Independent auditors' report to the members of Hunting PLC

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 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, 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 2018; 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 2018 to 31 December 2018.

Our Audit Approach

Overview

Materiality	• Overall Group materiality: \$4.4m (2017 – \$5.0m), 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. We have used the absolute values for losses when calculating the five-year average as the Group has incurred both profits and losses for the financial year ended during the five years' benchmark period. • Overall Company materiality: \$7.1m (2017 – \$7.1m), based on 1% of net assets.
Audit scope	• We conducted audit work in six countries covering 22 reporting units and visited a number of audit locations, including one financially significant component, Hunting Titan, Inc. • 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 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).

Independent auditors' report to the members of Hunting PLC
continued

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.

Capability of the Audit in Detecting Irregularities, Including Fraud

Based on our understanding of the Group/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health, safety and environment risks and the laws and regulations issued by each jurisdiction in which the Group operates (see pages 49 to 52 of the Annual Report and Accounts), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and profitability or reduce expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors referred to in the scoping section of our report below, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal advisers, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with regulatory authorities in relation to compliance with emissions testing regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of intangible fixed assets and inventory provisioning (see related key audit matter below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management; and
- Review of significant component auditors' work.

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. Also, 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.

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 Refer to page 87 and 88 (Audit Committee report), note 37 (principal accounting policies) and notes 12, 13 and 14. The Group holds $229.9m of goodwill on the balance sheet which is tested at least annually for impairment. Intangible assets held by the Group include customer relationships, unpatented technology, and patents & trademarks, total $99.8m and the Group has property, plant and equipment of $360.2m. 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 the cash-generating unit ("CGU") and future market performance. While there have been signs of improvement in the oil and gas market in 2018, there remains uncertainty around the market stability, primarily due to fluctuations in oil and gas price driven by shifts in supply and demand and also ongoing geopolitical and international trading headwinds. As such, the key risk is around auditing management's impairment model and impairment trigger assessment, in particular judgemental areas such as the forecast revenue and margin growth rate, 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. Three CGU are sensitive to reasonably possible changes in key assumptions and, as such, sensitivity analysis has been included in notes 12, 13 and 14.	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 and how management has incorporated the impact of the decline in oil prices subsequent to year end, 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 forecast; 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. Where CGUs are sensitive to reasonably possible changes in key assumptions, we tested the sensitivity disclosures presented in the notes to the financial statements against underlying inputs used in the impairment models and discussed with the Audit Committee and concluded that the disclosures were appropriate. 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 change in discount rates and concluded that it was unlikely.
Inventory Valuation Refer to page 88 (Audit Committee Report), note 37 (principal accounting policies) and note 18. The Group holds inventory of $348.2m. While there have been signs of improvement in the oil and gas market in 2018, there remains uncertainty around the market stability, primarily due to fluctuations in oil and gas price driven by shifts in supply and demand and also ongoing geopolitical and international trading headwinds. Pricing pressure continues to pose the risk of inventory being carried at an amount greater than its net realisable value. 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 the 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 provision were required.

Key audit matter	How our audit addressed the key audit matter
Direct Tax Exposures and Recognition of Deferred Tax Assets Refer to page 88 (Audit Committee Report), note 37 (principal accounting policies) and notes 10 and 17. 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 prior years, judgement and estimates are required in relation to timing and extent of recognition and subsequent recoverability of the deferred tax assets arising from such losses. Following continued strong performance from the Group's US segment in 2018 and the 2019 budget process showing significant taxable profits expected to be generated from 2019 and beyond, management's view is that the recognition criteria for the deferred tax asset have now been met. The Group has recognised deferred tax assets of $24.9m in respect of the full amount of the unutilised tax losses arising from the US segment. We considered this an area of focus because of the judgement required by management to assess matters across multiple jurisdictions and to determine the extent and 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 the UK and overseas with experience in the oilfield services industry expertise, as well as our experience of similar challenges elsewhere. We evaluated the recognition 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. On the basis of the substantial utilisation of the previously unrecognised tax losses during 2018 as supported by management's approved extended forecast, we agree that the recognition criteria under IAS 12 has now been met. As the origin of the tax losses relates primarily to impairment losses and the amortisation of intangible assets incurred in prior years, which were presented within amortisation and exceptional items, we do consider the presentation of the tax credit within amortisation and exceptional items to be appropriate. Through these procedures we evaluated the level of the provisions recognised, the 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 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 13 operating units that were subject to a full scope reporting on their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were performed at a further nine operating units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in six countries and the Group audit team visited certain reporting locations in Aberdeen, Dubai, Singapore and 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 82% of Group adjusted absolute profit or loss before tax from 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, for example in respect of significant accounting estimates 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	$4.4m (2017 – $5.0m).	$7.1m (2017 – $7.1m).
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. Consistent with the prior year audit, we continue to use a five-year average which is considered appropriate to normalise recent profit volatility across the underlying business operations. As a result, overall materiality has been calculated at $4.4m.	The Company is a holding company, not a trading entity and therefore we have not used a profit based benchmark for determining materiality. Consistent with the prior year audit, we concluded that net assets is most 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 the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $0.6m and $4.0m. 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 $0.3m (2017 – $0.3m) for both Group and Company 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 to report in respect of the above matters. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.
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.

Independent auditors' report to the members of Hunting PLC
continued

Reporting on Other Information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, 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 2018 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 47 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 53 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 65, 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 86 to 90 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 65, 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/auditors responsibilities. 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 30 years, covering the years ended 31 December 1989 to 31 December 2018.

Kevin Reynard
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 February 2019

Consolidated income statement

For the year ended 31 December 2018

	Notes	2018 Before amortisation[i] and exceptional items $m	2018 Amortisation[i] and exceptional items (note 6) $m	2018 Total $m	Restated 2017 Before amortisation[i] and exceptional items $m	Restated 2017 Amortisation[i] and exceptional items (note 6) $m	Restated 2017 Total $m
Revenue	3	**911.4**	**–**	**911.4**	724.9	–	724.9
Cost of sales		**(636.3)**	**–**	**(636.3)**	(549.5)	(10.0)	(559.5)
Gross profit		**275.1**	**–**	**275.1**	175.4	(10.0)	165.4
Other operating income	4	**7.8**	**–**	**7.8**	7.6	–	7.6
Operating expenses	5	**(178.2)**	**(29.3)**	**(207.5)**	(168.7)	(29.1)	(197.8)
Profit (loss) from operations	7	**104.7**	**(29.3)**	**75.4**	14.3	(39.1)	(24.8)
Finance income	9	**2.6**	**–**	**2.6**	3.3	–	3.3
Finance expense	9	**(3.3)**	**–**	**(3.3)**	(4.8)	–	(4.8)
Share of associates' post-tax losses		**–**	**–**	**–**	(1.3)	–	(1.3)
Profit (loss) before tax from operations		**104.0**	**(29.3)**	**74.7**	11.5	(39.1)	(27.6)
Taxation	10	**(22.0)**	**33.0**	**11.0**	(1.0)	–	(1.0)
Profit (loss) for the year		**82.0**	**3.7**	**85.7**	10.5	(39.1)	(28.6)
Profit (loss) attributable to:							
Owners of the parent		**84.8**	**4.5**	**89.3**	13.0	(39.1)	(26.1)
Non-controlling interests		**(2.8)**	**(0.8)**	**(3.6)**	(2.5)	–	(2.5)
		82.0	**3.7**	**85.7**	10.5	(39.1)	(28.6)

Earnings (loss) per share		**cents**		**cents**	cents		cents
Basic	11	**51.6**		**54.4**	8.0		(16.0)
Diluted	11	**49.6**		**52.3**	8.0		(16.0)

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

The income statement for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Contracts with Customers (see note 38).

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 $m	Restated 2017 $m
Comprehensive income (expense)			
Profit (loss) for the year		**85.7**	(28.6)
Components of other comprehensive income (expense) after tax			
Items that have been reclassified to profit or loss:			
Fair value gains and losses:			
– losses transferred to income statement on disposal of cash flow hedges	31	**–**	0.1
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**(8.4)**	12.7
Fair value gains and losses:			
– gains (losses) originating on fair value hedges arising during the year	31	**–**	(0.2)
– gains (losses) originating on cash flow hedges arising during the year	31	**0.2**	(0.2)
		(8.2)	12.3
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	32	**1.5**	(1.6)
Other comprehensive (expense) income after tax		**(6.7)**	10.8
Total comprehensive income (expense) for the year		**79.0**	(17.8)
Total comprehensive income (expense) attributable to:			
Owners of the parent		**83.8**	(17.3)
Non-controlling interests		**(4.8)**	(0.5)
		79.0	(17.8)

The statement of comprehensive income for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Contracts with Customers (see note 38).

Consolidated balance sheet

At 31 December 2018

	Notes	2018 $m	Restated 2017 $m	Restated 1 January 2017 $m
ASSETS				
Non-current assets				
Property, plant and equipment	12	**360.2**	383.3	419.0
Goodwill	13	**229.9**	230.3	229.8
Other intangible assets	14	**99.8**	125.4	150.7
Investments in associates		**0.7**	0.7	3.2
Investments	15	**1.7**	1.8	10.2
Retirement benefit assets	29	**–**	–	18.5
Trade and other receivables	16	**3.5**	3.3	2.9
Deferred tax assets	17	**26.0**	4.2	7.0
		721.8	749.0	841.3
Current assets				
Inventories	18	**348.2**	281.0	255.7
Trade and other receivables	16	**231.0**	185.7	116.7
Cash and cash equivalents	21	**67.9**	36.4	63.5
Current tax assets		**0.1**	1.1	9.3
Investments	15	**–**	10.4	0.8
Retirement benefit assets	29	**–**	18.6	14.8
		647.2	533.2	460.8
LIABILITIES				
Current liabilities				
Trade and other payables	19	**140.9**	130.9	70.0
Current tax liabilities		**11.2**	5.1	7.1
Borrowings	22	**2.7**	2.1	54.3
Provisions	24	**4.7**	6.4	4.8
		159.5	144.5	136.2
Net current assets		**487.7**	388.7	324.6
Non-current liabilities				
Borrowings	22	**3.9**	3.9	11.9
Deferred tax liabilities	17	**1.2**	6.2	12.6
Provisions	24	**9.5**	11.6	10.9
Trade and other payables	19	**3.8**	3.9	12.1
		18.4	25.6	47.5
Net assets		**1,191.1**	1,112.1	1,118.4
Equity attributable to owners of the parent				
Share capital	30	**66.7**	66.4	66.3
Share premium	30	**153.0**	153.0	153.0
Other components of equity	31	**75.8**	91.7	78.8
Retained earnings	32	**881.6**	782.2	801.0
		1,177.1	1,093.3	1,099.1
Non-controlling interests		**14.0**	18.8	19.3
Total equity		**1,191.1**	1,112.1	1,118.4

The balance sheets at 1 January 2017 and 31 December 2017 have been restated to reflect the adoption of IFRS 15 Contracts with Customers (see note 38).

The notes on pages 103 to 151 are an integral part of these consolidated financial statements. The financial statements on pages 98 to 151 were approved by the Board of Directors on 28 February 2019 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 2018						
At 31 December 2017 as previously reported		**66.4**	**153.0**	**91.7**	**780.6**	**1,091.7**	**18.8**	**1,110.5**
Adjustment on adoption of IFRS 15	38	**–**	**–**	**–**	**1.6**	**1.6**	**–**	**1.6**
At 31 December 2017 restated		**66.4**	**153.0**	**91.7**	**782.2**	**1,093.3**	**18.8**	**1,112.1**
Adjustment on adoption of IFRS 9	38	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
At 1 January		**66.4**	**153.0**	**91.7**	**782.0**	**1,093.1**	**18.8**	**1,111.9**
Profit (loss) for the year		**–**	**–**	**–**	**89.3**	**89.3**	**(3.6)**	**85.7**
Other comprehensive (expense) income		**–**	**–**	**(7.0)**	**1.5**	**(5.5)**	**(1.2)**	**(6.7)**
Total comprehensive income		**–**	**–**	**(7.0)**	**90.8**	**83.8**	**(4.8)**	**79.0**
Hedging losses transferred to the carrying value of inventory purchased in the year	31	**–**	**–**	**(0.1)**	**–**	**(0.1)**	**–**	**(0.1)**
Dividends to equity shareholders	33	**–**	**–**	**–**	**(6.6)**	**(6.6)**	**–**	**(6.6)**
Shares issued								
– share option schemes and awards	30	**0.3**	**–**	**–**	**–**	**0.3**	**–**	**0.3**
Treasury shares								
– purchase of treasury shares	32	**–**	**–**	**–**	**(5.7)**	**(5.7)**	**–**	**(5.7)**
Share options and awards								
– value of employee services	31	**–**	**–**	**13.1**	**–**	**13.1**	**–**	**13.1**
– discharge	31,32	**–**	**–**	**(9.7)**	**9.2**	**(0.5)**	**–**	**(0.5)**
– taxation		**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Transfer between reserves		**–**	**–**	**(12.2)**	**12.2**	**–**	**–**	**–**
Total transactions with owners		**0.3**	**–**	**(8.8)**	**8.8**	**0.3**	**–**	**0.3**
At 31 December		**66.7**	**153.0**	**75.8**	**881.6**	**1,177.1**	**14.0**	**1,191.1**

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Restated Year ended 31 December 2017						
At 1 January as previously reported		66.3	153.0	78.8	800.0	1,098.1	19.3	1,117.4
Adjustment on adoption of IFRS 15	38	–	–	–	1.0	1.0	–	1.0
At 1 January restated		66.3	153.0	78.8	801.0	1,099.1	19.3	1,118.4
Restated loss for the year		–	–	–	(26.1)	(26.1)	(2.5)	(28.6)
Other comprehensive income (expense)		–	–	10.4	(1.6)	8.8	2.0	10.8
Total comprehensive expense		–	–	10.4	(27.7)	(17.3)	(0.5)	(17.8)
Shares issued								
– share option schemes and awards	30	0.1	–	–	–	0.1	–	0.1
Share options and awards								
– value of employee services	31	–	–	11.6	–	11.6	–	11.6
– discharge	31,32	–	–	(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	782.2	1,093.3	18.8	1,112.1

The statement of changes in equity for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Contracts with Customers (see note 38).

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	2018 $m	Restated 2017 $m
Operating activities			
Reported profit (loss) from operations		**75.4**	(24.8)
Acquisition amortisation and exceptional items	6	**29.3**	39.1
Depreciation and non-acquisition amortisation	7	**37.6**	41.7
Underlying EBITDA		**142.3**	56.0
Share-based payments expense		**13.2**	11.9
Net gain on disposal of property, plant and equipment		**(1.0)**	(0.5)
Gain on disposal of held for sale assets		**–**	(1.2)
Increase in inventories		**(72.7)**	(19.7)
Increase in receivables		**(47.3)**	(66.5)
Increase in payables		**23.4**	46.3
Decrease in provisions		**(3.8)**	(1.0)
Net taxation (paid) received		**(2.6)**	6.5
Proceeds from disposal of property, plant and equipment held for rental		**3.9**	4.4
Purchase of property, plant and equipment held for rental		**(5.8)**	(2.3)
Receipt of surplus pension assets		**10.6**	9.7
Payment of US pension scheme liabilities		**(10.4)**	–
Other non-cash flow items		**2.9**	2.2
Net cash inflow from operating activities		**52.7**	45.8
Investing activities			
Interest received		**0.4**	0.3
Proceeds from disposal of held for sale assets		**–**	1.2
Proceeds from disposal of associates		**1.3**	–
Proceeds from disposal of investments		**10.4**	–
Proceeds from disposal of property, plant and equipment		**12.5**	1.8
Purchase of property, plant and equipment		**(24.3)**	(9.1)
Purchase of intangible assets		**(6.6)**	(5.5)
Decrease in bank deposit investments		**–**	0.8
Net proceeds from disposal of subsidiaries		**–**	0.6
Net cash outflow from investing activities		**(6.3)**	(9.9)
Financing activities			
Interest and bank fees paid		**(2.4)**	(2.7)
Dividends paid to equity shareholders	33	**(6.6)**	–
Share capital issued		**0.3**	0.1
Purchase of treasury shares		**(5.7)**	–
Proceeds from new borrowings		**0.9**	–
Repayment of borrowings		**–**	(20.6)
Net cash outflow from financing activities		**(13.5)**	(23.2)
Net cash inflow in cash and cash equivalents		**32.9**	12.7
Cash and cash equivalents at the beginning of the year		**34.3**	20.3
Effect of foreign exchange rates		**(1.1)**	1.3
Cash and cash equivalents at the end of the year		**66.1**	34.3
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand	21	**32.4**	36.4
Money Market Funds	21	**26.1**	–
Short-term deposits	21	**9.4**	–
Bank overdrafts included in borrowings	22	**(1.8)**	(2.1)
		66.1	34.3

The statement of cash flows for the year ended 31 December 2017 has been restated to reflect the adoption of IFRS 15 Contracts with Customers (see note 38).

Notes to the consolidated financial statements

1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, 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 167. 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 1 to 53. 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 consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") 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. The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 53.

The principal accounting policies applied in the preparation of these financial statements are set out in note 37. These policies have been consistently applied to all the years presented.

Other than certain sensitivity assumptions for the purposes of impairment testing (see notes 12, 13 and 14) and judgements made regarding the recognition of deferred tax assets in the US (see note 17), management believe that there are no other critical judgements or estimates applied in the preparation of the financial statements.

Adoption of New Standards, Amendments and Interpretations

The following standards have been adopted and are effective for the financial year beginning as of 1 January 2018. The Group has changed its accounting policies and made retrospective adjustments as a result of adopting IFRS 15. The impact of adopting these accounting standards has been shown in note 38.

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

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

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The following standards, amendments and interpretations are effective subsequent to the year-end, which have not been early adopted, and are being assessed to determine whether there is a significant impact on the Group's results or financial position:

- IFRS 17 Insurance Contracts[i]
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle[i]
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement[i]
- Amendment to IAS 1 and IAS 8: Definition of Material[i]
- Amendment to IFRS 3 Business Combinations[i]

i. Not yet endorsed by the European Union.

In addition to the above, IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments are effective for the Group on 1 January 2019. An assessment of the impact of adopting IFRS 16 is shown on the following page. A preliminary assessment of the potential impact of adopting IFRIC 23 Uncertainty over Income Tax Treatments on 1 January 2019 has been carried out and there is no material impact on the Group's results or financial position.

1. Basis of Preparation continued

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases and its related interpretations. IFRS 16 establishes new principles for the recognition, measurement, presentation and disclosure of leases and is effective for the Group on 1 January 2019.

