows:

	2016	2015
Date of grant/valuation date	**11.03.16**	28.04.15
Weighted average share price at grant	**379.0p**	590.5p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**48.1%**	36.5%
Risk-free rate	**0.57%**	0.73%
Expected life	**3 years**	3 years
Fair value	**379.0p**	590.5p

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.
- The initial accounting charge of the performance-based HPSP awards granted under the HPSP incorporates an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period. The estimate of the expected forfeiture rate is 5% per annum. The subsequent accounting charge for 2016 includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

The amount charged to the income statement attributable to the performance-based HPSP awards is $0.5m (2015 – $0.2m credit) and the charge to the income statement in respect of time-based HPSP awards is $7.0m (2015 – $4.3m). These are recognised in operating expenses.

(d) Other Share Awards
On 9 May 2016 31,585 shares and on 27 June 2016 20,000 shares were awarded to certain employees and were satisfied by shares held in the Hunting Employee Benefit Trust. The closing mid-market price on 9 May 2016 was 331.25p per share and on 27 June 2016 was 411.75p per share. The charge to the income statement attributable to these awards is $0.2m (2015 – $nil), bringing the total charge to the income statement for the year to $8.2m (2015 – $6.2m).

35. Operating Leases

(a) The Group as Lessee

Operating lease payments from continuing operations mainly represent rentals payable by the Group for properties:

	2016			2015		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Operating lease payments in the income statement:						
Lease and rental payments	**11.3**	**0.9**	**12.2**	13.1	1.1	14.2

The Group has provisions of $5.6m (2015 – $7.7m) for onerous contracts in respect of some leasehold properties, some of which are not used for Group trading purposes and are either vacant or sub-let to third parties (note 24).

Total future aggregate minimum lease payments under non-cancellable operating leases expiring:

	2016			2015		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Within one year	**10.8**	**0.7**	**11.5**	14.6	0.5	15.1
Between two and five years	**28.3**	**1.5**	**29.8**	38.1	0.8	38.9
After five years	**15.8**	**0.1**	**15.9**	37.8	–	37.8
Total lease payments	**54.9**	**2.3**	**57.2**	90.5	1.3	91.8

Operating lease commitments have reduced significantly in 2016. Given the adverse market conditions, Hunting negotiated an opt-out clause for a significant long-term lease in Asia Pacific. This was the principal reason for the reduction.

(b) The Group as Lessor

Property rental earned during the year was $0.7m (2015 – $0.7m). A number of the Group's leasehold properties are sub-let under existing lease agreements.

Total future minimum sublease income receivable under non-cancellable operating leases expiring:

	2016 Property $m	2015 Property $m
Within one year	**0.8**	0.7
Between two and five years	**2.3**	2.8
After five years	**0.5**	1.3
Total lease income receivable	**3.6**	4.8

36. Related-Party Transactions

The following related-party transactions took place between wholly owned subsidiaries of the Group and associates during the year:

	2016 $m	2015 $m
Transactions:		
Sales of goods and services	**0.2**	–
Purchase of goods and services	**(0.1)**	(0.1)
Royalties receivable	**–**	0.3
Dividends received from associates	**–**	0.1
Movement on loans to and from associates:		
Loans to associates	**–**	(0.2)
Year end balances:		
Receivables from associates	**0.5**	0.4
Payables from associates	**(0.1)**	(0.1)

The outstanding balances at the year end are unsecured and have no fixed date for repayment. No expense has been recognised in the year for bad or doubtful debts in respect of amounts owed by associates.

All ownership interests in associates are in the equity shares of those companies. The ownership interests in subsidiaries and associates are set out in notes C18 and C19 to the Company financial statements.

The key management of the Company comprises the executive and non-executive Directors only. The details of the Directors' compensation are disclosed in note 9. The Directors of the Company had no material transactions other than as a result of their service agreements.

37. Principal Accounting Policies

The Group's principal accounting policies are described below:

(a) Consolidation

- The Group accounts include the results of the Company and its subsidiaries, together with its share of associates.
- Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.
- The Group uses the acquisition method of accounting for business combinations. Consequently, the consideration is determined as the fair value of the net assets transferred to the vendor and includes an estimate of any contingent consideration. The net assets acquired are also measured at their respective fair values for initial recognition purposes on the acquisition date.
- Acquisition-related costs are expensed to the income statement as incurred.

