Report on the Audit of the Financial Statements

Opinion

In our opinion, Hunting PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Our opinion is consistent with our reporting to the Audit Committee.

Basis for Opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our Audit Approach

Overview

Materiality	• Overall Group materiality: $5.0 million (2016: $5.0 million), based on 5% of five year average absolute profit or loss before tax from continuing operations adjusted, for the impairment of goodwill and other non-current assets • Overall Company materiality: $7.1 million (2016: $6.8 million), based on 1% of net assets
Audit scope	• We conducted audit work in seven countries covering 23 reporting units and visited a number of audit locations, including one financially significant component, Hunting Titan • Components where we performed audit work accounted for approximately 93% of Group revenues and over 82% of Group absolute adjusted profit or loss before tax from continuing operations
Key audit matters	• Goodwill and non-current asset impairment assessment (Group) • Inventory valuation (Group) • Direct tax exposures and recognition of deferred tax assets (Group)

The Scope of Our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, Companies Act 2006. Our tests included, but were not limited to, review of financial statement disclosures to underlying supporting documentation, review of correspondences with legal advisers, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and Non-current Asset Impairment Assessment (Group) *Refer to page 67 (Audit Committee Report), Note 36 (principal accounting policies) and Notes 13, 14 and 15.* The Group holds $230.3 million of goodwill on the balance sheet which is tested at least annually for impairment. Additional intangible assets held by the Group, including customer relationships, unpatented technology and patents & trademarks, total $125.4 million and the Group has property, plant and equipment of $383.3 million. Other non-current assets are tested for impairment if impairment triggers are identified. Determining the recoverable amount of non-current assets for impairment purposes is a judgemental and complex area as it depends on the future financial performance of each cash-generating unit ("CGU") and future market performance. While there have been signs of improvement in the oil and gas market in 2017, there still remains uncertainty as to the timing of a full market recovery. As such, the key area of focus is the carrying value of the assets, with our focus on judgemental areas being forecast revenue and margin growth rates, terminal growth rates and discount rates. Management's calculated recoverable amounts exceed the carrying value of all CGUs. As a result, there have been no impairment charges recognised in the current year, with the exception of PPE in South Africa as discussed below. Two CGUs remain sensitive to reasonably possible changes in key assumptions and, as such, sensitivity analysis has been included in note 13. Management identified several impairment indicators in respect of the PPE held in South Africa (totalling $14.0m), in response to the Board's decision in December 2017 to close its manufacturing facility in Cape Town. As a result, an impairment charge of $7.6m has been recorded against PPE.	We tested management's identification of the CGUs, considering business changes that would prompt a change to the classification of the CGUs. In order to test the impairment models, we challenged whether the future cash flow forecasts and the timing of the forecast recovery in performance of these forecasts for the identified CGUs were appropriate. More specifically, we challenged the key assumptions as follows: • Forecast revenue and margin growth rate assumptions by comparing them to historical results, comparing the short and medium-term growth rates to independent specialist third-party published reports and considering the impact already observed within the market; • Terminal growth rates by comparing them to economic and industry forecasts; and • Discount rates by comparing the cost of capital assumption for each CGU against comparable organisations and our independently calculated discount rates. We found the above assumptions to be in line with our expectations and that management has followed a clear process for drawing up the future cash flow forecasts, which was subject to oversight and challenge by the Directors and which was consistent with Board approved budgets and mid-term forecasts. In respect of all CGUs, we sensitised each key driver of the cash flow forecasts, including the underlying assumptions listed above, by determining what we considered to be a reasonably possible change in the assumptions, based on current market data and historical and current business performance. In addition we calculated the degree to which the key assumptions would need to change before an impairment was triggered. Having satisfied ourselves on the key assumptions and sensitivities, we assessed the likelihood of movements in key assumptions required to trigger an impairment and by comparison to sensitised forecasts and possible changes in discount rates and concluded that it was unlikely. In respect of South Africa, we considered the impairment indicators and assessed the charge recorded by management and note that the remaining balance of PPE is supported by third-party valuations.

Key audit matter	How our audit addressed the key audit matter
Inventory Valuation (Group) *Refer to page 68 (Audit Committee Report), Note 36 (principal accounting policies) and Note 19.* The Group holds inventory of $314.8 million offset by provisions for losses of $28.6 million. Given the three-year downturn in the market and the impact this has had on the Group's revenue and profits, pricing pressure has increased the risk of inventory being carried at an amount greater than its net realisable value. Consideration as to inventory obsolescence is required as a result of the downturn in the oil and gas market. Key to these judgements is management's expectations for future sales and inventory utilisation plans and the implications on the level of provisioning.	For all categories of inventory, we have critically reviewed the basis for inventory provision recorded to reduce the carrying value of inventory below cost, the consistency of provisioning in line with Group's accounting policy and the rationale for the recording of provisions. We assessed the nature of the Group's inventory and the durability thereof through discussion with management, physical inspection of inventory and review of the utilisation of aged inventory products. We agreed with management that the evidence obtained demonstrated that the nature of the Group's inventory is not perishable and the risk of technical obsolescence by age is low. Specifically, we have: • Considered the available support, including current sales transactions, used to determine an appropriate net realisable value; • Understood the ageing profile of the Group's inventory and management's assessment for obsolescence; and • Confirmed that where cost of inventory is higher than its net realisable value, an appropriate provision has been made. From the procedures performed, we obtained evidence that the inventory was not carried at amounts higher than net realisable value and concluded that it was unlikely that additional inventory provisions were required.
Direct Tax Exposures and Recognition of Deferred Tax Assets (Group) *Refer to page 68 (Audit Committee Report), Note 36 (principal accounting policies) and Notes 10 and 18.* The Group operates in a number of different countries and is therefore subject to many tax regimes around the world. Provisions are estimated for uncertain tax positions and disputes with tax authorities, including transactions between Group companies. In addition, following taxable losses incurred in the current and prior years, estimates are required in relation to timing of recognition and subsequent recoverability of deferred tax assets arising from such losses. The Group has recognised deferred tax assets of $4.2 million, with related unrecognised deferred tax assets of $39.8 million. Management has not recognised such deferred tax assets as the realisation of the tax benefit is not yet considered probable. This includes $37.1m in respect of trading losses, of which $24.9m relates to the US, which have an expiry date of 2036. The balance of trading losses have no expiry date. We considered this an area of focus because of the judgement required by management to assess matters across multiple jurisdictions and to determine the timing of recognition, valuation and recoverability of assets in the future.	We discussed potential direct tax exposures with senior Group management, and the basis for their positions with the Group's in-house tax specialists. We evaluated the calculations of the provisions, and considered: • The accuracy of the calculations and ensured that appropriate tax rates have been used; and • Key judgements made by management in determining the probability of potential outcomes. Our evaluation of these judgements included using our tax specialists, in particular in the UK and US, with experience in the oilfield services industry as well as our experience of similar challenges elsewhere. We evaluated the timing of the recognition and the valuation of deferred tax assets in relation to tax losses and considered: • The accuracy of the calculations of total deferred tax assets available and ensured that appropriate tax rates have been used; • Key judgements made by management in determining the probability of future forecast taxable profits to utilise brought forward tax losses, consistent with the cash flow forecasts used for impairment assessments; and • Assessed the basis on which deferred tax assets have been recognised by comparison to forecast taxable profits. Through these procedures we evaluated the level of the provisions recognised, the recognition (and non-recognition) of deferred tax assets and the disclosures included in the financial statements, which we consider to be in line with the Group's policies and relevant accounting standards.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How We Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of entities covering non-trading legal entities, centralised functions and operating units, totalling 57 reporting units.

In establishing the overall approach to the Group audit, we considered the type of work that needed to be performed at the operating units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the extent of audit work needed at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The Group's reporting units vary significantly in size and we identified 10 operating units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were performed at a further 13 operating units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in seven countries and the Group audit team visited certain reporting locations in the US, including visiting Hunting Titan, the one financially significant component. Together, the reporting units subject to audit procedures accounted for approximately 93% of Group revenues and over 82% of Group absolute adjusted profit or loss before tax from continuing operations. Further, specific audit procedures over central functions and areas of significant judgement, including taxation, treasury, pensions and impairment, were performed by the Group audit team centrally.

We designed our audit by determining materiality and assessing the risk of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. The risks of material misstatement that has the greatest effect on our audit, including the allocation of our resources and effort, are identified as "key audit matters" in the table above. We have also set out how we tailored our audit to address these specific areas to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	$5.0 million (2016: $5.0 million)	$7.1 million (2016: $6.8 million)
How we determined it	5% of five year average absolute profit or loss before tax from continuing operations, adjusted for the impairment of goodwill and other non-current assets	1% of net assets
Rationale for benchmark applied	We applied this benchmark because, in our view, this is an appropriate metric against which the performance of the Group is measured and of the recurring Group performance. Previously, we have used a three-year average to determine materiality, however a five-year average is considered more appropriate to normalise recent profit volatility across the underlying business operations. As a result, overall materiality has remained consistent with 2016 at $5.0 million.	As the Company is a holding company and not a trading entity, we have not used a profit-based benchmark for determining materiality. Consistent with the prior year audit, we concluded that net assets is more appropriate given that the Company's balance sheet is predominantly made up of intercompany balances. We also noted that most income and expense items relate to intercompany transactions and recharges.

For each component in scope for our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $0.6 million and $4.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $0.3 million (2016: $0.3 million) for both the Group and Company audits as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going Concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	**Outcome**
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the annual report about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on Other Information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:
- The Directors' confirmation on page 49 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 55 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:
- The statement given by the Directors, on page 63, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 67 and 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 63, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Use of This Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 7 August 1989 to audit the financial statements for the year ended 31 December 1989 and subsequent financial periods. The period of total uninterrupted engagement is 29 years, covering the years ended 31 December 1989 to 31 December 2017.

NICHOLAS CAMPBELL-LAMBERT
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2018

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Before amortisation[i] and exceptional items $m	2017 Amortisation[i] and exceptional items (note 6) $m	2017 Total $m	2016 Before amortisation[i] and exceptional items $m	2016 Amortisation[i] and exceptional items (note 6) $m	2016 Total $m
Revenue	3	**722.9**	**–**	**722.9**	455.8	–	455.8
Cost of sales		**(548.1)**	**(10.0)**	**(558.1)**	(403.7)	(4.0)	(407.7)
Gross profit		**174.8**	**(10.0)**	**164.8**	52.1	(4.0)	48.1
Other operating income	4	**7.6**	**–**	**7.6**	6.8	–	6.8
Operating expenses	5	**(168.7)**	**(29.1)**	**(197.8)**	(151.1)	(44.5)	(195.6)
Profit (loss) from continuing operations	7	**13.7**	**(39.1)**	**(25.4)**	(92.2)	(48.5)	(140.7)
Finance income	9	**3.3**	**–**	**3.3**	5.5	–	5.5
Finance expense	9	**(4.8)**	**–**	**(4.8)**	(6.2)	(2.5)	(8.7)
Share of associates' post-tax losses		**(1.3)**	**–**	**(1.3)**	(0.3)	–	(0.3)
Profit (loss) before tax from continuing operations		**10.9**	**(39.1)**	**(28.2)**	(93.2)	(51.0)	(144.2)
Taxation	10	**(1.0)**	**–**	**(1.0)**	19.9	3.0	22.9
Profit (loss) for the year:							
From continuing operations		**9.9**	**(39.1)**	**(29.2)**	(73.3)	(48.0)	(121.3)
From discontinued operations	11	**–**	**–**	**–**	–	8.2	8.2
Profit (loss) for the year		**9.9**	**(39.1)**	**(29.2)**	(73.3)	(39.8)	(113.1)
Profit (loss) attributable to:							
Owners of the parent		**12.4**	**(39.1)**	**(26.7)**	(68.2)	(39.3)	(107.5)
Non-controlling interests		**(2.5)**	**–**	**(2.5)**	(5.1)	(0.5)	(5.6)
		9.9	**(39.1)**	**(29.2)**	(73.3)	(39.8)	(113.1)
Earnings (loss) per share		**cents**		**cents**	cents		cents
Basic – from continuing operations	12	**7.6**		**(16.4)**	(45.3)		(76.8)
– from discontinued operations	12	**–**		**–**	–		5.5
Group total		**7.6**		**(16.4)**	(45.3)		(71.3)
Diluted – from continuing operations	12	**7.6**		**(16.4)**	(45.3)		(76.8)
– from discontinued operations	12	**–**		**–**	–		5.5
Group total		**7.6**		**(16.4)**	(45.3)		(71.3)

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 2017

	Notes	2017 $m	2016 $m
Comprehensive expense			
Loss for the year		**(29.2)**	(113.1)
Components of other comprehensive income (expense) after tax			
Items that have been reclassified to profit or loss:			
Fair value losses transferred to the income statement on disposal of cash flow hedges	30	**0.1**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**12.7**	(21.6)
Fair value gains and losses:			
– losses originating on fair value hedges arising during the year	30	**(0.2)**	–
– losses originating on cash flow hedges arising during the year	30	**(0.2)**	–
		12.3	(21.6)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	31	**(1.6)**	(4.0)
Other comprehensive income (expense) after tax		**10.8**	(25.6)
Total comprehensive expense for the year		**(18.4)**	(138.7)
Total comprehensive expense attributable to:			
Owners of the parent		**(17.9)**	(129.8)
Non-controlling interests		**(0.5)**	(8.9)
		(18.4)	(138.7)
Total comprehensive expense attributable to owners of the parent arises from:			
Continuing operations		**(17.9)**	(138.0)
Discontinued operations		**–**	8.2
		(17.9)	(129.8)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2017

	Notes	2017 $m	2016 $m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**383.3**	419.0
Goodwill	14	**230.3**	229.8
Other intangible assets	15	**125.4**	150.7
Investments in associates		**0.7**	3.2
Investments	16	**1.8**	10.2
Retirement benefit assets	28	**–**	18.5
Trade and other receivables	17	**3.3**	2.9
Deferred tax assets	18	**4.2**	7.0
		749.0	841.3
Current assets			
Inventories	19	**286.2**	259.7
Trade and other receivables	17	**178.9**	111.7
Current tax assets		**1.1**	9.3
Investments	16	**10.4**	0.8
Retirement benefit assets	28	**18.6**	14.8
Cash at bank and in hand		**36.4**	63.5
		531.6	459.8
LIABILITIES			
Current liabilities			
Trade and other payables	20	**130.9**	70.0
Current tax liabilities		**5.1**	7.1
Borrowings	21	**2.1**	54.3
Provisions	23	**6.4**	4.8
		144.5	136.2
Net current assets		**387.1**	323.6
Non-current liabilities			
Borrowings	21	**3.9**	11.9
Deferred tax liabilities	18	**6.2**	12.6
Provisions	23	**11.6**	10.9
Trade and other payables	20	**3.9**	12.1
		25.6	47.5
Net assets		**1,110.5**	1,117.4
Equity attributable to owners of the parent			
Share capital	29	**66.4**	66.3
Share premium	29	**153.0**	153.0
Other components of equity	30	**91.7**	78.8
Retained earnings	31	**780.6**	800.0
		1,091.7	1,098.1
Non-controlling interests		**18.8**	19.3
Total equity		**1,110.5**	1,117.4

The notes on pages 105 to 143 are an integral part of these consolidated financial statements. The financial statements on pages 100 to 143 were approved by the Board of Directors on 1 March 2018 and were signed on its behalf by:

Jim Johnson
Director

Peter Rose
Director

Registered number: 974568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2017						
At 1 January		**66.3**	**153.0**	**78.8**	**800.0**	**1,098.1**	**19.3**	**1,117.4**
Loss for the year		**–**	**–**	**–**	**(26.7)**	**(26.7)**	**(2.5)**	**(29.2)**
Other comprehensive income (expense)		**–**	**–**	**10.4**	**(1.6)**	**8.8**	**2.0**	**10.8**
Total comprehensive income (expense)		**–**	**–**	**10.4**	**(28.3)**	**(17.9)**	**(0.5)**	**(18.4)**
Shares issued								
– share option schemes and awards	29	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Share options and awards								
– value of employee services	30	**–**	**–**	**11.6**	**–**	**11.6**	**–**	**11.6**
– discharge	30 & 31	**–**	**–**	**(9.1)**	**8.9**	**(0.2)**	**–**	**(0.2)**
Total transactions with owners		**0.1**	**–**	**2.5**	**8.9**	**11.5**	**–**	**11.5**
At 31 December		**66.4**	**153.0**	**91.7**	**780.6**	**1,091.7**	**18.8**	**1,110.5**

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2016						
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	32	–	–	–	(5.9)	(5.9)	–	(5.9)
Shares issued								
– share option schemes and awards	29	0.1	–	–	–	0.1	–	0.1
– share placing	29 & 30	4.5	–	81.5	–	86.0	–	86.0
– share placing costs	30	–	–	(2.1)	–	(2.1)	–	(2.1)
Treasury shares								
– purchase of Treasury shares	31	–	–	–	(1.8)	(1.8)	–	(1.8)
Share options and awards								
– value of employee services	30	–	–	8.0	–	8.0	–	8.0
– discharge	30 & 31	–	–	(6.0)	7.5	1.5	–	1.5
– taxation	31	–	–	–	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

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

	Notes	2017 $m	2016 $m
Operating activities			
Reported loss from continuing operations		**(25.4)**	(140.7)
Acquisition amortisation and exceptional items	6	**39.1**	48.5
Depreciation and non-acquisition amortisation	7	**41.7**	43.3
Underlying EBITDA (loss)		**55.4**	(48.9)
Share-based payments expense		**11.9**	8.2
Net gain on disposal of property, plant and equipment		**(0.5)**	–
Gain on disposal of held for sale assets		**(1.2)**	–
(Increase) decrease in inventories		**(20.9)**	61.7
(Increase) decrease in receivables		**(64.7)**	26.9
Increase (decrease) in payables		**46.3**	(30.2)
Decrease in provisions		**(1.0)**	(1.7)
Net taxation received		**6.5**	31.3
Proceeds from disposal of property, plant and equipment held for rental		**4.4**	1.7
Purchase of property, plant and equipment held for rental		**(2.3)**	(2.3)
Receipt of surplus pension assets		**9.7**	–
Restructuring costs	6	**–**	(5.9)
Other non-cash flow items		**2.2**	4.0
Net cash inflow from operating activities		**45.8**	44.8
Investing activities			
Interest received		**0.3**	0.5
Proceeds from disposal of held for sale assets		**1.2**	–
Proceeds from disposal of property, plant and equipment		**1.8**	1.8
Purchase of property, plant and equipment		**(9.1)**	(14.9)
Purchase of intangible assets		**(5.5)**	(6.4)
Decrease in bank deposit investments		**0.8**	3.4
Net proceeds from disposal of subsidiaries		**0.6**	0.7
Discontinued operations: indemnity receipts		**–**	7.9
Net cash outflow from investing activities		**(9.9)**	(7.0)
Financing activities			
Interest and bank fees paid		**(2.7)**	(5.1)
Dividends paid to equity shareholders	32	**–**	(5.9)
Investment by non-controlling interest		**–**	2.0
Share capital issued		**0.1**	86.0
Costs of share issue		**–**	(2.1)
Purchase of Treasury shares		**–**	(1.8)
Disposal of Treasury shares		**–**	1.6
Proceeds from new borrowings		**–**	12.2
Repayment of borrowings		**(20.6)**	(125.7)
Net cash outflow from financing activities		**(23.2)**	(38.8)
Net cash inflow (outflow) in cash and cash equivalents		**12.7**	(1.0)
Cash and cash equivalents at the beginning of the year		**20.3**	21.9
Effect of foreign exchange rates		**1.3**	(0.6)
Cash and cash equivalents at the end of the year		**34.3**	20.3
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		**36.4**	63.5
Bank overdrafts included in borrowings	21	**(2.1)**	(43.2)
		34.3	20.3

1. Basis of Preparation

Hunting PLC is a premium-listed company with its Ordinary shares quoted on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 159. The principal activities of the Group and the nature of the Group's operations are set out in note 2 and in the Strategic Report on pages 12 to 27. The financial statements consolidate those of Hunting PLC (the "Company") and its subsidiaries (together referred to as the "Group"), include the Group's interests in associates and are presented in US dollars, the currency of the primary economic environment in which the Group operates.

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 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 55.

The principal accounting policies applied in the preparation of these financial statements are set out in note 36. These policies have been consistently applied to all the years presented.

Adoption of New Standards, Amendments and Interpretations

The following standards, amendments and interpretations have been adopted and are effective for the Group's accounting period beginning on or after 1 January 2017:

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

Although these amendments became effective for the financial year beginning on 1 January 2017, the Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these amendments. Therefore, the comparative figures for 2016 have not been restated, as the changes do not impact the financial performance or position of the Group.

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
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts[i]
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions[i]
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures[i]
- IFRIC 22 Foreign Currency Transactions and Advance Consideration[i]
- IFRIC 23 Uncertainty over Income Tax Treatments[i]
- Annual Improvements to IFRS Standards 2015-2017 Cycle[i]
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[i]
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement[i]

i. Not yet endorsed by the European Union.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and establishes principles for the recognition, derecognition, classification and measurement of financial assets and liabilities, together with new requirements relating to the impairment of financial assets and new simplified hedge accounting rules. IFRS 9 becomes effective for Hunting on 1 January 2018 and is generally applied retrospectively, except for hedge accounting requirements, which are generally applied prospectively.

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

- The classification and measurement of financial assets is now driven by the cash flow characteristics of the asset and the business model of the individual company. All of Hunting's entities have a hold to collect business model and therefore the current classification of financial assets is not expected to change.
- IAS 39's "incurred loss" model has been replaced with a new impairment model, the "expected loss" model. An entity will recognise a loss allowance from the point of initial recognition for all financial assets based on expected credit losses, which will result in the earlier recognition of credit losses i.e. a "day one" loss will be recognised. This will result in the earlier recognition of bad debt provisions. There is a simplified impairment model for short-term trade receivables, accrued revenue and contract assets and a choice of applying the simplified model to lease receivables and long-term trade receivables, accrued revenue and contract assets. Hunting currently expects to apply the simplified model to lease receivables and long-term trade receivables, accrued revenue and contract assets.
- There is a new hedge accounting model, which has been simplified and is more closely aligned to the business' risk management activities. Any changes to hedge accounting under IFRS 9 are to be applied prospectively by Hunting from 1 January 2018 as Hunting has not taken the option to continue applying IAS 39 to its hedge accounting.

1. Basis of Preparation continued

The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9, 1 January 2018. The estimated impact on Hunting's financial statements has been an increase in the bad debt provision of $0.2m to $5.0m and a decrease in retained earnings of $0.2m.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 Revenue from Contracts with Customers establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers should be made. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for the Group from 1 January 2018.

IFRS 15 requires an entity to recognise revenue when control of promised goods or services is passed to its customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue will either be recognised at a point in time, when the entity has completed its performance obligation or over time as, while and when the promise is performed. Consequently, revenue that was previously recognised at a point in time may now have to be recognised over time.

Hunting's revenue is principally generated from the following sources:

- Sales of goods to customers. Products include manufactured goods and OCTG supplies.
- Performance of services, which is principally comprised of threading plain-end pipe.
- Licensed use of Hunting's thread designs.
- Rental of equipment such as mud motors and drilling tools. Rental revenue does not fall within the scope of IFRS 15 and is unaffected by the requirements of the new accounting standard.

Management has performed an assessment of the impact of adopting IFRS 15 and has identified two principal revenue streams that require an amendment to the Group's revenue accounting policies. These activities involve: (1) the manufacture of products that have been designed with the customer to their bespoke specifications and for which Hunting has an enforceable right to payment if the customer were to prematurely withdraw from the contract without cause; and (2) work performed by Hunting that enhances customer-owned products, such as lathing customer-owned plain-end pipe.

Under IFRS 15, apportionment of revenue between different financial reporting periods is required when Hunting's satisfaction of performance obligations straddles two or more financial reporting periods. The majority of Hunting's performance obligations are relatively short and consequently very few in number straddle two financial reporting periods. As a result, only a small proportion of the Group's annual revenue needs to be apportioned between financial reporting periods such that the impact on the Group's financial statements is minimal.

On the basis that the adjustments to the opening 1 January 2018 balances are not material, the Group will adopt the modified retrospective approach. Consequently the cumulative impact of the adoption will be recognised as an adjustment to opening retained earnings in 2018 and comparatives will not be restated.

The expected impact of adopting IFRS 15 on the year ended 31 December 2017 is to increase revenue by $1.7m, decrease reported loss from operations by $0.5m and to increase retained earnings by $1.6m. IFRS 15 requires separate presentation of contract assets and contract liabilities. As of 1 January 2018, contract assets of $6.8m and contract liabilities of $9.1m will be recognised. This will result in a reduction to payments on account from customers of $9.1m and inventories of $5.2m.

IFRS 16 Leases
IFRS 16 Leases replaces IAS 17 Leases and its related interpretations. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The standard will be effective for the Group from 1 January 2019. Currently, no decision has been made as to which of the transitional options in IFRS 16 will be adopted.

IFRS 16 requires lessees to recognise a lease as a "right-of-use" asset for virtually all lease contracts, together with a corresponding liability. IAS 17 does not require the recognition of any right-of-use asset or any liability for future payments for leases. Instead, future operating lease commitments are disclosed, as shown in note 34. The impact of IFRS 16 has not yet been fully assessed, however management's preliminary assessment indicates that most of these arrangements will meet the definition of a lease under IFRS 16, and hence a significant proportion of the future minimum lease payments under non-cancellable operating leases, as disclosed in note 34, shall be recognised as liabilities, 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 2017.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of future lease payments. Subsequently, the lease liability will be adjusted for interest and lease payments, together with any lease modifications. There will be a positive impact on EBITDA, as lease costs will now be presented as depreciation and interest expense in the income statement, rather than as an operating lease expense. In the cash flow statement, operating lease payments are currently presented as operating cash flows, whereas as under IFRS 16, the lease payments will be split into a principal and interest portion, which will be presented as financing cash flows.

2. Segmental Reporting

Further to the Board changes announced during the year which came into effect on 1 September 2017, the Board, which has been identified as the chief operating decision-maker, has reviewed the segmental presentation of financial information it requires to assess performance and allocate resources. It now considers a geographic-focused reporting format based on the location of operating activities to be more meaningful from a management and forecasting perspective.

In line with these internal changes, external segmental reporting has been revised to present the performance of Hunting's US, Canada, Europe, Asia Pacific and Middle East and Africa operations. Further, due to its size and nature of operations, Hunting Titan's activities are reported separately. Hunting's non-core Exploration and Production business unit is also reported separately as its activities are different in nature to the Group's other reporting segments. The segment information for 2016 has been restated to reflect these changes.

The Board assesses the performance of the operating segments based on revenue and operating results. Operating results is a profit-based measure and excludes discontinued operations and the effects of amortisation of acquired intangible assets and exceptional items such as restructuring costs, onerous provisions and asset impairments.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the funding position of the Group.

Inter-segment sales are priced in line with the transfer pricing policy on an arms-length basis. Costs and overheads are apportioned to the operating segments on the basis of time attributed to those operations by senior executives.

Further, the Board is also provided revenue information by product group, in order to help with an understanding of the drivers of Group performance trends.

Hunting Titan: Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include the H-1 Perforating System and the EQUAfrac™ shaped charge technology. The business has four main manufacturing facilities in the US and one in Mexico, supported by a distribution centre network at 19 locations across North America.

US: The US businesses supply premium connections, OCTG, drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets.

Canada: Hunting's Canadian business manufactures premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays which require specialist tubing technologies. Canada also manufactures perforating guns.

Europe: This segment derives its revenue primarily from the supply of OCTG and well intervention equipment to operators in the North Sea.

Asia Pacific: Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and OCTG supply. Asia Pacific also manufactures perforating guns.

Middle East, Africa and Other: Revenue from the Middle East and Africa is from the sale of in-field well intervention services across the region which also acts as a sales hub for other products manufactured globally by the Group.

Exploration and Production: The Exploration and Production business comprises the Group's exploration and production activities in the Southern US and offshore Gulf of Mexico.

Although the Canada and Exploration and Production segments do not meet the quantitative thresholds required by IFRS 8 for reportable segments, these segments are separately reported as they are separately monitored by the Board.

Accounting policies used for segmental reporting reflect those used for the Group.

The UK is the domicile of Hunting PLC.

2. Segmental Reporting continued

Segment Revenue and Profit

	2017					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation and exceptional items $m	Reported result $m
Hunting Titan	312.8	(4.1)	308.7	63.3	(25.9)	37.4
US	217.6	(14.1)	203.5	(17.2)	(3.2)	(20.4)
Canada	36.5	(8.9)	27.6	(3.7)	–	(3.7)
Europe[i]	85.0	(6.0)	79.0	(12.6)	–	(12.6)
Asia Pacific	91.9	(8.5)	83.4	(8.0)	–	(8.0)
Middle East, Africa and Other	18.6	(1.2)	17.4	(7.0)	(10.0)	(17.0)
Exploration and Production	3.3	–	3.3	(1.1)	–	(1.1)
Total from continuing operations	765.7	(42.8)	722.9	13.7	(39.1)	(25.4)
Net finance expense				(1.5)	–	(1.5)
Share of associates' post-tax losses				(1.3)	–	(1.3)
Profit (loss) before tax from continuing operations				10.9	(39.1)	(28.2)

	Restated 2016					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation and exceptional items $m	Reported result $m
Continuing operations:						
Hunting Titan	145.2	(2.7)	142.5	(3.6)	(30.9)	(34.5)
US	166.7	(4.7)	162.0	(33.6)	(4.1)	(37.7)
Canada	29.3	(3.0)	26.3	(4.0)	–	(4.0)
Europe[i]	71.7	(1.6)	70.1	(25.7)	(7.9)	(33.6)
Asia Pacific	46.8	(3.1)	43.7	(13.3)	(2.0)	(15.3)
Middle East, Africa and Other	8.5	(0.3)	8.2	(9.3)	(0.5)	(9.8)
Exploration and Production	3.0	–	3.0	(2.7)	–	(2.7)
	471.2	(15.4)	455.8	(92.2)	(45.4)	(137.6)
Exceptional defined benefit curtailment not apportioned				–	(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
Profit before tax from discontinued operations	–	–	–	–	8.4	8.4
Taxation				–	(0.2)	(0.2)
Profit from discontinued operations				–	8.2	8.2

i. Revenue from external customers attributable to the UK, the Group's country of domicile, is $65.0m (2016 – $59.1m).

A breakdown of external revenue by products and services is presented below:

	2017 $m	2016 $m
OCTG and Premium Connections	254.3	189.6
Perforating Systems	305.6	143.0
Subsea	20.6	21.5
Intervention Tools	34.3	24.5
Drilling Tools	25.8	10.9
Advanced Manufacturing	59.8	45.2
Other	19.2	18.1
Exploration and Production	3.3	3.0
Revenue from continuing operations	722.9	455.8

2. Segmental Reporting continued

Other Segment Items

	2017 charge (credit)			2016 charge		
	Depreciation $m	**Amortisation $m**	**Impairment[i] $m**	Depreciation $m	Amortisation $m	Impairment[i] $m
Hunting Titan	**5.2**	**26.4**	**2.1**	5.7	30.4	1.9
US	**21.8**	**3.6**	**1.3**	20.8	4.0	2.1
Canada	**1.4**	**–**	**(0.2)**	1.3	0.1	1.1
Europe	**3.7**	**0.8**	**2.4**	5.9	0.4	1.7
Asia Pacific	**4.8**	**0.4**	**–**	3.8	0.4	8.7
Middle East, Africa and Other	**1.9**	**–**	**7.8**	1.9	–	0.2
Exploration and Production	**0.8**	**–**	**–**	1.8	–	–
Total – continuing operations	**39.6**	**31.2**	**13.4**	41.2	35.3	15.7

i. Impairment comprises impairment of property, plant and equipment $7.6m (2016 – $3.5m), trade receivables $0.6m (2016 – $1.9m) and inventories $5.2m (2016 – $10.3m).