Throughout the years ended 31 December 2017 and 31 December 2018, all of the Group's leases, as a lessee, were operating leases. Consequently, the Group recognised a lease charge in the income statement in 2018 of $13.8m (2017 – $11.9m) based on straight-line recognition of the lease payments payable on each lease after adjustment for lease incentives received.

IFRS 16 requires lessees to recognise a lease liability in respect of the obligation to make lease payments and a right-of-use asset in respect of the lessee's right to the exclusive use and control of the asset. In the income statement, the operating lease charge as recognised under the current rules will be replaced with a straight-line depreciation charge on the right-of-use asset and an interest cost on the lease liability. Under IFRS 16, the lease payments will be charged directly against the lease liability.

The Directors have elected to apply both of the IFRS 16 exemptions that permit lessees, under pre-defined conditions, to not recognise a lease liability and a right-of-use asset in respect of certain leases. The exemptions, which are voluntary, will be applied to all leases:
- that have a lease term of 12 months or less; or
- that are in respect of assets that have a low value purchase price when new, typically US$5,000 or less.

The recognition of these "exempted" leases will therefore continue unchanged – an operating lease charge will be recognised in the income statement based on straight-line recognition of the lease payments payable on each lease after adjustment for lease incentives received.

The Directors have selected the modified retrospective approach for the adoption of IFRS 16. Using this approach, together with management's selected practical expedients that accompany it, the Group will:
- not restate the 2018 or earlier financial information.
- apply IFRS 16 to leases previously identified in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.
- calculate a lease liability as at 1 January 2019 based on the remaining lease payments payable after that date.
- calculate the lease term according to management's appetite for exercising any available extension/break/purchase options.
- discount the remaining gross lease payments using the applicable interest rate, which will generally be the incremental borrowing rate, as at 1 January 2019 applicable to each relevant business unit, asset type, currency of the arrangement and weighted average length of the lease term starting on the commencement date.
- recognise right-of-use assets as at 1 January 2019 as if IFRS 16 had always been applied.
- exclude any initial direct costs from the measurement of the right-of-use assets that are recognised on adoption of IFRS 16 as at 1 January 2019.
- recognise the net difference between the carrying values of the right-of-use assets and the lease liabilities as an adjustment to equity as at 1 January 2019.
- recognise an impairment charge against right-of-use assets that are impaired in value by virtue of being unused by the Group in its usual business operations and that generate rental income lower than the rental payments.

The expected impact on the year ended 31 December 2018 of adopting IFRS 16 as at 1 January 2018, applying the same modified retrospective approach as described above, would have been, approximately to:
- recognise a right-of-use asset as at 31 December 2018 of between $37m and $43m;
- recognise a lease liability of between $46m and $52m, with a consequent increase in net debt;
- reduce total equity as at 31 December 2018 by between $3m and $9m;
- increase underlying EBITDA, as defined by the Group in NGM A, for the year ended 31 December 2018 by between $7m and $11m;
- increase operating profit for the year ended 31 December 2018 by between $1m and $3m; and
- increase finance costs for the year ended 31 December 2018 by between $1m and $3m.

The tax effects of the adoption of IFRS 16 are still being assessed pending the finalisation of the tax treatment in certain jurisdictions.

2. Segmental Reporting

For the year ended 31 December 2018, the Group reports on seven operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and undertake exploration and production activities.

The Board assesses the performance of the operating segments based on revenue and operating results. Operating results is a profit-based measure and excludes the effects of amortisation of intangible assets recognised as part of a business combination and any exceptional items (see note 6). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

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

Inter-segment sales are priced in line with the Group's 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: This segment 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 manufacturing facilities in the US and Mexico, and is supported by strategically located distribution centres across North America.

US: The US businesses supply premium connections, oil country tubular goods ("OCTG"), drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The segment also produces perforating system products for Hunting Titan.

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 this segment is generated from the sale and rental of in-field well intervention products across the region, and the operations also act as sales hubs for other products manufactured globally by the Group, including OCTG and Perforating Systems.

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.

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. 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 and 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

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

(a) Segment Revenue and Profit

	2018					
	Segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation and exceptional items $m	Reported result $m
Hunting Titan	**418.2**	**(6.9)**	**411.3**	**106.9**	**(26.1)**	**80.8**
US	**327.1**	**(43.0)**	**284.1**	**15.6**	**(3.2)**	**12.4**
Canada	**44.8**	**(9.6)**	**35.2**	**(1.8)**	**–**	**(1.8)**
Europe[i]	**86.2**	**(11.7)**	**74.5**	**(10.9)**	**–**	**(10.9)**
Asia Pacific	**107.0**	**(26.2)**	**80.8**	**(0.8)**	**–**	**(0.8)**
Middle East, Africa and Other	**24.2**	**(1.3)**	**22.9**	**(2.9)**	**–**	**(2.9)**
Exploration and Production	**2.6**	**–**	**2.6**	**(1.4)**	**–**	**(1.4)**
Total	**1,010.1**	**(98.7)**	**911.4**	**104.7**	**(29.3)**	**75.4**
Net finance expense				**(0.7)**	**–**	**(0.7)**
Profit before tax from operations				**104.0**	**(29.3)**	**74.7**

	Restated 2017					
	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	66.4	(25.9)	40.5
US	218.9	(14.1)	204.8	(22.9)	(3.2)	(26.1)
Canada	36.5	(8.9)	27.6	(3.3)	–	(3.3)
Europe[i]	89.2	(5.9)	83.3	(13.7)	–	(13.7)
Asia Pacific	88.1	(8.3)	79.8	(4.4)	–	(4.4)
Middle East, Africa and Other	18.6	(1.2)	17.4	(6.7)	(10.0)	(16.7)
Exploration and Production	3.3	–	3.3	(1.1)	–	(1.1)
Total	767.4	(42.5)	724.9	14.3	(39.1)	(24.8)
Net finance expense				(1.5)	–	(1.5)
Share of associates' post-tax losses				(1.3)	–	(1.3)
Profit (loss) before tax from operations				11.5	(39.1)	(27.6)

i. Revenue from external customers attributable to the UK, the Group's country of domicile, is $55.9m (2017 – $65.0m restated).

The information for the year ended 31 December 2017 has been restated to take into account the change in accounting policy following the adoption of IFRS 15 Revenue from Contracts with Customers (see note 38) and for a change in the calculation of central costs. Previously, certain segmental costs had been identified as central costs.

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

	2018 $m	Restated 2017 $m
Perforating Systems	**404.1**	305.6
OCTG	**277.4**	254.8
Advanced Manufacturing	**98.5**	61.1
Intervention Tools	**46.4**	34.3
Subsea	**30.5**	20.8
Drilling Tools	**27.6**	25.8
Other	**24.3**	19.2
Exploration and Production	**2.6**	3.3
Total	**911.4**	724.9

2. Segmental Reporting continued

(b) Other Segment Items

	2018 charge (credit)			2017 charge (credit)		
	Depreciation $m	Amortisation $m	Impairment[i] $m	Depreciation $m	Amortisation $m	Impairment[i] $m
Hunting Titan	5.3	26.7	1.3	5.2	26.4	2.1
US	20.0	4.1	2.6	21.8	3.6	1.3
Canada	1.3	–	–	1.4	–	(0.2)
Europe	2.5	0.9	0.9	3.7	0.8	2.4
Asia Pacific	3.7	0.2	0.5	4.8	0.4	–
Middle East, Africa and Other	1.3	–	(1.0)	1.9	–	7.8
Exploration and Production	0.9	–	–	0.8	–	–
Total	35.0	31.9	4.3	39.6	31.2	13.4

i. Impairment comprises impairment of property, plant and equipment $1.0m (2017 – $7.6m), reversal of impairment of property, plant and equipment $2.0m (2017 – $nil), trade and other receivables $1.1m (2017 – $0.6m) and inventories $4.2m (2017 – $5.2m).

(c) Geographical Non-current Assets

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

	2018 $m	2017 $m
Hunting Titan – US	311.6	337.6
Hunting Titan – Canada	1.5	1.7
Hunting Titan – Other	0.7	1.0
Hunting Titan	313.8	340.3
US	307.6	308.4
Canada	4.6	5.3
Europe[i]	49.6	55.1
Asia Pacific	12.7	18.2
Middle East, Africa and Other	3.2	12.8
Exploration and Production – US	4.3	4.7
	695.8	744.8
Unallocated assets		
Deferred tax assets	26.0	4.2
Total non-current assets	721.8	749.0

i. The value of non-current assets located in the UK, the Group's country of domicile, is $42.5m (2017 – $46.1m).

(d) Major Customer

The Group received revenue of $117.1m (2017 – $67.9m) from the Halliburton Company Group, which is 13% (2017 – 9%) of the Group's revenue from external customers. All of Hunting's core operating segments have benefited from trading with Halliburton.

3. Revenue

The Group has recognised the following amounts relating to revenue in the income statement, with revenue disaggregated by geographical markets. The table also includes a reconciliation of the disaggregated revenue with the revenue for the Group's seven operating segments.

	2018			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	411.3	–	–	411.3
US	254.5	29.6	–	284.1
Canada	35.1	0.1	–	35.2
Europe	69.9	4.6	–	74.5
Asia Pacific	80.8	–	–	80.8
Middle East, Africa and Other	17.9	5.0	–	22.9
Exploration and Production	–	–	2.6	2.6
Total	869.5	39.3	2.6	911.4

3. Revenue continued

	2017			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	308.7	–	–	308.7
US	176.9	27.9	–	204.8
Canada	27.4	0.2	–	27.6
Europe	78.1	5.2	–	83.3
Asia Pacific	79.8	–	–	79.8
Middle East, Africa and Other	13.6	3.8	–	17.4
Exploration and Production	–	–	3.3	3.3
Total	684.5	37.1	3.3	724.9

There is no material difference in the timing of revenue recognition between contracts with customers at a point in time and contracts with customers over time, as the majority of Hunting's performance obligations are relatively short. Invoices for products are issued when the product is delivered and invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.

4. Other Operating Income

	2018 $m	2017 $m
Operating lease rental income	**1.5**	0.7
Gain on disposal of property, plant and equipment	**3.0**	3.0
Gain on disposal of held for sale asset	**–**	1.2
Foreign exchange gains	**2.1**	1.8
Other income[i]	**1.2**	0.9
	7.8	7.6

i. Includes fair value gains on derivatives not designated in a hedge of $nil (2017 – $0.1m).

5. Operating Expenses

	2018 $m	2017 $m
Administration expenses[i] before amortisation[ii] and exceptional items	**117.4**	112.8
Distribution and selling costs	**58.8**	53.4
Loss on disposal of property, plant and equipment	**2.0**	2.5
Operating expenses before amortisation[ii] and exceptional items	**178.2**	168.7
Amortisation[ii] and exceptional items (note 6)	**29.3**	29.1
	207.5	197.8

i. Includes foreign exchange losses of $1.1m (2017 – $1.8m) and a fair value loss on derivatives not designated in a hedge of $0.5m (2017 – $nil).
ii. Relates to amortisation of intangible assets acquired as part of a business combination.

6. Amortisation and Exceptional Items

	2018 $m	2017 $m
Closure of South African facility	**(2.0)**	10.0
Closure of Kenya joint venture	**2.0**	–
Charged to cost of sales	**–**	10.0
Amortisation of intangible assets charged to operating expenses	**29.3**	29.1
Total amortisation and exceptional items charged to profit (loss) from operations	**29.3**	39.1
Taxation on amortisation and exceptional items (note 10)	**(33.0)**	–
	(3.7)	39.1

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 was recorded in the 2017 financial statements, together with other costs of $2.4m relating to the closure of the facility.

In 2018, the Group has reversed $2.0m of the impairment provision for property, plant and equipment in relation to the closure of the South African facility in Cape Town. The Group received $8.0m in relation to the disposal of property, plant and equipment from the South African facility. Hunting will retain a small sales office for the foreseeable future.

6. Amortisation and Exceptional Items continued

Given the modest drilling activity forecast for East Africa in the medium term, the Board has made the decision to close its Kenyan joint venture in Mombasa. An impairment of property, plant and equipment totalling $1.0m, a loss on disposal of Kenya's rental fleet of $0.5m and a provision for costs of $0.5m relating to the closure of the facility have been recognised in the year, totalling $2.0m.

7. Profit (Loss) from Operations

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

	2018 $m	2017 $m
Staff costs (note 8)	**221.3**	189.0
Depreciation of property, plant and equipment (note 12)	**35.0**	39.6
Amortisation of intangible assets from business combinations	**29.3**	29.1
Amortisation of other intangible assets	**2.6**	2.1
Amortisation of intangible assets (included in operating expenses) (note 14)	**31.9**	31.2
Impairment of property, plant and equipment – exceptional items (included in cost of sales) (note 6)	**1.0**	7.6
Gain on disposal of held for sale asset	**–**	(1.2)
Net gain on disposal of property, plant and equipment – underlying	**(1.0)**	(0.5)
Loss on disposal of property, plant and equipment – exceptional items (note 6)	**0.5**	–
Net gain on disposal of property, plant and equipment – reported	**(0.5)**	(0.5)
Operating lease payments (note 35)	**13.8**	11.9
Research and development expenditure	**3.4**	3.7

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

	2018 $m	2017 $m
The audit of these financial statements	**1.7**	1.8
The audit of the financial statements of the Company's subsidiaries	**0.4**	0.4
Total audit	**2.1**	2.2
Audit-related assurance services	**0.1**	0.1
Total audit and audit-related services	**2.2**	2.3

8. Employees

	2018 $m	2017 $m
Wages and salaries (including annual cash bonuses)	**183.7**	156.0
Social security costs	**15.1**	13.1
Share-based payments (note 34)	**13.2**	11.9
Other pension costs		
– defined contribution schemes (note 29)	**7.6**	7.1
– defined benefit schemes (note 29)	**2.5**	1.6
Pension income – net interest included in net finance expense (note 29)	**(0.3)**	(0.3)
Staff costs for the year	**221.8**	189.4

Staff costs for the year are included in the financial statements as follows:

	2018 $m	2017 $m
Staff costs included in profit (loss) from operations (note 7)	**221.3**	189.0
Staff costs included in net finance expense	**(0.3)**	(0.3)
Staff costs capitalised as R&D	**0.8**	0.7
	221.8	189.4

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

	2018 Number	2017 Number
US	**1,798**	1,451
Canada	**149**	133
Europe	**274**	288
Asia Pacific	**430**	425
Middle East, Africa and Mexico	**76**	87
	2,727	2,384

8. Employees continued

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

	2018 Number	2017 Number
Hunting Titan	**646**	491
US	**1,145**	957
Canada	**133**	118
Europe	**254**	276
Asia Pacific	**415**	399
Middle East, Africa and Other	**72**	83
Exploration and Production	**4**	4
Central	**58**	56
	2,727	2,384

The actual number of employees at the year-end was:

	2018 Number	2017 Number
Male	**2,182**	2,071
Female	**590**	539
	2,772	2,610

Key management comprises the Board and the Executive Committee that was formed on 30 August 2018. Their aggregate compensation in the year was:

	2018 $m	Restated 2017 $m
Salaries, annual cash bonuses and short-term employee benefits	**5.4**	3.9
Payment in lieu of notice and other legal entitlements	**–**	1.7
Social security costs	**0.3**	0.1
Post-employment benefits	**0.3**	0.3
Share-based payments	**2.7**	0.9
	8.7	6.9

The 2018 numbers for the Executive Committee are pro-rata from formation on 30 August 2018 to 31 December 2018. The 2017 numbers have been restated for the Key Management bonuses that were omitted in error.

Remuneration of the Board, included as part of Key Management compensation, can be found in the Annual Report on Remuneration on page 78. The Annual Report on Remuneration disclosures do not include Executive Committee members who are not part of the Board and discloses share scheme remuneration on a vested rather than accruals basis.

Short-term employee benefits comprise healthcare insurance, company cars and fuel benefits. Post-employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the income statement.

9. Net Finance Expense

	2018 $m	2017 $m
Finance income:		
Bank balances and deposits	**0.2**	0.3
Pension interest income	**0.4**	0.5
Foreign exchange gains	**0.9**	0.6
Fair value gains on derivative financial instruments	**0.9**	–
Fair value gains on Money Market Funds	**0.1**	–
Other finance income	**0.1**	1.9
	2.6	3.3
Finance expense:		
Bank overdrafts	**–**	(0.1)
Bank borrowings	**(0.1)**	(0.9)
Bank fees and commissions	**(1.2)**	(2.3)
Foreign exchange losses	**(1.4)**	(1.1)
Other finance expense[i]	**(0.6)**	(0.4)
	(3.3)	(4.8)
Net finance expense	**(0.7)**	(1.5)

i. Includes fair value losses on derivatives not designated in a hedge of $0.1m (2017 – $nil).

10. Taxation

	2018			2017		
	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	**13.4**	**–**	**13.4**	3.4	–	3.4
– adjustments in respect of prior years	**(3.7)**	**–**	**(3.7)**	(3.8)	–	(3.8)
	9.7	**–**	**9.7**	(0.4)	–	(0.4)
Deferred tax						
– origination and reversal of temporary differences	**17.1**	**(7.7)**	**9.4**	2.3	–	2.3
– recognition of US deferred tax	**(3.6)**	**(25.3)**	**(28.9)**	–	–	–
– change in tax rate	**(0.4)**	**–**	**(0.4)**	(0.4)	–	(0.4)
– adjustments in respect of prior years	**(0.8)**	**–**	**(0.8)**	(0.5)	–	(0.5)
	12.3	**(33.0)**	**(20.7)**	1.4	–	1.4
Taxation charge (credit)	**22.0**	**(33.0)**	**(11.0)**	1.0	–	1.0

i. Relates to amortisation of intangible assets acquired as part of a business combination.

The weighted average applicable tax rate to operations before amortisation and exceptional items is 21% (2017 – 9%).

A tax credit of $7.7m (2017 – $nil) has been included in the income statement in respect of current year amortisation of intangible assets recognised as part of amortisation and exceptional items. A further credit of $25.3m relates to the recognition of US deferred tax and shown as a credit against amortisation and exceptional items consistent with our treatment of tax on amortisation in prior years. This has been recognised for the US due to strong performance in the year and current projections for the next two years.

The adjustment in respect of prior years of $3.7m (2017 – $3.8m) for current tax includes the release of provisions for uncertain tax positions that are no longer required.