(b) Discontinued Operations

- A discontinued operation is a component of the Group that has either been disposed of or that is classified as held for sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.
- The results of discontinued operations are presented separately in the income statement and are shown net of tax.
- The assets and liabilities of discontinued operations, that have not been disposed of prior to the balance sheet date, are presented separately in the balance sheet as assets and liabilities classified as held for sale.

(c) Revenue

- Revenue is measured as the fair value of the consideration received or receivable for the provision of goods, services and rental supplies in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.
- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products. Products include manufactured goods and OCTG supplies, including tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe.
- Revenue from the sale of services principally comprises lathing work to apply a thread on to customer-owned plain-end pipe. Revenue is recognised when the threading work has been completed. Revenue from the sale of other services is recognised when the services are rendered.
- Revenue from the rental of plant and equipment is recognised as the income is earned.

(d) Amortisation and Exceptional Items

Exceptional items are items of income or expense which the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. The Group discloses such items in the "middle column" of the income statement. In applying this policy, the following items have been treated as exceptional:

- Net losses incurred on the closure of the defined benefit section of the Group's UK pension scheme.
- Costs of restructuring the Group's operations, including the cost of business closures and redundancies, in response to the decline in the oil and gas sector.
- Derecognition of the bank facility arrangement fees that were incurred and capitalised in October 2015 upon the inception of the Group's new multicurrency revolving credit facility. The unamortised balance of these fees was written off when the terms of the facility were significantly revised in July 2016.

During 2015, the following items, which did not recur in 2016, were treated as exceptional:

- Impairment charges to goodwill, other intangible assets and of property, plant and equipment were recognised in 2015 to reflect the protracted decline in the oil and gas sector, a prolonged period of customer de-stocking and increased competition.
- Impairments of property, plant and equipment specifically held by the Exploration and Production division were recognised in 2015. As the valuations are subject to the frequent changes in long-term oil and gas prices, such impairments can lead to volatility in the income statement that is unrelated to the underlying performance of the business.

The tax effect of any transaction considered to be exceptional is also treated as exceptional.

Amortisation expenses for acquired intangible assets are also shown in the "middle column" due to the significance of these amounts and to clearly identify the effect on profits, which will arise as current balances become fully written-off, or as new acquisitions give rise to new expenses.

(e) Interest

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

(f) Foreign Currencies

(i) Individual Subsidiaries' and Associates' Accounts

- The financial statements for each of the Group's subsidiaries and associates are denominated in their functional currency.
- The functional currency is the currency of the primary economic environment in which the entity operates.
- Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities, except borrowings designated as a hedging instrument in a net investment hedge, denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken to the income statement.
- Borrowings designated as a hedging instrument in a net investment hedge are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken direct to equity.

37. Principal Accounting Policies continued

(ii) Group Consolidated Accounts
- The presentation currency of the Group is US dollars.
- The net assets of non-US dollar denominated subsidiaries and associates are translated into US dollars at the exchange rates ruling at the balance sheet date.
- The income statements of subsidiaries and associates are translated into US dollars at the average rates of exchange for the year.
- Exchange differences are recognised directly in equity in the currency translation reserve ("CTR"), together with exchange differences arising on foreign currency loans used to finance foreign currency net investments.
- Upon adoption of IFRS on 1 January 2004, accumulated exchange differences arising on consolidation prior to 31 December 2003 were reset to zero and the CTR recommenced under IFRS on 1 January 2004.
- The balance on the CTR represents the exchange differences arising on the retranslation of non-US dollar amounts into US dollars since 1 January 2004.
- On the disposal of a business, the cumulative exchange differences previously recognised in the CTR relating to that business are transferred to the income statement as part of the gain or loss on disposal.