Geographical non-current assets

Information on the physical location of non-current assets is presented below. The allocated non-current assets below exclude defined benefit assets and deferred tax assets.

	2017 $m	2016 $m
Hunting Titan – US	**337.6**	354.8
Hunting Titan – Canada	**1.7**	1.9
Hunting Titan – Other	**1.0**	1.7
Hunting Titan	**340.3**	358.4
US	**308.4**	347.3
Canada	**5.3**	6.0
Europe[i]	**55.1**	53.1
Asia Pacific	**18.2**	22.0
Middle East, Africa and Other	**12.8**	23.7
Exploration and Production – US	**4.7**	5.3
	744.8	815.8
Unallocated assets		
Deferred tax assets	**4.2**	7.0
Retirement benefit assets	**–**	18.5
Total non-current assets	**749.0**	841.3

i. The value of non-current assets located in the UK, the Group's country of domicile, is $46.1m (2016 – $47.5m).

Major customer

The Group received $67.9m (2016 – $39.2m) of revenue from the Halliburton Company Group, which is 9% (2016 – 9%) of the Group's revenue from external customers. All of Hunting's operating segments have benefited from trading with Halliburton.

3. Revenue

	2017 $m	2016 $m
Sale of goods	**635.3**	392.3
Revenue from services	**50.5**	43.3
Rental revenue	**37.1**	20.2
Continuing operations	**722.9**	455.8

4. Other Operating Income

	2017 $m	2016 $m
Operating lease rental income	**0.7**	0.7
Gain on disposal of property, plant and equipment	**3.0**	1.3
Gain on disposal of held for sale asset	**1.2**	–
Foreign exchange gains	**1.8**	3.5
Other income	**0.9**	1.3
Continuing operations	**7.6**	6.8

5. Operating Expenses

	2017 $m	2016 $m
Administration expenses[i] before amortisation[ii] and exceptional items	**112.8**	102.0
Distribution and selling costs	**53.4**	47.8
Loss on disposal of property, plant and equipment	**2.5**	1.3
Operating expenses before amortisation[ii] and exceptional items	**168.7**	151.1
Amortisation[ii] and exceptional items (note 6)	**29.1**	44.5
Continuing operations	**197.8**	195.6

i. Includes foreign exchange losses of $1.8m (2016 – $2.8m).
ii. Relates to amortisation of acquired intangible assets.

6. Amortisation and Exceptional Items

	2017 $m	2016 $m
Impairment of property, plant and equipment	**7.6**	–
Restructuring costs	**2.4**	4.0
Charged to cost of sales	**10.0**	4.0
Amortisation of acquired intangible assets	**29.1**	33.2
Restructuring costs	**–**	8.2
Defined benefit pension curtailment	**–**	3.1
Charged to operating expenses	**29.1**	44.5
Total charged to profit (loss) from operations	**39.1**	48.5
Capitalised loan facility fees written off – charged to finance expense	**–**	2.5
Amortisation and exceptional items	**39.1**	51.0
Taxation on amortisation and exceptional items (note 10)	**–**	(3.0)
Continuing operations	**39.1**	48.0

In December 2017 the Board completed a review of the Group's operating presence in South Africa and decided to close its manufacturing facility in Cape Town, given the poor market outlook for the medium term and the continuing drive to reduce losses around the Group. An impairment of property, plant and equipment totalling $7.6m has been recorded in the 2017 accounts, together with other costs of $2.4m relating to the closure of the facility.

Management implemented cost base reduction measures at all levels across the Group in 2016, resulting in restructuring costs of $12.2m being charged to profit from operations. These costs gave rise to cash outflows of $5.9m during 2016. As part of the Group's restructuring, a decision was made in 2016 to close the Group's European Drilling Tools business. Following an impairment review, the assets, with a net realisable value of $1.6m were classified as held for sale at 30 June 2016. Following a further review of the net realisable value, the carrying value of the held for sale assets was written down to $nil by the end of 2016. Both the impairment charge of $2.9m and the fair value loss of $1.6m were included in restructuring costs in 2016.

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 effect of this change was recognised in the 2016 financial statements, resulting in a net charge of $3.1m.

A series of amendments to the Group's borrowing facilities became effective on 20 July 2016, see note 26 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 negotiated in 2015 were written off to the income statement.

7. Profit (Loss) from Continuing Operations

The following items have been charged (credited) in arriving at profit (loss) from continuing operations:

	2017 $m	2016 $m
Staff costs (note 8)	**189.0**	157.3
Depreciation of property, plant and equipment (note 13)	**39.6**	41.2
Amortisation of acquired intangible assets	**29.1**	33.2
Amortisation of other intangible assets	**2.1**	2.1
Amortisation of intangible assets (included in operating expenses) (note 15)	**31.2**	35.3
Impairment of property, plant and equipment (included in cost of sales)	**7.6**	0.6
Impairment of property, plant and equipment (included in other operating expenses)	**–**	2.9
Impairment of property, plant and equipment (note 13)	**7.6**	3.5
Gain on disposal of held for sale asset	**(1.2)**	–
Net gain on disposal of property, plant and equipment	**(0.5)**	–
Operating lease payments (note 34)	**11.9**	12.2
Research and development expenditure	**3.7**	1.3

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

	2017 $m	2016 $m
The audit of these accounts	**1.8**	1.8
The audit of the accounts of the Company's subsidiaries	**0.4**	0.4
Total audit	**2.2**	2.2
Audit-related assurance services	**0.1**	0.1
Total audit and audit-related services	**2.3**	2.3

8. Employees

	2017 $m	2016 $m
Wages and salaries	**156.0**	127.2
Social security costs	**13.1**	10.7
Share-based payments (note 33)	**11.9**	8.2
Pension costs		
– defined contribution schemes (note 28)	**7.1**	6.7
– defined benefit schemes (note 28)	**1.6**	2.4
Defined benefit charge included in exceptional items (note 28)	**–**	3.1
Pension costs – net interest included in net finance expense (note 28)	**(0.3)**	(1.1)
Staff costs for the year	**189.4**	157.2

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

	2017 $m	2016 $m
Staff costs included in profit (loss) from operations (note 7)	**189.0**	157.3
Staff costs included in net finance expense	**(0.3)**	(1.1)
Staff costs capitalised as R&D	**0.7**	1.0
	189.4	157.2

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

	2017 Number	2016 Number
US	**1,451**	1,379
Canada	**133**	115
Europe	**288**	325
Asia Pacific	**425**	401
Middle East, Africa and Mexico	**87**	88
	2,384	2,308

8. Employees continued

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

	2017 Number	Restated 2016 Number
Hunting Titan	**491**	450
US	**953**	924
Canada	**118**	99
Europe	**250**	284
Asia Pacific	**425**	401
Middle East, Africa and Other	**83**	83
Exploration and Production	**4**	4
Central	**60**	63
	2,384	2,308

The amounts for 2016 have been restated to show the average monthly number of employees split between the new operating segments.

The actual number of employees at the year end was:

	2017 Number	2016 Number
Male	**2,071**	1,674
Female	**539**	433
	2,610	2,107

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

	2017 $m	2016 $m
Salaries and short-term employee benefits	**1.8**	1.8
Payment in lieu of notice and other legal entitlements	**1.7**	–
Social security costs	**0.1**	0.1
Post-employment benefits	**0.3**	0.3
Share-based payments	**0.9**	0.2
	4.8	2.4

Salaries and short-term benefits are included within the Directors' Remuneration table on page 84 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 89 of the Annual Report on Remuneration.

9. Net Finance Expense

	2017 $m	2016 $m
Finance income:		
Bank balances and deposits	**0.3**	0.7
Pension interest income	**0.5**	1.4
Foreign exchange gains	**0.6**	2.0
Other finance income	**1.9**	1.4
	3.3	5.5
Finance expense:		
Bank overdrafts	**(0.1)**	(0.6)
Bank borrowings	**(0.9)**	(2.0)
Bank fees and commissions	**(2.3)**	(2.0)
Foreign exchange losses	**(1.1)**	(0.7)
Other finance expense	**(0.4)**	(0.9)
Finance expense before exceptional items	**(4.8)**	(6.2)
Capitalised loan facility fees written off – exceptional item (note 6)	**–**	(2.5)
Total finance expense	**(4.8)**	(8.7)
Net finance expense – continuing operations	**(1.5)**	(3.2)

10. Taxation

	2017			2016		
	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 charge (credit)	**3.4**	**–**	**3.4**	(11.5)	(1.6)	(13.1)
– adjustments in respect of prior years	**(3.8)**	**–**	**(3.8)**	(1.1)	–	(1.1)
	(0.4)	**–**	**(0.4)**	(12.6)	(1.6)	(14.2)
Deferred tax						
– origination and reversal of temporary differences	**2.3**	**–**	**2.3**	(7.7)	(1.4)	(9.1)
– change in tax rate	**(0.4)**	**–**	**(0.4)**	(0.2)	–	(0.2)
– adjustments in respect of prior years	**(0.5)**	**–**	**(0.5)**	0.6	–	0.6
	1.4	**–**	**1.4**	(7.3)	(1.4)	(8.7)
Taxation charge (credit) – continuing operations	**1.0**	**–**	**1.0**	(19.9)	(3.0)	(22.9)

i. Relates to amortisation of acquired intangible assets.

The weighted average applicable tax rate for continuing operations before amortisation and exceptional items is 9% (2016 – 21%).

There was no tax credit relating to amortisation and exceptional items in 2017. The 2016 tax credit in the income statement of $3.0m for amortisation and exceptional items comprises credits of $1.9m relating to restructuring costs and $1.1m in relation to the defined benefit curtailment charge.

The adjustment in respect of prior years of $3.8m includes the release of provisions for uncertain tax positions that are no longer required.

10. Taxation continued

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

	2017 $m	2016 $m
Reported loss before tax from continuing operations	**(28.2)**	(144.2)
Tax at 19.25% (2016 – 20%)	**(5.4)**	(28.8)
Permanent differences including tax credits	**2.4**	0.9
Higher rate of tax on overseas results	**(0.7)**	(17.7)
Current year losses not recognised	**9.4**	23.4
Change in tax rates	**(0.4)**	(0.2)
Adjustments in respect of prior years	**(4.3)**	(0.5)
Taxation – continuing operations	**1.0**	(22.9)

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

	2017			2016		
	Before tax $m	Tax (charged) credited $m	After tax $m	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**12.8**	**(0.1)**	**12.7**	(21.7)	0.1	(21.6)
Fair value losses originating on fair value hedge arising during the year	**(0.3)**	**0.1**	**(0.2)**	–	–	–
Fair value losses originating on cash flow hedge arising during the year	**(0.2)**	**–**	**(0.2)**	–	–	–
Fair value losses transferred to the income statement on disposal of cash flow hedges	**0.1**	**–**	**0.1**	–	–	–
Remeasurement of defined benefit pension schemes	**(1.6)**	**–**	**(1.6)**	3.5	(7.5)	(4.0)
	10.8	**–**	**10.8**	(18.2)	(7.4)	(25.6)

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

The US "Tax Cuts and Jobs Act" was substantively enacted on 22 December 2017 and includes a reduction in the Federal tax rate from 35% to 21% effective from 1 January 2018. In 2017, Hunting has recognised deferred tax assets in the US sufficient to offset deferred tax liabilities. Therefore, the change in the US tax rate has had no overall effect. The rate change has, however, had an impact on unrecognised deferred tax assets as shown in note 18.

In 2016 the deferred tax charge on the remeasurement of the defined benefit pension schemes of $7.5m comprises a $1.4m charge arising in the year and a charge of $6.1m due to a change in tax rates, as the refunds of the UK pension surplus attract a 35% tax rate.

11. Discontinued Operations

The results from discontinued operations were as follows:

Gibson Energy	2017 $m	2016 $m
Exceptional gain on disposal:		
Gain on disposal before tax	**–**	8.4
Tax on gain	**–**	(0.2)
Total profit from discontinued operations	**–**	8.2

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

12. 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:

	2017 $m	2016 $m
Basic and diluted (loss) earnings attributable to Ordinary shareholders		
From continuing operations	**(26.7)**	(115.7)
From discontinued operations	**–**	8.2
Total	**(26.7)**	(107.5)
Basic and diluted (loss) earnings attributable to Ordinary shareholders before amortisation[i] and exceptional items		
From continuing operations	**(26.7)**	(115.7)
Add: amortisation[i] and exceptional items after taxation	**39.1**	47.5
Total	**12.4**	(68.2)
From discontinued operations	**–**	8.2
Less: exceptional items after taxation	**–**	(8.2)
Total	**–**	–

	millions	millions
Basic weighted average number of Ordinary shares	**163.3**	150.7
Long-term incentive plans	**6.8**	6.4
Adjusted weighted average number of Ordinary shares	**170.1**	157.1

	cents	cents
(a) Reported (Loss) Earnings per Share		
Basic EPS		
From continuing operations	**(16.4)**	(76.8)
From discontinued operations	**–**	5.5
	(16.4)	(71.3)
Diluted EPS[ii]		
From continuing operations	**(16.4)**	(76.8)
From discontinued operations	**–**	5.5
	(16.4)	(71.3)
(b) Underlying Earnings (Loss) per Share		
Basic EPS		
From continuing operations	**7.6**	(45.3)
From discontinued operations	**–**	–
	7.6	(45.3)
Diluted EPS[ii]		
From continuing operations	**7.6**	(45.3)
From discontinued operations	**–**	–
	7.6	(45.3)

i. Relates to amortisation of acquired intangible assets.
ii. For the years ended 31 December 2016 and 2017, 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.

13. Property, Plant and Equipment

	Year ended 31 December 2017				
	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	255.9	329.1	92.9	181.6	859.5
Exchange adjustments	4.3	6.8	1.0	–	12.1
Additions	1.7	7.5	2.1	0.2	11.5
Disposals	(0.2)	(6.8)	(7.9)	–	(14.9)
Reclassification from (to) inventories	–	0.2	(0.8)	–	(0.6)
Reclassification	0.6	(0.6)	–	–	–
At 31 December	262.3	336.2	87.3	181.8	867.6
Accumulated depreciation and impairment:					
At 1 January	34.2	188.7	39.7	177.9	440.5
Exchange adjustments	1.1	5.1	0.7	–	6.9
Charge for the year	6.8	26.8	5.2	0.8	39.6
Impairment of assets	4.3	2.9	0.4	–	7.6
Disposals	(0.1)	(5.6)	(3.5)	–	(9.2)
Reclassification to inventories	–	–	(1.1)	–	(1.1)
Reclassification	(0.1)	0.1	–	–	–
At 31 December	46.2	218.0	41.4	178.7	484.3
Net book amount	216.1	118.2	45.9	3.1	383.3

Following a review of the Group's operating presence in South Africa, the decision was made to close its manufacturing facility in Cape Town, given the poor market outlook for the medium term and the continuing drive to reduce losses around the Group. The property in Cape Town was impaired by $4.3m; plant, machinery and motor vehicles by $2.9m and rental tools were impaired by $0.4m, totalling $7.6m. The impairment of $7.6m has been recorded in the 2017 accounts as an exceptional item (see note 6).

Included in the net book amount is expenditure relating to assets in the course of construction of $0.2m (2016 – $0.1m) for buildings, $3.6m (2016 – $8.8m) for plant and machinery and $nil (2016 – $0.8m) 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 $0.9m (2016 – $1.2m).

