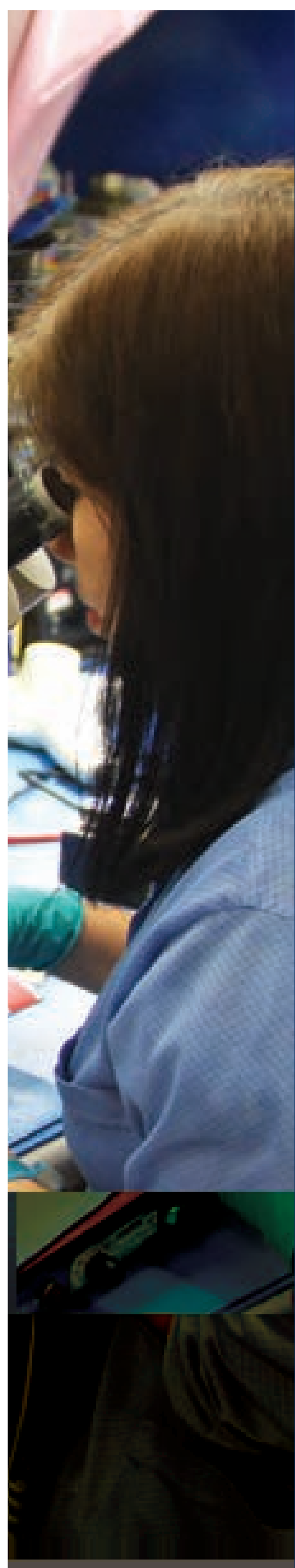
HUNTING

Hunting PLC
Annual Report and Accounts 2011

A year of rapid expansion



Hunting at a glance

Hunting PLC is a global energy services provider that manufactures and distributes products that enable the extraction of oil and gas for the world's leading companies.

Well Construction

Products and services provided in the drilling phase of exploration and production.

The company provides premium casing and Oil Country Tubular Goods ("OCTG") in the construction of the wellbore; in-house design (Seal-Lock™) and threading of premium connections and associated technologies, which are well suited to the deeper and more challenging offshore environments as well as onshore shale plays.

Hunting Innova's substantial electronics capability adds to this core mechanical competence and together with the recent acquisitions of Dearborn, Doffing and Specialty, this has led to the formation of an Advanced Manufacturing Group to build a single source MWD/LWD capability.

The company is also an innovator in the design, manufacture and leasing of mud motors and associated drilling tools, especially for horizontal wells typical of shale formations.

1 Casing
2 Connection Technologies
3 Annular Pressure Release Systems
4 Collars
5 Logging While Drilling Components
6 Roller Reamer
7 Measurement While Drilling Components
8 Non-Magnetic Integral Blade Stabilisers
9 Non-Magnetic Drill Collar
10 Vibration Dampening Unit
11 Mud Motor

Well Completion

Manufacturing accessories and completion equipment for the world's principal producing regions.

Providing products, proprietary technologies, engineering expertise and services below the wellhead to allow the flow of hydrocarbons to the surface. Premium tubing, connections and OCTG related goods and services are manufactured by 38 company facilities around the world. OEM and in-house designed wellbore tools are used by the major energy service companies and international operators. Clear-Run™ technology provides a significant advantage for running tubing in zero emission environments.

The acquisition of Titan during the year projects the company into the design, manufacture and distribution of perforating systems, energetics, associated tools and MWD/LWD Wireline logging equipment. Titan extends the company product line by 43,000 parts alone.

1 Two-Step Tubing
2 Flow Couplings
3 Crossovers
4 Landing Nipples
5 Bull Plugs
6 Flow Tubes
7 Connection Technologies
8 Pup Joints
9 Double Pin Subs
10 Blast Joints

Well Intervention

Equipment manufacture and supply for the maintenance and restoration of producing oil and gas wells from company distribution points around the world.

The organic growth of this division, coupled with targeted acquisitions, has allowed for the integration of an extensive range of pressure control equipment technologies, Wireline and Slickline products, together with intervention expertise to complement the Hunting range of well intervention tools.

The subsea technologies capability is being expanded to include chemical injection systems, hydraulic valves and couplings. This has been enhanced by the growing activities of Hunting Welltonic who are widely regarded as one of the leading Thru-Tubing service providers at the forefront of supplying down hole solutions to the world's coiled tubing operators.

1 Stuffing Box
2 Pressure Control
3 Thru-Tubing
4 Coiled Tubing Tools
5 Running Tools
6 VariBall Roller System
7 Slickline Tools
8 Pulling Tools
9 E-Line Tools
10 Positioning Tools
11 Kickover Tools
12 Hydraulic Couplings and Valves
13 Chemical Injection Systems

12

13

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5 8 9 5 6 8 10

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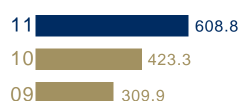
Highlights

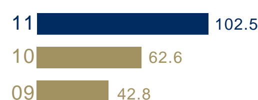
“ In 2011, we achieved a number of signi cant milestones in our growth strategy.”

Revenue
(£m)



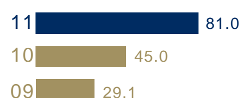
£608.8m +44%

EBITDA*
(£m)



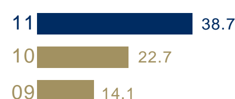
£102.5m +64%

Pro t from Operations*
(£m)



£81.0m +80%

Diluted EPS*
(p)



38.7p +70%

Dividend per share
(p)

15.0p +25%

* Continuing operations before amortisation and exceptional items.

Operational Highlights

- Four acquisitions completed in the year totalling £597.9m, including Titan, the largest in the Group’s history.
- Strong market growth leading to excellent operating performance reported in the year.
- Existing businesses delivering strong double-digit growth.
- Good contributions from acquisitions.
- Continued investment in global facilities – operating footprint now exceeds 2.5 million square feet across 38 manufacturing facilities.
- New facilities being completed in China, Scotland and the US.
- Many businesses exceeding historic operating highs.

Financial Highlights

- Robust growth in revenue and pro t before tax delivered from continuing operations.
- Strong increase in nal dividend proposed of 11.0p (2010 – 8.3p). Total dividend in the year, subject to approval by shareholders, of 15.0p (2010 – 12.0p).
- Capital expenditure across all operations increased to £58.0m (2010 – £49.0m).
- Equity placing of 13.2 million shares completed, raising £83.5m.
- New £375 million 5 year multi-currency credit facility.
- Reported pro t from continuing operations £41.0m (2010 – £31.0m).
- Reported diluted earnings per share from continuing operations 20.3p (2010 – 15.4p).

FOR MORE INFORMATION PLEASE VISIT:
WWW.HUNTINGPLC.COM

Chairman's Statement

Making significant strides

> "We are well placed to take advantage of this growth and look forward to the opportunities and challenges ahead."

The Group has once again produced excellent results in a year of continuing expansion. Profit before tax from continuing operations and before amortisation and exceptional items in 2011 was £79.8m (2010 – £47.0m), a 70% increase. After amortisation and exceptional items, profit before tax from continuing operations was £38.8m (2010 – £33.0m).