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

	2018 $m	Restated 2017 $m
Reported profit (loss) before tax	**74.7**	(27.6)
Tax at 19% (2017 – 19.25%)	**14.2**	(5.3)
Permanent differences including tax credits	**2.6**	2.4
Higher rate of tax on overseas results	**5.7**	(0.7)
Current year losses not recognised	**0.5**	9.3
Tax losses recognised	**(29.1)**	–
Change in tax rates	**(0.4)**	(0.4)
Adjustments in respect of prior years	**(4.5)**	(4.3)
Taxation	**(11.0)**	1.0

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

	2018			2017		
	Before tax $m	**Tax (charged) credited $m**	**After tax $m**	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**(8.4)**	**–**	**(8.4)**	12.8	(0.1)	12.7
Fair value gains (losses) originating on fair value hedge arising during the year	**–**	**–**	**–**	(0.3)	0.1	(0.2)
Fair value gains (losses) originating on cash flow hedge arising during the year	**0.3**	**(0.1)**	**0.2**	(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	**1.1**	**0.4**	**1.5**	(1.6)	–	(1.6)
	(7.0)	**0.3**	**(6.7)**	10.8	–	10.8

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 29 October 2018. The Finance Act 2019 was enacted on 12 February 2019. The Finance Bill 2016, which received Royal Assent on 15 September 2016, included reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The changes are not expected to have a material impact on the Group's deferred tax balances.

11. 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:

	2018 $m	Restated 2017 $m
Reported earnings (loss) attributable to Ordinary shareholders	**89.3**	(26.1)
Add: amortisation[i] and exceptional items after taxation (note 6)	**(4.5)**	39.1
Underlying earnings attributable to Ordinary shareholders	**84.8**	13.0
	millions	millions
Basic weighted average number of Ordinary shares	**164.1**	163.3
Long-term incentive plans	**6.6**	6.8
Adjusted weighted average number of Ordinary shares	**170.7**	170.1
	cents	cents
Reported earnings (loss) per share		
Basic EPS	**54.4**	(16.0)
Diluted EPS[ii]	**52.3**	(16.0)
Underlying earnings per share		
Basic EPS	**51.6**	8.0
Diluted EPS[ii]	**49.6**	8.0

i. Relates to amortisation of intangible assets acquired as part of a business combination.
ii. For the year ended 31 December 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.

12. Property, Plant and Equipment

	Year ended 31 December 2018				
	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	262.3	336.2	87.3	181.8	867.6
Exchange adjustments	(2.7)	(4.7)	(1.2)	–	(8.6)
Additions	3.6	20.1	5.8	0.5	30.0
Disposals	(13.2)	(10.3)	(9.7)	–	(33.2)
Reclassification to inventories	–	(0.1)	(1.2)	–	(1.3)
Reclassification	–	0.1	(0.1)	–	–
At 31 December	250.0	341.3	80.9	182.3	854.5
Accumulated depreciation and impairment:					
At 1 January	46.2	218.0	41.4	178.7	484.3
Exchange adjustments	(0.8)	(3.8)	(1.1)	–	(5.7)
Charge for the year	6.4	23.6	4.1	0.9	35.0
Impairment of assets (note 6)	–	1.0	–	–	1.0
Reversal of impairment of assets	(1.9)	(0.1)	–	–	(2.0)
Disposals	(4.4)	(6.8)	(5.8)	–	(17.0)
Reclassification to inventories	–	(0.4)	(0.9)	–	(1.3)
Reclassification	–	0.1	(0.1)	–	–
At 31 December	45.5	231.6	37.6	179.6	494.3
Net book amount	204.5	109.7	43.3	2.7	360.2

In 2018, the Group has reversed $1.9m of the impairment provision for the Cape Town property and $0.1m for plant and machinery, which were sold in 2018 following the Board's decision to close the South African facility. The reversal of the impairment has been recorded in the 2018 financial statements as an exceptional item (see note 6) and it is shown in the Middle East, Africa and Other operating segment (note 2).

Given the modest drilling activity forecast for East Africa in the medium term, the Board has made the decision to close its Kenyan joint venture in Mombasa. Plant, machinery and motor vehicles were impaired by $1.0m in the year. The impairment has been recorded in the 2018 financial statements as an exceptional item (see note 6) and it is shown in the Middle East, Africa and Other operating segment (note 2).

Included in the net book amount is expenditure relating to assets in the course of construction of $2.5m (2017 – $0.2m) for buildings and $7.1m (2017 – $3.6m) for plant and machinery.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to $15.0m (2017 – $0.9m).

The net book amount of land and buildings of $204.5m (2017 – $216.1m) comprises freehold land and buildings of $202.4m (2017 – $213.1m) and capitalised leasehold improvements of $2.1m (2017 – $3.0m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of $229.6m (2017 – $230.8m).

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 2018, performed for impairment purposes, no impairment charges were required (2017 – $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% (2017 – 10%).

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 13.

- For Canada, if the CAGR for 2018 to 2023 is below 4% this will result in impairment (2017 – 11% CAGR for 2017 to 2022). An increase in discount rates of 60 basis points would also trigger impairment. The net book value of PPE in Canada is $2.7m (2017 – $3.4m).
- For Aberdeen/Netherlands OCTG if the CAGR for 2018 to 2023 is below 6% this will result in impairment (2017 – 2% CAGR for 2017 to 2022). The net book value of PPE in Aberdeen/Netherlands OCTG is $5.7m (2017 – $7.6m).

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

12. Property, Plant and Equipment continued

	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 (note 6)	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

The net book amount of property, plant and equipment at 1 January 2017 was $419.0m.

13. Goodwill

	2018 $m	2017 $m
Cost:		
At 1 January	**518.1**	515.1
Exchange adjustments	**(3.0)**	3.0
At 31 December	**515.1**	518.1
Accumulated impairment:		
At 1 January	**287.8**	285.3
Exchange adjustments	**(2.6)**	2.5
At 31 December	**285.2**	287.8
Net book amount	**229.9**	230.3

The net book amount of goodwill at 1 January 2017 was $229.8m.

(a) Impairment Tests for Goodwill

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

CGU	**2018 $m**	2017 $m
Hunting Titan	**180.4**	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
European Well Intervention (Welltonic acquisition)	**4.5**	4.8
At 31 December	**229.9**	230.3

13. Goodwill continued

(a) Impairment Tests for Goodwill continued

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 arm's-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 FVLCD is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

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 2019, cash flows are based on the approved Board budget. For 2020 to 2023, 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.

2018 has seen a continuation of the recovery for the Group, in particular as a result of the growth of the US onshore market and has seen modest improvements in US offshore and some international markets. 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 2018 to 2023 vary between 3% and 13% (2017 – CAGR from 2017 to 2022 between 9% and 19%). 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 and 2018 of 59% and 26% respectively. After 2023, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation, giving nominal growth rates between 2% and 3% (2017 – between 2% and 3%).

Cash flows have been discounted using nominal pre-tax rates between 10% and 11% (2017 – 9% and 11%). 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 (2017 – $nil).

(b) Material CGU

Hunting Titan – Hunting Titan represents 78% of the goodwill balance at the year-end (2017 – 78%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of $500.8m (2017 – $459.5m). Projected annual growth rates from 2018 to 2023 vary between 2% and 5% (2017 – growth rates from 2017 to 2022 between 2% and 12%). Growth rates are lower following the record performance during 2018. Cash flows have been discounted at a nominal pre-tax rate of 11% (2017 – 10%). 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.

For our European Well Intervention CGU, if our CAGR from 2018 to 2023 is below 6% this will result in an impairment to the $4.5m goodwill carrying value.

For the other CGUs, management has concluded that there are no reasonably possible changes in key assumptions that will give rise to an impairment.

14. Other Intangible Assets

	2018				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January	**247.1**	**72.8**	**57.3**	**22.0**	**399.2**
Exchange adjustments	**(0.2)**	**(0.3)**	**(0.1)**	**(0.3)**	**(0.9)**
Additions	**–**	**5.4**	**0.9**	**0.3**	**6.6**
At 31 December	**246.9**	**77.9**	**58.1**	**22.0**	**404.9**
Accumulated amortisation and impairment:					
At 1 January	**172.1**	**35.6**	**45.1**	**21.0**	**273.8**
Exchange adjustments	**(0.2)**	**(0.1)**	**–**	**(0.3)**	**(0.6)**
Charge for the year	**21.7**	**6.8**	**2.6**	**0.8**	**31.9**
At 31 December	**193.6**	**42.3**	**47.7**	**21.5**	**305.1**
Net book amount	**53.3**	**35.6**	**10.4**	**0.5**	**99.8**

	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
Disposals	–	(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

The net book amount of other intangible assets at 1 January 2017 was $150.7m.

Other intangible assets of $0.5m (2017 – $1.0m) include software of $0.4m (2017 – $0.7m).

Internally generated intangible assets have been included within unpatented technology. The carrying value at the beginning of the year was $17.1m (restated) (2017 – $12.8m restated). Additions during the year were $5.4m (2017 – $4.7m restated) and the amortisation charge for the year was $1.4m (2017 – $0.7m restated). After foreign exchange losses of $0.3m (2017 – $0.3m gains), the carrying value at the end of the year was $20.8m (2017 – $17.1m restated).

Internally generated intangible assets have also been included within patents. The carrying value at the beginning of the year was $4.5m (2017 – $3.5m). Additions during the year were $0.9m (2017 – $1.6m) and the amortisation charge for the year was $0.9m (2017 – $0.7m). After foreign exchange losses of $0.1m (2017 – $0.1m gains), the carrying value at the end of the year was $4.4m (2017 – $4.5m).

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.

Included in other intangible assets are balances for CGUs which may be subject to impairment sensitivities as follows: European Well Intervention $2.8m (2017 – $2.8m), Canada $1.9m (2017 – $1.9m) and Aberdeen/Netherlands OCTG $0.1m (2017 – $0.4m). Details of the sensitivity for the European Well Intervention CGU can be found in note 13 and for Canada and Aberdeen/Netherlands OCTG details can be found in note 12.

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 $51.5m (2017 – $70.5m). The cost brought forward and at the year-end was $190.2m (2017 – $190.2m). Following the amortisation charge of $19.0m for the year (2017 – $19.0m), accumulated amortisation at the year-end was $138.7m (2017 – $119.7m). The intangible asset has a remaining amortisation period at the year-end of 2.8 years (2017 – 3.8 years).

15. Investments

	2018 $m	2017 $m
Listed equity investments and mutual funds	**1.7**	12.2

The listed equity investments and mutual funds are presented on the balance sheet as non-current investments of $1.7m (2017 – $1.8m) and current investments of $nil (2017 – $10.4m). The listed equity investments and mutual funds are equity instruments measured at fair value though profit or loss. Returns on the listed equity investments and mutual funds of $nil (2017 – $1.9m) have been included in other finance income in note 9.

16. Trade and Other Receivables

	2018 $m	2017 $m
Non-current:		
Loan note	**0.6**	1.3
Prepayments	**2.5**	1.7
Other receivables	**0.4**	0.3
	3.5	3.3

	2018			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
Current:				
Contract assets	**11.8**	**–**	**–**	**11.8**
Trade receivables	**172.1**	**12.6**	**0.3**	**185.0**
Accrued revenue	**5.3**	**2.6**	**–**	**7.9**
Gross receivables	**189.2**	**15.2**	**0.3**	**204.7**
Less: provision for impairment	**(2.7)**	**(0.3)**	**–**	**(3.0)**
Net receivables	**186.5**	**14.9**	**0.3**	**201.7**
Prepayments	**–**	**–**	**22.5**	**22.5**
Loan note	**–**	**–**	**0.6**	**0.6**
Other receivables[i]	**–**	**–**	**6.2**	**6.2**
Net book amount	**186.5**	**14.9**	**29.6**	**231.0**

i. Other receivables include a provision for impairment of $0.1m.

	Restated 2017			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
Current:				
Contract assets	6.8	–	–	6.8
Trade receivables	139.9	12.9	–	152.8
Accrued revenue	4.5	1.7	–	6.2
Gross receivables	151.2	14.6	–	165.8
Less: provision for impairment	(4.4)	(0.4)	–	(4.8)
Net receivables	146.8	14.2	–	161.0
Prepayments	–	–	17.6	17.6
Other receivables	–	–	7.1	7.1
Net book amount	146.8	14.2	24.7	185.7

Trade receivables of $185.0m (2017 – $152.8m), accrued revenue of $7.9m (2017 – $6.2m) and the loan note of $1.2m (2017 – $1.3m) are financial assets measured at amortised cost. Interest income on the loan note is included within other finance income in note 9. The amount is immaterial in 2018 and 2017. Interest charged on the loan is based on three-month LIBOR plus 2.75%.

Other receivables generally arise from transactions outside the usual operating activities of the Group and comprise receivables from associates of $0.4m (2017 – $0.5m), receivable on liquidation of associate of $nil (2017 – $1.3m), tax receivables (VAT, GST, franchise taxes, and sales and use taxes) of $4.1m (2017 – $3.8m), derivative financial assets $0.7m (2017 – $nil) and other receivables of $1.4m (2017 – $1.8m). Receivables from associates, the receivable on liquidation of an associate and other receivables are financial assets measured at amortised cost. Derivative financial assets of $0.5m (2017 – $nil) are held for trading measured at fair value through profit or loss and derivative financial assets of $0.2m (2017 – $nil) are designated in a hedge measured at fair value.

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 $153.6m (2017 – $125.4m). For the receivables pledged as security, their carrying value approximates their fair value.

16. Trade and Other Receivables continued

Impairment of Trade and Other Receivables

The Group has chosen to apply lifetime expected credit losses ("ECLs") to trade receivables, accrued revenue, contract assets and lease receivables, both short term and long term, upon their initial recognition. Each entity within the Group uses provision matrices for recognising ECLs on its receivables, which are based on actual credit loss experience over the past two years, at a minimum. Receivables are appropriately grouped by geographical region, product type or type of customer, and separate calculations produced, if historical or forecast credit loss experience shows significantly different loss patterns for different customer segments. Actual credit loss experience is then adjusted to reflect differences in economic conditions over the period the historical data was collected, current economic conditions, forward-looking information and the Group's view of economic conditions over the expected lives of the receivables.

The Group assesses, on a forward-looking basis, the ECLs at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. To assess whether there has been a significant increase in credit risk, the risk of default occurring on the loan as at 31 December 2018 is compared with the risk of default occurring as at the date of initial recognition, being 31 March 2015. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue. Macroeconomic information is also considered, including the current state of the tanker shipping market. The terms of the loan note were revised during 2017. There have been no breaches of the revised terms during 2018. Therefore, the Group does not consider there to have been a significant increase in credit risk.

During the year, the movements on the provision for impairment were as follows:

	2018			
	Contracts with customers $m	**Rental receivables $m**	**Other receivables $m**	**Total $m**
At 1 January (calculated under IAS 39)	**4.4**	**0.4**	**–**	**4.8**
Amounts restated through opening retained earnings (note 38(b))	**0.2**	**–**	**–**	**0.2**
At 1 January restated (calculated under IFRS 9)	**4.6**	**0.4**	**–**	**5.0**
Exchange adjustments	**(0.1)**	**–**	**–**	**(0.1)**
Charge to the income statement – lifetime expected credit losses	**0.9**	**0.6**	**0.1**	**1.6**
Unused provisions released to the income statement	**(0.3)**	**(0.2)**	**–**	**(0.5)**
Utilised against receivables written off	**(2.4)**	**(0.5)**	**–**	**(2.9)**
	2.7	**0.3**	**0.1**	**3.1**

	2017			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
At 1 January	4.1	0.3	–	4.4
Charge to the income statement	1.7	0.1	–	1.8
Unused provisions released to the income statement	(1.2)	–	–	(1.2)
Utilised against receivables written off	(0.2)	–	–	(0.2)
	4.4	0.4	–	4.8

Default on a financial asset is usually considered to have occurred when any contractual payments under the terms of the debt are more than 90 days overdue and no further deliveries are made or services provided to that customer unless there is a valid reason to do so.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that receivables are generally not recoverable include the failure of the debtor to engage in a repayment plan, failure to make contractual payments for a period greater than 180 days past due and the debtor being placed in administration. Where receivables have been written off, the entity will continue to try and recover the outstanding receivable. Impairment losses on receivables are presented net of unused provisions released to the income statement within operating expenses.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The Group's maximum exposure to any single trade debtor does not exceed $9.8m. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned above. The carrying value of each class of receivable approximates their fair value as described in note 26.

17. 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:

	2018 $m	2017 $m
Deferred tax assets	26.0	4.2
Deferred tax liabilities	(1.2)	(6.2)
	24.8	(2.0)

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

	2018 $m	2017 $m
At 1 January	(2.0)	(5.6)
Exchange adjustments	0.4	(0.3)
Credit (charge) to the income statement[i]	20.3	(1.8)
Change in tax rates	0.4	0.4
Taken direct to equity	0.2	–
Other movements	5.5	5.3
At 31 December	**24.8**	(2.0)

i. The credit (2017 – charge) to the income statement comprises a charge of $9.4m (2017 – $2.3m charge) for the origination and reversal of temporary differences, a credit for the recognition of US deferred tax of $28.9m (2017 – $nil) and a credit of $0.8m (2017 – $0.5m credit) for adjustments in respect of prior years (note 10).

The change in tax rates relates to the rate at which UK deferred tax balances are recorded. Other movements of $5.5m (2017 – $5.3m) include $5.8m for the release of the deferred tax liability to offset tax withheld at source by the UK pension scheme following the repayment of a net $10.6m surplus to the Company.

Deferred tax assets of $35.4m gross and $8.1m tax (2017 – $174.0m gross and $39.8m tax) have not been recognised as realisation of the tax benefit is not probable. This includes $34.4m gross and $7.9m tax (2017 – $164.5m gross and $37.1m tax) in respect of trading losses, which have no expiry date. Deferred tax assets of $26.0m (2017 – $4.2m) are expected to be recovered after more than 12 months. Deferred tax liabilities of $1.2m (2017 – $6.2m) are expected to be released within 12 months.

A deferred tax asset of $19.1m (2017 – $2.8m) 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 $nil (2017 – $6.5m) in respect of the tax that will be withheld at source on the future refunds of the surplus from the pension scheme.