(g) Taxation
- The taxation recognised in the income statement comprises current tax and deferred tax arising on the current year's result before tax and adjustments to tax arising on prior years' results.
- Current tax is the expected tax payable or receivable arising in the current year on the current year's result before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax in respect of prior years' results.
- Deferred tax is the tax that is expected to arise when the assets and liabilities recognised in the Group's balance sheet are realised, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the asset is realised or the liability is settled.
- Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet and are reported as non-current assets and liabilities.
- Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.
- When items of income and expense are recognised in other comprehensive income, the current and deferred tax relating to those items is also recognised in other comprehensive income.
- Tax arising on the discharge of share options and awards is recognised directly in equity.

(h) Segmental Reporting
- Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker is disclosed in the accounts.
- Operating segments are components of the Group that are engaged in providing related products.
- Geographical information is based on the location of where the sale originated and where the non-current assets are located.

(i) Property, Plant and Equipment
(i) General
- Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.
- Land, pre-production oil and gas exploration costs and assets under construction are not depreciated.
- With the exception of drilling tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment (see (ii) below), assets are depreciated using the straight-line method at the following rates:

Freehold buildings	– 2% to 10%
Leasehold buildings	– life of lease
Plant, machinery and motor vehicles	– 6% to 33⅓%

- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(ii) Exploration Expenditure
- Oil and gas exploration and appraisal costs are initially capitalised pending determination of the existence of commercial reserves and are included in the asset category oil and gas exploration and development.
- Upon determination that commercially viable quantities of hydrocarbons are not found, the costs are charged immediately to the income statement.
- Depreciation of oil and gas expenditure commences when production commences. The costs are depreciated using the unit of production method.

(j) Goodwill
- Goodwill arises when the fair value of the consideration paid for a business exceeds the fair value of the Group's share of the net assets acquired.
- Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses.
- Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.
- On the disposal of a business, goodwill relating to that business that remains on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

37. Principal Accounting Policies continued

(k) Other Intangible Assets

- Other intangible assets are stated at cost less accumulated amortisation and impairment losses where applicable.
- These assets have a finite life and are amortised in accordance with the pattern of expected future economic benefits, or when this cannot be reliably estimated, by using the straight-line method.
- Intangible assets are amortised over the following periods:

Customer relationships	– eight to ten years
Patents	– eight to ten years
Unpatented technology	– eight to ten years
Trademarks and domain names	– one to five years

(l) Impairments

- The Group performs goodwill impairment reviews at least annually.
- The Group also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets other than goodwill may be impaired. An impairment review is carried out whenever the assessment indicates that the carrying amount may not be fully recoverable.
- For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
- Where impairment exists, the asset is written down to the higher of (a) its fair value minus costs to sell; and (b) its value in use. Impairments are recognised immediately in the income statement.
- An impairment to goodwill is never reversed. When applicable, an impairment of any other asset is reversed, but only to the extent that the consequent carrying value does not exceed what would have been the carrying value had the impairment not originally been made.

(m) Inventories

- Inventories are stated at the lower of cost and net realisable value.
- Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business. The cost of inventories includes direct costs plus production overheads.

(n) Cash and Cash Equivalents

- Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash.
- For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(o) Loans and Receivables

- Loans and receivables are initially recognised at fair value at the trade date which is normally the consideration paid plus transaction costs.
- 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.
- The Group assesses at each balance sheet date whether a loan or receivable is impaired and, if necessary, the carrying amount is reduced to the appropriate value. The loss is recognised immediately in the income statement.
- Loans and receivables cease to be recognised when the right to receive cash flows has expired or the Group has transferred substantially all the risks and rewards of ownership.

(p) Financial Liabilities

- Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade 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.

(q) Provisions

- Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.
- The measurement of a provision is based on the most likely amount and timing of the expenditures. Payments that are expected to arise after more than one year are discounted to their present value using a risk-free interest rate that is relevant to the region in which the past event occurred. The risk-free interest rate is based on the redemption yields of government securities.

37. Principal Accounting Policies continued

(r) Post-Employment Benefits

(i) Defined Contribution Retirement Schemes

- Payments to defined contribution retirement schemes are charged to the income statement when they fall due.