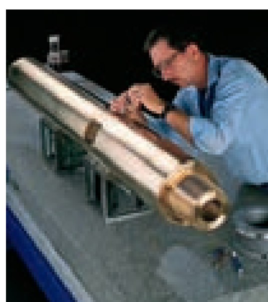
Outstanding acquisition opportunities arose and the Group took advantage of these, with the support of our banks and equity shareholders, as well as existing cash, to buy four companies – Titan being the largest purchase we have ever made. Despite this and the continuing investment in our manufacturing plants and service facilities, the balance sheet remains strong and healthy.

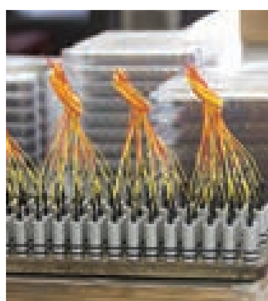
Industry trends identified in previous years continued in 2011, with high oil prices, low natural gas prices (at least in North America) and an even more emphatic rush to develop unconventional, especially shale, resources.

Global financial worries have not seriously impacted the demand for energy in most of our markets, so that customers have continued with their development and investment programmes – leading to high demand for our products.

Activity levels in the Gulf of Mexico, an important market for us, are beginning to recover to somewhere near their pre-2010 levels. Meanwhile, the abundant resources available in shale deposits onshore in the United States and elsewhere are being tapped at an increasing rate, with the emphasis moving to liquids for reasons of price.

"Customers have continued with their development and investment programmes – leading to high demand for our products."





Recent acquisitions have added skills and scale to MWD/LWD capability.

A higher proportion of wells than ever before are being drilled horizontally and the Group has a comprehensive suite of products to support this trend. Our 2011 acquisitions give us even more strength in MWD ("measurement-while-drilling") and LWD ("logging-while-drilling") applications, while the growing demand for fracturing shale deposits is well served by Hunting Titan, the largest acquisition.

The Well Construction operations of our principal operating company, Hunting Energy Services, contributed strongly in a very much improved year while the largest activity, Well Completion, again performed magni cently. Well Intervention had another pro table year. It is notable that Asian activities and markets became ever more important to us.

We have continued our capital spending programme in all areas of Hunting Energy Services activity, with a particular emphasis on advanced production machinery to improve ef ciency and to reduce costs.

Outside the Hunting Energy Services stable, Gibson Shipbrokers had a successful year in highly volatile markets.

Diluted earnings per share from continuing operations, before amortisation and exceptional items, were 38.7p, an increase of 70% on the previous year. Reported diluted earnings per share from continuing operations were 20.3p (2010 – 15.4p).

We are recommending a nal dividend for 2011 of 11.0p per share, payable on 2 July 2012 to shareholders on the register on 8 June 2012, giving a total of 15.0p for the year, a 25% increase.

George Helland, a non-executive Director since 2001, retired from the Company during the year. The Board thanks him for his thorough and constructive work, particularly in the role of Remuneration Committee Chairman.

Andrew Szescila, a US citizen and former Chief Operating Of cer of Baker Hughes, joined the Board as a non-executive Director. David Barr, who had been appointed a non-executive Director at the beginning of the year, left us to take up an executive position elsewhere.

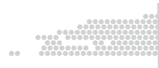
Your Company has had another excellent year and is considerably larger than before. The markets it serves seem poised to continue to grow as standards of living and energy consumption per head increase in much of the world.

We are well placed to take advantage of this growth and look forward to the opportunities and challenges ahead.

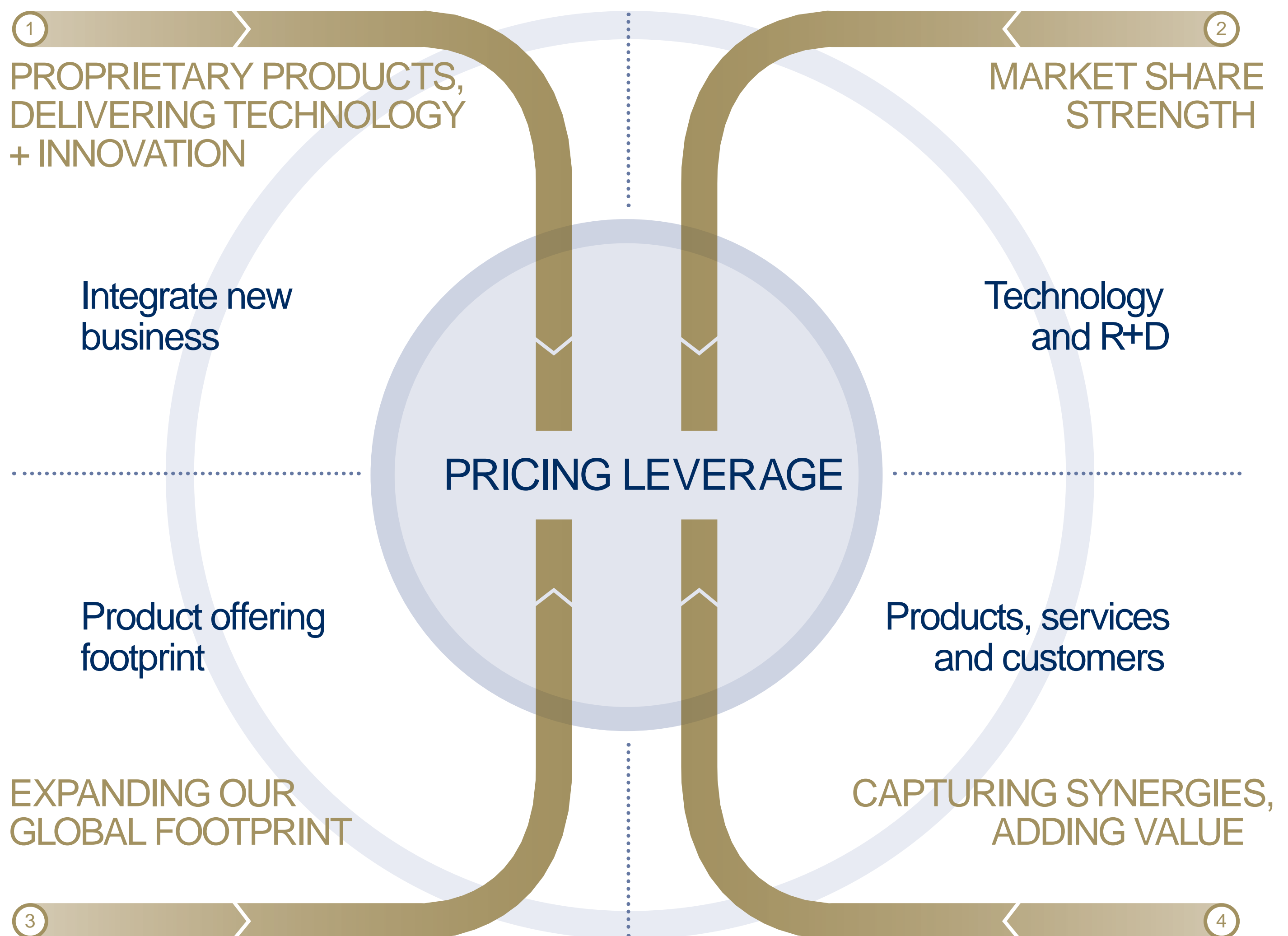
I am grateful to our staff throughout the world for their ne contribution to our success.