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 2018 $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 2018 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	2.8	0.1	11.9	(0.1)	–	4.4	19.1	19.1	–
Inventory	5.2	–	6.0	–	–	(4.9)	6.3	6.3	–
Goodwill and intangibles	11.7	–	10.2	–	–	(11.9)	10.0	10.2	(0.2)
Post-retirement benefits	(4.8)	0.3	–	0.4	0.4	4.0	0.3	0.3	–
Asset decommissioning provision	1.2	–	1.1	–	–	(1.2)	1.1	1.1	–
Accumulated tax depreciation	(14.5)	0.1	(16.9)	–	–	14.1	(17.2)	(16.0)	(1.2)
Share-based payments	0.8	–	3.3	–	(0.2)	–	3.9	3.9	–
Other	(4.4)	(0.1)	4.7	0.1	–	1.0	1.3	1.1	0.2
	(2.0)	0.4	20.3	0.4	0.2	5.5	24.8	26.0	(1.2)

	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)

17. Deferred Tax continued

Now that deferred tax assets have been recognised in full for the US, the net adjusted tax assets for goodwill and intangibles is shown as a net deferred tax asset. For 2017, deferred tax assets were not recognised in respect of assets above deferred tax liabilities and consequently is shown in net deferred tax liabilities.

18. Inventories

	2018 $m	Restated 2017 $m
Raw materials	**113.8**	98.7
Work in progress	**67.7**	47.4
Finished goods	**191.2**	163.1
Gross inventories	**372.7**	309.2
Less: provisions for losses	**(24.5)**	(28.2)
Net inventories	**348.2**	281.0

The net inventory balance comprises $295.2m of inventory carried at cost (2017 – $226.7m restated) and $53.0m of inventory carried at net realisable value (2017 – $54.3m). 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 $63.5m from $309.2m (restated) at 31 December 2017 to $372.7m at 31 December 2018. Additions to inventories were $670.4m (2017 – $534.2m), which were offset by foreign exchange losses of $6.8m (2017 – $8.0m gains), inventories expensed to cost of sales of $592.8m (2017 – $514.7m restated), inventories written off of $7.3m (2017 – $4.2m) against the inventory provision and inventories transferred to PPE of $nil (2017 – $0.5m).

The inventory provision has decreased by $3.7m from $28.2m (restated) at 31 December 2017 to $24.5m at 31 December 2018, as a result of an impairment charge included in cost of sales of $6.2m (2017 – $6.6m), offset by foreign exchange gains of $0.6m (2017 – $0.9m losses), $7.3m (2017 – $4.2m) of the provision being utilised in the year against inventories written off and the reversal of previous write-downs of $2.0m (2017 – $1.4m) also included in cost of sales. The reversal of previous write-downs occurred when inventory was sold for an amount higher than its net realisable value and also where older inventories, which had previously been written off, were sold as market conditions improved in the oil and gas sector. Overall, Hunting's provision for inventory losses has reduced from 9% of gross inventory balances at 31 December 2017 to 7% at 31 December 2018, as improving market conditions have lead to a lower proportion of inventories having a recoverable value less than their cost.

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 $234.1m (2017 – $188.9m).

The Group expects that $290.0m (2017 – $211.9m restated) of the Group's inventories of $348.2m (2017 – $281.0m restated) will be realised within 12 months of the balance sheet date and $58.2m (2017 – $69.1m) will be realised after 12 months.

19. Trade and Other Payables

	2018 $m	2017 $m
Non-current:		
US deferred compensation plan obligation (note 29)	**1.7**	1.8
Accruals	**1.4**	1.5
Social security and other taxes	**0.7**	0.5
Other payables – derivative financial liabilities	**–**	0.1
	3.8	3.9

	2018 $m	Restated 2017 $m
Current:		
Contract liabilities	**5.5**	9.1
Trade payables	**62.3**	47.3
Social security and other taxes	**8.8**	9.3
Accruals	**59.9**	49.9
US deferred compensation plan obligation (note 29)	**–**	10.4
Other payables	**4.4**	4.9
	140.9	130.9

Trade payables of $62.3m (2017 – $47.3m), accruals of $61.3m (2017 – $51.4m) and other payables of $4.3m (2017 – $3.0m) are financial liabilities measured at amortised cost. Other payables also include derivative financial liabilities of $0.1m (2017 – $0.4m) held for trading measured at fair value through profit or loss, derivative financial liabilities designated in a fair value hedge measured at fair value of $nil (2017 – $0.5m) and derivative financial liabilities designated in a cash hedge measured at fair value of $nil (2017 – $0.1m).

20. Contract Assets and Liabilities

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2018 $m	2017 $m
Contract assets (note 16)	**11.8**	6.8
Contract liabilities (note 19)	**(5.5)**	(9.1)
Trade receivables – contracts with customers (note 16)	**172.1**	139.9
Loss allowance	**(2.7)**	(4.4)
Net trade receivables – contracts with customers	**169.4**	135.5

There was an impairment write-down of $0.9m recognised in relation to receivables arising on the Group's contracts with customers, foreign exchange gains of $0.1m, $2.4m of the provision was utilised in the year against receivables written off and $0.3m reversal of an impairment write-down in relation to receivables arising on contracts with customers.

(a) Significant Changes in Contract Assets and Contract Liabilities
Contract assets have increased from $6.8m in 2017 to $11.8m due to increased levels of bespoke customer work-in-progress in Hunting Dearborn.

Contract liabilities represent deposits received on contracts relating to the purchase of pipe in the Asia Pacific businesses, prior to Hunting placing an order with the steel mills, and have decreased from $9.1m in 2017 to $5.5m due to a change in the mix of orders at the year-end, whereby customers were not required to pay a deposit when placing an order.

(b) Revenue Recognised in Relation to Contract Liabilities
The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2018 $m	2017 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year	**8.8**	1.6
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years	**–**	–
Total	**8.8**	1.6

(c) Unsatisfied Performance Obligations
The aggregate amount of the transaction price allocated to partially or fully unsatisfied performance obligations as at the year-end on confirmed purchase orders received prior to the year-end is $250.2m. It is expected that 97% or $243.0m will be recognised as revenue in the 2019 financial year and the remaining 3% or $7.2m in future years.

As permitted under the transitional provisions of IFRS 15, the transaction price allocated to unsatisfied performance obligations as of 31 December 2017 is not disclosed.

21. Cash and Cash Equivalents

	2018 $m	2017 $m
Cash at bank and in hand	**32.4**	36.4
Money Market Funds	**26.1**	–
Short-term deposits of less than three month's maturity	**9.4**	–
	67.9	36.4

Cash at bank and in hand and short-term deposits are carried at amortised cost. Money Market Funds are financial assets carried at fair value through profit or loss.

22. Borrowings

	2018 $m	2017 $m
Non-current:		
Other unsecured loans	**3.9**	3.9
Current:		
Bank overdrafts secured	**1.8**	2.1
Unsecured bank loans	**0.9**	–
	2.7	2.1
Total borrowings	**6.6**	6.0

In accordance with the amendments made to the Group's committed facility in July 2016, security has been granted over certain property, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security are disclosed in notes 12, 16 and 18.

Analysis of Borrowings by Currency

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

	US dollars $m	Chinese CNY $m	Total $m
Other unsecured loans	**3.9**	**–**	**3.9**
Bank overdrafts secured	**1.8**	**–**	**1.8**
Unsecured bank loans	**–**	**0.9**	**0.9**
At 31 December 2018	**5.7**	**0.9**	**6.6**

	US dollars $m	Chinese CNY $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

23. 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 cash concentration account structures and other such measures. As the Group manages funding on a net cash/debt basis, internal reporting focuses on changes in net cash/debt and this is presented in the Strategic Report. The net cash/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 cash/debt comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current borrowings.

	At 1 January 2018 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified to prepayments $m	At 31 December 2018 $m
Cash at bank and in hand (note 21)	**36.4**	**(2.9)**	**(1.1)**	**–**	**–**	**32.4**
Money Market Funds (note 21)	**–**	**26.1**	**–**	**–**	**–**	**26.1**
Short-term deposits (note 21)	**–**	**9.4**	**–**	**–**	**–**	**9.4**
Bank overdrafts (note 22)	**(2.1)**	**0.3**	**–**	**–**	**–**	**(1.8)**
Cash and cash equivalents – per cash flow statement	**34.3**	**32.9**	**(1.1)**	**–**	**–**	**66.1**
Other current borrowings (note 22)	**–**	**(0.9)**	**–**	**–**	**–**	**(0.9)**
Non-current borrowings (note 22)	**(3.9)**	**–**	**–**	**–**	**–**	**(3.9)**
Total net cash (debt)	**30.4**	**32.0**	**(1.1)**	**–**	**–**	**61.3**

	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 (note 21)	63.5	(29.0)	1.9	–	–	36.4
Bank overdrafts (note 22)	(43.2)	41.7	(0.6)	–	–	(2.1)
Cash and cash equivalents – per cash flow statement	20.3	12.7	1.3	–	–	34.3
Current investments (note 22)	0.8	(0.8)	–	–	–	–
Non-current borrowings (note 22)	(12.5)	9.0	(0.4)	–	–	(3.9)
Current bank loans (note 22)	(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 cash (debt)	(1.9)	32.5	0.4	(0.2)	(0.4)	30.4

i. During the year, $0.5m (2017 – $0.2m) loan facility fees were paid, $0.6m (2017 – $nil) were accrued and $0.4m (2017 – $0.4m) fees were amortised.

24. Provisions

	Onerous contracts $m	Other $m	Total $m
At 1 January 2018	**5.4**	**12.6**	**18.0**
Exchange adjustments	**(0.3)**	**(0.2)**	**(0.5)**
Charged to the income statement	**0.8**	**0.9**	**1.7**
Provisions utilised	**(0.8)**	**(2.9)**	**(3.7)**
Unutilised amounts reversed	**(1.0)**	**(0.3)**	**(1.3)**
Unwinding of discount	**–**	**0.1**	**0.1**
Reclassification to accruals	**–**	**(0.1)**	**(0.1)**
At 31 December 2018	**4.1**	**10.1**	**14.2**

Provisions are due as follows:

	2018 $m	2017 $m
Current	**4.7**	6.4
Non-current	**9.5**	11.6
	14.2	18.0

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that $1.1m of the provision will be utilised in 2019 and the remaining balance of $3.0m will be utilised from 2020 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.72% and 0.86% p.a. (2017 – 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 $5.6m (2017 – $6.2m) relating to the Group's obligation to dismantle, remove and restore items of property, plant and equipment and warranties and tax indemnities of $0.9m (2017 – $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.

25. Derivatives and Hedging

(a) Currency Derivatives

The Group uses derivatives for economic hedging purposes and no speculative positions are entered into by the Group. 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.

Fair values of outstanding derivative financial instruments:

	2018		2017	
	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	**0.2**	**(0.1)**	–	(0.1)
Foreign currency swaps – in a fair value hedge	**0.2**	**–**	–	(0.4)
Foreign currency swaps – not in a hedge	**0.3**	**–**	–	(0.3)
Total	**0.7**	**(0.1)**	–	(1.0)

Gains on contracts that are not designated in a hedge relationship of $0.3m (2017 – $0.1m gain) have been recognised in the income statement during the year and gains of $0.6m (2017 – $nil) on contracts not designated in a hedge relationship have been recognised in exceptional items, which has been included in the $2.0m credit on the closure of the South African facility in note 6.

(b) Fair Value Hedge

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 by the entity with the loan receivable, where the functional currency of the lending entity is US dollars. The value of the foreign currency swap and the value of the Canadian dollar-denominated pseudo-equity loan move in the opposite direction as a result of movements in the CAD/USD exchange rate, being the hedged risk. There was no ineffectiveness in the fair value hedge.

The pseudo-equity loan does not appear in the Group's statement of financial position as it is an inter-company loan and is therefore eliminated on consolidation.

25. Derivatives and Hedging continued

(b) Fair Value Hedge continued

The effects of the outstanding foreign currency swap on the Group's financial position and performance are as follows:

		2018
Carrying amount of the foreign currency swap – asset (note 16)	$m	**0.2**
Notional amount of the foreign currency swap	$m	**14.2**
Maturity date		**07.01.19**
Hedge ratio[i]		**1:1**
Carrying amount of the pseudo-equity loan	$m	**14.2**
Change in value of hedged item used to determine hedge effectiveness	$m	**(0.2)**

i. The foreign currency swap is denominated in the same currency as the pseudo equity loan to match the exposed currency risk, therefore the hedge ratio is 1:1.

Forward foreign exchange contracts have also been designated in a fair value hedge to hedge the foreign exchange movement in foreign currency trade payables. The value of the forward foreign exchange contract matches the value of the trade payables and they move in opposite directions as a result of movements in the CAD/USD exchange rate, being the hedged risk. Immaterial fair value losses have been recognised in the income statement during the year.

(c) Cash Flow Hedge

The Group has entered into contracts to purchase materials from suppliers in US dollars, where the entity's functional currency is Canadian dollars. Certain of these highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts during the year. The value of the forward foreign exchange contract matches the value of the forecast inventory purchase and they move in opposite directions as a result of movements in the CAD/USD exchange rate, being the hedged risk. It is anticipated that the materials will be sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss as part of the cost of inventories sold.

The Group also entered into a contract to purchase an item of property, plant and equipment from a supplier in US dollars, where the entity's functional currency is Canadian dollars. This highly probable forecast transaction was hedged using a forward foreign exchange contract. The value of the forward foreign exchange contract matched the value of the forecast property, plant and equipment purchase and they move in opposite directions as a result of movements in the CAD/USD exchange rate, being the hedged risk. The amount deferred in equity will be reclassified to profit or loss as part of the depreciation charge over the item's useful life.

The Group also entered into a contract to purchase an item of property, plant an equipment from a supplier in Euros, where the entity's functional currency is US dollars. This highly probable forecast transaction has been hedged using a forward foreign exchange contract. The value of the forward foreign exchange contract matched the value of the forecast property, plant and equipment purchase and they move in opposite directions as a result of movements in the EUR/USD exchange rate, being the hedged risk. The amount deferred in equity will be reclassified to profit or loss as part of the depreciation charge over the item's useful life.

The Group's cash flow hedge reserve, which is disclosed as part of other reserves in note 31, relates to the spot component of forward foreign exchange contracts, as follows:

	$m
Balance as at 1 January 2017	**–**
Fair value losses of forward foreign exchange contracts recognised in OCI	**(0.2)**
Reclassified from OCI to profit or loss	**0.1**
Balance as at 31 December 2017	**(0.1)**
Fair value gains of forward foreign exchange contracts recognised in OCI	**0.3**
Reclassified to the carrying value of inventory	**(0.2)**
Balance as at 31 December 2018	**–**

25. Derivatives and Hedging continued

(c) Cash Flow Hedge continued

The effects of outstanding forward foreign exchange contracts on the Group's financial position and performance are as follows:

		2018
Carrying amount of the forward foreign exchange contracts – asset	$m	<0.1
Notional amount of the forward foreign exchange contracts	$m	2.2
Maturity date		25.01.19 to 24.10.19
Hedge ratio[iii]		1:1
Change in value of hedged item used to determine hedge effectiveness	$m	<(0.1)

iii. The forward foreign exchange contracts are denominated in the same currency as the highly probable forecast transactions to match the exposed currency risk, therefore the hedge ratio is 1:1.

Immaterial changes in the forward points, the differential between the forward rate and the market spot rate, have been recognised in the income statement during the year and previous year.

(d) Hedge Effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic hedge relationship exists between the hedged item and the hedging instrument.

For hedges of the pseudo-equity loan, the Group enters into hedge relationships where the value of the foreign currency swap matches exactly with the value of the loan. The Group, therefore, performs a qualitative assessment of effectiveness. Ineffectiveness will arise if the pseudo-equity loan is partially or fully repaid prior to the maturity of the foreign currency swap.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group, therefore, performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the forward foreign exchange contract, then the Group uses the hypothetical derivative method to assess effectiveness. Ineffectiveness may arise if there is a change in the timing of the forecast transaction from what was originally estimated or from a change in the US$ amount charged and invoiced. A possible source of ineffectiveness is also a change in credit risk of either party to the derivative, however any change in credit risk is not expected to be material.

There was no ineffectiveness during 2018 or 2017.

26. Financial Instruments: Fair Values

The carrying value of investments, the loan note, contract assets, trade receivables, accrued revenue, other receivables, short-term deposits, cash and cash equivalents, trade payables, accruals, other payables, provisions considered to be financial liabilities, bank overdrafts 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 2018 $m	Level 1 $m	Level 2 $m
Equity instruments at fair value through profit or loss			
Non-current Listed equity investments and mutual funds	1.7	1.7	–
Debt instruments at fair value through profit or loss			
Money Market Funds	26.1	26.1	–
Current derivatives held for trading			
Derivative financial assets	0.5	–	0.5
Derivative financial liabilities	(0.1)	–	(0.1)
Current derivatives in a hedge			
Derivative financial assets	0.2	–	0.2
	28.4	27.8	0.6

26. Financial Instruments: Fair Values continued

	Restated		
	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	(0.4)	–	(0.4)
Current derivative in a hedge			
Derivative financial liabilities	(0.5)	–	(0.5)
	11.2	12.2	(1.0)

The above table has been restated to exclude the US deferred compensation plan, as this liability is accounted for under IAS 19 and, therefore, is not a financial liability.

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

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The fair value of Money Market Funds and 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 Money Market Funds and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy.

27. Financial Risk Management

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

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

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

(a) Market Risk: 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, Canadian dollars and Chinese Yuan Renminbi. 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	
	2018	2017	**2018**	2017
Average exchange rate to US dollars	**0.75**	0.78	**1.30**	1.30
Year–end exchange rate to US dollars	**0.79**	0.74	**1.37**	1.25

(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. Exposures are also identified and hedged, if necessary, on an ad-hoc basis, such as when a purchase order in a foreign currency is placed. 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 $50,000 equivalent. Exposures of less than $50,000 equivalent will also be hedged but only where the underlying foreign currency cash flow is expected to occur 60 days or more from the point of entering into the transaction.

27. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk continued

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 as fair value gains and losses arising on these are recognised in other comprehensive income.