The net book amount of land and buildings of $216.1m (2016 – $221.7m) comprises freehold land and buildings of $213.1m (2016 – $218.1m) and capitalised leasehold improvements of $3.0m (2016 – $3.6m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over specific properties in the UK and US, which have a carrying value of $230.8m (2016 – $239.2m).

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 2017, performed for impairment purposes, no impairment charges were required (2016 – $nil). 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 15 years and are discounted using a nominal pre-tax rate of 10% (2016 – 12%).

The carrying value of PPE assets in certain CGUs remains sensitive to reasonably foreseeable declines in future revenue growth as measured by changes in compound annual growth rates ("CAGRs"). These sensitivities are based on the impairment test process described in note 14.

- For Canada a reduction in the expected revenue CAGR for 2017 to 2022 of 2% points or more would result in impairment (2016 – 3% point or more reduction in revenue CAGR for 2016 to 2021). The net book value of PPE in Canada is $3.4m (2016 – $4.2m).
- For Aberdeen/Netherlands OCTG a reduction in the expected revenue CAGR for 2017 to 2022 of 3% points or more would result in impairment (2016 – 2% point or more reduction in revenue CAGR for 2016 to 2021). The net book value of PPE in Aberdeen/Netherlands OCTG is $7.6m (2016 – $8.0m).

There are no other reasonably foreseeable changes in revenue growth rates that would give rise to impairment charges in other CGUs.

13. Property, Plant and Equipment continued

	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

The net book amount of property, plant and equipment at 1 January 2016 was $460.8m.

Following the closure of the Group's European Drilling Tools business in 2016, 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 2016.

With the market slowdown impacting the Group's Asia Pacific operations, certain regional assets were impaired in 2016, with a $0.6m charge recognised.

14. Goodwill

	2017 $m	2016 $m
Cost:		
At 1 January	**515.1**	517.1
Exchange adjustments	**3.0**	(2.0)
At 31 December	**518.1**	515.1
Accumulated impairment:		
At 1 January	**285.3**	286.5
Exchange adjustments	**2.5**	(1.2)
At 31 December	**287.8**	285.3
Net book amount	**230.3**	229.8

The net book amount of goodwill at 1 January 2016 was $230.6m.

14. Goodwill continued

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

CGU	2017 $m	2016 $m
Hunting Titan	**180.5**	180.5
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	**4.8**	4.3
At 31 December	**230.3**	229.8

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 2018, cash flows are based on the approved Board budget. For 2019 to 2022, management has made revenue projections using Spears and Associates "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic markets and drivers (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.

2017 has been a much stronger year for the Group, due to the return to growth of the US onshore market and stabilisation in the main offshore markets we serve. The recovery in offshore is expected to follow in due course. This mixed picture impacts CGUs differently depending on their exposure to these markets and compound annual growth rates ("CAGR") for revenue for the CGUs from 2017 to 2022 vary between 9% and 19% (2016 – CAGR from 2016 to 2021 between 12% and 24%). 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, and the growth in revenue during 2017 of 59%. After 2022, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation, giving nominal growth rates between 2% and 3% (2016 – between 2% and 3%).

Cash flows have been discounted using nominal pre-tax rates between 9% and 11% (2016 – 11% and 13%). 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.

No impairment charges have been recorded as a result of the impairment review carried out in the year (2016 – $nil).

(b) Material CGU
Hunting Titan – Hunting Titan represents 78% of the goodwill balance at the year end (2016 – 79%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of $459.5m (2016 – $448.2m). Projected annual growth rates from 2017 to 2022 vary between 2% and 12% (2016 – growth rates from 2016 to 2021 between 13% and 31%). Growth rates are lower following the strong performance during 2017. Cash flows have been discounted at a nominal pre-tax rate of 10% (2016 – 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
Management has reviewed various downside sensitivities versus the base case assumptions used in our projections. These covered revenue growth rates, terminal revenue growth rates and discount rates. In light of current sector expectations, management has concluded that there are no reasonable possible changes in key assumptions that would give rise to an impairment.

15. Other Intangible Assets

	2017 Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January	**246.8**	**69.2**	**55.0**	**21.6**	**392.6**
Exchange adjustments	**0.3**	**0.3**	**0.1**	**0.4**	**1.1**
Additions	**–**	**5.0**	**0.5**	**–**	**5.5**
Reclassification	**–**	**(1.7)**	**1.7**	**–**	**–**
At 31 December	**247.1**	**72.8**	**57.3**	**22.0**	**399.2**
Accumulated amortisation and impairment:					
At 1 January	**150.0**	**29.5**	**42.5**	**19.9**	**241.9**
Exchange adjustments	**0.3**	**0.1**	**–**	**0.3**	**0.7**
Charge for the year	**21.8**	**6.2**	**2.4**	**0.8**	**31.2**
Reclassification	**–**	**(0.2)**	**0.2**	**–**	**–**
At 31 December	**172.1**	**35.6**	**45.1**	**21.0**	**273.8**
Net book amount	**75.0**	**37.2**	**12.2**	**1.0**	**125.4**

	2016 Customer relationships $m	Unpatented technology $m	Patents and 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

The net book amount of other intangible assets at 1 January 2016 was $180.4m.

Other intangible assets of $1.0m (2016 – $1.7m) include software of $0.7m (2016 – $1.4m).

Internally generated intangible assets have been included within unpatented technology. The carrying value at the beginning of the year was $14.5m (2016 – $10.4m). Additions during the year were $5.0m (2016 – $5.2m), disposals were $nil (2016 – $0.1m) and the amortisation charge for the year was $0.9m (2016 – $0.8m). After foreign exchange gains of $0.3m (2016 – $0.2m losses), the carrying value at the end of the year was $18.9m (2016 – $14.5m).

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.

Individual Material Intangible Assets

Included in the table above are customer relationships, purchased as part of the Titan acquisition with a net book value of $70.5m (2016 — $89.5m). The cost brought forward and at the year end was $190.2m (2016 — $190.2m). Following the amortisation charge of $19.0m for the year (2016 — $19.1m), accumulated amortisation at the year end was $119.7m (2016 — $100.7m). The intangible asset has a remaining amortisation period at the year end of 3.8 years (2016 — 4.8 years).

16. Investments

	2017 $m	2016 $m
Non-current:		
Listed equity investments and mutual funds	**1.8**	10.2
Current:		
Bank deposits maturing after more than three months	**–**	0.8
Listed equity investments and mutual funds	**10.4**	–
	10.4	0.8

17. Trade and Other Receivables

	2017 $m	2016 $m
Non-current:		
Loan note	**1.3**	1.2
Prepayments	**1.7**	1.6
Other receivables	**0.3**	0.1
	3.3	2.9
Current:		
Trade receivables	**152.8**	97.6
Less: provision for impairment of receivables	**(4.8)**	(4.4)
Net trade receivables	**148.0**	93.2
Prepayments	**17.6**	8.0
Accrued revenue	**6.2**	4.1
Loan note	**–**	0.6
Other receivables	**7.1**	5.8
	178.9	111.7

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 31 December 2017, trade receivables of $63.1m (2016 – $48.9m) were overdue but not impaired. The ageing of these receivables at the year end is as follows:

	2017 $m	2016 $m
Number of days overdue:		
1-30 days	**37.2**	26.0
31-60 days	**11.8**	10.0
61-90 days	**8.8**	7.4
91-120 days	**3.3**	2.4
more than 120 days	**2.0**	3.1
Receivables overdue not impaired	**63.1**	48.9
Receivables not overdue	**84.7**	44.3
Receivables overdue and impaired	**5.0**	4.4
Impairment	**(4.8)**	(4.4)
Net trade receivables	**148.0**	93.2

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 net provision of $0.6m (2016 – $1.9m) for the impairment of receivables was recognised in operating expenses and $0.2m (2016 – $0.2m) receivables were written off. The provision for the impairment of trade receivables at the year end was $4.8m (2016 – $4.4m).

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

17. Trade and Other Receivables continued

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 25.

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

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $125.4m (2016 – $75.7m).

18. Deferred Tax

Deferred income tax assets and liabilities are only offset when there is a legally enforceable right to offset, 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:

	2017 $m	2016 $m
Deferred tax assets	**4.2**	7.0
Deferred tax liabilities	**(6.2)**	(12.6)
	(2.0)	(5.6)

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

	2017 $m	2016 $m
At 1 January	**(5.6)**	(8.2)
Exchange adjustments	**(0.3)**	1.4
(Charge) credit to the income statement[i]	**(1.8)**	8.3
Change in tax rates	**0.4**	0.2
Taken direct to equity	**–**	(7.3)
Other movements	**5.3**	–
At 31 December	**(2.0)**	(5.6)

i. The charge (2016 – credit) to the income statement comprises a charge of $2.3m (2016 – $9.1m credit) for the origination and reversal of temporary differences and a credit of $0.5m (2016 – $0.6m charge) for adjustments in respect of prior years relating to continuing operations (note 10) and $nil relating to discontinued operations (2016 – $0.2m).

Other movements of $5.3m relate to the release of the deferred tax liability to offset tax withheld at source by the UK pension scheme following the repayment of a net $9.7m surplus to the Company.

The change in tax rates relates to the rate at which UK deferred tax balances are recorded. Deferred tax assets of $39.8m (2016 – $50.0m) have not been recognised as realisation of the tax benefit is not probable. This includes $37.1m (2016 – $30.9m) in respect of trading losses. Of these, $24.9m (2016 – $30.8m) relates to the US and has an expiry date of 2036. The balance of trading losses have no expiry date. Deferred tax assets of $4.2m (2016 – $7.0m) are expected to be recovered after more than 12 months. Deferred tax liabilities of $6.2m (2016 – $5.2m) are expected to be released within 12 months and $nil (2016 – $7.4m) are expected to be released after more than 12 months.

There is no impact on the results for the year for the change in the US tax rate, however, the rate change has reduced the value of unrecognised deferred tax assets by $18.6m.

A deferred tax asset of $2.8m (2016 – $5.6m) 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. Post-retirement benefits include $6.5m in respect of the tax that will be withheld at source on the future refunds of the surplus from the pension scheme.

18. 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 2017 $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 2017 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	5.6	0.3	(3.2)	0.1	–	–	2.8	2.8	–
Inventory	7.3	–	–	–	–	(2.1)	5.2	0.3	4.9
Goodwill and intangibles	19.1	–	(0.5)	–	–	(6.9)	11.7	–	11.7
Post-retirement benefits	(8.8)	(0.7)	0.3	0.3	–	4.1	(4.8)	–	(4.8)
Asset decommissioning provision	2.1	–	–	–	–	(0.9)	1.2	–	1.2
Accumulated tax depreciation	(23.5)	–	0.5	–	–	8.5	(14.5)	0.6	(15.1)
Share-based payments	0.5	–	0.3	–	–	–	0.8	–	0.8
Other	(7.9)	0.1	0.8	–	–	2.6	(4.4)	0.5	(4.9)
	(5.6)	(0.3)	(1.8)	0.4	–	5.3	(2.0)	4.2	(6.2)

	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)

19. Inventories

	2017 $m	2016 $m
Raw materials	99.2	79.7
Work in progress	52.0	37.6
Finished goods	163.6	169.1
Gross inventories	314.8	286.4
Less: provisions for losses	(28.6)	(26.7)
Net inventories	286.2	259.7

The net inventory balance comprises $231.9m of inventory carried at cost (2016 – $202.4m) and $54.3m of inventory carried at net realisable value (2016 – $57.3m). In determining an estimate of net realisable value, management makes judgements in respect of the durability and general high quality of the Group's products, which provide a degree of protection against adverse market conditions and competitor product development and pricing activity.

Gross inventories have increased $28.4m from $286.4m at 31 December 2016 to $314.8m at 31 December 2017. Additions to inventories were $534.2m (2016 – $317.2m) and foreign exchange movements of $8.0m were offset by inventories expensed to cost of sales of $509.1m (2016 – $368.0m), inventories written off of $4.2m against the inventory provision and inventories transferred to PPE of $0.5m.

The inventory provision has increased by $1.9m from $26.7m at 31 December 2016 to $28.6m at 31 December 2017, with $4.2m (2016 – $2.9m) of the provision being utilised in the year against inventories written off. This was offset by foreign exchange movements of $0.9m and a net charge included in cost of sales of $5.2m (2016 – $10.3m), which has been included in cost of sales in the year. Overall, Hunting's provision for inventory losses has reduced from 9.3% of gross inventory balances at December 2016 to 9.1% at December 2017.

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $188.9m (2016 – $166.9m).

The Group expects that $217.1m (2016 – $177.5m) of the Group's inventories of $286.2m (2016 – $259.7m) will be realised within 12 months of the balance sheet date and $69.1m (2016 – $82.2m) will be realised after 12 months.

20. Trade and Other Payables

	2017 $m	2016 $m
Non-current:		
Trade payables	–	0.2
Accruals	1.5	1.4
Social security and other taxes	0.5	0.3
US deferred compensation plan obligation (note 28)	1.8	10.2
Other payables	0.1	–
	3.9	12.1

	2017 $m	2016 $m
Current:		
Trade payables	47.3	35.1
Social security and other taxes	9.3	7.0
Accruals	49.9	22.7
US deferred compensation plan obligation (note 28)	10.4	–
Other payables	14.0	5.2
	130.9	70.0

21. Borrowings

	2017 $m	2016 $m
Non-current:		
Secured bank loans[i]	–	8.0
Other unsecured loans	3.9	3.9
	3.9	11.9
Current:		
Bank overdrafts secured	2.1	43.2
Secured bank loans	–	11.1
	2.1	54.3
Total borrowings	6.0	66.2

i. Secured bank loans included $0.6m capitalised loan facility fees in 2016. In 2017, the unamortised loan facility fees of $0.4m have been shown in prepayments.

Analysis of Borrowings by Currency

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

	Sterling $m	US dollars $m	Euro $m	Capitalised loan facility fees $m	Total $m
Other unsecured loans	–	3.9	–	–	3.9
Bank overdrafts secured	–	2.1	–	–	2.1
At 31 December 2017	–	6.0	–	–	6.0

	Sterling $m	US dollars $m	Euro $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

22. Changes in Net Cash (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 2017 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified to prepayments $m	At 31 December 2017 $m
Cash at bank and in hand	**63.5**	**(29.0)**	**1.9**	**–**	**–**	**36.4**
Bank overdrafts (note 21)	**(43.2)**	**41.7**	**(0.6)**	**–**	**–**	**(2.1)**
Cash and cash equivalents	**20.3**	**12.7**	**1.3**	**–**	**–**	**34.3**
Current investments (note 16)	**0.8**	**(0.8)**	**–**	**–**	**–**	**–**
Non-current borrowings	**(12.5)**	**9.0**	**(0.4)**	**–**	**–**	**(3.9)**
Current bank loans (note 21)	**(11.1)**	**11.6**	**(0.5)**	**–**	**–**	**–**
Total net borrowings	**(2.5)**	**32.5**	**0.4**	**–**	**–**	**30.4**
Capitalised loan facility fees	**0.6**	**–**	**–**	**(0.2)**	**(0.4)**	**–**
Total net (debt) cash	**(1.9)**	**32.5**	**0.4**	**(0.2)**	**(0.4)**	**30.4**

	At 1 January 2016 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified to prepayments $m	At 31 December 2016 $m
Cash at bank and in hand	54.4	12.4	(3.3)	–	–	63.5
Bank overdrafts (note 21)	(32.5)	(13.4)	2.7	–	–	(43.2)
Cash and cash equivalents	21.9	(1.0)	(0.6)	–	–	20.3
Current investments (note 16)	4.6	(3.4)	(0.4)	–	–	0.8
Non-current borrowings	(119.9)	105.2	2.2	–	–	(12.5)
Current bank loans (note 21)	(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) cash	(110.5)	109.1	1.6	(2.1)	–	(1.9)

i. During the year, $0.2m (2016 – $0.9m) loan facility fees were paid, $0.4m (2016 – $0.5m) fees were amortised and $nil (2016 – $2.5m) fees were written off and shown in exceptional items (note 6).