R.H. Hunting

Richard Hunting C.B.E.
Chairman
8 March 2012



Increasing shareholder value



Our core strategy is to deliver acquisitive and organic growth across all of the Group's core operations. We do this by investing and developing the business platforms to augment:
- Proprietary products and services;
- Increased market share strength;
- Enlarged global footprint; and
- Capture of synergies from the opportunities thus created.

“ Hunting has seen many of its facilities increase the number of production shifts in the year, with demand in certain areas of the Group exceeding the historic highs

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Chief Executive’s Review continued

> “Part of the immediate integration strategy of Titan is to commence the manufacturing of its products at other Hunting facilities.”

W L Dof ng (“Dof ng”) – In early September 2011, Hunting completed the acquisition of the business and assets of Dof ng, a precision machining services business, for a consideration of £14.2m. Dof ng complements Dearborn, in that it supplies critical tolerance machining, prototyping and rst-pass specialist production services used in MWD/LWD applications.

Titan – In mid-September 2011, the Group also completed the acquisition of Titan, the largest acquisition in the Group’s history, for a consideration of £508.6m. Titan is a leading provider of perforating gun systems, shaped charges, well logging instrumentation and perforating gun switches used in drilling complex horizontal wells, predominantly for shale related drilling. Titan is a supplier of proprietary perforating products in North America and further exposes Hunting to the high growth global shale drilling market, to which the Group already supplies many other components. Part of the immediate integration strategy of Titan is to commence the manufacturing of its products at other Hunting facilities including the Wuxi facility in China where large growth opportunities have been identi ed. Further cross-selling opportunities for Hunting’s existing products through Titan’s 20 distribution outlets throughout North America are also being developed.

Specialty Supply (“Specialty”) – In October 2011, Hunting completed the acquisition of Specialty Supply, a supplier of precision machined components, for a consideration of £24.5m. Speciality’s products are used in the global directional drilling markets and include drill pipe screens, running gear, steering tools and gyro systems.

Since the completion of these acquisitions, all businesses have performed in line with management expectations, with business momentum being maintained from the nal quarter of 2011 into the new trading year. Manufacturing and sales synergies have already been identi ed and are being implemented, with further systems integration planned for the near future.

From the start of 2012, Hunting has commenced a uni ed marketing initiative for the Innova, Dearborn and Dof ng product lines. Under the new branding of ‘Hunting Advanced Manufacturing Group’, the Group now offers a single source solution for MWD/LWD measurement tools. Using the technical expertise of these three businesses, Hunting is aiming to become a leading supplier of MWD/LWD tools, removing the need for multiple component-sourcing currently required by our customers.

Following the four acquisitions, Hunting now has 38 manufacturing facilities worldwide (2010 – 30) with a global footprint totalling over 2.5m square feet of capacity.

During the year, Hunting continued its internal investment programme across its global facilities. In 2011, the Group increased capital expenditure to £58.0m (2010 – £49.0m), of which £57.8m (2010 – £48.7m) was invested within the Group’s primary operating unit, Hunting Energy Services. Within the Group gure of £58.0m, new business development comprised of £45.2m (2010 – £36.8m) and replacement expenditure was £12.8m (2010 – £12.2m). During 2011 the Group completed a project in Scotland to consolidate manufacturing to two principal sites at Badentoy and Fordoun, relocated and consolidated its

Group Income Statement

	2011 £m	2010 £m
Continuing operations: Revenue	608.8	423.3
EBITDA	102.5	62.6
Depreciation and non-exceptional impairment	(21.5)	(17.6)
Pro t from operations before amortisation and exceptional items	81.0	45.0
Amortisation and exceptional items	(40.0)	(14.0)
Pro t from continuing operations	41.0	31.0
Diluted EPS before amortisation and exceptional items	38.7p	22.7p
Diluted EPS – reported	20.3p	15.4p

manufacturing capabilities in Dubai and formally opened its Wuxi facility in China. In 2012 new capital projects at Houma, Louisiana and Stafford, Texas are due to be completed, which will further increase the total operating footprint.

The Group also continued to build its Exploration and Production business where £2.3m was invested during the year (2010 – £7.1m).

Health, Safety and Environment

During 2011, Hunting Energy Services recorded 3.36m personnel hours compared to 2.30m in 2010, an increase of 46%. We are pleased to report that even with this increase, the number of recordable incidents decreased by 26% to 26 incidents compared to 35 in 2010. The incident per million person hours worked therefore decreased 49% to 7.7 compared to 15.2 in 2010.

Investment in proprietary products and expanded facilities, here in Scotland, have continued.

Outlook

Hunting has commenced 2012 on a solid footing, as the demand for energy remains rm. The Group now has an established global manufacturing presence in key energy regions around the world, with a broad product and service offering for our customers. With our new acquisitions, we have extended the number of touch points in the oil and gas well bore and have many opportunities to cross-sell our products into the new and existing market segments in which we serve, while maximising the Group's manufacturing ef ciency with our enlarged operating footprint.

In North America, shale related drilling will continue to support product demand as customers continue to focus on oil related resource plays. As activity in the Gulf of Mexico continues to increase, Hunting anticipates increased business in this area, which will increase the demand for our products, particularly those applicable to deepwater drilling activity. In Europe, despite the reduced number of active rigs following the UK government's new tax legislation, new development projects continue to be sanctioned in the North Sea, which will maintain activity throughout the year. In South East Asia, the continued increase in demand for energy will support our manufacturing activities in Singapore and China.

Oil and gas demand is forecast to continue to grow as we continue through the year, subject to the economic and geopolitical climate not declining further. In the medium to long term, industry commentators are forecasting a 70% increase in investment in capital spending over the next decade to meet anticipated hydrocarbon demand, which provides con dence that Hunting's products will be required in the future.

Business Strategy

The key elements of the Group's business strategy to deliver long term shareholder value remain:

- To deliver both acquisitive and organic growth across all of the Group's core operations.
- To invest and develop the business platforms to augment:
  - Proprietary products and services;
  - Increased market share strength;
  - Enlarged global footprint; and
  - Capture of synergies from the opportunities thus created.

Underpinning these strategic objectives is a commitment to manufacture and deliver high quality products and services with a reputation for reliability and on time delivery under the Hunting brand.