	Currency of denomination						
At 31 December 2018	**Sterling $m**	**US dollars $m**	**AED $m**	**Euro $m**	**Chinese CNY $m**	**Other currencies $m**	**Total $m**
Functional currency of Group's entities:							
Sterling	**–**	**(3.5)**	**–**	**(0.1)**	**–**	**–**	**(3.6)**
US dollars	**(2.4)**	**–**	**(1.4)**	**(0.1)**	**1.0**	**(0.1)**	**(3.0)**
Canadian dollars	**–**	**(0.3)**	**–**	**–**	**–**	**–**	**(0.3)**
Singapore dollars	**–**	**2.3**	**–**	**–**	**–**	**–**	**2.3**
Euro	**(0.8)**	**–**	**–**	**–**	**–**	**–**	**(0.8)**
Chinese CNY	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
	(3.2)	**(1.5)**	**(1.4)**	**(0.2)**	**1.0**	**(0.3)**	**(5.6)**

The Sterling, US dollar, United Arab Emirates ("UAE") Dirham ("AED") and Chinese Yuan Renminbi ("CNY") 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 2017	Sterling $m	US dollars $m	AED $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)	–	(0.7)	–	2.5	(0.3)	(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	(0.7)	(0.1)	2.5	(0.8)	(0.6)

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

(ii) Translational Risk

Foreign exchange risk also arises from financial assets and liabilities not denominated in the functional currency of an entity's operations and forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. Where appropriate, hedge accounting is applied to the forward foreign exchange contracts and the hedged item to remove any accounting mismatch.

Foreign exchange risk also arises from the Group's investments in foreign operations. During the year, foreign currency swaps have been designated in a fair value hedge to hedge the foreign exchange rate changes in a pseudo-equity Canadian dollar inter-company loan.

The foreign exchange exposure arising from the translation of its net investments in foreign operations into the Group's presentation currency of US dollars has also previously been managed by designating any borrowings that are not US dollar denominated 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) Market Risk: Interest Rate Risk

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

27. Financial Risk Management continued

(c) Credit Risk
The Group's credit risk arises from its cash at bank and in hand, Money Market Funds, short-term deposits, investments, derivative financial instruments, the loan note, accrued revenue, outstanding trade receivables and contract assets.

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 must all have a minimum A2, P2 or F2 short-term rating from Standard and Poor's, Moody's or Fitch rating agencies respectively and AAAm S&P rating for Money Market Funds. The Net Asset Value of the Money Market Funds aims be a minimum of 1 (this means that for every $1 that is in the fund there will be an asset to cover it) and the funds have overnight liquidity. At the year-end, deposits in Money Market Funds totalled $26.1m (2017 – $nil).

At the year-end, cash at bank and in hand totalled $32.4m (2017 – $36.4m), with $18.0m (2017 – $25.1m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $14.4m (2017 – $11.3m), $13.5m (2017 – $9.9m) was held 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. There are no formal restrictions on this cash as such, however, prior approval would be required from various state authorities in China before any cash could be paid offshore.

Surplus cash held in short-term deposits totalled $9.4m (2017 – $nil) and are held with banks with Fitch short-term ratings of F1.

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 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 current and non-current investments. Investments at the year-end amounted to $1.7m (2017 – $12.2m) 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 $164.9m (2017 – $205.0m) at the year-end. The facilities comprise $159.5m of secured committed facilities (2017 – $200.0m) and $5.4m secured uncommitted facilities (2017 – $5.0m).

On 12 December 2018, Hunting PLC completed a refinancing of the Group's $200m Revolving Credit Facility by way of an "amend and extend" of the existing syndicate facility arrangements. The transaction enabled Hunting to extend the maturity of the RCF from October 2020 out until December 2022, with an option to extend for a further one year to December 2023. Furthermore, this refinancing event provided an opportunity for Hunting to amend, and formally remove any reference to, many of the terms and conditions that had been introduced as part of the 2016 refinancing. However, as previously communicated, most of these terms had ceased to be effective as of 18 January 2018. The main features of the RCF are as follows:

- Committed facilities reduced to $160.0m to reflect anticipated funding requirements of the Group going forward.
- A slight uplift in the base margin on amounts drawn under the facility from 0.85% to 1.00%, reflecting a general upward shift in bank loan pricing.
- Maintaining the market standard financial covenants of the existing facility, as discussed below.
- A review of and uplift to other limits within the facility such as Negative Pledge and Subsidiary Financial Indebtedness.
- Introduction of a $75.0m accordion feature, providing Hunting with additional flexibility to increase the size of the bank facility to $235.0m, subject to approval of its bank lending group.

Security continues to be granted over certain properties, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security are disclosed in notes 12, 16 and 18.

The covenants to 31 December 2018 include:
- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of three times.
- Consolidated EBITDA must also cover relevant finance charges by a minimum of four times.

For covenant testing purposes, the Group's definition of consolidated 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 cash (debt) and finance expenses are adjusted to accord with the definition within the facility agreement. Consolidated EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December. Throughout the year and at 31 December 2018 both these covenants were met.

As the revised facility size and terms are significantly different, the existing $200m RCF is deemed to have been extinguished and replaced by the new $160m RCF. The deferred bank fees of $0.4m relating to the $200m RCF have been recognised in the income statement during the year and $1.1m of deferred bank fees relating to the $160m RCF have been recognised in prepayments at the end of the year.

27. Financial Risk Management continued

(d) Liquidity Risk continued

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 $159.5m (2017 – $199.5m), which expire between one and five years from 31 December 2018.

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.

	2018			
	On demand or within one year $m	**Between one and five years $m**	**After five years $m**	**Total $m**
Non-derivative financial liabilities:				
Trade payables	**62.3**	**–**	**–**	**62.3**
Accruals	**59.9**	**0.9**	**0.5**	**61.3**
Other payables	**4.3**	**–**	**–**	**4.3**
Onerous lease contracts	**1.1**	**3.0**	**–**	**4.1**
Secured bank loans	**0.6**	**1.1**	**–**	**1.7**
Unsecured bank loans	**0.9**	**–**	**–**	**0.9**
Other unsecured loans	**–**	**–**	**3.9**	**3.9**
Bank overdrafts secured	**1.8**	**–**	**–**	**1.8**
Total	**130.9**	**5.0**	**4.4**	**140.3**

	Restated 2017			
	On demand or within one year $m	Between one 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
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	103.8	5.2	5.8	114.8

The above table has been restated to exclude the US deferred compensation plan, as this liability is accounted for under IAS 19 and therefore is not a financial liability under IFRS 9.

The Group had no net settled financial liabilities at the year-end (2017 – none).

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

	2018		2017	
	On demand or within one year $m	**Between one and five years $m**	On demand or within one year $m	Between one and five years $m
Currency derivatives				
– inflows	**86.9**	**–**	45.5	–
– outflows	**(86.3)**	**–**	(46.4)	(0.1)

(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 17 and 18. Within this section, the Group provides a definition of capital, provides details of the external financial covenants imposed, key measures for managing capital and the objectives for managing capital. Quantitative disclosures have been made together with the parameters for meeting external financial covenants.

28. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash at bank and in hand, Money Market Funds, short-term deposits, trade and other receivables, trade and other payables, borrowings and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2018. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and 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 0.5% (2017 – 0.75%) 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 0.5% (2017 – 0.75%) in US interest rates, is not material (2017 – 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% (2017 – 10%) for Sterling and 10% (2017 – 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.

	2018		2017	
	Income statement $m	**OCI $m**	Income statement $m	OCI $m
Sterling exchange rate +10% (2017: +10%)	**(0.4)**	**–**	(0.3)	–
Sterling exchange rate -10% (2017: -10%)	**0.4**	**–**	0.3	–
Canadian dollar exchange rates +10% (2017: +5%)	**–**	**0.2**	0.7	0.2
Canadian dollar exchange rates -10% (2017: -5%)	**–**	**–**	(0.7)	(0.2)

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 mainly arise from foreign exchange contracts designated in a cash flow hedge.

The post-tax impact on the income statement of reasonably possible changes in the Singapore dollar and UAE Dirham exchange rates were considered and were immaterial.

29. Post-Employment Benefits

(a) UK Pensions

Within the UK, the Group operates a defined contribution ("DC") plan, which is open to current employees. Contributions to the plan and other Group defined contribution arrangements are charged directly to profit and loss.

Historically, the Group operated a funded pension scheme, which provided benefits on both a defined benefit ("DB") and defined contribution ("DC") basis. That scheme was wound up during the year and, as part of that process, the bulk annuity policies held with insurers to cover members' DB benefits have been transferred into individual policies for the members.

Payments totalling $16.4m were made from the Scheme on 6 December 2018 as part of the wind-up process, of which $10.6m was paid to the Group and $5.8m was paid to HMRC in relation to tax due. No further payments are due to or from the Scheme.

29. Post-Employment Benefits continued

(a) UK Pensions continued

Risk exposures and investment strategy

At the previous year-end, the assets of the DB section of the scheme were invested in a range of deferred annuity and immediate annuity policies with a range of insurers. These policies matched the benefits to be paid to members of the Scheme. This strategy removed the Group's investment, inflation and demographic risks relating to the Scheme's obligations.

As the trustees' bulk annuity policies held with insurers to cover members' benefits were transferred into individual policies for the members during 2018, this has removed the Group's risks relating to an insurer no longer being able to meet its obligations. The Group has no further legal responsibility to fund these benefits.

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

	2018 $m	2017 $m
Present value of obligations	–	(447.4)
Total fair value of plan assets	–	466.0
Net asset	**–**	18.6

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

	2018 $m	2017 $m
Non-current	–	–
Current	–	18.6
Net asset	**–**	18.6

Changes in the net asset recognised in the balance sheet

	2018 $m	2017 $m
Opening balance sheet net asset	**18.6**	33.3
Exchange adjustments	**(1.0)**	1.8
Expense charged to the income statement	**(1.7)**	(1.0)
Past service cost charged to the income statement	**(0.4)**	–
Amount recognised in other comprehensive income	**0.9**	0.1
Transfer to defined contribution section	**–**	(0.6)
Payment to employer before tax withheld at source	**(16.4)**	(15.0)
Closing balance sheet net asset	**–**	18.6

The Scheme was wound up in December 2018 and the residual assets in the Scheme of $16.4m at the point of termination were transferred to the Group and HMRC. The decrease in the Group's pension asset seen over 2018 principally reflects these payments.

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

	2018 $m	2017 $m
Opening defined benefit obligation	**447.4**	418.3
Exchange adjustments	**(6.3)**	39.2
Current service cost (employer)	**2.1**	1.5
Interest on benefit obligations	**5.2**	10.9
Remeasurements due to:		
Changes in financial assumptions	**(18.9)**	7.0
Past service cost	**0.4**	–
Benefits and expenses paid	**(47.9)**	(29.5)
Reduction in liabilities due to settlement	**(382.0)**	–
Present value of the obligation at the end of the year	**–**	447.4

29. Post-Employment Benefits continued

(a) UK Pensions continued

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

	2018 $m	2017 $m
Opening fair value of plan assets	**466.0**	451.6
Exchange adjustments	**(7.3)**	41.0
Interest on plan assets	**5.6**	11.4
Actual returns over interest on plan assets	**(18.0)**	7.1
Transfer to defined contribution scheme	**–**	(0.6)
Payment to employer before tax withheld at source	**(16.4)**	(15.0)
Benefits and expenses paid	**(47.9)**	(29.5)
Reduction in plan assets due to settlement	**(382.0)**	–
Closing fair value of plan assets	**–**	466.0

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

	2018 $m	2017 $m
Insurance annuity policies	**–**	448.3
Cash/other	**–**	17.7
Fair value of plan assets	**–**	466.0

As the Scheme was wound up during 2018, there are no remaining assets at the year-end.

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

	2018 $m	2017 $m
Current service cost – included within operating expenses	**2.1**	1.5
Past service cost – included within operating expenses	**0.4**	–
Net interest on the defined benefit asset – finance income (note 9)	**(0.4)**	(0.5)
Total expense included within staff costs (note 8)	**2.1**	1.0

The current service cost includes $2.1m (2017 – $1.5m) of administration costs.

In addition, employer contributions of $7.6m (2017 – $7.1m) 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:

- The bulk annuity policies held with insurers to cover members' benefits were transferred to individual members during the year. As a result, these policies are no longer assets of the scheme and the members' benefits in respect of these policies are no longer liabilities of the scheme.
- As part of the scheme's wind-up process, members' Additional Voluntary Contributions ("AVCs") funds were transferred to other providers. To compensate members with AVCs for potential losses on transfer, $0.3m of the scheme's surplus funds were used to augment their AVC funds on transfer. This has been recognised as part of the past service cost.
- In addition to this, the Trustee held various historic insurance annuity policies as at 31 December 2017. As part of the process of winding up the scheme, the Trustee has also assigned these policies to individual members with a small augmentation of $0.1m made to these members.
- Payments of $10.6m to the Group and $5.8m to HMRC were made from the scheme on 6 December 2018. This has reduced the surplus of the scheme by the combined total of the payments. There are no remaining assets of the scheme at 31 December 2018.

29. Post-Employment Benefits continued

(a) UK Pensions continued

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

	2018	2017
Discount rate	**n/a**	2.4% p.a.
Future pension increase	**n/a**	3.4% p.a.

Mortality assumption – life expectancy

	2018 Years	2017 Years
Male aged 65 at the accounting date	**n/a**	25.3
Female aged 65 at the accounting date	**n/a**	27.1
Male aged 65 in 20 years	**n/a**	27.9
Female aged 65 in 20 years	**n/a**	29.4

(b) Other Pensions

The Group 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 Group, which is used to pay benefits due from the arrangement when a member retires. Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme.

The amounts recognised in the income statement during the year were $nil (2017 – $0.1m) for the employer's current service cost (recognised in operating expenses) and $0.1m (2017 – $0.2m) interest cost (recognised in finance expense).

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

	2018 $m	2017 $m
Present value of the obligation at the start of the year	**12.2**	10.2
Current service cost (equal to the notional contributions)	**–**	0.1
Interest on benefit obligations	**0.1**	0.2
Remeasurement – excess of notional investment returns over interest cost	**(0.2)**	1.7
Benefits paid	**(10.4)**	–
Present value of the obligation at the end of the year	**1.7**	12.2

The obligation is presented in the balance sheet as $nil (2017 – $10.4m) in current payables and $1.7m (2017 – $1.8m) in non-current payables (note 19).

30. Share Capital and Share Premium

	2018		
	Ordinary shares of 25p each Number	**Ordinary shares of 25p each $m**	**Share premium $m**
At 1 January	**164,173,603**	**66.4**	**153.0**
Shares issued – share option schemes and awards	**900,000**	**0.3**	**–**
At 31 December	**165,073,603**	**66.7**	**153.0**

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 168. All of the Ordinary shares in issue are fully paid.

At 31 December 2018, 1,247,672 (2017 – 656,808) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 32.

	2017		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	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

31. Other Components of Equity

	2018			
	Merger reserve $m	Other reserves $m	Currency translation reserve $m	Total $m
At 1 January	**79.4**	**19.0**	**(6.7)**	**91.7**
Exchange adjustments	**–**	**–**	**(7.2)**	**(7.2)**
Fair value gains and losses				
– losses originating on cash flow hedges arising during the year net of tax	**–**	**0.2**	**–**	**0.2**
– losses transferred to the carrying value of inventory purchased in the year net of tax	**–**	**(0.1)**	**–**	**(0.1)**
Share options and awards				
– value of employee services	**–**	**13.1**	**–**	**13.1**
– discharge	**–**	**(9.7)**	**–**	**(9.7)**
Transfer between reserves	**(12.2)**	**–**	**–**	**(12.2)**
At 31 December	**67.2**	**22.5**	**(13.9)**	**75.8**

During the year, $12.2m was transferred from the merger reserve to retained earnings. This portion of the reserve is now considered to be realised as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	2017			
	Merger reserve $m	Other reserves $m	Currency translation reserve $m	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

32. Retained Earnings

	2018 $m	Restated 2017 $m
At 31 December as previously reported	**780.6**	800.0
Adjustment on adoption of IFRS 15	**1.6**	1.0
At 31 December restated	**782.2**	801.0
Adjustment on adoption of IFRS 9	**(0.2)**	–
At 1 January restated	**782.0**	801.0
Profit (loss) for the year	**89.3**	(26.1)
Remeasurement of defined benefit pension schemes net of tax	**1.5**	(1.6)
Dividends paid to equity shareholders	**(6.6)**	–
Purchase of treasury shares	**(5.7)**	–
Share options and awards		
– discharge	**9.2**	8.9
– taxation	**(0.3)**	–
Transfer between reserves	**12.2**	–
At 31 December	**881.6**	782.2

The share options and awards taxation charge taken directly to equity of $0.3m comprises $0.2m deferred tax and $0.1m current tax.

32. Retained Earnings continued

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

	2018 $m	2017 $m
Cost:		
At 1 January	**(7.2)**	(8.7)
Purchase of Treasury shares	**(5.7)**	–
Disposal of Treasury shares	**1.7**	1.5
At 31 December	**(11.2)**	(7.2)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was $1.7m (2017 – $1.5m).

33. Dividends Paid to Equity Shareholders

	2018		2017	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2018 interim paid	**4.0**	**6.6**	–	–

A final dividend of 5.0 cents per share has been proposed by the Board, amounting to an estimated distribution of $8.2m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 17 April 2019 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 10 May 2019, to shareholders on the register on 23 April 2019, and the Sterling value of the dividend payable per share will be fixed, and announced approximately two weeks prior to the payment date, based on the average spot exchange rate over the three business days preceding the announcement date. Guidance on the Company's position on declaring and paying future dividends is provided within the Strategic Report on page 18.

34. Share-Based Payments

(a) 2001 Executive Share Option Plan

The Company operated an executive share option plan between 2001 and 2008, which granted options to eligible employees. Under this scheme, the final vesting of options occurred on 4 March 2011, with outstanding awards expiring on 3 March 2018. There is no longer a charge to the income statement attributable to this scheme. Details of movements in outstanding share options are set out below.

(i) Share Option Movements During the Year

	2018		2017	
	Number of options	Weighted average exercise price p	Number of options	Weighted average exercise price p
Outstanding at the beginning of the year	**178,417**	**785**	363,700	711
Lapsed during the year	**(178,417)**	**785**	(185,283)	640
Outstanding and exercisable at the end of the year	**–**	**–**	178,417	785

There were no exercises during 2017 or 2018.

(ii) Share Options Outstanding at the Year-End

	2018 Number of options	2017 Number of options	Exercise price range p	Exercise period
Executive Share Options 2008 – vested	**–**	178,417	784.5	04.03.11 – 03.03.18

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

(i) Performance-Based Awards and Options

The Company granted nil-cost 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. The fair value charge to the income statement attributable to the performance-based PSP was $nil (2017 – $nil).

34. Share-Based Payments continued

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

(ii) Time-Based Awards and Options

The Company granted nil-cost, 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. Details of the time-based PSP awards and options movements during the year are as follows:

	2018 Number of awards	2017 Number of awards
Outstanding at the beginning of the year	**15,606**	16,244
Vested and exercised during the year	**(8,602)**	(638)
Outstanding and exercisable at the end of the year	**7,004**	15,606

The weighted average share price at the date of exercise during 2018 was 786.4 pence (2017 – 512.7 pence).