(ii) Defined Benefit Retirement Schemes

- Payments to defined benefit retirement schemes are recognised as increments to the assets of the schemes.
- The amount charged to the income statement with respect to these schemes, within profit from operations, is the increase in the retirement benefit obligation resulting from the additional service provided by the participating employees during the current year, which for the funded scheme is measured using the Projected Unit method and for the unfunded scheme is equal to the contributions paid.
- Net interest arising on the net assets of the schemes is also recognised in the income statement within net finance costs.
- Curtailment gains and losses are recognised fully and immediately in the income statement.
- Remeasurement gains and losses are recognised fully and immediately in the statement of comprehensive income.
- The assets of the funded scheme, which are invested in insurance policies, have been valued using the same methodology and assumptions used to calculate the defined benefit obligation so that, where the assets match the liabilities, the value of the assets is equal to the value of the corresponding obligation.

(s) Share-Based Payments

- The Group issues equity-settled, share-based payments (HPSP awards) to certain employees as consideration for services received from the employees. The fair value of the employees' services is recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Group's estimate of awards that will ultimately vest. The obligation to settle these awards is recognised within other components of equity.

(t) 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.

(u) Merger Reserve

- The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time. The reserve is currently non-distributable and will be transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration.

(v) Dividends

- Dividends to the Group's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. All dividends are dealt with in the statement of changes in equity.

The Directors believe it is appropriate to include in the Strategic Report and financial statements a number of non-GAAP measures ("NGMs") that are commonly used within the business. These measures supplement the information provided in the IFRS "reported" financial statements and accompanying notes, providing additional insight to the users of the Annual Report.

This section provides a definition of the non-GAAP measures, the purpose for which the measure is used, and a reconciliation of the non-GAAP measure to the reported IFRS numbers. The auditors are required under the Companies Act 2006 to consider whether these non-GAAP measures are prepared consistently with the financial statements.

Income Statement Non-GAAP Measures

The Directors have applied the provisions of IAS 1 with regards to exceptional items and have chosen to present these, together with amortisation of acquired intangible assets, in a separate column on the face of the income statement. All profit and loss measures adjusted for amortisation of acquired intangible assets and exceptional items are referred to as "underlying". This is the basis used by the Directors in assessing performance.

A. EBITDA

Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities.

Calculation Definition: Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation for continuing operations.

	2016 $m	2015 $m
Reported loss from continuing operations (consolidated income statement)	**(140.7)**	(282.2)
Add:		
Depreciation charge for the year on property, plant and equipment (note 14)	**41.2**	43.6
Impairment of property, plant and equipment (note 14)	**3.5**	33.2
Impairment of goodwill (note 15)	**–**	208.2
Amortisation of other intangible assets (note 16)	**35.3**	40.8
Impairment of other intangible assets (note 16)	**–**	11.2
Reported EBITDA (loss)	**(60.7)**	54.8
Add: Exceptional items impacting EBITDA		
Restructuring costs	**8.7**	7.1
Defined benefit pension curtailment (note 7)	**3.1**	–
Underlying EBITDA (loss)	**(48.9)**	61.9

B. Underlying Tax Rate

Purpose: This weighted average tax rate represents the level of tax, both current and deferred, being borne by continuing operations on an underlying basis.

Calculation Definition: Taxation on underlying (loss) profit before tax from continuing operations divided by underlying (loss) profit before tax from continuing operations, expressed as a percentage.

	2016 $m	2015 $m
Underlying taxation credit (charge) (note 11)	**19.9**	(5.4)
Underlying (loss) profit for the year from continuing operations (consolidated income statement)	**(93.2)**	9.4
Underlying tax rate	**21%**	57%

Balance Sheet Non-GAAP Measures

C. Working Capital

Purpose: Working Capital is a measure of the Group's liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation Definition: Trade and other receivables, excluding receivables from associates, derivative financial assets, environmental escrow and promissory notes, plus inventories less trade and other payables, excluding payables due to associates, derivative financial liabilities, dividend liabilities and retirement plan obligations.