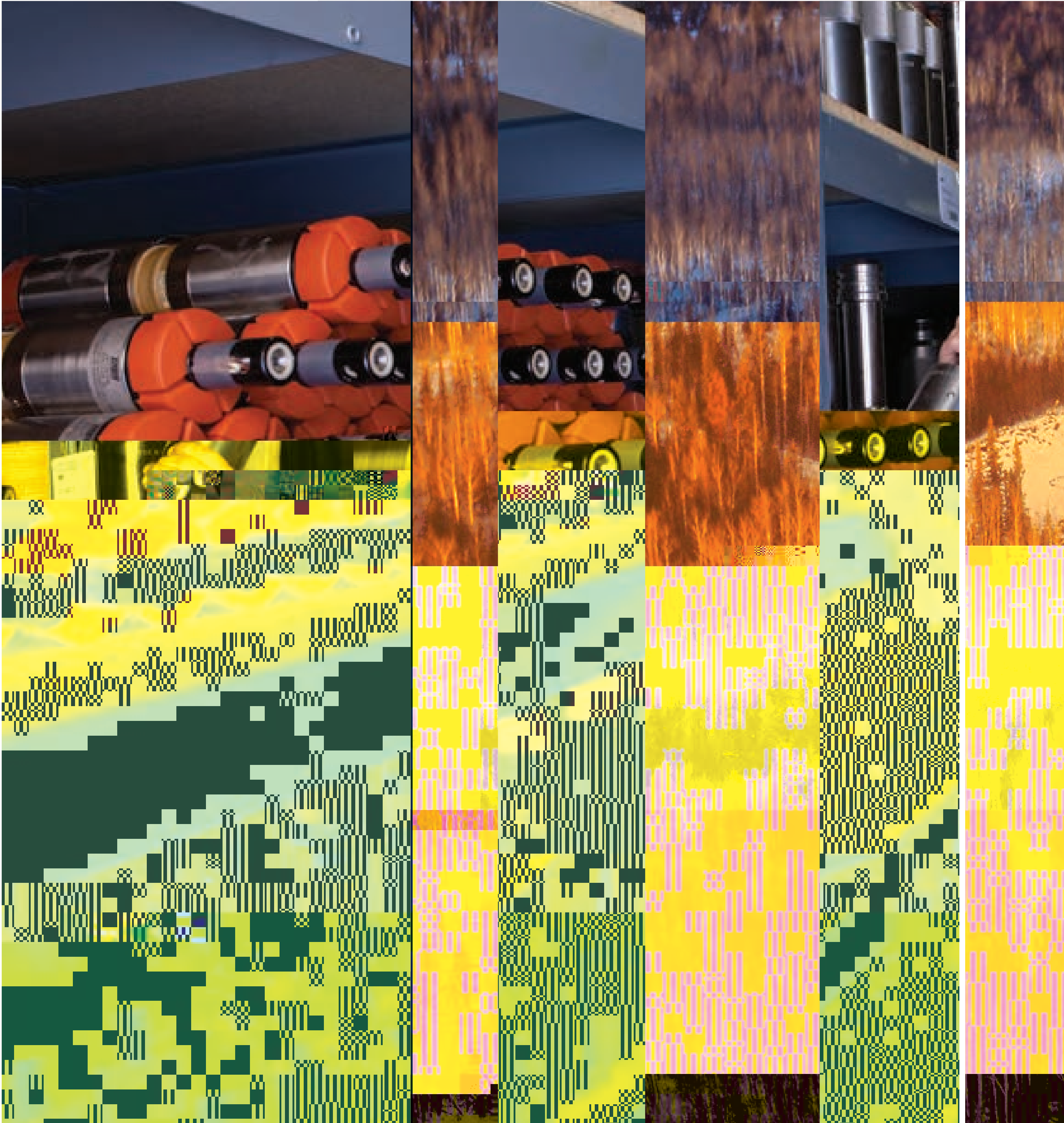
Business Model

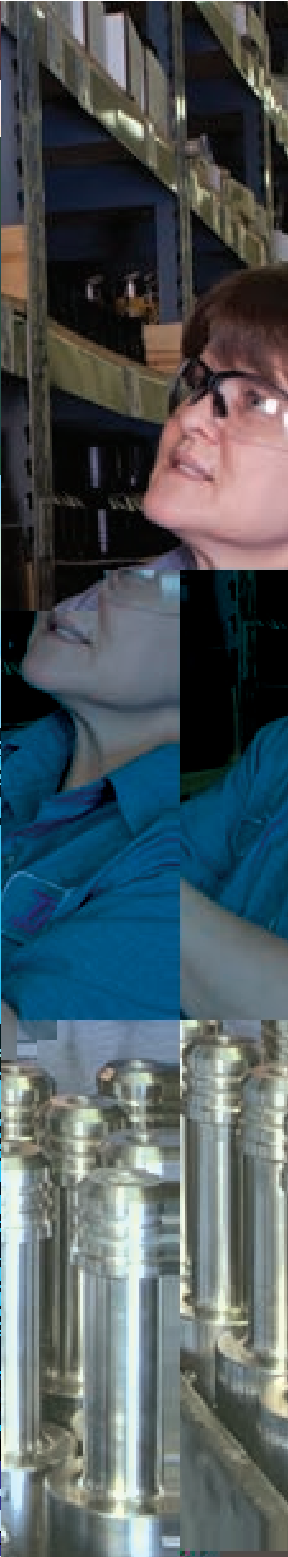
The key features of the Group's business model which seeks to deliver its strategic objectives are:

- A decentralised management structure allowing local management to identify and react to customer or local market requirements.
- Close monitoring, support and direction from the centre.
- Short chains of command allowing for faster decision making.
- Framework of controls with discretionary limits and powers for local management.
- Flexible cost structures which can adapt to market conditions.
- Common standards for quality, health and safety across operations.

Maintaining high operational standards across all of the Group's activities is viewed as one of the building blocks in delivering a strong nancial performance.

Expanding our global footprint





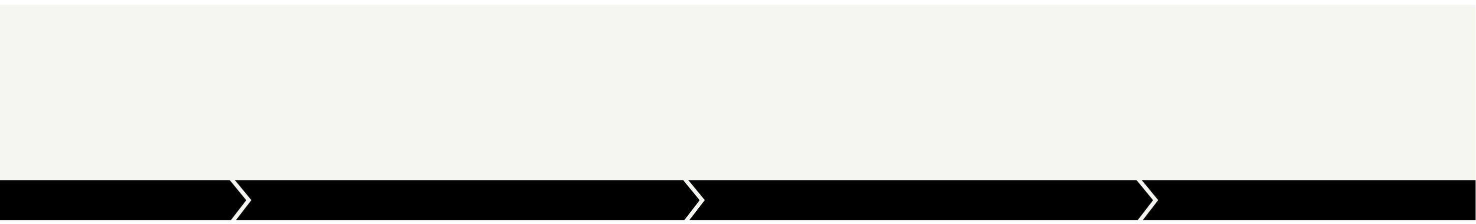
"We enter 2012 on a solid footing with an established global manufacturing presence in the key energy regions around the world."
Dennis Proctor, Chief Executive

Hunting Energy Services now has the opportunity to drive the business forward through 59 facilities throughout the oil and gas world comprising:

- 38 company owned manufacturing centres
- 21 company owned service and distribution points
- 3,453 dedicated staff

Our Strategy in Action

Increasing our market share



" In parallel to the acquisition programme, we have continued to make signi cant investment in our core manufacturing capability."