In 2016 the Group's RCF was amended. 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 26.

23. Provisions

	Onerous contracts $m	Other $m	Total $m
At 1 January 2017	**5.6**	**10.1**	**15.7**
Exchange adjustments	**0.5**	**0.2**	**0.7**
Charged to the income statement	**–**	**5.9**	**5.9**
Provisions utilised	**(1.3)**	**(1.8)**	**(3.1)**
Unutilised amounts reversed	**–**	**(1.3)**	**(1.3)**
Unwinding of discount	**–**	**0.1**	**0.1**
Reclassification	**0.6**	**(0.6)**	**–**
At 31 December 2017	**5.4**	**12.6**	**18.0**

Provisions are due as follows:

	2017 $m	2016 $m
Current	**6.4**	4.8
Non-current	**11.6**	10.9
	18.0	15.7

23. Provisions continued

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 $1.0m of the provision will be utilised in 2018 and the remaining balance of $4.4m will be utilised from 2019 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.22% and 0.72% 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 $6.2m (2016 – $7.0m) 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 (2016 – $1.0m). 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 14 years.

24. Derivatives and Hedging

(a) Currency Derivatives

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

At 31 December 2017, the total notional amount of the Group's outstanding forward foreign exchange contracts was $6.3m (2016 – $1.9m) and for foreign currency swaps was $36.7m (2016 – $15.6m).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement, with $0.1m gains (2016 – $nil) being recognised in the income statement during the year.

Certain highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts during the year. Some of these forecast transactions occurred during 2017, with the remainder expected to occur during the next 12 months.

Losses recognised during the year on forward foreign exchange contracts designated in a cash flow hedge were $0.2m (2016 – immaterial).

During the year, the terms of a financial asset were revised, and so the cash flows that were forecast and designated in a cash flow hedge are no longer expected to occur in March 2018 and March 2019. The $0.1m losses recognised in the hedge reserve up to the date that the terms were revised have been transferred to the income statement.

During the year, foreign currency swaps have been designated in a fair value hedge to hedge the foreign exchange changes in a pseudo-equity Canadian dollar inter-company loan. Fair value losses of $0.3m have been recognised in the cumulative translation reserve, together with the changes in the loan due to movements in the USD/CAD foreign exchange rate. There was no ineffectiveness in the fair value hedge.

Forward foreign exchange contracts have also been designated in a fair value hedge, to hedge the foreign exchange movement in foreign currency trade payables. Immaterial fair value losses have been recognised in the income statement during the year. There was no ineffectiveness in these fair value hedges.

Fair values of derivative financial instruments:

	2017		2016	
	Total assets $m	**Total liabilities $m**	Total assets $m	Total liabilities $m
Forward foreign exchange contracts – in a cash flow hedge	**–**	**(0.1)**	–	–
Forward foreign exchange contracts – in a fair value hedge	**–**	**(0.1)**	–	–
Forward foreign exchange contracts – not in a hedge	**–**	**(0.1)**	0.1	(0.1)
Foreign currency swaps – in a fair value hedge	**–**	**(0.4)**	–	–
Foreign currency swaps – not in a hedge	**–**	**(0.3)**	–	–
Total	**–**	**(1.0)**	0.1	(0.1)

(b) Hedge of Net Investments in Foreign Operations

The Group had Sterling denominated borrowings during the year, which it designated as a hedge of the net investment in its UK subsidiaries respectively. Following the improved trading of the Group, the borrowings were repaid during the year. At 31 December 2017, the carrying amount of net Sterling borrowings was $nil (2016 – $19.6m). During 2017, foreign exchange losses of $0.7m (2016 – $2.5m gains) on translation of the borrowings into US dollars were recognised in the currency translation reserve.

25. 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 2017 $m	Level 1 $m	Level 2 $m
Non-current investments			
Listed equity investments and mutual funds	**1.8**	**1.8**	**–**
Current investments			
Listed equity investments and mutual funds	**10.4**	**10.4**	**–**
Non-current derivatives held for trading			
Derivative financial liabilities	**(0.1)**	**–**	**(0.1)**
Current derivatives held for trading			
Derivative financial liabilities	**(0.9)**	**–**	**(0.9)**
Non-current other payables			
US deferred compensation plan obligation	**(1.8)**	**–**	**(1.8)**
Current other payables			
US deferred compensation plan obligation	**(10.4)**	**–**	**(10.4)**
	(1.0)	**12.2**	**(13.2)**

	Restated		
	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)
Other payables			
US deferred compensation plan obligation	(10.2)	–	(10.2)
	–	10.2	(10.2)

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 2016 table above has been restated to show the US deferred compensation plan obligation, which is carried at fair value.

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.

26. 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.

26. Financial Risk Management continued

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.

The Group's material foreign exchange rates are:

	Sterling		Canadian dollar	
	2017	2016	**2017**	2016
Average exchange rate to US dollars	**0.78**	0.74	**1.30**	1.33
Year end exchange rate to US dollars	**0.74**	0.81	**1.25**	1.34

(i) Transactional Risk

The exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts. 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 2017	**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	**–**	**1.7**	**–**	**–**	**–**	**–**	**1.7**
US dollars	**(1.9)**	**–**	**0.1**	**–**	**2.5**	**(1.1)**	**(0.4)**
Canadian dollars	**–**	**(1.2)**	**–**	**–**	**–**	**–**	**(1.2)**
Singapore dollars	**–**	**1.6**	**–**	**(0.1)**	**–**	**–**	**1.5**
Euro	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**(0.2)**
Chinese CNY	**–**	**(1.5)**	**–**	**–**	**–**	**(0.5)**	**(2.0)**
	(2.1)	**0.6**	**0.1**	**(0.1)**	**2.5**	**(1.6)**	**(0.6)**

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

	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.

26. Financial Risk Management continued

(a) Foreign Exchange Risk continued

(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 funding swaps that utilise 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.

(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 $36.4m (2016 – $63.5m) and current investments $nil (2016 – $0.8m). Cash at bank and in hand balances of $25.1m (2016 – $55.7m) were deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $11.3m (2016 – $7.8m), $9.9m (2016 – $6.4m) 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 $18.6m (2016 – $33.3m). 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 $12.2m (2016 – $10.2m) 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 $205.0m (2016 – $204.9m) at the year end. The facilities comprise $200.0m of secured committed facilities (2016 – $200.0m), and $5.0m secured uncommitted facilities (2016 – $4.9m).

In July 2016, following a breach of the covenants relating to the Group's $350m Revolving Credit Facility ("RCF"), revised financial covenants became effective. The main revised covenants and terms that apply throughout the suspension period, which runs up to and including the 30 June 2018 covenant test date, are:

- Committed facilities reduced from $350m to $200m to reflect the Group's reduced requirements.
- First priority security 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 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.

26. Financial Risk Management continued

(d) Liquidity Risk continued

- 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%.

Throughout the year and at 31 December 2017, all covenants were covered with adequate headroom and the Group remained compliant with the amended terms and conditions of the committed facilities.

In December 2017, following improved trading throughout 2017, the Company took the decision to begin the process of exiting from the revised covenants. This process was completed on 18 January 2018, with the previous profit-based covenants being reinstated.

The Group is now subject to the original covenants and terms that were included in the facility agreement signed in October 2015. The original covenants include:

- The ratio of net debt to EBITDA permitted under the revolving credit facility must not exceed a multiple of three times.
- EBITDA must also cover relevant finance charges by a minimum of four times.

For covenant testing purposes, the Group's definition of EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Similarly, net debt and finance expenses are adjusted to accord with the definition within the facility agreement. EBITDA, for covenant test purposes, is based on the previous 12 month period, measured twice yearly at 30 June and 31 December.

At 31 December 2017 both these covenants were met. Further, the quantum of the committed facility has remained unchanged at $200m.

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 $199.5m (2016 – $179.5m), which expire between two and five years from 31 December 2017.

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.

	2017			
	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	**47.3**	**–**	**–**	**47.3**
Accruals	**49.9**	**0.7**	**0.8**	**51.4**
US deferred compensation plan obligation	**10.4**	**–**	**1.8**	**12.2**
Other payables	**3.0**	**–**	**–**	**3.0**
Onerous lease contracts	**1.0**	**3.5**	**1.1**	**5.6**
Secured bank loans	**0.5**	**1.0**	**–**	**1.5**
Other unsecured loans	**–**	**–**	**3.9**	**3.9**
Bank overdrafts secured	**2.1**	**–**	**–**	**2.1**
Total	**114.2**	**5.2**	**7.6**	**127.0**

	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
US deferred compensation plan obligation	–	–	10.2	10.2
Other payables	2.9	–	–	2.9
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

The Group had no net settled financial liabilities at the year end (2016 – none).

26. Financial Risk Management continued

(d) Liquidity Risk continued

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.

	2017		2016	
	On demand or within one year $m	**Between two and five years $m**	On demand or within one year $m	Between two and five years $m
Currency derivatives – held for trading				
– inflows	**45.5**	**–**	18.9	0.6
– outflows	**(46.4)**	**(0.1)**	(19.0)	(0.6)

(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 pages 15 and 16. 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.

27. 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 2017. 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.

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 0.75% (2016 – 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 or decrease of 0.75% (2016 – 0.5%) in US interest rates, is not material (2016 – not material). There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity
The sensitivity rate of 10% (2016 – 15%) for Sterling and 5% (2016 – 5%) for Canadian 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.

	2017		2016	
	Income statement $m	**OCI $m**	Income statement $m	OCI $m
Sterling exchange rate +10% (2016: +15%)	**(0.3)**	**–**	(0.9)	(0.3)
Sterling exchange rate -10% (2016: -15%)	**0.3**	**–**	1.1	0.3
Canadian dollar exchange rates +5% (2016: +5%)	**0.7**	**0.2**	(0.5)	(0.8)
Canadian dollar exchange rates -5% (2016: -5%)	**(0.7)**	**(0.2)**	0.6	0.9

The movements in the income statement mainly arise from cash, intra-group balances, trade and other receivables, payables, accrued expenses and provisions, 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 forward foreign exchange contracts designated in a cash flow hedge.

28. 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 most existing contributing members of that section joined the defined contribution section with effect from 1 July 2016. The defined contribution section of the scheme closed to further contributions on 31 May 2017 and from 1 June 2017, employees were able to join a new UK plan, the Hunting Retirement Savings Plan. This UK plan is a Master Trust arrangement held with the provider Fidelity. The majority of UK employees are now members of this UK plan.

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

The UK scheme and the UK plan are subject to UK regulations. Under the UK regulations the Group and the trustees are required to agree a funding strategy and contributions schedule for the defined benefit section of the scheme. The trustees of the UK scheme commenced the process of winding up the scheme on 1 July 2017 and, as part of that process, the trustees' bulk annuity policies held with insurers to cover members' benefits in full will be transferred into individual policies for the members.

Payments totalling $15.0m were made from the scheme to the Group and HMRC during 2017, and further payments are anticipated during 2018 upon completion of the wind-up of the scheme.

Contributions to the UK plan (and previously the defined contribution section of the UK scheme) and other Group defined contribution arrangements are charged directly to profit and loss.

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 DB assets of the defined benefit section of the scheme are invested in a range of deferred annuity and immediate annuity policies with a number of insurers which match the benefits to be paid to members of the scheme. As a result, this strategy has removed the Group's investment, inflation and demographic risks relating to the scheme's obligations. The position would change materially if one of the insurers were no longer to meet its obligations as the pension obligation ultimately rests with the Group.

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 being wound up 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 net assets for the UK post-employment benefit scheme are:

	2017 $m	2016 $m
Present value of obligations	**(447.4)**	(418.3)
Total fair value of plan assets	**466.0**	451.6
Net asset	**18.6**	33.3

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

	2017 $m	2016 $m
Non-current	**–**	18.5
Current	**18.6**	14.8
Net asset	**18.6**	33.3

Changes in the net asset recognised in the balance sheet

	2017 $m	2016 $m
Opening balance sheet net asset	**33.3**	41.4
Exchange adjustments	**1.7**	(6.7)
Expense charged to the income statement – continuing operations	**(0.9)**	(0.9)
Past service cost charged to the income statement – continuing operations	**–**	(3.1)
Amount recognised in other comprehensive income	**0.1**	4.2
Transfer to defined contribution section	**(0.6)**	(1.6)
Payment to employer before tax withheld at source	**(15.0)**	–
Closing balance sheet net asset	**18.6**	33.3

28. Post-Employment Benefits continued

(a) UK Pensions continued

The Group has concluded that it can continue to recognise the full amount of this surplus on the grounds that it could gain sufficient economic benefit through a repayment from the UK scheme. Amendments to the current rules on recognising surplus are currently being considered by the IFRS Interpretations Committee. The Group has concluded that the above accounting treatment will not be affected by the current proposed changes to these rules.

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

	2017 $m	2016 $m
Opening defined benefit obligation	**418.3**	387.1
Exchange adjustments	**39.2**	(71.2)
Current service cost (employer)	**1.5**	2.3
Contributions by plan participants	**–**	0.1
Interest on benefit obligations	**10.9**	13.2
Remeasurements due to:		
Changes in financial assumptions	**7.0**	101.9
Experience on benefit obligations	**–**	(2.4)
Past service cost	**–**	3.1
Benefits and expenses paid	**(29.5)**	(15.8)
Present value of the obligation at the end of the year	**447.4**	418.3

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

	2017 $m	2016 $m
Opening fair value of plan assets	**451.6**	428.5
Exchange adjustments	**41.0**	(77.9)
Interest on plan assets	**11.4**	14.6
Actual returns over interest on plan assets	**7.1**	103.7
Transfer to defined contribution scheme	**(0.6)**	(1.6)
Contributions by plan participants	**–**	0.1
Payment to employer before tax withheld at source	**(15.0)**	–
Benefits and expenses paid	**(29.5)**	(15.8)
Closing fair value of plan assets	**466.0**	451.6

The “Actual returns over interest on plan assets” shown in the table above relates to changes in the financial assumptions used to value the annuity policies 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 been largely mitigated by the scheme’s investment strategy.

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

	2017 $m	2016 $m
Insurance annuity policies	**448.3**	418.9
Cash/other	**17.7**	32.7
Fair value of plan assets	**466.0**	451.6

The value of the insurance policies has been calculated using the same financial and demographic assumptions as used to value the corresponding obligations with the exception of the surplus in the Rothesay Life (formerly MetLife) policy. To the extent this surplus is not expected to be used to secure benefits, it has been valued on an estimate of Rothesay Life’s surrender terms. Actual terms of surrender will depend on market conditions and Rothesay Life’s terms at the time of surrender. The UK scheme does not invest directly 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

	2017 $m	2016 $m
Current service cost – operating expenses	**1.5**	2.3
Past service cost – defined benefit members uplift (note 6)	**–**	9.6
Past service cost – gain on curtailment (note 6)	**–**	(6.5)
Total expense included within loss from operations	**1.5**	5.4
Net interest on the defined benefit asset – finance income (note 9)	**(0.5)**	(1.4)
Total expense included within staff costs (note 8)	**1.0**	4.0

28. Post-Employment Benefits continued

(a) UK Pensions continued

The current service cost includes $1.5m (2016 – $1.5m) of administration costs.

In addition, employer contributions of $7.1m (2016 – $6.7m) for various Group defined contribution arrangements (including the defined contribution section of the UK scheme and UK plan) are recognised in the income statement.