	2016 $m	2015 $m
Trade and other receivables – non-current (note 18)	**2.9**	4.0
Trade and other receivables – current (note 18)	**111.7**	140.2
Inventories (note 20)	**259.7**	331.2
Trade and other payables – current (note 21)	**(70.0)**	(104.2)
Trade and other payables – non-current (note 21)	**(12.1)**	(11.3)
Less: non-working capital loan note (note 18)	**(1.8)**	(2.9)
Add: non-working capital US deferred compensation plan obligation (note 21)	**10.2**	9.1
Less: non-working capital current other receivables and other payables	**(0.4)**	(0.3)
	300.2	365.8

D. Inventory Days

Purpose: This is a working capital efficiency ratio that measures inventory balances relative to business activity levels.

Calculation Definition: Inventory at the year end divided by underlying cost of sales for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

	2016 $m	Restated 2015 $m
Inventory (note 20)	**259.7**	331.2
Underlying cost of sales for October to December	**106.4**	126.6
Inventory days	**225 days**	241 days

Management has revised the method for calculating inventory days as they believe that the new measure provides them with a more relevant KPI. Previously, inventory at the year end was divided by cost of sales per day, adjusted for the impact of acquisitions and disposals.

E. Trade Receivables Days

Purpose: This is a working capital efficiency ratio that measures trade receivable balances relative to business activity levels.

Calculation Definition: Net trade receivables at the year end divided by revenue for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

	2016 $m	Restated 2015 $m
Net trade receivables (note 18)	**93.2**	116.4
Revenue for October to December	**121.1**	155.9
Trade receivable days	**71 days**	69 days

Management has revised the method for calculating trade receivable days as they believe that the new measure provides them with a more relevant KPI. Previously, trade receivables at the year end were divided by revenue per day, adjusted for the impact of acquisitions and disposals.

F. Other Net Assets

	2016 $m	2015 $m
Retirement benefit asset (note 29)	**33.3**	41.4
Investments in associates (consolidated balance sheet)	**3.2**	3.7
Non-current investments (note 17)	**10.2**	9.1
Non-working capital loan note (NGM C)	**1.8**	2.9
Non-working capital non-current other payables (NGM C)	**(10.2)**	(9.1)
Non-working capital current other receivables and other payables (NGM C)	**0.4**	0.3
	38.7	48.3

G. Capital Employed

Purpose: Used in the calculation of the return on average capital employed (see NGM O).

Calculation Definition: Capital employed is the amount of capital that the Group has invested in its business and comprises the historic value of total equity plus net debt at amortised cost.

The Group's capital comprised:

	2016 $m	2015 $m
Total equity (consolidated balance sheet)	**1,117.4**	1,168.1
Net debt (note 23)	**1.9**	110.5
	1,119.3	1,278.6

H. Gearing

Purpose: This ratio indicates the relative level of debt funding, or financial leverage, that the Group is subject to with higher levels indicating increasing levels of financial risk.

Calculation Definition: Gearing is calculated as net debt as a percentage of total equity (see NGM G).

	2016	2015
Gearing	**0%**	9%

Cash Flow Non-GAAP Measures

I. Cash Flow Working Capital Movements

Purpose: Reconciles the working capital movements in the summary of changes in net debt in the Strategic Report.

	2016 $m	2015 $m
Working capital – opening balance	**365.8**	470.6
Foreign exchange	**(9.1)**	(12.3)
Add:		
Transfer from property, plant and equipment (note 14)	**0.1**	0.2
Capital investment debtors/creditors cash flows	**2.0**	3.5
Less:		
Other cash flow movement	**(0.2)**	(0.2)
Working capital – closing balance (NGM C)	**(300.2)**	(365.8)
Cash flow	**58.4**	96.0

J. Capital Investment

Purpose: Capital investment identifies the cash resources being absorbed organically within the business to maintain or enhance operating activity levels. The split of replacement and expansion capital investment is used in the calculation of free cash flow (see NGM L) used in the summary changes in net debt presented in the Strategic Report.

Calculation Definition: Capital investment is the cash paid on tangible non-current assets. Replacement capital investment is the cash spent on non-current tangible assets to maintain existing levels of operating activity. Expansion capital investment is the cash spent on tangible non-current assets that will grow the business from current operating levels and enhance operating activity.