Peter Rose, Finance Director

New state of the art facilities have been formally opened during the year in:

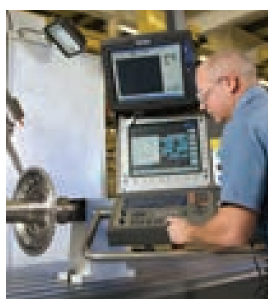
- China
- Dubai
- Louisiana
- Scotland
- Texas
- Wyoming

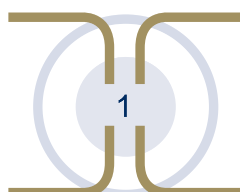
Our Strategy in Action

Capturing synergies, adding value

Operating Review

" Hunting continues to position its technical expertise and operating footprint to meet the requirements of our customers."





OUR STRATEGY:
PROPRIETARY PRODUCTS

To invest in and develop proprietary goods and services.

Hunting manufactures or distributes those products that enable the extraction of oil and gas. The Group's customers include international energy companies, national oil companies and mid to large oil services groups. With increasingly complex resources to de ne and develop, in ever increasing challenging locations, Hunting continues to position its technical expertise and operating footprint to meet the requirements of these customers.

Hunting Energy Services

Hunting Energy Services is the primary operating unit of the Group and during 2011 reported a 45% increase in revenue to £582.8m (2010 – £400.7m) and an 80% increase in pro t from continuing operations before amortisation and exceptional items to £79.3m (2010 – £44.1m). Reported pro t from continuing operations was £50.1m (2010 – £33.2m).

This growth has been achieved through:

- Near record levels of activity within certain businesses, including Premium Connections, Drilling Tools and Manufacturing.
- Good contributions from newly opened facilities around the Group including Conroe, Latrobe, Casper and Wuxi.
- Continued rollout of lean manufacturing across Hunting's 38 locations.
- Addition of new acquisitions to the Hunting portfolio.

Our existing businesses delivered revenue growth of £117.3m to £518.0m, with the balance of £64.8m coming from our newly acquired companies. Pro t from continuing operations before amortisation and exceptional items from existing operations was £64.2m, with £15.1m being generated from the new companies in the Group.

As the business enters 2012, Hunting Energy Services is continuing this momentum with increased demand from its chosen markets, while also bene ting from new opportunities being presented from our newly acquired businesses.

Well Construction

Hunting's Well Construction division includes those businesses that are positioned in the initial drilling and construction phase of the wellbore. The division now includes Hunting Advanced Manufacturing Group which comprises Hunting Innova and the newly acquired Dearborn and Dof ng businesses.

The Well Construction division reported revenue of £194.5m (2010 – £111.3m), with bene ts in the nal quarter from the three new businesses in the segment. Pro t from continuing operations before amortisation and exceptional items, increased in the year to £28.5m (2010 – £9.5m). Reported pro t from continuing operations was £20.7m (2010 – £7.8m). The platform comprises six business areas: Premium Connections, Drilling Tools, Oil Country Tubular Goods ("OCTG"), Trenchless Technologies, Hunting Advanced Manufacturing Group and Specialty Supply.

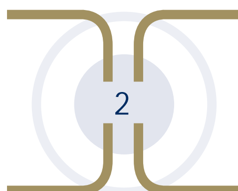
Premium Connections

Hunting's Premium Connections business which comprises a range of connections including the SEAL-LOCK™ and WEDGELOCK™ product lines reported record results during 2011, following completion of a number of major orders in the year. Momentum within the business has increased as customers prepare for renewed drilling in the Gulf of Mexico, in addition to continued demand for shale related connections in all of the key drilling regions across North America.

Segmental Results

The Group reports through a divisional structure arranged into the following operating segments:

	2011			2010		
	Revenue £m	Prof t from operations £m	Margin	Revenue £m	Prof t from operations £m	Margin
Hunting Energy Services						
Well Construction	194.5	28.5	15%	111.3	9.5	9%
Well Completion	327.2	41.2	13%	224.2	23.2	10%
Well Intervention	52.9	7.9	15%	58.7	10.1	17%
Exploration and Production	8.2	1.7	21%	6.5	1.3	20%
	582.8	79.3	14%	400.7	44.1	11%
Gibson Shipbrokers	26.0	1.7	7%	22.6	0.9	4%
Group	608.8	81.0	13%	423.3	45.0	11%
Amortisation and exceptional items		(40.0)			(14.0)	
Group prof t from continuing operations		41.0			31.0	



OUR STRATEGY:
MARKET SHARE STRENGTH
Expansion through leading market positions.

Drilling Tools

The Hunting Drilling Tools platform provides mud motors, shock tools, non-magnetic drill collars and other technologies to assist in the eff cient drilling of oil and gas wells. During the year, demand for Hunting's products increased strongly, leading to record sales in the f nal quarter of 2011. Following the opening of three new facilities during 2010, demand has been driven by shale drilling in North America, particularly with customers drilling in the Bakken, Marcellus and EagleFord shale plays. New regional sales were also developed in Kurdistan during the year, as frontier exploration drilling continues to increase and more licenses are granted to western companies. Hunting's recently established Equipment Management Services ("HEMS") business, which provides downhole tool rental equipment, also reported its f rst prof t during the f nal quarter of 2011 after strong increases in sales throughout the year. HEMS has developed new opportunities across the MENA region and in December 2011 successfully signed a contract to supply a leading oil services provider.

OCTG

Hunting's OCTG business includes casing products and management services for customers. The Group has key relationships with steel manufacturers to facilitate just-in-time logistics.

Trenchless Technologies

During 2011, the Trenchless business exceeded management's expectations. All three product lines, drill stems, premium tubing threading and motor components achieved good sales growth in the year with business momentum extending into early 2012. The business also increased its number of distributors during the year to broaden the geographic reach of the Group's product offering.

Advanced Manufacturing Group

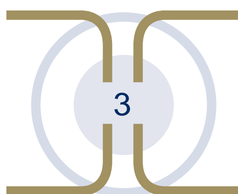
Since the completion of the acquisitions of Dearborn and Doff ng in the second half of 2011, the businesses have performed in line with management's expectations. With these new manufacturing capabilities, Hunting is now positioned to capture a higher proportion of the lower volume/higher margin manufacturing contracts related to the increasingly complex oil and gas well designs developed by our customers.

At Hunting Innova, the business continues to be integrated into the Group, following its f rst full year of ownership, with demand for products remaining strong, ending the year with a good order backlog. Innova continues to supply to the leading US oil service companies and during the year added new clients who will broaden the product reach of the business in the future.

Operating Review continued

“ The Group’s customers include international energy companies, national oil companies and mid to large oil services groups.”

Hunting Innova’s electronics and core mechanical competencies have aligned to provide the customer with complete downhole tool options.



OUR STRATEGY:
GLOBAL FOOTPRINT

Establishment and enlargement of facilities around the world.