Details of the time-based PSP awards and options outstanding at 31 December 2018 are as follows:

	2018 Number of shares	2017 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	**875**	875	25.02.14
17 April 2012	**2,446**	5,990	17.04.15
20 March 2013	**3,683**	8,741	20.03.16
Outstanding and exercisable at the end of the year	**7,004**	15,606	

The fair value charge to the income statement attributable to the time-based PSP is $nil (2017 – $nil).

(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. Up to 2017, the performance-based HPSP awards to the executive Directors were divided equally into three tranches. From 2018, the performance-based HPSP awards were divided into four tranches of differing proportions. Each tranche is subject to a three-year vesting period, and is also subject to performance conditions. Up to 2017, the three conditions were 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 fourth performance condition added in 2018 is based on a Balanced Scorecard, comprising of non-financial KPIs including Quality and Safety performance. The 2018 award weightings are EPS 25%; TSR 25%; ROCE 35% and the Balanced Scorecard 15%. The performance period for the 2018 awards granted under the HPSP is 1 January 2018 to 31 December 2020. The vesting date of the 2018 award is 19 April 2021. Details of the performance-based HPSP awards movements during the year are set out below:

	2018 Number of shares	2017 Number of shares
Outstanding at the beginning of the year	**3,446,240**	3,413,468
Granted during the year to executive Directors[ii]	**373,709**	639,622
Granted during the year to senior managers[i/ii]	**579,573**	855,295
Vested and exercised during the year	**(157,292)**	–
Lapsed during the year	**(869,466)**	(1,462,145)
Outstanding at the end of the year	**3,372,764**	3,446,240

i. The 2017 HPSP awards granted to senior managers incorporates a fourth performance condition based on Hunting's reported internal manufacturing reject rate.
ii. The 2018 HPSP awards granted to the executive Directors and senior managers incorporates a Balanced Scorecard, in addition to the TSR, EPS and ROCE performance conditions.

34. Share-Based Payments continued

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

Details of the performance-based HPSP awards outstanding at 31 December 2018 are as follows:

	2018 Number of shares	2017 Number of shares	Normal vesting date
Date of grant:			
28 April 2015	–	965,521	28.04.18
11 March 2016	1,402,897	1,422,565	11.03.19
3 March 2017	1,027,356	1,058,154	03.03.20
19 April 2018	942,511	–	19.04.21
Outstanding at the end of the year	**3,372,764**	3,446,240	

In 2018, 157,292 awards vested and were exercised in respect of the 2015 HPSP grant. The weighted average share price at the date of exercise during 2018 was 801.2 pence. There were no exercises in 2017.

(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:

	2018 Number of shares	2017 Number of shares
Outstanding at the beginning of the year	3,462,942	2,815,860
Granted during the year	787,667	1,260,452
Vested and exercised during the year	(868,167)	(518,469)
Lapsed during the year	(133,016)	(94,901)
Outstanding at the end of the year	**3,249,426**	3,462,942

The weighted average share price at the date of exercise during 2018 was 797.3 pence (2017 – 542.0 pence).

Details of the time-based HPSP awards outstanding at 31 December 2018 are as follows:

	2018 Number of shares	2017 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	6,121	14,924	01.05.17
28 April 2015	27,250	820,511	28.04.18
11 March 2016	1,290,754	1,388,497	11.03.19
3 March 2017	1,157,072	1,239,010	03.03.20
19 April 2018	768,229	–	19.04.21
Outstanding at the end of the year	**3,249,426**	3,462,942	

(iii) Fair Value of HPSP Awards

The fair value of awards granted under the HPSP is calculated using two separate models:

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

The assumptions used in this model were as follows:

	2018	2017
Date of grant/valuation date	19.04.18	03.03.17
Weighted average share price at grant	785.0p	571.5p
Exercise price	nil	nil
Expected dividend yield	nil	nil
Expected volatility	48.9%	53.5%
Risk-free rate	0.85%	0.11%
Expected life	3 years	3 years
Fair value	616.0p	369.0p

34. Share-Based Payments continued

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

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

The assumptions used in this model were as follows:

	2018	2017
Date of grant/valuation date	**19.04.18**	03.03.17
Weighted average share price at grant	**785.0p**	571.5p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**48.9%**	53.5%
Risk-free rate	**0.85%**	0.11%
Expected life	**3 years**	3 years
Fair value	**785.0p**	571.5p

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.
- The initial accounting charge of the performance-based HPSP awards granted under the HPSP incorporates an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period. The estimate of the expected forfeiture rate is 5% per annum. The subsequent accounting charge 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 $5.4m (2017 – $3.5m) and the charge to the income statement in respect of time-based HPSP awards is $7.7m (2017 – $8.1m). These are recognised in operating expenses.

(d) Other Share Awards

On 15 May 2018 12,005 shares were awarded to certain employees and were satisfied by shares held in the Hunting Employee Benefit Trust. The closing mid-market price on 15 May 2018 was 558.6 pence per share. The charge to the income statement attributable to these awards was $0.1m.

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.

The total charge to the income statement for the year for share-based payments is $13.2m (2017 – $11.9m).

35. Operating Leases

(a) The Group as Lessee

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

	2018			2017		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Operating lease payments in the income statement:						
Lease and rental payments	**12.1**	**1.7**	**13.8**	11.0	0.9	11.9

The Group has provisions of $4.1m (2017 – $5.4m) for onerous contracts in respect of some leasehold properties, some of which are not used for Group trading purposes and are either vacant or sub-let to third parties (note 24).

35. Operating Leases continued

(a) The Group as Lessee continued
Total future aggregate minimum lease payments under non-cancellable operating leases expiring:

	2018			Restated 2017		
	Property $m	**Others $m**	**Total $m**	Property $m	Others $m	Total $m
Within one year	**9.5**	**0.6**	**10.1**	10.1	0.6	10.7
Between one and five years	**30.0**	**0.7**	**30.7**	30.1	0.8	30.9
After five years	**19.1**	**–**	**19.1**	23.5	–	23.5
Total lease payments	**58.6**	**1.3**	**59.9**	63.7	1.4	65.1

The 2017 amounts in the above table have been restated following a review of the lease contracts as part of the impact assessment of IFRS 16 Leases.

(b) The Group as Lessor
Property rental earned during the year was $1.5m (2017 – $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:

	2018 Property $m	2017 Property $m
Within one year	**1.8**	1.5
Between one and five years	**3.3**	3.9
Total lease income receivable	**5.1**	5.4

36. Related-Party Transactions

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

	2018 $m	2017 $m
Year-end balances:		
Receivables from associates	**0.4**	0.5
Payables to associates	**(0.1)**	(0.1)

During the year, a $1.3m dividend was received on the winding up of an associate, Tubular Resources Pte. Ltd.

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 Group comprises the Hunting PLC Board and members the Executive Committee. Details of their compensation are disclosed in note 8. The Hunting PLC Directors and the members of the Executive Committee had no material transactions other than as a result of their service agreements.

37. Principal Accounting Policies

The Group's principal accounting policies are described below:

(a) Consolidation

- The Group financial statements 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) Revenue

(i) Revenue from Contracts with Customers

- Revenue from contracts with customers is measured as the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.
- Revenue is recognised when control of the promised goods or services is transferred to the customer. Consequently revenue for the sale of a product is recognised either:
  1. wholly at a single point in time when the entity has completed its performance obligation, which is most commonly indicated by delivery of the products; or
  2. piecemeal over time during the period that control incrementally transfers to the customer while the good is being manufactured or the service is being performed.
- Hunting's activities that require revenue recognition over time comprise:
  1. Work undertaken to enhance customer-owned products – most commonly the lathing of a thread onto the ends of customer-owned plain-end pipe.
  2. The manufacture of goods that are specifically designed for and restricted to the use of a particular customer, such as the manufacture of bespoke specialised circuitry and housing, and for which Hunting is entitled to a measure of recompense that reflects the fair value of the stage of production prior to their completion.
  3. The provision of services in which the customer obtains the benefit while the service is being performed – most commonly the storage and management services of customer-owned pipe.
- Hunting's activities that require revenue recognition at a point in time comprise:
  1. The sale of goods that are not specifically designed for use by one particular customer. Products include tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe.
  2. The manufacture of goods that are specifically designed for one particular customer but for which Hunting is not entitled to a measure of recompense that reflects the fair value of the stage of production prior to completion.

(ii) Rental Revenue

- Rental revenue is measured as the fair value of the consideration received or receivable for the provision of rental equipment in the ordinary course of business, net of trade discounts and sales taxes.
- Revenue from the rental of plant and equipment is recognised as the income is earned.

(c) Amortisation and Exceptional Items

Exceptional items are items of income or expense that 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 regional opportunities for growth.
- Defined benefit pension curtailment.
- Impairment of property, plant and equipment.

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

Amortisation expenses for intangible assets recognised as part of a business combination 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. The post-acquisition profits of acquired businesses shown in the underlying column do not, therefore, reflect these costs.

(d) Interest

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

37. Principal Accounting Policies continued

(e) Foreign Currencies

(i) Individual Subsidiaries' and Associates' Financial Statements

- 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.

(ii) Group Consolidated Financial Statements

- 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.

(f) 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.

(g) Segmental Reporting

- Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker ("CODM") is disclosed in the financial statements. Consequently, the Group's principal segmental reporting is established on a geographical basis.
- The 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.

(h) 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.

37. Principal Accounting Policies continued

(h) Property, Plant and Equipment continued

(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.

(i) 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.

(j) Other Intangible Assets

- Other intangible assets, whether obtained through acquisition or internal development, are capitalised when it is probable that the future economic benefits that are attributable to the asset will be generated, provided the cost of the asset can be measured reliably.
- Capitalisation only occurs from the point technical and commercial feasibility of the asset has been established. Prior to this costs are expensed.
- For internally generated assets, only costs directly attributable to the development of the asset are capitalised. This typically includes employee remuneration and the cost of materials and services, such as testing, consumed in generating the intangible asset.
- 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

(k) 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.

(l) 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.

(m) Cash and Cash Equivalents

- Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with a maturity of less than three months from the date of deposit and Money Market Funds.
- Short-term deposits and Money Market Funds have been classified as cash and cash equivalents as they are short-term, highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.
- For cash flow statement purposes, cash and cash equivalents include bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

37. Principal Accounting Policies continued

(n) Financial Assets

- At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the income statement.
- Subsequent measurement of debt instruments depends on each Group entity's business model for managing the asset in order to generate cash flows and the cash flow characteristics of the financial asset. The Group's debt instruments are classified either into amortised cost or fair value through profit or loss.
- Debt instruments that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets. Debt instruments held for collection of contractual cash flows include the loan note, contract assets, trade receivables, accrued revenue and other receivables.
- Any other debt instruments, including Money Market Funds, that are subsequently not measured at amortised cost have been measured at fair value through profit or loss.
- The Group's financial assets that are equity instruments are subsequently measured at fair value through profit or loss. Changes in the fair value of the equity instruments are recognised in other operating income, operating expenses, finance income or finance expense, as appropriate. Financial assets that are equity instruments comprise listed equity investments and mutual funds.
- The Group assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue.
- The Group has chosen to apply lifetime ECLs to trade receivables, accrued revenue, contract assets and lease receivables, both short-term and long-term, upon their initial recognition.

Previous Accounting Policy

- In 2017, the Group classified its financial assets under IAS 39 as financial assets at fair value through profit or loss, as loans and receivables and as available-for-sale financial assets.
- 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.

(o) 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.

(p) Derivatives and Hedging

- Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.
- The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date.
- The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
- Where the derivatives are not designated in a hedge and accounted for using hedge accounting, they are classified as "held for trading" and are accounted for at fair value through profit or loss, with changes in the fair value recognised immediately within the income statement.
- The Group designates certain derivatives as either:
  (i) hedges of the fair value of recognised assets and liabilities; or
  (ii) hedges of a particular risk associated with the cash flows of highly probable forecast transactions.

(i) Fair Value Hedges

- Fair value gains or losses on derivatives designated in a fair value hedge are recognised immediately in the income statement if the changes in the fair value of the hedged item are taken to the income statement.

37. Principal Accounting Policies continued

(p) Derivatives and Hedging continued
(ii) Cash Flow Hedges
- When forward foreign exchange contracts are designated in a cash flow hedge of forecast transactions, the Group generally designates only the change in fair value of the forward contract relating to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The Group has chosen to recognise the change in the forward element of the contract that relates to the hedged item, defined as the forward points, within the income statement immediately rather than in equity. The forward points are discounted, where material.
- Where the hedged item subsequently results in the recognition of a non-financial asset, such as inventory or PPE, the deferred hedging gains and losses in equity are included within the initial cost of the asset. The deferred amounts are subsequently recognised in profit or loss when the hedged item affects profit or loss (for example through cost of sales or depreciation).
- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the income statement.

(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.

(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 were 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 was 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 was also recognised in the income statement within net finance costs.
- Curtailment gains and losses were recognised fully and immediately in the income statement.
- Remeasurement gains and losses were recognised fully and immediately in the statement of comprehensive income.
- The assets of the funded scheme, which were invested in insurance policies, were valued using the same methodology and assumptions used to calculate the defined benefit obligation so that, where the assets matched the liabilities, the value of the assets was 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.

38. Change in Accounting Policies

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments on the Group's financial statements.

(a) Impact on the Financial Statements

As a result of the changes in the Group's accounting policies, the prior year financial statements have been restated for the effects of IFRS 15 Revenue from Contracts with Customers. IFRS 9 Financial Statements has been adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 1 January 2017 and 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The tables below show the adjustments that have been made to each individual line item. Line items that have not been affected by the changes have not been included separately, but instead have been grouped together.

Condensed Consolidated Income Statement for the year ended 31 December 2017

	As previously reported $m	IFRS 15 $m	Restated $m
Revenue	722.9	2.0	724.9
Cost of sales	(558.1)	(1.4)	(559.5)
Gross profit	164.8	0.6	165.4
Other operating income	7.6	–	7.6
Operating expenses	(197.8)	–	(197.8)
Loss from operations	(25.4)	0.6	(24.8)
Finance income	3.3	–	3.3
Finance expense	(4.8)	–	(4.8)
Share of associates' post-tax losses	(1.3)	–	(1.3)
Loss before tax from operations	(28.2)	0.6	(27.6)
Taxation	(1.0)	–	(1.0)
Loss for the year	(29.2)	0.6	(28.6)
Loss attributable to:			
Owners of the parent	(26.7)	0.6	(26.1)
Non-controlling interests	(2.5)	–	(2.5)
	(29.2)	0.6	(28.6)
Loss per share	cents	cents	cents
Basic	(16.4)	0.4	(16.0)
Diluted	(16.4)	0.4	(16.0)

IAS 1 paragraph 82(ba) requires impairment losses for the year (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of IFRS 9 to be presented on a separate line in the income statement. As the amounts are not considered to be material, the impairment losses for the year have been disclosed within note 16.

38. Change in Accounting Policies continued

(a) Impact on the Financial Statements continued

Condensed Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	As previously reported $m	IFRS 15 $m	Restated $m
Comprehensive expense:			
Loss for the year	(29.2)	0.6	(28.6)
Components of other comprehensive income after tax	10.8	–	10.8
Total comprehensive expense for the year	(18.4)	0.6	(17.8)
Total comprehensive expense attributable to:			
Owners of the parent	(17.9)	0.6	(17.3)
Non-controlling interests	(0.5)	–	(0.5)
	(18.4)	0.6	(17.8)

Total comprehensive expense attributable to owners of the parent arises from the Group's continuing operations.

Condensed Consolidated Balance Sheet as at 31 December 2017

	As previously reported at 31 December 2017 $m	IFRS 15 (note 38(b)) $m	Restated at 31 December 2017 $m	IFRS 9 (note 38(c)) $m	Restated at 1 January 2018 $m
ASSETS					
Non-current assets	749.0	–	749.0	–	749.0
Current assets					
Inventories	286.2	(5.2)	281.0	–	281.0
Trade and other receivables	178.9	6.8	185.7	(0.2)	185.5
Other current assets	66.5	–	66.5	–	66.5
	531.6	1.6	533.2	(0.2)	533.0
LIABILITIES					
Current liabilities					
Trade and other payables	130.9	–	130.9	–	130.9
Other current liabilities	13.6	–	13.6	–	13.6
	144.5	–	144.5	–	144.5
Net current assets	387.1	1.6	388.7	(0.2)	388.5
Non-current liabilities	25.6	–	25.6	–	25.6
Net assets	1,110.5	1.6	1,112.1	(0.2)	1,111.9
Equity attributable to owners of the parent					
Retained earnings	780.6	1.6	782.2	(0.2)	782.0
Other equity balances	311.1	–	311.1	–	311.1
	1,091.7	1.6	1,093.3	(0.2)	1,093.1
Non-controlling interests	18.8	–	18.8	–	18.8
Total equity	1,110.5	1.6	1,112.1	(0.2)	1,111.9

38. Change in Accounting Policies continued

(a) Impact on the Financial Statements continued

Notes to the Financial Statements for the year ended 31 December 2017

	As previously reported at 31 December 2017 $m	IFRS 15 (note 38(b)) $m	Restated at 31 December 2017 $m	IFRS 9 (note 38(c)) $m	Restated at 1 January 2018 $m
Inventories					
Raw materials	99.2	(0.5)	98.7	–	98.7
Work in progress	52.0	(4.6)	47.4	–	47.4
Finished goods	163.6	(0.5)	163.1	–	163.1
Gross inventories	314.8	(5.6)	309.2	–	309.2
Less: provision	(28.6)	0.4	(28.2)	–	(28.2)
Net inventories	286.2	(5.2)	281.0	–	281.0
Trade and other receivables					
Current:					
Contract assets	–	6.8	6.8	–	6.8
Trade receivables	152.8	–	152.8	–	152.8
Accrued revenue	6.2	–	6.2	–	6.2
Gross receivables	159.0	6.8	165.8	–	165.8
Less: provision for impairment	(4.8)	–	(4.8)	(0.2)	(5.0)
Net receivables	154.2	6.8	161.0	(0.2)	160.8
Prepayments	17.6	–	17.6	–	17.6
Other receivables	7.1	–	7.1	–	7.1
	178.9	6.8	185.7	(0.2)	185.5
Trade and other payables					
Current:					
Contract liabilities	–	9.1	9.1	–	9.1
Trade payables	47.3	–	47.3	–	47.3
Accruals	49.9	–	49.9	–	49.9
Other current payables	33.7	(9.1)	24.6	–	24.6
	130.9	–	130.9	–	130.9

Condensed Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Notes	As previously reported year ended 31 December 2017 $m	IFRS 15 $m	Restated year ended 31 December 2017 $m
Operating activities				
Reported loss from operations		(25.4)	0.6	(24.8)
Acquisition amortisation and exceptional items	6	39.1	–	39.1
Depreciation and non-acquisition amortisation		41.7	–	41.7
Underlying EBITDA		55.4	0.6	56.0
Increase in inventories		(20.9)	1.2	(19.7)
Increase in receivables		(64.7)	(1.8)	(66.5)
Increase in payables		46.3	–	46.3
Operating activities other cash flows		18.3	–	18.3
Operating activities non-cash flow items		11.4	–	11.4
Net cash inflow from operating activities		45.8	–	45.8
Net cash outflow from investing activities		(9.9)	–	(9.9)
Net cash outflow from financing activities		(23.2)	–	(23.2)
Net cash inflow in cash and cash equivalents		12.7	–	12.7
Cash and cash equivalents at the beginning of the year		20.3	–	20.3
Effect of foreign exchange rates		1.3	–	1.3
Cash and cash equivalents at the end of the year		34.3	–	34.3

38. Change in Accounting Policies continued

(a) Impact on the Financial Statements continued
Condensed Consolidated Balance Sheet as at 1 January 2017

	As previously reported at 31 December 2016 $m	IFRS 15 (note 38(b)) $m	Restated at 1 January 2017 $m
ASSETS			
Non-current assets	841.3	–	841.3
Current assets			
Inventories	259.7	(4.0)	255.7
Trade and other receivables	111.7	5.0	116.7
Other current assets	88.4	–	88.4
	459.8	1.0	460.8
LIABILITIES			
Current liabilities			
Trade and other payables	70.0	–	70.0
Other current liabilities	66.2	–	66.2
	136.2	–	136.2
Net current assets	323.6	1.0	324.6
Non-current liabilities	47.5	–	47.5
Net assets	1,117.4	1.0	1,118.4
Equity attributable to owners of the parent			
Retained earnings	800.0	1.0	801.0
Other equity balances	298.1	–	298.1
	1,098.1	1.0	1,099.1
Non-controlling interests	19.3	–	19.3
Total equity	1,117.4	1.0	1,118.4

(b) Impact of Adoption of 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 new accounting policies are set out in note 37. The standard is effective for the Group from 1 January 2018. IFRS 15 must be applied retrospectively. However, an entity can choose whether to apply the standard retrospectively to each period presented or apply the modified retrospective method, whereby the cumulative effect of applying the standard is recognised in equity at the date of initial application.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules fully retrospectively, rather than the modified retrospective method as indicated in the 2017 Annual Report and Accounts, and has restated the comparatives for the 2017 financial year, as this is considered to enhance the clarity of the financial statements.