Special events
The following special events occurred during the year:

- Payments of $9.7m to the Group and $5.3m to HMRC were made from the UK scheme on 24 February 2017 and 3 April 2017 respectively. This has reduced the surplus of the scheme by the combined total of the payments.
- The defined contribution section of the scheme closed to further contributions on 31 May 2017. From that date, surplus assets in the UK scheme were no longer used to fund contributions to the defined contribution section of the UK scheme.

During 2018, it is anticipated that the UK scheme will be wound up with a further payment to the Group net of 35% tax. The bulk annuity policies covering members' benefits will be transferred into their own individual policies in the members' names and the Group will have no further legal responsibility to fund these benefits.

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

	2017	2016
Discount rate	**2.4% p.a.**	2.6% p.a.
Future pension increase	**3.4% p.a.**	3.5% p.a.

Mortality assumption – life expectancy

	2017 Years	2016 Years
Male aged 65 at the accounting date	**25.3**	25.1
Female aged 65 at the accounting date	**27.1**	27.0
Male aged 65 in 20 years	**27.9**	27.8
Female aged 65 in 20 years	**29.4**	29.3

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 matched by a corresponding change in the value of the insurance policies, so that the impact on the net balance sheet asset has been almost entirely removed.

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. The decrease in the Group's pension asset seen over 2017 principally reflects the payments, totalling $15.0m, to the Group and HMRC.

(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 it 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 (2016 – $0.1m) for the employer's current service cost (recognised in operating expenses) and $0.2m (2016 – $0.3m) interest cost (recognised in finance expense).

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

	2017 $m	2016 $m
Present value of the obligation at the start of the year	**10.2**	9.1
Current service cost (equal to the notional contributions)	**0.1**	0.1
Interest on benefit obligations	**0.2**	0.3
Remeasurement – excess of notional investment returns over interest cost	**1.7**	0.7
Present value of the obligation at the end of the year	**12.2**	10.2

The obligation is presented in the balance sheet as $10.4m in current payables and $1.8m in non-current payables (note 20).

29. Share Capital and Share Premium

	2017 Ordinary shares of 25p each Number	2017 Ordinary shares of 25p each $m	2017 Share premium $m
At 1 January	**163,739,686**	**66.3**	**153.0**
Shares issued – share option schemes and awards	**433,917**	**0.1**	**–**
At 31 December	**164,173,603**	**66.4**	**153.0**

	2016 Ordinary shares of 25p each Number	2016 Ordinary shares of 25p each $m	2016 Share premium $m
At 1 January	148,841,508	61.7	153.0
Shares issued – share placing (note 30)	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

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 160. All of the Ordinary shares in issue are fully paid.

At 31 December 2017, 656,808 (2016 – 791,852) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 31.

30. Other Components of Equity

	2017 Merger reserve $m	2017 Other reserves $m	2017 Currency translation reserve $m	2017 Total $m
At 1 January	**79.4**	**16.6**	**(17.2)**	**78.8**
Exchange adjustments	**–**	**–**	**10.7**	**10.7**
Fair value gains and losses				
– losses originating on fair value hedges arising during the year net of tax	**–**	**–**	**(0.2)**	**(0.2)**
– losses originating on cash flow hedges arising during the year net of tax	**–**	**(0.2)**	**–**	**(0.2)**
– losses transferred to the income statement on disposal of cash flow hedges net of tax	**–**	**0.1**	**–**	**0.1**
Share options and awards				
– value of employee services	**–**	**11.6**	**–**	**11.6**
– discharge	**–**	**(9.1)**	**–**	**(9.1)**
At 31 December	**79.4**	**19.0**	**(6.7)**	**91.7**

	2016 Merger reserve $m	2016 Other reserves $m	2016 Currency translation reserve $m	2016 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 25 pence 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. Retained Earnings

	2017 $m	2016 $m
At 1 January	**800.0**	911.5
Loss for the year	**(26.7)**	(107.5)
Remeasurement of defined benefit pension schemes net of tax	**(1.6)**	(4.0)
Dividends paid to equity shareholders	**–**	(5.9)
Treasury shares		
– purchase of Treasury shares	**–**	(1.8)
Share options and awards		
– discharge	**8.9**	7.5
– taxation	**–**	0.2
At 31 December	**780.6**	800.0

The share options and awards taxation credit taken directly to equity in 2016 of $0.2m comprises deferred tax.

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

	2017 $m	2016 $m
Cost:		
At 1 January	**(8.7)**	(11.8)
Purchase of Treasury shares	**–**	(1.8)
Disposal of Treasury shares	**1.5**	4.9
At 31 December	**(7.2)**	(8.7)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was $1.5m (2016 – $3.3m).

32. Dividends Paid to Equity Shareholders

	2017		2016	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2015 final paid	**–**	**–**	4.0	5.9

No dividend is being declared for 2017. On 18 January 2018, the Company exited from the amended bank covenants and terms that applied to its core Revolving Credit Facility, which prohibited the Company from declaring and paying a dividend. Guidance on the Company's position on declaring and paying future dividends is provided within the Strategic Report on page 16.

33. 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

	2017		2016	
	Number of options	Weighted average exercise price p	Number of options	Weighted average exercise price p
Outstanding at the beginning of the year	**363,700**	**711**	700,700	571
Exercised during the year	**–**	**–**	(293,510)	383
Lapsed during the year	**(185,283)**	**640**	(43,490)	672
Outstanding and exercisable at the end of the year	**178,417**	**785**	363,700	711

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.

There were no excercises during 2017. The weighted average share price at the date of exercise during 2016 was 430.0 pence.

33. Share-Based Payments continued

(a) 2001 Executive Share Option Plan continued

(ii) Share Options Outstanding at the Year End

	2017 Number of options	2016 Number of options	Exercise price range p	Exercise period
Executive Share Options 2007 – vested	**–**	185,283	640.0	06.03.10 – 05.03.17
Executive Share Options 2008 – vested	**178,417**	178,417	784.5	04.03.11 – 03.03.18
	178,417	363,700		

(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.

The fair value charge to the income statement attributable to the performance-based PSP was $nil (2016 – $0.1m), which was 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:

	2017 Number of awards	2016 Number of awards
Outstanding at the beginning of the year	**16,244**	315,460
Vested and exercised during the year	**(638)**	(296,594)
Lapsed during the year	**–**	(2,622)
Outstanding and exercisable at the end of the year	**15,606**	16,244

The weighted average share price at the date of exercise during 2017 was 512.7 pence (2016 – 369.5 pence).

Details of the time-based PSP awards and options outstanding at 31 December 2017 are as follows:

	2017 Number of shares	2016 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	**875**	875	25.02.14
17 April 2012	**5,990**	6,628	17.04.15
20 March 2013	**8,741**	8,741	20.03.16
Outstanding and exercisable at the end of the year	**15,606**	16,244	

The fair value charge to the income statement attributable to the time-based PSP is $nil (2016 – $0.4m), 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. 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 2017 awards granted under the HPSP is 1 January 2017 to 31 December 2019. The vesting date of the 2017 award is 3 March 2020.

33. Share-Based Payments continued

(c) 2014 Hunting Performance Share Plan ("HPSP") continued

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

	2017 Number of shares	2016 Number of shares
Outstanding at the beginning of the year	**3,413,468**	1,691,530
Granted during the year to executive Directors	**639,622**	756,584
Granted during the year to senior managers[i]	**855,295**	965,354
Lapsed during the year	**(1,462,145)**	–
Outstanding at the end of the year	**3,446,240**	3,413,468

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 2017 are as follows:

	2017 Number of shares	2016 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**–**	644,772	01.05.17
28 April 2015	**965,521**	1,046,758	28.04.18
11 March 2016	**1,422,565**	1,721,938	11.03.19
3 March 2017	**1,058,154**	–	03.03.20
Outstanding at the end of the year	**3,446,240**	3,413,468	

There were no exercises of the performance-based HPSP awards and options during 2017 or 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:

	2017 Number of shares	2016 Number of shares
Outstanding at the beginning of the year	**2,815,860**	1,496,931
Granted during the year	**1,260,452**	1,536,936
Vested and exercised during the year	**(518,469)**	(63,319)
Lapsed during the year	**(94,901)**	(154,688)
Outstanding at the end of the year	**3,462,942**	2,815,860

The weighted average share price at the date of exercise during 2017 was 542.0 pence (2016 – 480.7 pence).

Details of the time-based HPSP awards outstanding at 31 December 2017 are as follows:

	2017 Number of shares	2016 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**14,924**	498,429	01.05.17
28 April 2015	**820,511**	856,895	28.04.18
11 March 2016	**1,388,497**	1,460,536	11.03.19
3 March 2017	**1,239,010**	–	03.03.20
Outstanding at the end of the year	**3,462,942**	2,815,860	

(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).

33. Share-Based Payments continued

(c) 2014 Hunting Performance Share Plan ("HPSP") continued

The assumptions used in this model were as follows:

	2017	2016
Date of grant/valuation date	**03.03.17**	11.03.16
Weighted average share price at grant	**571.5p**	379.0p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**53.5%**	48.1%
Risk-free rate	**0.11%**	0.57%
Expected life	**3 years**	3 years
Fair value	**369.0p**	258.7p

(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:

	2017	2016
Date of grant/valuation date	**03.03.17**	11.03.16
Weighted average share price at grant	**571.5p**	379.0p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**53.5%**	48.1%
Risk-free rate	**0.11%**	0.57%
Expected life	**3 years**	3 years
Fair value	**571.5p**	379.0p

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 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 $3.5m (2016 – $0.5m) and the charge to the income statement in respect of time-based HPSP awards is $8.1m (2016 – $7.0m). These are recognised in operating expenses.

(d) Other Share Awards
On 8 May 2017 52,364 shares were awarded to certain employees and were satisfied by shares held in the Hunting Employee Benefit Trust. The closing mid-market price on 8 May 2017 was 547.5 pence per share. The charge to the income statement attributable to these awards was $0.3m.

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 331.25 pence per share and on 27 June 2016 was 411.75 pence per share. The charge to the income statement attributable to these awards was $0.2m.

The total charge to the income statement for the year for share-based payments is $11.9m (2016 – $8.2m).

34. Operating Leases

(a) The Group as Lessee

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

	2017			2016		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Operating lease payments in the income statement:						
Lease and rental payments	**11.0**	**0.9**	**11.9**	11.3	0.9	12.2

The Group has provisions of $5.4m (2016 – $5.6m) 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 23).

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

	2017			2016		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Within one year	**10.1**	**0.6**	**10.7**	10.8	0.7	11.5
Between two and five years	**35.1**	**1.2**	**36.3**	28.3	1.5	29.8
After five years	**23.5**	**–**	**23.5**	15.8	0.1	15.9
Total lease payments	**68.7**	**1.8**	**70.5**	54.9	2.3	57.2

(b) The Group as Lessor

Property rental earned during the year was $0.7m (2016 – $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:

	2017 Property $m	2016 Property $m
Within one year	**1.5**	0.8
Between two and five years	**3.9**	2.3
After five years	**–**	0.5
Total lease income receivable	**5.4**	3.6

35. Related-Party Transactions

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

	2017 $m	2016 $m
Transactions:		
Sales of goods and services	**–**	0.2
Purchase of goods and services	**–**	(0.1)
Year end balances:		
Receivables from associates	**0.5**	0.5
Payables to 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 associates and subsidiaries 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 8. The Directors of the Company had no material transactions other than as a result of their service agreements.

36. 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:

- 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.
- Impairment charges to property, plant and equipment were recognised following the decision to close the manufacturing facility in Cape Town.

During 2016, the following items, which did not recur in 2017, were treated as exceptional:

- Net losses incurred on the closure of the defined benefit section of the Group's UK pension scheme.
- 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.

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.

36. Principal Accounting Policies continued

(f) Foreign Currencies 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 ("CODM") is disclosed in the accounts.
- During the year, the CODM changed the focus of its review, monitoring and decision-making processes from an activity basis to a geographical basis. Consequently, the Group's principal segmental reporting has been changed.
- Geographical information is based on the location of where the sale originated and where the non-current assets are located.
- Revenue is also disclosed by product group, which is provided to assist in investor understanding of the underlying performance trends. Each product group consists of goods and services that are similar in nature or serve similar markets.

(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 and rental 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.

36. Principal Accounting Policies continued

(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.

(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.

36. 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.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2017

	Notes	2017 $m	2016 $m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	**436.8**	436.8
Other receivables	C5	**275.3**	245.7
Deferred tax asset		**–**	0.4
		712.1	682.9
Current assets			
Other receivables	C5	**1.3**	1.2
Current tax asset		**2.1**	0.8
Cash at bank		**–**	4.5
		3.4	6.5
LIABILITIES			
Current liabilities			
Other payables	C6	**1.8**	1.5
Provisions		**0.5**	0.3
		2.3	1.8
Net current assets		**1.1**	4.7
Non-current liabilities			
Borrowings		**0.3**	–
Provisions		**0.6**	0.4
		0.9	0.4
Net assets		**712.3**	687.2
Equity attributable to owners of the parent			
Share capital	C12	**66.4**	66.3
Share premium	C12	**153.0**	153.0
Other components of equity	C13	**79.3**	76.8
Retained earnings	C14	**413.6**	391.1
Total equity		**712.3**	687.2

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement and statement of comprehensive income. The profit for the year of $13.6m (2016 – $12.0m) has been accounted for in the financial statements of the Company.

The notes on pages 147 to 152 are an integral part of these financial statements. The financial statements on pages 144 to 152 were approved by the Board of Directors on 1 March 2018 and were signed on its behalf by:

Jim Johnson
Director

Peter Rose
Director

Registered number: 974568

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2017				
At 1 January		**66.3**	**153.0**	**76.8**	**391.1**	**687.2**
Profit for the year		**–**	**–**	**–**	**13.6**	**13.6**
Total comprehensive income		**–**	**–**	**–**	**13.6**	**13.6**
Shares issued						
– share option schemes and awards	C12	**0.1**	**–**	**–**	**–**	**0.1**
Share options and awards						
– value of employee services	C13	**–**	**–**	**11.6**	**–**	**11.6**
– discharge	C13 & C14	**–**	**–**	**(9.1)**	**8.9**	**(0.2)**
Total transactions with owners		**0.1**	**–**	**2.5**	**8.9**	**11.5**
At 31 December		**66.4**	**153.0**	**79.3**	**413.6**	**712.3**

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2016				
At 1 January		61.7	153.0	(4.6)	379.3	589.4
Profit for the year		–	–	–	12.0	12.0
Total comprehensive income		–	–	–	12.0	12.0
Dividends paid to equity shareholders	C15	–	–	–	(5.9)	(5.9)
Shares issued						
– share option schemes and awards	C12	0.1	–	–	–	0.1
– share placing	C12 & C13	4.5	–	81.5	–	86.0
– share placing costs	C13	–	–	(2.1)	–	(2.1)
Treasury shares						
– purchase of Treasury shares	C14	–	–	–	(1.8)	(1.8)
Share options and awards						
– value of employee services	C13	–	–	8.0	–	8.0
– discharge	C13 & C14	–	–	(6.0)	7.5	1.5
Total transactions with owners		4.6	–	81.4	(0.2)	85.8
At 31 December		66.3	153.0	76.8	391.1	687.2

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

	Notes	2017 $m	2016 $m
Operating activities			
Profit from operations		**7.1**	7.3
Share-based payments expense		**11.9**	8.2
Increase in receivables		**(0.4)**	(0.9)
Decrease in payables		**(0.6)**	(1.1)
Increase in provisions		**0.3**	–
Other non-cash flow items		**0.8**	(0.9)
Taxation paid		**(2.0)**	(0.1)
Net cash inflow from operating activities		**17.1**	12.5
Investing activities			
Interest received		**7.6**	3.2
Net cash inflow from investing activities		**7.6**	3.2
Financing activities			
Interest and bank fees paid		**(0.1)**	(0.9)
Dividends paid to equity shareholders	C15	**–**	(5.9)
Share capital issued		**0.1**	86.0
Costs of share issue		**–**	(2.1)
Purchase of Treasury shares		**–**	(1.8)
Disposal of Treasury shares		**–**	1.6
Loan issued		**(29.5)**	(90.0)
Loan received		**0.3**	–
Loan issued repaid		**–**	15.6
Net cash (outflow) inflow from financing activities		**(29.2)**	2.5
Net cash (outflow) inflow in cash and cash equivalents		**(4.5)**	18.2
Cash and cash equivalents at the beginning of the year		**4.5**	(15.0)
Effect of foreign exchange rates		**–**	1.3
Cash and cash equivalents at the end of the year		**–**	4.5
Cash and cash equivalents at the end of the year comprise:			
Cash at bank		**–**	4.5

C1. Basis of Preparation
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 those financial assets and financial liabilities held at fair value through profit or loss. The Board's consideration of going concern is detailed further in the Strategic Report on page 55.