Specialty Supply

Specialty manufactures precision machined MWD parts used in directional drilling markets worldwide. These include a comprehensive line of running gear and associated products for MWD, LWD, steering tools and gyro systems. Additionally, Specialty’s product offering includes drill pipe screens for all drilling applications. Since completion of the acquisition, Specialty has exceeded management’s expectations, with new initiatives underway to reduce outsourcing.

Well Completion

Hunting’s Well Completion division provides products to customers during the completion phase of an oil and gas well. The Well Completion division reported revenue of £327.2m in 2011 (2010 – £224.2m) and bene ted from the acquisition of Hunting Titan on 16 September.

Pro t from operations before amortisation and exceptional items totalled £41.2m (2010 – £23.2m). Reported pro t from continuing operations was £21.4m (2010 – £23.2m). The division operates from four platforms: Hunting Titan, Premium Tubing, Manufacturing and Thread Protection.

Hunting Titan

Following completion of the acquisition of Titan, the business has performed in line with management’s expectations, with continued demand for shale related products and services, driven by the strong rig counts reported during the year. During 2011, the business has continued to expand its manufacturing and distribution presence in North America to capture more market share in the region. It is anticipated that Titan will utilise Hunting’s existing facilities in China, Europe and Canada to maximise manufacturing opportunities, while developing new sales across South East Asia where the Group has an established presence.

Premium Tubing

Hunting’s Premium Tubing business reported its best year since 2008. While shale drilling has been a primary driver for this performance, new business has been captured in new regions including East Africa and the Middle East.

Manufacturing

The Group’s manufacturing business continued to perform well during 2011, with particularly strong trading seen in the nal quarter of the year. With the continuation of the implementation of lean manufacturing initiatives across the Group’s operations, further ef ciency gains have been realised. During the year, the business commenced an expansion project in Houma, Louisiana, which is anticipated to be completed during mid 2012.

Thread Protection

Hunting’s thread protection platform provides protection solutions including SealLube™ thread compound, Preserve-A-Thread corrosion protection and CLEAR-RUN™, its environmentally friendly advanced tubular solution. In 2011, the business performed strongly, following both external customer and internal demand for our product lines. Following an excellent year, the business will increase its in-house manufacturing of certain product lines to reduce outsourcing to other suppliers.

Well Intervention

Hunting’s Well Intervention division supplies a range of products and services required throughout the life of a well to enhance and maintain production and in 2011 reported a pro t from operations before amortisation and exceptional items of £7.9m (2010 – £10.1m). Reported pro t from continuing operations was £7.3m (2010 – £9.3m).

The subsea valves and connections platform has seen a mixed performance in the year, predominantly due to the slowdown in deep water drilling activity following the Macondo disaster in

Exploration and Production – Oil and Gas Reserves

	1 January 2011	Reserve movement	Production	31 December 2011
Oil	559	95	(75)	579
Gas	709	110	(177)	642
Oil and gas	1,268	205	(252)	1,221

All gures are Net Equivalent Barrels '000.

Synergies are being exploited, such as Hunting Energy's variball system to deliver Titan products in the wellbore.

2010, which impacted the demand for the business' products. While the backlog remains strong and activity in the Gulf of Mexico improves, the revised regulatory procedures in the region have led to customers delaying orders during the year. With industry wide preparations underway anticipating increased drilling activity in the Gulf of Mexico, the business is shortly to complete an expansion of its facilities to address the future drilling demand anticipated both regionally and globally.

Hunting Welltonic provides pressure control equipment, control panels, e-line (wireline) and slickline tools. During 2011 the business performed well following good demand for a number of product lines and a new product receiving acceptance from a major oil services company. Welltonic is currently expanding its presence in the US to develop sales of both Thru Tubing and pressure control products in the region.

Exploration & Production

Hunting's Exploration and Production division has interests in the Southern US and offshore Gulf of Mexico, holding equity interests in over 70 production properties. On a Net Equivalent Barrel ("NEB") basis, production in the year was 252,000 barrels (2010 – 230,000 barrels) with proven reserves at year end being 1.2m NEB (2010 – 1.3m NEB). Based on rm commodity prices throughout the year, the business reported a pro t from operations before amortisation and exceptional items of £1.7m (2010 – £1.3m). Reported pro t from continuing operations was £0.7m (2010 – £7.1m loss).

During 2011, the business participated in four successful exploration wells in Lavaca County, Texas; Hidalgo County, Texas; Brooks County, Texas; and Goliad County, Texas. A fth well drilled in Matagorda County resulted in a dry hole.

Following a year end valuation of reserves, which requires individual oil and gas properties to be impaired when the realisable value is less than the book value based on future production and commodity prices, the business has taken an impairment charge of £1.0m re ecting lower gas prices.

Other Operating Divisions

Gibson Shipbrokers

Gibson is one of the leading global shipbrokers and employs 148 staff. Despite extremely depressed shipping markets, caused by an oversupply of tonnage, the company expanded its depth of market coverage with an increase in staff and a 15% increase in trading volume during the year. Income and pro t exceeded expectations reporting a pro t from operations before amortisation and exceptional items of £1.7m (2010 – £0.9m).

With shipping markets expected to remain severely depressed for at least another 12 months, the operating policy remains one of cautious expansion. Mindful of these dif cult times we are engaged in positioning the business to be able to capture a greater share of projected market improvements.

Division expansion has not been restricted to the London Headquarters. Singapore has grown with the addition of Dry Cargo, and more recently Clean Tankers, to the already successful Specialised and Gas activities.

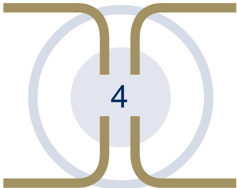
Today, Gibson is active in Crude, Fuel and Clean Tanker chartering, Dry Bulk, Vegoils, Chemicals, LPG, LPG Broking and LNG, Sale and Purchase for New Buildings, second hand and re-sales as well as Demolition, Offshore including Seismic and renewables, and an enviable in-house Research and Consultancy section.

Field Aviation

Field Aviation is reported as a discontinued business, as it remains our intention to sell the business to management. On 30 June 2011, the business was classi ed as a held for sale asset, re ecting progress on the sale of the company.

Operating Review continued

Extending the proprietary product lines to the new operation in Wuxi, China.



OUR STRATEGY:
SYNERGIES

Capture of synergies from acquisitions and organic growth.

Active discussions are currently in progress and the sale is considered to be highly probable.

Field Aviation is recognised worldwide as a modi er of aircraft for special mission roles. The Aircraft Modi cation Centre in Toronto carries out the design, installation, testing and certi cation of aircraft modi cation. Interior modi cation capabilities transform regional airliners into VIP or corporate shuttle aircraft. Leading-edge avionics modi cations keep aircraft productive, pro table and technologically advanced. As a build-to-print aircraft parts manufacturer, the Parts Manufacturing facility in Calgary specialises in the production of parts and spares for the international commercial and military aerospace industry.

The business manufactures airframe parts and accessories for both current-production aircraft and out-of-production aircraft.

Field Aviation, as predicted, faced a challenging market with a weak order book on the back of reduced government spending worldwide. In 2011, Field Aviation delivered a pro t from operations of £0.8m (2010 – £5.2m) on revenues of £25.9m (2010 – £38.3m).