The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application, 1 January 2018.

	IAS 18 Carrying amount 31 December 2017 $m	Reclassification $m	Remeasurement $m	IFRS 15 Carrying amount 1 January 2018 $m
Net trade receivables	148.0	(148.0)	–	–
Net trade receivables – rental receivables	–	12.5	–	12.5
Net trade receivables – IFRS 15 Revenue from Contracts with Customers	–	135.5	–	135.5
Current contract assets	–	–	6.8	6.8
Accrued revenue	6.2	(6.2)	–	–
Accrued revenue – rental receivables	–	1.7	–	1.7
Accrued revenue – IFRS 15 Revenue from Contracts with Customers	–	4.5	–	4.5
Inventories	286.2	–	(5.2)	281.0
Current contract liabilities	–	(9.1)	–	(9.1)
Other payables – deferred revenue	(1.0)	–	–	(1.0)
Other payables – payments on account from customers	(9.1)	9.1	–	–

38. Change in Accounting Policies continued

(b) Impact of Adoption of IFRS 15 Revenue from Contracts with Customers continued

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 identified two principal revenue streams that require an amendment to the Group's revenue accounting policies following the adoption of IFRS 15. 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.

The impact on the Group's retained earnings as at 1 January 2017 is as follows:

	2017 $m
Opening retained earnings at 1 January 2017 (before restatement for IFRS 15)	800.0
Point in time sales recognised as over time sales under IFRS 15	1.0
Restated opening retained earnings at 1 January 2017 under IFRS 15	801.0

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018 $m
Restated opening retained earnings at 1 January 2018 under IFRS 9 (before restatement for IFRS 15) (note 38(c))	780.4
Point in time sales recognised as over time sales under IFRS 15	1.6
Restated opening retained earnings at 1 January 2018 under IFRS 9 and IFRS 15	782.0

Prior to the adoption of IFRS 15, the majority of the Group's revenue was recognised at the point in time when the goods or services were completed/delivered. IFRS 15 requires the Group to now recognise revenue when control of the goods or services transfers to the customer. For some of the Group's activities as described above, this requires the Group to recognise revenue while the goods are still being manufactured or the services are still being performed. Consequently, revenue on these activities is recognised earlier under IFRS 15 than it is recognised under the previous accounting standards. At 31 December 2017, the fair value of the accelerated revenue amounted to $6.8m and this is recognised as a contract asset, within current receivables, on the balance sheet and as additional revenue within the year ended 31 December 2017.

As a result of control of the goods and services transferring to the customer, the Group must also de-recognise the costs incurred to date in producing the goods or performing the services. As at 31 December 2017, the carrying value of the goods and services that had transferred to the customer, and which under the previous accounting standards was recognised as inventory, amounted to $5.2m.

The net impact of recognising an additional asset of $6.8m, carried at fair value, and de-recognising the associated cost of $5.2m, is to increase the Group's net assets by $1.6m, which is recognised as a $1.6m increase in retained earnings. As a result of the Group's tax position, the tax impact of these adjustments is $nil.

The presentation of certain amounts in the balance sheet has been changed to reflect the terminology of IFRS 15, as follows:

- Net trade receivables of $148.0m have now been presented as net trade receivables from revenue from contracts with customers of $135.5m and net trade receivables from revenue from leasing contracts of $12.5m.
- Accrued revenue of $6.2m has now been presented as accrued revenue arising from contracts with customers of $4.5m and accrued revenue arising from leasing contracts of $1.7m.
- Contract liabilities of $9.1m were previously presented as payments on account from customers in other payables.

38. Change in Accounting Policies continued

(c) Impact of Adoption of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and establishes principles for the recognition, derecognition, classification and measurement of financial assets and liabilities, together with new requirements relating to the impairment of financial assets and new simplified hedge accounting rules. The new accounting policies are set out in note 37. IFRS 9 became effective for the Group on 1 January 2018 and is generally applied retrospectively, except as described below.

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

The determination by each entity of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application, 1 January 2018.

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	2018 $m
Closing retained earnings at 31 December 2017 – as previously reported under IAS 39 and IAS 18		780.6
Increase in provision for trade receivables and contract assets	38(c)(ii)	(0.2)
Restated opening retained earnings at 1 January 2018 under IFRS 9 (before restatement for IFRS 15)		780.4

(i) Derivatives and Hedging

There is a new hedge accounting model, which has been simplified and is more closely aligned to the business's 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.

The Group had forward foreign exchange contracts and foreign currency swaps in place to hedge its exposure to foreign exchange rate movements at 31 December 2017.

Certain forward foreign exchange contracts had been designated in a cash flow hedge as at 31 December 2017 to hedge the foreign currency risk associated with forecast inventory purchases. These cash flow hedges have qualified as cash flow hedges under IFRS 9.

At 31 December 2017, forward foreign exchange contracts were designated in fair value hedges to hedge the foreign exchange movement in foreign currency trade payables. These fair value hedges have qualified as fair value hedges under IFRS 9.

A foreign currency swap was also designated in a fair value hedge to hedge the foreign exchange movements in a Canadian dollar-denominated pseudo equity loan at 31 December 2017. This fair value hedge has qualified as a fair value hedge under IFRS 9.

The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are treated as continuing under IFRS 9.

Under IAS 39, the Group designated the spot component of the change in fair value of the forward foreign exchange contracts in a cash flow hedge. Changes in the forward points, the differential between the forward rate and the market spot rate, were recognised in the income statement in finance costs.

Under IFRS 9, changes in the fair value of forward foreign exchange contracts attributable to forward points can be recognised as a cost of hedging in the hedging reserve. The Group has chosen to continue recognising the costs of hedging in the income statement immediately rather than deferring these in equity.

Under IAS 39, the amounts accumulated in the cash flow hedge reserve relating to the spot component were reclassified and included in the initial cost of the inventory item when it was recognised. The same approach applies under IFRS 9 to the amounts accumulated in the cash flow hedge reserve.

38. Change in Accounting Policies continued

(c) Impact of Adoption of IFRS 9 Financial Instruments continued

(ii) Impairment of Financial Assets

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.

Trade receivables, contract assets and accrued revenue

The Group applies the IFRS 9 simplified impairment model, which uses a lifetime expected loss allowance, to short-term trade receivables, accrued revenue, contract assets and lease receivables and long-term trade receivables, accrued revenue and contract assets. To measure the expected credit losses, trade receivables, accrued revenue and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Contract assets represent the Group's right to consideration for goods or services that have been transferred to a customer while the right remains on condition that Hunting completes its promise. Accrued revenue represents unbilled revenue that is recognised after Hunting has completed its promise to a customer. As contract assets and accrued revenue have substantially the same credit risk characteristics as trade receivables for the same types of contracts, it was concluded that the expected loss rates for trade receivables are a reasonable approximation for the loss rates for contract assets and accrued revenue.

As at 31 December 2017, the impact on the Group's financial performance and position has been an increase in the bad debt provision of $0.2m. A reconciliation of the bad debt provision as at 31 December 2017 and 1 January 2018 is shown below.

	2018 $m
At 31 December 2017 – calculated under IAS 39	4.8
Additional impairment recognised at 1 January 2018 on trade receivables as at 31 December 2017	0.2
Opening bad debt provision as at 1 January 2018 – calculated under IFRS 9	5.0

The bad debt provision decreased to $3.1m by 31 December 2018. The decrease would not have been materially different under the incurred loss model of IAS 39.

Trade receivables and contract assets are written off when there is no reasonable expectation that the Group will be able to collect all amounts due according to the original terms of sale. Indicators that the debt will not be recovered include defaults in payment and the debtor is in financial difficulty or the debtor has been placed into administration and is no longer trading.

Investments

The Group's listed equity investments and mutual funds are carried at fair value through profit or loss and are considered to have a low credit risk as they have a low risk of default. Funds are invested in a wide portfolio of US mutual funds and no individual exposure is considered to be significant.

Other financial assets at amortised cost

Other financial assets carried at amortised cost include the loan note, a receivable from the liquidators of an associate for the Group's share of net assets and other receivables. The loss allowance at 1 January 2018, as a result of applying the expected credit risk model under IFRS 9, was $nil and by 31 December 2018 the receivable from the liquidators of $1.3m had been collected in full.

(iii) Classification and Measurement

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. On 1 January 2018, the date of initial application of IFRS 9, management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. All of the Group's entities have a hold to collect business model and therefore the classification of financial assets has not changed following the adoption of IFRS 9. As a result, there has been no impact on the Group's retained earnings. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

The classification of the Group's non-current and current investments under IFRS 9 has not changed from the classification under IAS 39 at fair value through profit or loss. Non-current and current other receivables, the loan note, net trade receivables, accrued revenue and cash at bank and in hand were previously classified as loans and receivables under IAS 39 are now classified as at amortised cost under IFRS 9.

The carrying amounts for financial assets under IFRS 9 have not changed from the carrying amounts under IAS 39, except for trade and other receivables. An increase of $0.2m in the bad debt provision was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9 and the carrying amount of net trade receivables reduced from $148.0m to $147.8m. These trade and other receivables do not include the additional contract assets of $6.8m that were recognised on the adoption of IFRS 15, see note 38(b) above.

Company balance sheet
at 31 December 2018

	Notes	2018 $m	2017 $m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	**436.8**	436.8
Other receivables	C5	**286.0**	275.3
		722.8	712.1
Current assets			
Other receivables	C5	**1.1**	1.3
Current tax asset		**–**	2.1
		1.1	3.4
LIABILITIES			
Current liabilities			
Other payables	C6	**1.3**	1.8
Provisions		**0.6**	0.5
Current tax liability		**0.4**	–
		2.3	2.3
Net current (liabilities) assets		**(1.2)**	1.1
Non-current liabilities			
Borrowings		**0.6**	0.3
Provisions		**0.8**	0.6
		1.4	0.9
Net assets		**720.2**	712.3
Equity attributable to owners of the parent			
Share capital	C12	**66.7**	66.4
Share premium	C12	**153.0**	153.0
Other components of equity	C13	**70.5**	79.3
Retained earnings	C14	**430.0**	413.6
Total equity		**720.2**	712.3

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. Profit and total comprehensive income for the year of $7.3m (2017 – $13.6m) has been accounted for in the financial statements of the Company.

The notes on pages 155 to 160 are an integral part of these financial statements. The financial statements on pages 152 to 154 were approved by the Board of Directors on 28 February 2019 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 2018				
At 1 January		**66.4**	**153.0**	**79.3**	**413.6**	**712.3**
Profit for the year		**–**	**–**	**–**	**7.3**	**7.3**
Total comprehensive income		**–**	**–**	**–**	**7.3**	**7.3**
Dividends paid to equity shareholders	C15	**–**	**–**	**–**	**(6.6)**	**(6.6)**
Shares issued						
– share option schemes and awards	C12	**0.3**	**–**	**–**	**–**	**0.3**
Treasury shares						
– purchase of Treasury shares		**–**	**–**	**–**	**(5.7)**	**(5.7)**
Share options and awards						
– value of employee services	C13	**–**	**–**	**13.1**	**–**	**13.1**
– discharge	C13, C14	**–**	**–**	**(9.7)**	**9.2**	**(0.5)**
Transfer between reserves		**–**	**–**	**(12.2)**	**12.2**	**–**
Total transactions with owners		**0.3**	**–**	**(8.8)**	**9.1**	**0.6**
At 31 December		**66.7**	**153.0**	**70.5**	**430.0**	**720.2**

	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

Company statement of cash flows

For the year ended 31 December 2018

	Notes	2018 $m	2017 $m
Operating activities			
Profit from operations		**0.6**	7.1
Share-based payments expense		**13.2**	11.9
Decrease (increase) in receivables		**0.2**	(0.4)
Decrease in payables		**(1.6)**	(0.6)
Increase in provisions		**0.1**	0.3
Net exchange differences		**0.7**	0.8
Taxation received (paid)		**0.6**	(2.0)
Net cash inflow from operating activities		**13.8**	17.1
Investing activities			
Interest received		**8.7**	7.6
Net cash inflow from investing activities		**8.7**	7.6
Financing activities			
Interest and bank fees paid		**(0.1)**	(0.1)
Dividends paid to equity shareholders	C15	**(6.6)**	–
Share capital issued		**0.3**	0.1
Purchase of treasury shares		**(5.7)**	–
Loan issued		**(22.9)**	(29.5)
Loan received		**0.3**	0.3
Loan issued repaid		**12.2**	–
Net cash outflow from financing activities		**(22.5)**	(29.2)
Net cash inflow (outflow) in cash and cash equivalents		**–**	(4.5)
Cash and cash equivalents at the beginning of the year		**–**	4.5
Cash and cash equivalents at the end of the year		**–**	–

Notes to the Company financial statements

C1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares listed 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 167. The Company acts as a holding company for the Hunting PLC Group. Details of the Company's subsidiaries are given in note C19. The financial statements of Hunting PLC have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS 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. The Board's consideration of going concern is detailed further in the Strategic Report on page 53.

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 37 of the Group's financial statements, except for investments in subsidiaries that are stated at cost, which is the fair value of the consideration paid, less provision for impairment. These policies have been consistently applied to all the years presented.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 49 to 52 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, became effective for the Company on 1 January 2018 and has been adopted retrospectively. There is no impact on the Company's financial position or results following the adoption of IFRS 9 on 1 January 2018.

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

The non-current loan receivable from a subsidiary and current receivables from subsidiaries were previously classified as loans and receivables under IAS 39 and are now classified as at amortised cost under IFRS 9. The carrying amounts for financial assets under IFRS 9 have not changed from the carrying amounts under IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers establishes when revenue is 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 Company from 1 January 2018. There was no impact on the Company's financial position or results following the adoption of IFRS 15 on 1 January 2018.

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 Company from 1 January 2019. Management has performed an assessment of the impact of adopting IFRS 16 and currently no impact on the Company's financial position or results is expected following the adoption of IFRS 16 on 1 January 2019.

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:

	2018 $m	2017 $m
Fees payable to the Company's independent auditors and its associates for:		
The audit of these financial statements	**0.5**	0.5

C4. Investments in Subsidiaries

	2018 $m	2017 $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

	2018 $m	2017 $m
Non-current:		
Loan receivable from a subsidiary – interest-bearing	**285.9**	275.2
Prepayments	**0.1**	0.1
	286.0	275.3
Current:		
Receivables from subsidiaries	**0.8**	0.8
Prepayments	**0.2**	0.4
Other receivables	**0.1**	0.1
	1.1	1.3

The loan receivable from a subsidiary and current receivables from subsidiaries are financial assets measured at amortised cost. Other receivables relate to VAT balances, which are not financial assets.

None of the Company's receivables (2017 – none) were overdue at the year-end and the Company does not consider it necessary to provide for any impairments as there is no recent history of default or any indications that the contractual payments will not be made. The Company's maximum exposure to credit risk is the fair value of each class of receivable, as described in note C8. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. The interest-bearing loan receivable from a subsidiary is unsecured and interest is charged based on a margin over bank lending rates. Current receivables due from subsidiaries are current accounts and are unsecured, interest free and repayable on demand.

C6. Other Payables

	2018 $m	2017 $m
Current:		
Payables to subsidiaries	**0.2**	0.3
Accruals	**0.6**	0.8
Other payables	**0.5**	0.7
	1.3	1.8

Payables to subsidiaries, accruals and other payables are financial liabilities carried at amortised cost. Current payables due to subsidiaries are unsecured, interest free and repayable on demand.

C7. Derivatives and Hedging

The Company has used forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. At 31 December 2018, the Company had no outstanding forward foreign exchange contracts (2017 – $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 $0.4m loss (2017 – $nil) were recognised in the income statement during the year.