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 36 of the Group's financial statements, except as noted below. These policies have been consistently applied to all the years presented.

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

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 51 to 54 and further detail on financial risks is provided within note C9.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and becomes effective for the Company on 1 January 2018. The full impact of adopting IFRS 9 on the Company's financial statements will depend on the financial instruments that it has during 2018, as well as the economic conditions and judgements that are made as at the year end. The Company has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9, 1 January 2018. Currently there is no impact on the Company's financial statements following the adoption of IFRS 9 on 1 January 2018.

C2. Employees
The Company had no employees during the current or prior year.

C3. Auditors' Remuneration
Services provided by the Company's independent auditors, PricewaterhouseCoopers LLP, and its associates comprised:

	2017 $m	2016 $m
Fees payable to the Company's independent auditors and its associates for:		
The audit of these accounts	**0.5**	0.5

C4. Investments in Subsidiaries

	2017 $m	2016 $m
Cost:		
At 1 January and 31 December	**436.8**	436.8
Impairment:		
At 1 January and 31 December	**–**	–
Net book amount	**436.8**	436.8

The Company's subsidiaries are detailed in note C19. Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C5. Other Receivables

	2017 $m	2016 $m
Non-current:		
Loans receivable from subsidiaries	**275.2**	245.6
Prepayments	**0.1**	0.1
	275.3	245.7
Current:		
Receivables from subsidiaries	**0.8**	0.6
Prepayments	**0.4**	0.4
Other receivables	**0.1**	0.2
	1.3	1.2

C5. Other Receivables continued

None of the Company's other receivables (2016 – none) were past due at the year end and the Company does not consider it necessary to provide for any impairments. The Company's maximum exposure to credit risk is the fair value of each class of receivable. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. Non-current receivables due from subsidiaries are unsecured and interest is charged based on a margin over bank lending rates. Current receivables due from subsidiaries are unsecured, interest free and repayable on demand.

C6. Other Payables

	2017 $m	2016 $m
Current:		
Payables to subsidiaries	**0.3**	0.1
Accruals	**0.8**	0.6
Other payables	**0.7**	0.8
	1.8	1.5

C7. Derivatives and Hedging
The Company has previously used forward foreign exchange contracts to hedge its exposure to exchange rate movements. At 31 December 2017, the Company had no outstanding forward foreign exchange contracts (2016 – $nil).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement. Changes in the fair value of currency derivatives not designated in a hedge relationship amounting to a $0.7m loss in 2016 were recognised in the income statement in that year.

C8. Financial Instruments: Fair Values
The carrying value of receivables, cash and cash equivalents, accruals, other payables, provisions, borrowings and bank overdrafts approximates their fair value.

C9. Financial Risk Management
The Company's activities expose it to certain financial risks, namely market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

(a) Foreign Exchange Risk
The Company is mainly exposed to foreign exchange risk from its financing and operating activities in respect of Sterling. Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in US dollars. The Company has Sterling denominated financial assets and financial liabilities.

The Company did not have any cash at bank at the end of 2017. The Company's cash at bank in 2016 of $4.5m comprised $4.2m denominated in US dollars and $0.3m denominated in Sterling, on which exchange differences would be recognised in the income statement in the following year.

The carrying amount of the Company's financial assets included in loans receivable from subsidiaries at 31 December on which exchange differences would be recognised in the income statement in the following year, is $0.4m (2016 – $nil) for Sterling denominated financial assets.

The carrying amount of the Company's financial liabilities included in accruals, other payables and provisions at 31 December, on which exchange differences would be recognised in the income statement in the following year, is $2.6m (2016 – $1.7m) for Sterling denominated financial liabilities.

(b) Interest Rate Risk
The Company is exposed to cash flow interest rate risk from its cash at bank, bank overdrafts and from amounts owed by and to subsidiaries, which are at variable interest rates.

(c) Credit Risk
The Company's credit risk arises from its outstanding receivables and cash at bank. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk other than from related parties. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities.

The Company's outstanding receivables are due from subsidiaries, and no losses are expected from non-performance of these counterparties. Funds are only invested with approved financial institutions and no losses are expected from non-performance of the counterparty.

C9. Financial Risk Management continued

(d) Liquidity Risk
The Company has sufficient facilities available to satisfy its requirements.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts presented in the table are the contractual undiscounted cash flows, whereas the carrying amounts in the balance sheet are the discounted amounts.

	2017 On demand or within one year $m	2016 On demand or within one year $m
Non-derivative financial liabilities:		
Payables to subsidiaries	**0.3**	0.1
Accruals	**0.8**	0.6
Other payables	**0.7**	0.8
	1.8	1.5

The Company did not have any derivative financial liabilities.

(e) Capital Risk Management
The Company's capital consists of equity and net cash. Net cash comprises cash at bank, loans receivable from subsidiaries and borrowings. It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate risks and the availability of borrowing facilities.

Changes in equity arise from the retention of earnings and from issues of share capital. Net cash is monitored on a periodic basis. At the year end, capital comprised:

	2017 $m	2016 $m
Total equity	**712.3**	687.2
Cash at bank	**–**	(4.5)
Loans receivable from subsidiaries (note C5)	**(275.2)**	(245.6)
Net cash	**(275.2)**	(250.1)
Capital employed	**437.1**	437.1

The increase in total equity during the year is mainly attributable to the retained profit for the year of $13.6m and an increase in the share-based payments reserve of $11.6m. During March 2017, the Group's treasury function put in place a sweeping arrangement with the Company, such that at the end of each day any balances in its bank accounts are swept to the treasury function, with a corresponding increase in the loan balance with subsidiaries. As a result, at the end of the year, cash at bank is $nil. The loans receivable from subsidiaries increased during the year following the receipt of a dividend of $9.7m from a subsidiary and the sweeping arrangement in place with the treasury function. There have been no significant changes in the Company's funding policy during the year.

C10. Financial Instruments: Sensitivity Analysis
The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include non-current receivables from subsidiaries, cash at bank and borrowings. The sensitivity analysis relates to the position as at 31 December 2017.

The analysis excludes the impact of movements in market variables on the carrying value of provisions and on non-financial assets and liabilities.

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

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Company's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.
- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to be outstanding for the whole year.
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(a) Interest Rate Sensitivity
The post-tax impact on the income statement, with all other variables held constant, at 31 December 2017, for an increase of 0.75% (2016 – 0.5%) in US interest rates, is to increase profits by $1.7m (2016 – $1.0m). If the US interest rates were to decrease by 0.75% (2016 – 0.5%), then the post-tax impact would be to reduce profits by $1.7m (2016 – $1.0m). The movements arise on US dollar denominated intra-group loans.

There is no impact on OCI for a change in interest rates.

C10. Financial Instruments: Sensitivity Analysis continued

(b) Foreign Exchange Rate Sensitivity
The post-tax impact on the income statement, with all other variables held constant, at 31 December 2017, for an increase or decrease of 10% (2016 – 15%) in the Sterling foreign exchange rate, is not material.

The movement in the income statement arises from Sterling denominated accruals, other payables and borrowings, offset by Sterling loans receivable from subsidiaries.

There is no impact on OCI for a change in foreign exchange rates.

C11. Post-Employment Benefits
The Company has no employees and therefore does not participate in any of the post-employment benefit schemes shown in note 28 of the Group's financial statements, although it does guarantee the contributions due by the participating employers.

C12. Share Capital and Share Premium
Please see note 29 of the Group's financial statements.

C13. Other Components of Equity

Year ended 31 December 2017	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January	**0.2**	**16.4**	**(19.2)**	**79.4**	**76.8**
Share options and awards					
– value of employee services	**–**	**11.6**	**–**	**–**	**11.6**
– discharge	**–**	**(9.1)**	**–**	**–**	**(9.1)**
At 31 December	**0.2**	**18.9**	**(19.2)**	**79.4**	**79.3**

Year ended 31 December 2016	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January	0.2	14.4	(19.2)	–	(4.6)
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	0.2	16.4	(19.2)	79.4	76.8

On 31 October 2016, the Company completed a share placing of 14,608,771 new Ordinary 25 pence 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, were 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.

C14. Retained Earnings

	2017 $m	2016 $m
At 1 January	**391.1**	379.3
Profit for the year	**13.6**	12.0
Dividends paid to equity shareholders (note C15)	**–**	(5.9)
Treasury shares		
– purchase of Treasury shares	**–**	(1.8)
Share options and awards		
– discharge	**8.9**	7.5
At 31 December	**413.6**	391.1

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

C14. Retained Earnings continued

	2017 $m	2016 $m
Cost:		
At 1 January	**(8.7)**	(11.8)
Purchase of Treasury shares	**–**	(1.8)
Disposal of Treasury shares	**1.5**	4.9
At 31 December	**(7.2)**	(8.7)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was $1.5m (2016 – $3.3m).

C15. Dividends Paid to Equity Shareholders

Please see note 32 of the Group's financial statements.

C16. Share-Based Payments

Please see note 33 of the Group's financial statements.

C17. Related Party Transactions

The following related party transactions took place between the Company and subsidiaries of the Group during the year:

	2017 $m	2016 $m
Transactions:		
Royalties receivable	**10.8**	6.5
Management fees payable	**(9.7)**	(13.1)
Recharges of share options and awards and administrative expenses	**12.1**	6.7
Loan to subsidiary	**(29.5)**	(90.0)
Loan from subsidiary	**0.3**	–
Loans to subsidiary repaid	**–**	15.6
Interest receivable on inter-company loans	**7.6**	3.1
Dividends received from subsidiaries	**9.7**	15.3
Year end balances:		
Payables to subsidiaries	**(0.3)**	(0.1)
Receivables from subsidiaries	**0.8**	0.6
Loans owed to subsidiaries	**(0.3)**	–
Loans owed by subsidiaries	**275.2**	245.6

All balances between the Company and its subsidiaries are unsecured.

The Company also serves as the Group's intermediary for the provision of UK group tax relief, VAT and certain group insurances. At the year end, the outstanding payable for UK group tax was $nil (2016 – $nil).

The key management of the Company comprises the executive and non-executive Directors only. The details of the Directors' compensation are disclosed in note 8 of the Group's financial statements. The Directors of the Company had no material transactions other than as a result of their service agreements.

C18. Associates

Associates[i]	Registered address
Tianjin Huaxin Premium Connection Pipe Co Ltd (28.5%)	Jintang Road, Dongli District, Tianjin, 300301, China
Hunting Airtrust Tubulars Pte. Ltd (50%)	19, Keppel Road, 08-05 JIT Poh Building, 089058, Singapore

Notes:
i All interests in associates are in the equity shares of those companies.

C19. Subsidiaries

All Companies listed below are wholly owned by the Group, except where otherwise indicated.

Subsidiaries[i/iii]	Registered address
Operating activities	
Hunting Energy Services (Australia) Pty Ltd	Level 40, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Titan (Australia) Pty Ltd	Level 40, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Energy Services (Canada) Ltd	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Wuxi) Co. Ltd (70%)	No. 48, West of Dong'an Road, North of Yu'an Road, Shuofang Industry Zone, New District Wuxi, China
Hunting Energy Completion Equipment (Wuxi) Co., Ltd	No. 48, West of Dong'an Road, North of Yu'an Road, Shuofang Industry Zone, New District Wuxi, China
Hunting Energy Services (International) Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Overseas Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services (UK) Limited (60%)	5 Hanover Square, London, W1S 1HQ, England
PT Hunting Energy Asia	Complex Dragon Industrial Park, Block D, Jalan Pattimura, Kabil Batam, 29467, Indonesia
Hunting Alpha (EPZ) Limited (60%)	Block XLVIII/150, Off Mbaraki Road, P.O. Box 83344-80100 Mombasa, Kenya
Hunting Energy Services Kenya Ltd	5th Floor, West Wing, ICEA Lion Centre, Riverside Park, Chiromo Road, Nairobi, Kenya
Hunting Energy de Mexico	Avenida Los Olmos #105, Parque Industrial El Sabinal, Apodaca, Nuevo Leon, Monterrey, Mexico
Hunting Energy Services BV (60%)	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Well Testing) BV	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Norway) AS	Koppholen 19, 4313 Sandnes, Norway
Hunting Energy Saudi Arabia LLC (60%)	Dhahran, Building No: 7612, P.O. Box: 3104, Zip Code: 34521, Saudi Arabia
Hunting Energy Services (Well Intervention) Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Welltonic Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Energy Services (International) Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services (China) Pte. Ltd. (70%)	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Welltonic Asia Pte. Ltd	22 Pioneer Crescent, #05-07, West Park BizCentral, 628556, Singapore
Hunting Energy Services (Well Intervention) Pte. Ltd	15 Scotts Road, #04-01/03, Thong Teck Building, 228218, Singapore
Hunting Energy Services (South Africa) Pty Ltd	18 London Circle, Brackengate Business Park, Brackenfell 7560, Cape Town, South Africa
Hunting Energy Services (Thailand) Limited (49%)	436/27, Moo 2, Thanadee-Klongwong Road, Tambol Phawong, Amphur Muong Songkhla, 90100, Thailand
Hunting Energy Services (Uganda) Ltd	4th Floor, Rwenzori Towers, Plot 6, Nakasero Road, Kampala, 24665, Uganda
National Coupling Company, Inc.	1316 Staffordshire Road, Staffordshire, Texas, 77477, USA
Hunting Energy Services, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Premium Finishes, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Hunting Dearborn, Inc.	6, Dearborn Drive, Fryeburg, Maine, USA
Hunting Energy Services (Drilling Tools), Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Innova, Inc.	8383 North Sam Houston Parkway West, Houston, Texas, 77064, USA
Hunting Specialty Supply, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Titan, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Titan ULC	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Tenkay Resources, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Corporate activities	
Hunting Energy Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Oil Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge (US) Finance Limited	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Pension Trust Limited[ii]	Corinthian House, 17 Lansdowne Road, Croydon, CR0 2BX, England
HG Management Services Ltd	5 Hanover Square, London, W1S 1HQ, England
Huntfield Trust Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Field Insurance Limited	The Albany, South Esplanade, St Peter Port, Guernsey, GY1 4NF, Guernsey
Hunting U.S. Holdings, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Hunting Energy Corporation	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA

Notes:
i. Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
ii. Interests in company is held directly by Hunting PLC.
iii. All interests in subsidiaries are in the equity shares of those companies.
iv. Huntfield Trust Limited (registered number 00372215) and Stag Line Limited (registered number 00151320) are dormant companies that are exempt from being audited, are exempt from the requirements to prepare individual accounts under section 394A of the Companies Act 2006 and are exempt from filing individual accounts under section 448A of the Companies Act 2006.

NON-GAAP MEASURES (UNAUDITED)

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.