Hunting Advanced Manufacturing Group has been formed to maximise precision machining capabilities.

Performance Measures

A number of performance measures are used to compare the development, underlying business performance and position of the Group and its business segments. These are used collectively and periodically reviewed to ensure they remain appropriate and meaningful monitors of the Group's performance.

Key Performance Indicators	Description	2011	2010[1]
Revenue	Revenue generated by continuing operations	£608.8m	£423.3m
EBITDA	Pre-exceptional earnings before interest, tax, depreciation, amortisation and impairments	£102.5m	£62.6m
Pro t from operations	Pro t from continuing operations before amortisation and exceptional items	£81.0m	£45.0m
Diluted earnings per share ("EPS")	Earnings from continuing operations, before amortisation and exceptional items, attributable to Ordinary shareholders divided by the weighted average number of Ordinary shares in issue during the year, as adjusted for all potentially dilutive Ordinary shares	38.7p	22.7p
Dividend per share ("DPS")	Re ects the cash returned to Ordinary shareholders. Figures shown are calculated on an accruals basis	15.0p	12.0p
Return on average capital employed ("ROCE")	Measures pro t before interest and tax, before amortisation and exceptional items, as a percentage of average gross capital employed. Average gross capital employed is based on the monthly average of the aggregate of total equity and the net cash/debt. This measure is also used as a benchmark for target acquisitions and capital expenditure proposals	15%	16%
Gearing ratio	Measured by net debt as a ratio to shareholders capital employed	30%	n/a
Free cash ow	Pro t from continuing operations adjusted for working capital, tax, replacement capital expenditure and interest	£38.9m	£9.5m
Capital expenditure	Capital spend on tangible non-current assets	£58.0m	£49.0m
Inventory and WIP days	Inventory and WIP at the year-end divided by revenue per day, adjusted for the impact of acquisitions	112 days	103 days
Trade receivable days	Trade receivables at the year-end divided by revenue per day, adjusted for the impact of acquisitions	73 days	66 days

Other Performance Measures	Description		
Health and safety measures	Monitor lost time accidents and incident rates		
Quality and ef ciency measures	Monitor production and non-conformance reports		
Number of employees	Number of employees at the end of the year	3,453	2,233

Note 1 – 2010 gures restated due to the reclassi cation of Field Aviation as a discontinued operation.

Indicators of future Group performance closely monitored by management include:

Key Market Indicators	Description	2011	2010
Drilling rig activity	International average rig count – December average	1,180	1,118
	North America rig count – December average	2,432	2,109
Oil price	WTI price at the year end – per barrel	US$98.83	US$91.38
Natural gas price	Henry Hub price – mcf – December	US$2.96	US$4.41
Exchange rates	Average exchange rates (US$:£) Exchange rate as at 31 December (US$:£)	1.60 1.55	1.55 1.57

Financial Review

> "The financial strength of the Group remains robust with strong support from our shareholders and banks."

Introduction

2011 has seen record results and improving margins on the back of strong market demand for our products and services. Delivering on our strategic objectives we completed four acquisitions in the year at a cost of £597.9m – all four acquisitions have added to the Group's product offering. Integration of the acquisitions is a priority, with measures including new IT systems and additional management resource being implemented.

The financial strength of the Group remains robust, with strong support from our shareholders and banks, as seen by our £83.5m share placing completed during the year and our new £375.0m five year bank facility signed on 5 August 2011.

Results

Revenue

Group revenues increased 44% to £608.8m in 2011 (2010 – £423.3m). Acquisitions contributed £64.8m of this revenue growth and revenue from existing businesses was up £120.7m or 29%. Well Construction was the strongest performing division, with revenue up 75% to £194.5m (2010 – £111.3m). This division has benefited from a full year contribution from Innova, acquired in September 2010, as well as the Dearborn, Doffing and Specialty acquisitions contributing to the last quarter of 2011. US Connections performed strongly leveraging the development of shale projects and improved activity in the Gulf of Mexico. Drilling Tools also performed strongly, benefiting from its wider distribution network and shale activity levels in North America. Well Completion revenue was up 46% to £327.2m (2010 – £224.2m), mainly due to the contribution from the Titan acquisition, however, the like-for-like business was still up 25%. The Well Intervention division has had a more challenging year with revenues declining by 10% to £52.9m (2010 – £58.7m) partly due to product delivery delays associated with the increased regulatory environment in the Gulf of Mexico which affected sales from our subsea connections and intervention platform.

EBITDA and Profit from Operations

EBITDA before amortisation and exceptional items was £102.5m, £39.9m ahead of 2010, with acquisitions contributing £16.4m to this growth. The EBITDA margin increased from 15% in 2010 to 17% in 2011 helped by product mix and the higher margins from the acquisitions completed in 2011. The year ended particularly strongly, aided by strong demand across most of our manufacturing facilities and benefiting from favourable weather conditions in key regions of the US and Canada.

Profit from continuing operations before amortisation and exceptional items was £81.0m for 2011, an increase of 80% over 2010 despite sterling strengthening against the US dollar to US$1.60 (2010 – US$1.55). The operating profit margin increased from 11% in 2010 to 13% in 2011. Well Construction profit from operations before amortisation and exceptional items was up 200% to £28.5m (2010 – £9.5m) due to the year-on-year impact of the acquisitions and growth in the Premium Connections and Drilling Tools businesses. In Well Completion, profit from operations before amortisation and exceptional items increased 78% to £41.2m (2010 – £23.2m) predominantly due to the addition of Titan to the division. In Well Intervention, the 22% decline in profit from operations to £7.9m (2010 – £10.1m) was due to the slower trading environment within the subsea platform, referred to earlier.

Amortisation and Exceptional Items

Intangible asset amortisation charges increased from £2.5m in 2010 to £12.2m in 2011 due to the increased charge arising on intangible assets recognised on the four acquisitions completed in the year. The expected full year amortisation charge in 2012 is estimated to be £30m.

The following exceptional charges arose in the year:

- Acquisition costs of £8.6m relating to the four acquisitions, which were completed in 2011.
- Under IFRS, at acquisition, inventory values are adjusted from their carrying values (generally at cost of production) to a fair value, which includes profit attributable to the degree of completion of the inventory. This resulted in a fair value uplift totalling £23.6m for the four acquisitions. This uplift is charged to the income statement as the inventory is sold, thereby reducing reported operating profits. In 2011, the charge was £12.9m and this has been treated as exceptional. The balance of £10.7m is expected to be charged to the income statement in 2012.

- A £1.6m charge relating to key employee retention was also recognised in 2011, relating to the acquisitions completed during the year.
- Charges under onerous leases for properties have been assessed at £2.2m.
- The impairment of oil and gas capitalised expenditure of £1.0m arose largely as a result of declining forward gas commodity prices compared to 31 December 2010.
- Goodwill impairment reviews undertaken during the year have resulted in a £1.5m impairment charge.
- Unamortised loan facility fees of £1.0m were written off as a result of the acquisition.