	2016 $m	2015 $m
Property, plant and equipment additions (note 14)	**15.4**	77.1
Capital investment debtors/creditors cash flows (NGM I)	**2.0**	3.5
Adjustment to provisions (note 24)	**(0.2)**	0.5
Cash flow	**17.2**	81.1
Replacement capital investment	**4.2**	22.0
Expansion capital investment	**13.0**	59.1
Cash flow	**17.2**	81.1
Well Construction	**11.0**	49.4
Well Completion	**4.1**	20.0
Well Intervention	**1.6**	8.6
Exploration and Production	**0.5**	3.0
Central	**–**	0.1
Cash flow	**17.2**	81.1

K. Other Operating Cash and Non-Cash Movements
Purpose: Reconciles other operating cash and non-cash movements in the Summary Group Cash Flow in the Strategic Report.

	2016 $m	2015 $m
Loss on disposal of property, plant and equipment (consolidated statement of cash flows)	–	1.8
Decrease in provisions (consolidated statement of cash flows)	(1.7)	(6.7)
Other non-cash flow items		
Charge to the income statement for PSP and HPSP share options and awards (note 34)	8.2	6.2
Pensions	3.9	4.6
Other	0.1	–
	10.5	5.9

L. Free Cash Flow
Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate after replacement capital investment, which is required to maintain existing levels of operating activity. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders.

Calculation Definition: Underlying profit from continuing operations adjusted for working capital, tax, replacement capital investment and interest.

	2016 $m	2015 $m
Underlying EBITDA (loss) (NGM A)	(48.9)	61.9
Working capital movements (NGM I)	58.4	96.0
Net interest paid and bank fees (consolidated statement of cash flows)	(4.6)	(7.4)
Tax received (paid) (consolidated statement of cash flows)	31.3	(10.5)
Restructuring costs (consolidated statement of cash flows)	(5.9)	(5.9)
Replacement capital investment (NGM J)	(4.2)	(22.0)
Other operating cash and non-cash movements (NGM K)	10.5	5.9
	36.6	118.0

Other Non-GAAP Measures
M. Dividend Per Share Declared
Purpose: Identifies the total amount of dividend declared in respect of a period. This is also used in the calculation of dividend cover (see NGM N).

Calculation Definition: The amount in cents returned to Ordinary shareholders. Figures shown are calculated on an accruals basis.

	2016 cents per share	2015 cents per share
Interim dividend	–	4.0
Final dividend	–	4.0
	–	8.0

N. Dividend Cover
Purpose: An indication of the Company's ability to maintain the level of its dividend and indicates the proportion of earnings being retained in the business for future investment versus that returned to shareholders.

Calculation Definition: Earnings or loss per share from continuing operations attributable to Ordinary shareholders divided by the cash dividend per share to be returned to Ordinary shareholders, on an accruals basis.

	2016		2015	
	Underlying	Reported	Underlying	Reported
Earnings (loss) per share				
Basic – from continuing operations (note 13)	(45.3)c	(76.8)c	3.1c	(156.1)c
Diluted – from continuing operations (note 13)	(45.3)c	(76.8)c	3.1c	(156.1)c
Dividend (NGM M)	–	–	8.0c	8.0c
Dividend cover				
Basic – from continuing operations	n/a	n/a	0.4x	(19.5)x
Diluted – from continuing operations	n/a	n/a	0.4x	(19.5)x

O. Return on Average Capital Employed
Purpose: Measures the levels of return the Group is generating from its capital employed.

Calculation Definition: Underlying (loss) profit before interest and tax from continuing operations, adjusted for the share of associates' post-tax results, as a percentage of average gross capital employed. Average gross capital employed is a monthly average of capital employed based on 13 balance sheets from the closing December balance in the prior year to the closing December balance in the current year.

	2016 $m	2015 $m
Average monthly gross capital employed (13 point average)	**1,202.1**	1,532.9
Underlying (loss) profit from continuing operations (consolidated income statement)	**(92.2)**	16.4
Share of associates' post-tax losses (consolidated income statement)	**(0.3)**	(0.2)
Underlying profit from continuing operations including associates	**(92.5)**	16.2
Return on average capital employed	**(8)%**	1%