	2017 $m	2016 $m
Reported loss from continuing operations (consolidated income statement)	**(25.4)**	(140.7)
Add:		
Depreciation charge for the year on property, plant and equipment (note 13)	**39.6**	41.2
Impairment of property, plant and equipment (note 13)	**7.6**	3.5
Amortisation of other intangible assets (note 15)	**31.2**	35.3
Reported EBITDA (loss)	**53.0**	(60.7)
Add: Exceptional items impacting EBITDA		
Restructuring costs	**2.4**	8.7
Defined benefit pension curtailment (note 28)	**–**	3.1
Underlying EBITDA (loss)	**55.4**	(48.9)

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 profit (loss) before tax from continuing operations divided by underlying profit (loss) before tax from continuing operations, expressed as a percentage.

	2017 $m	2016 $m
Underlying taxation (charge) credit (note 10)	**(1.0)**	19.9
Underlying profit (loss) before tax for the year from continuing operations (consolidated income statement)	**10.9**	(93.2)
Underlying tax rate	**9%**	21%

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 and loan notes, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities, dividend liabilities and retirement plan obligations.

	2017 $m	2016 $m
Trade and other receivables – non-current (note 17)	**3.3**	2.9
Trade and other receivables – current (note 17)	**178.9**	111.7
Inventories (note 19)	**286.2**	259.7
Trade and other payables – current (note 20)	**(130.9)**	(70.0)
Trade and other payables – non-current (note 20)	**(3.9)**	(12.1)
Less: non-working capital loan note (note 17)	**(1.3)**	(1.8)
Add: non-working capital US deferred compensation plan obligation (note 20)	**12.2**	10.2
Less: non-working capital current other receivables and other payables	**(2.1)**	(0.4)
	342.4	300.2

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.

	2017 $m	2016 $m
Inventory (note 19)	**286.2**	259.7
Underlying cost of sales for October to December	**154.8**	106.4
Inventory days	**170 days**	225 days

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.

	2017 $m	2016 $m
Net trade receivables (note 17)	**148.0**	93.2
Revenue for October to December	**207.2**	121.1
Trade receivable days	**66 days**	71 days

F. Other Net Assets

	2017 $m	2016 $m
Retirement benefit asset (note 28)	**18.6**	33.3
Investments in associates (consolidated balance sheet)	**0.7**	3.2
Listed equity investments and mutual funds (note 6)	**12.2**	10.2
Non-working capital loan note (NGM C)	**1.3**	1.8
Non-working capital US deferred compensation plan obligation (NGM C)	**(12.2)**	(10.2)
Non-working capital current other receivables and other payables (NGM C)	**2.1**	0.4
	22.7	38.7

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 (cash) debt at amortised cost.

The Group's capital comprised:

	2017 $m	2016 $m
Total equity (consolidated balance sheet)	**1,110.5**	1,117.4
Net (cash) debt (note 22)	**(30.4)**	1.9
	1,080.1	1,119.3

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).

	2017	2016
Gearing	**n/a**	0%

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.

	2017 $m	2016 $m
Working capital – opening balance	**300.2**	365.8
Foreign exchange	**4.7**	(9.1)
Adjustments:		
Transfer (to) from property, plant and equipment (note 13)	**(0.5)**	0.1
Capital investment debtors/creditors cash flows	**(0.1)**	2.0
Other non-cash flow movements	**(0.8)**	–
Other cash flow movement	**(0.4)**	(0.2)
Working capital – closing balance (NGM C)	**(342.4)**	(300.2)
Cash flow	**(39.3)**	58.4

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.

	2017 $m	Restated 2016 $m
Property, plant and equipment additions (note 13)	**11.5**	15.4
Capital investment debtors/creditors cash flows (NGM I)	**(0.1)**	2.0
Adjustment to provisions	**–**	(0.2)
Cash flow	**11.4**	17.2
Replacement capital investment	**6.9**	4.2
Expansion capital investment	**4.5**	13.0
Cash flow	**11.4**	17.2

J. Capital Investment continued

	2017 $m	Restated 2016 $m
Hunting Titan	**2.6**	0.5
US	**5.2**	11.2
Canada	**0.7**	0.8
Europe	**1.0**	2.2
Asia Pacific	**0.6**	1.2
Middle East, Africa and Other	**0.3**	0.7
Exploration and Production	**0.2**	0.5
Central	**0.8**	0.1
Cash flow	**11.4**	17.2

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.

	2017 $m	2016 $m
Profit on disposal of property, plant and equipment (consolidated statement of cash flows)	**(0.5)**	–
Profit on disposal of held for sale assets (consolidated statement of cash flows)	**(1.2)**	–
Decrease in provisions (consolidated statement of cash flows)	**(1.0)**	(1.7)
Other non-cash flow items		
Pensions	**2.2**	3.9
Other	**–**	0.1
	(0.5)	2.3

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 (loss) from continuing operations adjusted for working capital, tax, replacement capital investment and interest.

	2017 $m	2016 $m
Underlying EBITDA (loss) (NGM A)	**55.4**	(48.9)
Add: share-based payment charge	**11.9**	8.2
	67.3	(40.7)
Working capital movements (NGM I)	**(39.3)**	58.4
Net interest paid and bank fees (consolidated statement of cash flows)	**(2.4)**	(4.6)
Net tax received (consolidated statement of cash flows)	**6.5**	31.3
UK pension scheme refund	**9.7**	–
Restructuring costs (consolidated statement of cash flows)	**–**	(5.9)
Replacement capital investment (NGM J)	**(6.9)**	(4.2)
Other operating cash and non-cash movements (NGM K)	**(0.5)**	2.3
	34.4	36.6

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.

No dividends have been declared for the financial years 2016 and 2017.

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.

	2017		2016	
	Underlying	**Reported**	Underlying	Reported
Earnings (loss) per share				
Basic – from continuing operations (note 12)	**7.6c**	**(16.4)c**	(45.3)c	(76.8)c
Diluted – from continuing operations (note 12)	**7.6c**	**(16.4)c**	(45.3)c	(76.8)c
Dividend (NGM M)	**–**	**–**	–	–
Dividend cover				
Basic – from continuing operations	**n/a**	**n/a**	n/a	n/a
Diluted – from continuing operations	**n/a**	**n/a**	n/a	n/a

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.

	2017 $m	2016 $m
Average monthly gross capital employed (13 point average)	**1,120.1**	1,202.1
Underlying profit (loss) from continuing operations (consolidated income statement)	**13.7**	(92.2)
Share of associates' post-tax losses (consolidated income statement)	**(1.3)**	(0.3)
Underlying profit (loss) from continuing operations including associates	**12.4**	(92.5)
Return on average capital employed	**1%**	(8)%

FINANCIAL RECORD[i] (UNAUDITED)

	2017 $m	2016 $m	2015 $m	2014 $m	2013 $m
Revenue	**722.9**	455.8	810.5	1,386.5	1,293.6
EBITDA	**55.4**	(48.9)	61.9	269.8	244.0
Depreciation and non-exceptional amortisation and impairment	**(41.7)**	(43.3)	(45.5)	(52.0)	(44.0)
Profit (loss) from continuing operations	**13.7**	(92.2)	16.4	217.8	200.0
Net finance expense	**(1.5)**	(0.7)	(6.8)	(4.9)	(2.9)
Share of associates' post-tax (losses) profits	**(1.3)**	(0.3)	(0.2)	(0.5)	0.4
Profit (loss) before tax from continuing operations	**10.9**	(93.2)	9.4	212.4	197.5
Taxation	**(1.0)**	19.9	(5.4)	(57.2)	(52.1)
Profit (loss) for the year from continuing operations	**9.9**	(73.3)	4.0	155.2	145.4
Profit (loss) for the year from discontinued operations	**–**	–	–	0.3	(1.4)
Profit (loss) for the year	**9.9**	(73.3)	4.0	155.5	144.0
	cents	cents	cents	cents	cents
Basic earnings per share					
Continuing operations	**7.6**	(45.3)	3.1	102.6	96.8
Continuing and discontinued operations	**7.6**	(45.3)	3.1	102.8	95.8
Diluted earnings per share					
Continuing operations	**7.6**	(45.3)	3.1	100.0	94.5
Continuing and discontinued operations	**7.6**	(45.3)	3.1	100.2	93.5
Dividend per share[ii]	**–**	–	8.0	31.0	29.5
	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**383.3**	419.0	460.8	473.0	431.8
Goodwill and other intangible assets	**355.7**	380.5	411.0	665.4	758.2
Working capital	**342.4**	300.2	365.8	470.6	467.6
Taxation (current and deferred)	**(6.0)**	(3.4)	10.7	(55.2)	(48.7)
Provisions	**(18.0)**	(15.7)	(18.0)	(24.7)	(33.4)
Other net assets	**22.7**	38.7	48.3	40.2	45.1
Capital employed	**1,080.1**	1,119.3	1,278.6	1,569.3	1,620.6
Net cash (debt)	**30.4**	(1.9)	(110.5)	(131.0)	(205.8)
Net assets	**1,110.5**	1,117.4	1,168.1	1,438.3	1,414.8
Non-controlling interests	**(18.8)**	(19.3)	(26.2)	(30.2)	(30.9)
Equity attributable to owners of the parent	**1,091.7**	1,098.1	1,141.9	1,408.1	1,383.9
	cents	cents	cents	cents	cents
Net assets per share	**676.3**	682.6	785.0	968.6	957.9

i. Information is stated before exceptional items and amortisation of acquired intangible assets.
ii. Dividend per share is stated on a declared basis. Following the change in functional currency from Sterling to US dollar in 2013, dividends are declared in US dollars and paid in Sterling. The Sterling value of dividends paid is fixed and announced approximately two weeks prior to the payment date.

SHAREHOLDER AND STATUTORY INFORMATION (UNAUDITED)

Annual General Meeting 2018
The AGM of Hunting PLC will be held on Wednesday, 18 April 2018 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS and shall commence at 10.30 a.m.

Business of Meeting
The AGM is an opportunity for shareholders to meet with the Board of Directors. The usual format of the meeting starts with the Chairman's introduction followed by an invitation to take any questions from shareholders and, finally, the formal business of the meeting which involves putting to the meeting a number of ordinary and special resolutions. Details of the resolutions will be communicated to shareholders ahead of the meeting in a formal "Notice of AGM". The Notice also contains explanatory notes which will detail to shareholders how to lodge their vote. Those shareholders who have elected to continue to receive hard copy documentation or have signed up to receive a notification by e-mail will also receive a proxy form, which will contain details of how to lodge a vote by proxy.

Documents on Display
Copies of the Articles of Association, executive Directors' service contracts and letters of appointment of non-executive Directors will be available for inspection at the Company's Registered Office from the date the Notice of AGM is issued (being 21 clear days' notice ahead of the meeting) until the time of the AGM and at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS from 15 minutes before the AGM starts until it ends.

Registered Office
5 Hanover Square
London
W1S 1HQ

Company Number: 974568 (Registered in England and Wales)

Telephone: +44 (0)20 7321 0123
Facsimile: +44 (0)20 7839 2072
Email: pr@hunting.plc.uk

Financial Calendar
The Company's 2018 financial calendar is as follows:

Date	Event
1 March 2018	2017 Final Results Announcement
13 March 2018	Publication of Annual Report and Notice of AGM
18 April 2018	Trading Statement
18 April 2018	AGM
18 April 2018	Proxy Voting Results of AGM
30 August 2018	2018 Half Year Results Announcement

Financial Reports
The Company's 2017 Annual Report and Accounts is available on the Company's website from the date of publication. Shareholders may elect to receive a copy by contacting the Registrar. Copies of previous financial reports are available at www.huntingplc.com.

In common with many public companies in the UK, the Company no longer publishes a printed version of its half-year report. The half-year report is only available online from the Company's website at www.huntingplc.com.

Registrar
The Company's Registrar, Equiniti, offers a range of shareholder information and dealing services at www.shareview.co.uk. The address and contact details of Equiniti are as follows:

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA

Telephone:
UK +44 (0)371 384 2173
Overseas +44 (0)121 415 7047

Equiniti is also the Company's single alternative inspection location where, with prior appointment, individuals can inspect the register of members.

Analysis of Ordinary Shareholders
At 31 December 2017, the Company had 1,618 Ordinary shareholders (2016 – 1,749) who held 164.2m (2016 – 163.7m) Ordinary shares analysed as follows:

	2017		2016	
	% of total shareholders	**% of total shares**	% of total shareholders	% of total shares
Size of holdings				
1 – 4,000	**73.1**	**0.7**	72.8	0.7
4,001 – 20,000	**12.0**	**1.1**	11.2	1.1
20,001 – 40,000	**2.5**	**0.7**	3.0	0.9
40,001 – 200,000	**6.5**	**6.0**	6.6	7.0
200,001 – 500,000	**2.7**	**8.8**	3.2	11.0
500,001 and over	**3.2**	**82.7**	3.2	79.3

Share Capital
Hunting PLC is a premium-listed Company with its Ordinary shares quoted on the London Stock Exchange.

The Company's issued share capital comprises a single class, which is divided into 164,173,603 Ordinary shares of 25 pence each. All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects.

Details of the issued share capital of the Company and the number of shares held in Treasury as at 31 December 2017 can be found in note 29 to the financial statements.

Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles of Association) may decide.

Voting Rights and Restrictions on Transfer of Shares
Holders of Ordinary shares are entitled to receive dividends (when declared), receive the Company's Annual Report and Accounts, attend and speak at general meetings of the Company, and appoint proxies or exercise voting rights.

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy, and entitled to vote, has one vote, and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held. None of the Ordinary shares carry any special rights with regard to control of the Company. Proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting.

A shareholder can lose their entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. Shareholders' rights to transfer shares are subject to the Company's Articles of Association.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST.

There are no restrictions on the transfer of Ordinary shares in the Company other than:

- certain restrictions that may from time to time be imposed by laws and regulations, for example insider trading laws;
- pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and
- where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Interests in Voting Rights
Other than as stated in the table of Substantial Interests on page 61, the Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Market Capitalisation
The market capitalisation of the Company at 31 December 2017 was £1.0bn (2016 - £1.0bn).

Share Price

	2017 p	2016 p
At 1 January	**627.5**	305.5
At 31 December	**605.0**	627.5
High during the year	**640.0**	644.5
Low during the year	**382.6**	232.0

Dividends
The Company normally pays dividends semi-annually. Details of the Company's dividend policy is set out on page 16.

Directors
Powers of the Directors
Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Board. The Articles of Association may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

Appointment and Replacement of Directors
The rules about the appointment and replacement of Directors are contained in the Articles of Association. On appointment in accordance with the Articles, Directors may be appointed by a resolution of the Board but are then required to be reappointed by ordinary resolution by shareholders at the Company's next AGM.

Directors' Interests
Details of Directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Policy and Annual Report on Remuneration, located at www.huntingplc.com. Further information regarding employee long-term incentive schemes is given in note 33 of the financial statements.

Directors' Conflict of Interest
All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The duty applies, in particular, to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it. The Company's Articles of Association provide a general power for the Board to authorise such conflicts.

Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. Authorisations granted are recorded by the Company Secretary in a register and are noted by the Board. On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new, actual or potential conflicts that may arise, or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign. As at 31 December 2017, no Director of the Company had any beneficial interest in the shares of Hunting's subsidiary companies.

Statement of Disclosure of Information to Auditors
In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Research and Development
Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount expensed by the Group during the year was $3.7m (2016 – $1.3m).

Political Contributions
It is the Group's policy not to make political donations. Accordingly, there were no political donations made during the year (2016 – $nil).

Significant Agreements
The Company is party to a revolving credit facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company. The service agreements of the executive Directors include provisions for compensation for loss of office or employment as a result of a change of control.

Payments to Governments
In accordance with the UK's Disclosure and Transparency Rules 4.3A, Hunting PLC is required to report annually on payments made to governments in respect to its oil and gas activities. Hunting's report on 'Payments to Governments' for the year ended 31 December 2016 was announced on 8 May 2017 and totalled $540,876.

Statement of Listing Rule Compliance
In accordance with Listing Rule 9.8.4C, the Directors confirm that all waivers of dividends over the Company's Ordinary shares are noted on page 61.