C8. Financial Instruments: Fair Values

Due to their short-term nature, the carrying value of current receivables from subsidiaries, other receivables, payables to subsidiaries, accruals, other payables, provisions, borrowings and bank overdrafts approximates their fair value. The carrying value of the loan receivable from subsidiaries approximates its fair value as interest is charged based on a margin over current bank lending rates.

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 and, where appropriate, forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. The Company has Sterling denominated financial assets and financial liabilities.

The carrying amount of the Company's financial assets included in current receivables from subsidiaries at 31 December on which exchange differences would be recognised in the income statement in the following year, is $0.7m (2017 – $0.4m) 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 $3.2m (2017 – $2.6m) for Sterling denominated financial liabilities.

C9. Financial Risk Management continued

(b) Interest Rate Risk

The Company is exposed to cash flow interest rate risk from its loan receivable from a subsidiary and borrowings payable to a subsidiary, which are at variable interest rates.

(c) Credit Risk

The Company's credit risk arises from its outstanding current receivables and loan receivable from a subsidiary. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk other than from related parties. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities.

The interest-bearing loan receivable due from a subsidiary has not been impaired as no losses are expected from non-performance of this counterparty. The credit risk at the time the loan was taken out was deemed to be low and there has not been an increase in the credit risk since the time the loan was initially recognised. Therefore, management does not believe that there is a significant increase in credit risk such that the loan moves from stage 1 to stage 2 of the IFRS 9 general impairment model. There is no history of default and previously all payments under the original terms of the loan have been made. The loan is with the Group's central treasury company, which has sufficient cash, short-term deposits and credit facilities, in the form of the RCF, to repay the loan. Management does not have any reason to believe that any future payments will not be made in accordance with the terms of the loan. Therefore no provision for 12-month expected credit losses has been made under IFRS 9.

The Company's outstanding receivables due from subsidiaries are current accounts and no losses are expected from non-performance of these counterparties.

(d) Liquidity Risk

The Company has sufficient facilities available to satisfy its requirements.

During March 2017, the Group's treasury function put in place a sweeping arrangement with the Company, such that at the end of each day any balances in its bank accounts are swept to the treasury function, with a corresponding increase in the loan receivable balance with fellow group companies. As a result, at the end of the year, cash at bank is $nil.

The Company is party to a cross-guarantee and set-off arrangement with Lloyds Bank Plc and Barclays Bank Plc. There is no set-off in the presentation of cash balances held by the Company in the financial statements. Under this arrangement the Company is jointly and severally liable for any gross liability position held by any of the companies' party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of £2.6m ($3.4m).

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.

	2018 On demand or within one year $m	2017 On demand or within one year $m
Non-derivative financial liabilities:		
Payables to subsidiaries	**0.2**	0.3
Borrowings – payable due to subsidiary	**0.6**	0.3
Accruals	**0.6**	0.8
Other payables	**0.5**	0.7
	1.9	2.1

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

(e) Capital Risk Management

The Company's capital consists of equity and net cash. Net cash comprises the loan receivable from a subsidiary 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:

	2018 $m	Restated 2017 $m
Total equity	**720.2**	712.3
Net cash:		
Borrowings – payable due to subsidiary	**0.6**	0.3
Loan receivable from subsidiary (note C5)	**(285.9)**	(275.2)
Capital employed	**434.9**	437.4

The 2017 capital employed amount has been restated to include the Company's borrowings.

C9. Financial Risk Management continued

(e) Capital Risk Management continued

The increase in total equity during the year is mainly attributable to the retained profit for the year of $7.3m. The increase in the share-based payments reserve of $13.1m is offset by the payment of a dividend of $6.6m and the purchase of treasury shares of $5.7m. The loan receivable from a subsidiary increased by $10.7m largely due to royalty income received during the year. 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 and borrowings. The sensitivity analysis relates to the position as at 31 December 2018.

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 2018, for an increase of 0.5% (2017 – 0.75%) in US interest rates, is to increase profits by $1.2m (2017 – $1.7m). If the US interest rates were to decrease by 0.5% (2017 – 0.75%), then the post-tax impact would be to reduce profits by $1.2m (2017 – $1.7m). The movements arise on US dollar denominated intra-Group loans. There is no impact on OCI for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2018, for an increase or decrease of 10% (2017 – 10%) 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 29 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 30 of the Group's financial statements.

C13. Other Components of Equity

	Year ended 31 December 2018				
	Capital redemption reserve $m	**Share-based payments reserve $m**	**Currency translation reserve $m**	**Merger reserve $m**	**Total $m**
At 1 January	**0.2**	**18.9**	**(19.2)**	**79.4**	**79.3**
Share options and awards					
– value of employee services	**–**	**13.1**	**–**	**–**	**13.1**
– discharge	**–**	**(9.7)**	**–**	**–**	**(9.7)**
Transfer between reserves	**–**	**–**	**–**	**(12.2)**	**(12.2)**
At 31 December	**0.2**	**22.3**	**(19.2)**	**67.2**	**70.5**

During the year, $12.2m was transferred from the merger reserve to retained earnings. This portion of the reserve is now considered to be realised as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	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

C14. Retained Earnings

	2018 $m	2017 $m
At 1 January	**413.6**	391.1
Profit for the year	**7.3**	13.6
Dividends paid to equity shareholders (note C15)	**(6.6)**	–
Purchase of treasury shares	**(5.7)**	–
Share options and awards		
– discharge	**9.2**	8.9
Transfer between reserves	**12.2**	–
At 31 December	**430.0**	413.6

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

	2018 $m	2017 $m
Cost:		
At 1 January	**(7.2)**	(8.7)
Purchase of treasury shares	**(5.7)**	–
Disposal of treasury shares	**1.7**	1.5
At 31 December	**(11.2)**	(7.2)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was $1.7m (2017 – $1.5m).

C15. Dividends Paid to Equity Shareholders

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

C16. Share-Based Payments

Please see note 34 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:

	2018 $m	2017 $m
Transactions:		
Royalties receivable	**14.7**	10.8
Management fees payable	**(11.7)**	(9.7)
Recharges of share options and awards and administrative expenses	**13.3**	12.1
Loan to subsidiary	**(22.9)**	(29.5)
Loan from subsidiary	**0.3**	0.3
Loans to subsidiary repaid	**12.2**	–
Interest receivable on inter-company loans	**8.7**	7.6
Dividends received from subsidiaries	**–**	9.7
Year-end balances:		
Payables to subsidiaries	**(0.2)**	(0.3)
Receivables from subsidiaries	**0.8**	0.8
Loans owed to subsidiaries	**(0.6)**	(0.3)
Loans owed by subsidiaries	**285.9**	275.2

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 receivable for UK Group tax relief was $1.2m (2017 – $2.1m).

The key management of the Company comprises the Hunting PLC Board and members of the Executive Committee. The details of their compensation are disclosed in note 8 of the Group's financial statements. The Hunting PLC Board and members of the Executive Committee 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, Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Energy Services (Canada) Ltd	5550 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Wuxi) Co. Ltd (70%)	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, China
Hunting Energy Completion Equipment (Wuxi) Co., Ltd	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, 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[v]	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[v]	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 Energy Services (Well Intervention) Pte. Ltd	15 Scotts Road, #04-01/03, Thong Teck Building, 228218, Singapore
Hunting Energy Services (South Africa) Pty Ltd	Manor House, Vineyards Office Estate, 99 Jip de Jager, De Bron, Cape Town, 7560, 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, LLC	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Premium Finishes, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Dearborn, Inc.	6, Dearborn Drive, Fryeburg, Maine, USA
Hunting Energy Services (Drilling Tools), Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Innova, Inc.	8383 North Sam Houston Parkway West, Houston, Texas, 77064, USA
Hunting Specialty, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Titan, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Titan ULC	5550 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Tenkay Resources, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 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[iv]	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Pension Trust Limited[ii]	5 Hanover Square, London, W1S 1HQ, 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
Hunting Aviation 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.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA

Notes:
i. Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
ii. Interest in company is held directly by Hunting PLC.
iii. All interests in subsidiaries are in the equity shares of those companies. The proportion of voting rights is represented by the interest in the equity shares of those companies.
iv. Huntfield Trust Limited (registered number 00372215), Stag Line Limited (registered number 00151320), Hunting Aviation Limited and Hunting Knightsbridge (US) Finance Limited (registered number 08319706) 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.
v. Company has been placed into voluntary liquidation.

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 intangible assets recognised as part of a business combination, in a separate column on the face of the income statement. All profit and loss measures adjusted for amortisation of intangible assets recognised as part of a business combination 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.

	2018 $m	Restated 2017 $m
Reported profit (loss) from operations (consolidated income statement) – as previously reported	**75.4**	(25.4)
Change in accounting policy	**–**	0.6
Reported profit (loss) from operations – restated	**75.4**	(24.8)
Add:		
Depreciation charge for the year on property, plant and equipment (note 12)	**35.0**	39.6
Amortisation of other intangible assets (note 14)	**31.9**	31.2
Impairment of property, plant and equipment (note 12)	**1.0**	7.6
Less:		
Reversal of impairment of property, plant and equipment and other assets (note 12)	**(2.0)**	–
Reported EBITDA	**141.3**	53.6
Add: Exceptional items impacting EBITDA		
Restructuring costs (note 6)	**0.5**	2.4
Loss on disposal of Kenya rental fleet (note 6)	**0.5**	–
Underlying EBITDA	**142.3**	56.0

B. Underlying Tax Rate

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

Calculation definition: Taxation on underlying profit before tax divided by underlying profit before tax, expressed as a percentage.

	2018 $m	Restated 2017 $m
Underlying taxation charge (note 10)	**(22.0)**	(1.0)
Underlying profit before tax for the year (consolidated income statement)	**104.0**	11.5
Underlying tax rate	**21%**	9%

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.

	2018 $m	Restated 2017 $m
Trade and other receivables – non-current (note 16)	**3.5**	3.3
Trade and other receivables – current (note 16)	**231.0**	185.7
Inventories (note 18)	**348.2**	281.0
Trade and other payables – current (note 19)	**(140.9)**	(130.9)
Trade and other payables – non-current (note 19)	**(3.8)**	(3.9)
Less: non-working capital loan note (note 16)	**(1.2)**	(1.3)
Add: non-working capital US deferred compensation plan obligation (note 19)	**1.7**	12.2
Less: non-working capital current other receivables and other payables	**(2.0)**	(2.1)
	436.5	344.0

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.

	2018 $m	2017 $m
Inventory (note 18)	**348.2**	281.0
Underlying cost of sales for October to December	**173.0**	155.0
Inventory days	**185 days**	167 days

E. Receivables Days

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

Calculation definition: Net trade receivables, contract assets and accrued revenue 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.

	2018 $m	Restated 2017 $m
Net trade receivables (note 16)	**182.0**	148.0
Contract assets	**11.8**	6.8
Accrued revenue	**7.9**	6.2
Net receivables	**201.7**	161.0
Revenue for October to December	**236.6**	207.1
Trade receivable days	**78 days**	72 days

F. Other Net Assets

	2018 $m	Restated 2017 $m
Retirement benefit asset (note 29)	–	18.6
Investments in associates (consolidated balance sheet)	0.7	0.7
Listed equity investments and mutual funds (note 15)	1.7	12.2
Non-working capital loan note (NGM C)	1.2	1.3
Non-working capital US deferred compensation plan obligation (NGM C)	(1.7)	(12.2)
Non-working capital current other receivables and other payables (NGM C)	2.0	2.1
	3.9	22.7

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:

	2018 $m	Restated 2017 $m
Total equity (consolidated balance sheet)	1,191.1	1,112.1
Net cash (note 23)	(61.3)	(30.4)
	1,129.8	1,081.7

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, if the Group has net debt. If the Group is in a net cash position, the calculation is not applicable (see NGM G).

	2018	2017
Gearing	n/a	n/a

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.

	2018 $m	Restated 2017 $m
Working capital – opening balance	344.0	301.2
Foreign exchange	(4.6)	4.7
Adjustments:		
Transfer to property, plant and equipment (note 12)	–	(0.5)
Transfer from provisions	(0.1)	–
Capital investment debtors/creditors cash flows	0.1	(0.1)
Other non-cash flow movements	0.7	(0.8)
Other cash flow movement	(0.2)	(0.4)
Working capital – closing balance (NGM C)	(436.5)	(344.0)
Cash flow	(96.6)	(39.9)

J. Capital Investment

Purpose: Capital investment identifies the cash resources being absorbed organically within the business to maintain or enhance operating activity levels.

Calculation definition: Capital investment is the cash paid on tangible non-current assets to maintain existing levels of operating activity and to grow the business from current operating levels and enhance operating activity.

	2018 $m	2017 $m
Property, plant and equipment additions (note 12)	**30.0**	11.5
Capital investment debtors/creditors cash flows (NGM I)	**0.1**	(0.1)
Cash flow	**30.1**	11.4
Hunting Titan	**12.6**	2.6
US	**15.2**	5.9
Canada	**0.9**	0.7
Europe	**0.4**	1.0
Asia Pacific	**0.2**	0.5
Middle East, Africa and Other	**0.1**	0.3
Exploration and Production	**0.5**	0.2
Central	**0.2**	0.2
Cash flow	**30.1**	11.4

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.

	2018 $m	2017 $m
Net gain on disposal of property, plant and equipment (consolidated statement of cash flows)	**(1.0)**	(0.5)
Gain on disposal of held for sale assets (consolidated statement of cash flows)	**–**	(1.2)
Decrease in provisions (consolidated statement of cash flows)	**(3.8)**	(1.0)
Proceeds on disposal of associate	**1.3**	–
Other non-cash flow items		
Pensions	**2.5**	2.2
Other	**0.4**	–
	(0.6)	(0.5)

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. 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: All cash flows before transactions with shareholders and tangible and intangible capital investment.

	2018 $m	Restated 2017 $m
Underlying EBITDA (NGM A)	**142.3**	56.0
Add: share-based payment charge	**13.2**	11.9
	155.5	67.9
Working capital movements (NGM I)	**(96.6)**	(39.9)
Net interest paid and bank fees (consolidated statement of cash flows)	**(2.0)**	(2.4)
Net tax (paid) received (consolidated statement of cash flows)	**(2.6)**	6.5
Proceeds from disposal of PPE	**16.4**	6.2
UK pension scheme refund	**10.6**	9.7
Disposal of business	**–**	1.8
Other operating cash and non-cash movements (NGM K)	**(0.6)**	(0.5)
	80.7	49.3

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.

	2018 Cents per share	2017 Cents per share
Interim dividend	**4.0**	–
Final dividend	**5.0**	–
	9.0	–

N. Dividend Cover

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

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

	2018		Restated 2017	
	Underlying	**Reported**	Underlying	Reported
Earnings (loss) per share				
Basic (note 11)	**51.6c**	**54.4c**	8.0c	(16.0)c
Diluted (note 11)	**49.6c**	**52.3c**	8.0c	(16.0)c
Dividend (NGM M)	**9.0c**	**9.0c**	–	–
Dividend cover				
Basic	**5.7x**	**6.0x**	n/a	n/a
Diluted	**5.5x**	**5.8x**	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 profit before interest and tax, 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.

	2018 $m	Restated 2017 $m
Average monthly gross capital employed (13 point average)	**1,120.8**	1,120.3
Underlying profit from operations (consolidated income statement)	**104.7**	14.3
Share of associates' post-tax losses (consolidated income statement)	**–**	(1.3)
Underlying profit from operations including associates	**104.7**	13.0
Return on average capital employed	**9%**	1%

Financial record[i] (unaudited)

	2018 $m	Restated[ii] 2017 $m	2016 $m	2015 $m	2014 $m
Revenue	**911.4**	724.9	455.8	810.5	1,386.5
EBITDA	**142.3**	56.0	(48.9)	61.9	269.8
Depreciation and non-exceptional amortisation and impairment	**(37.6)**	(41.7)	(43.3)	(45.5)	(52.0)
Profit (loss) from continuing operations	**104.7**	14.3	(92.2)	16.4	217.8
Net finance expense	**(0.7)**	(1.5)	(0.7)	(6.8)	(4.9)
Share of associates' post-tax losses	**–**	(1.3)	(0.3)	(0.2)	(0.5)
Profit (loss) before tax from continuing operations	**104.0**	11.5	(93.2)	9.4	212.4
Taxation	**(22.0)**	(1.0)	19.9	(5.4)	(57.2)
Profit (loss) for the year from continuing operations	**82.0**	10.5	(73.3)	4.0	155.2
Profit (loss) for the year from discontinued operations	**–**	–	–	–	0.3
Profit (loss) for the year	**82.0**	10.5	(73.3)	4.0	155.5

	cents	cents	cents	cents	cents
Basic earnings (loss) per share					
Continuing operations	**51.6**	8.0	(45.3)	3.1	102.6
Continuing and discontinued operations	**51.6**	8.0	(45.3)	3.1	102.8
Diluted earnings (loss) per share					
Continuing operations	**49.6**	8.0	(45.3)	3.1	100.0
Continuing and discontinued operations	**49.6**	8.0	(45.3)	3.1	100.2
Dividend per share[iii]	**9.0**	–	–	8.0	31.0

	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**360.2**	383.3	419.0	460.8	473.0
Goodwill and other intangible assets	**329.7**	355.7	380.5	411.0	665.4
Working capital	**436.5**	344.0	300.2	365.8	470.6
Taxation (current and deferred)	**13.7**	(6.0)	(3.4)	10.7	(55.2)
Provisions	**(14.2)**	(18.0)	(15.7)	(18.0)	(24.7)
Other net assets	**3.9**	22.7	38.7	48.3	40.2
Capital employed	**1,129.8**	1,081.7	1,119.3	1,278.6	1,569.3
Net cash (debt)	**61.3**	30.4	(1.9)	(110.5)	(131.0)
Net assets	**1,191.1**	1,112.1	1,117.4	1,168.1	1,438.3
Non-controlling interests	**(14.0)**	(18.8)	(19.3)	(26.2)	(30.2)
Equity attributable to owners of the parent	**1,177.1**	1,093.3	1,098.1	1,141.9	1,408.1

	cents	cents	cents	cents	cents
Net assets per share	**721.4**	677.3	682.6	785.0	968.6

i. Information is stated before exceptional items and amortisation of intangible assets recognised as part of a business combination.
ii. Information for 2017 has been restated to reflect the adoption of IFRS 15 Revenue from Contracts with Customers (see note 38). Information for the years 2014 to 2016 has not been restated for the adoption of IFRS 15 Revenue from Contracts with Customers as the effects are not considered to be material. As IFRS 9 Financial Instruments has been adopted on 1 January 2018, and there was no impact on prior years of the adoption, none of the historical information has been restated.
iii. 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.