Profit from continuing operations, after amortisation and exceptional items, was £41.0m in 2011 compared to £31.0m in 2010.

Net Finance Costs

Net finance costs before exceptional items in 2011 were £2.2m compared to a £1.0m net finance income in 2010. The change from net income to net expense is due to the Group moving into a net debt position in the second half of the year following the acquisition programme, together with an increased charge for bank loan facility fees.

Taxation

The Group tax rate before amortisation and exceptional items for 2011 was 28% (2010 – 30%) resulting in a tax charge of £22.5m (2010 – £14.0m). The lower tax rate reflects the weighting of profits in lower tax jurisdictions, together with a reduced UK corporate tax rate. The tax rate for 2012 is currently expected to remain at 28%, however, this is dependent on the mix of profits going forward. The exceptional charge in the year attracts a tax credit of £15.2m to give a net tax charge on continuing operations in 2011 of £7.3m (2010 – £9.9m).

Earnings per Share

Diluted earnings per share before amortisation and exceptional items for continuing operations increased 70% to 38.7p from 22.7p in 2010. Reported diluted earnings per share at 20.3p was 32% above 2010. The weighted average number of shares used in calculating the diluted earnings per share in 2011 was 140.1m compared to 134.0m in 2010, with the increase mainly due to the 13.2m share placing completed in August 2011.

Cash Flow

	2011 £m	2010 £m
EBITDA before amortisation and exceptional items	102.5	62.6
Working capital movements	(33.2)	(38.9)
Interest (paid) received and bank fees	(7.6)	1.6
Tax paid	(15.5)	(3.2)
Replacement capital expenditure	(12.8)	(12.2)
Other operating cash and non-cash movements	5.5	(0.4)
Free cash flow	38.9	9.5
Expansion capital expenditure	(45.2)	(36.8)
Purchase of subsidiaries	(572.5)	(80.4)
Acquisition costs	(8.6)	(3.1)
Equity placing	83.5	–
Gibson Energy	85.3	(25.2)
Dividends to equity holders and non-controlling interests	(18.0)	(15.6)
Other including foreign exchange	3.8	4.8
Cash flows related to discontinued operations	2.2	(6.0)
Movement in net debt in the year	(430.6)	(152.8)

Financial Review continued

> "The strategic objective of the Group has been to focus on upstream energy services by expanding our proprietary technologies and geographic footprint."

Cash Flow

The free cash flow generated in 2011 of £38.9m is £29.4m ahead of 2010. The improved operating EBITDA of £102.5m (2010 – £62.6m) is a key component of this as described above. Working capital movements were £5.7m better year-on-year. There was a significant reversal on interest and bank fees with an inflow of £1.6m in 2010 becoming an outflow of £7.6m in 2011, as a result of moving into a net debt position during 2011, together with fees related to the new bank facility. Tax paid in 2011 was £12.3m higher than 2010 due to low tax payments in 2010 which were shielded by brought-forward losses.

Expansion capital expenditure in the year of £45.2m principally related to the internal investment programmes in Scotland, US and China. Capital expenditure on exploration and production was £2.3m (2010 – £7.1m). Total capital expenditure for 2011 was £58.0m, an increase of £9.0m.

Capital expenditure in 2012 is expected to increase to around £75m, as expansion projects at Houma, Louisiana, and Stafford, Texas, are completed, together with increased equipment requirements for the ongoing expansion of the Drilling Tools and Titan operations.

The total cash flow incurred in the purchase of subsidiaries, net of cash acquired and including expenses of £8.6m, was £581.1m. This includes Titan, Dearborn, Doffing and Specialty with Titan being the largest component at £506.6m. The acquisitions were partly funded by an equity placing which raised £83.5m.

Total dividends paid during the year were £18.0m (2010 – £15.6m). Dividends paid to equity shareholders of £16.8m were 19% ahead of 2010 and reflects the Board's confidence in the strength of the Group.

Cash of £85.3m was received when the Gibson Energy warrant was repaid in June 2011.

Balance Sheet

	2011 £m	2010 £m
Goodwill	316.5	100.6
Other intangible assets	220.8	22.6
Property, plant and equipment	231.2	154.1
Other assets	10.3	59.2
Working capital	262.6	136.5
Net assets held for sale	3.2	–
Taxation (current and deferred)	(33.7)	(34.5)
Provisions	(60.5)	(56.1)
Capital employed	950.4	382.4
Net (debt) cash	(218.4)	212.2
Net assets	732.0	594.6
Non-controlling interests	(16.8)	(14.2)
Equity attributable to owners of the parent	715.2	580.4

Due to the 2011 acquisitions, the balance sheet profile has changed significantly. Goodwill has increased by £215.9m of which £180.7m arose on the acquisition of Titan. Other intangibles have increased by £198.2m and include customer relationships, technological know-how and trademarks.

Property, plant and equipment has increased by £77.1m largely due to £45.4m recognised as part of the acquisitions as well as gross capital expenditure of £58.0m during the year.

Other assets have fallen by £48.9m, primarily due to the repayment of the Gibson Energy warrant during 2011. The £10.3m balance at 31 December 2011 includes a net pension surplus of £4.8m (2010 – £5.5m) based on the IAS 19 valuation of the Group's UK defined benefit pension scheme.

Working capital has increased by £126.1m to £262.6m. The 2011 acquisitions represent £100.2m of the increase, with inventory being £86.3m of this. Inventories at the year end

include £10.7m of fair value uplift expected to be charged to the income statement in 2012.

As a result of the above, capital employed has increased by £568.0m to £950.4m at 31 December 2011.

The cash outflow in 2011 of £430.6m has put the Group into a net debt position at the year end of £218.4m, with cash and cash equivalents and investments of £73.2m and borrowings of £291.6m.

Net assets at 31 December 2011 were £732.0m which, after non-controlling interests of £16.8m, result in equity shareholders' funds of £715.2m. This is an increase of £134.8m over 31 December 2010, which reflects the retained result for the year of £79.1m, exchange gains of £5.9m, share placing of £83.5m, offset by £16.8m dividend payments together with other items of £16.9m.

Financial Capital Management

Since the sale of Gibson Energy in 2008, the strategic objective of the Group has been to focus on upstream energy services by expanding our proprietary technologies and geographic footprint. The acquisitions during 2011 represent a further significant step in delivering this strategy. A priority for 2012 is to fully integrate the new businesses and leverage their potential within the Group.

The expenditure on acquisitions of £597.9m during 2011 was funded by a combination of cash, an equity placing and new bank facilities. The Group's financial position remains robust, with total credit facilities of £423.6m in place (2010 – £153.9m) of which £375.0m (2010 – £120.0m) is committed. The committed facility is a £375.0m multi-currency revolving credit facility from a syndicate of ten banks which extends to August 2016. Further details regarding the facility can be found in note 31.

The level of net debt and related gearing ratio of 30% at 31 December 2011 is considered comfortable, with adequate headroom remaining giving management ongoing flexibility. Our bank facility covenants require EBITDA to cover relevant finance charges by a minimum of 4 times and net debt to adjusted EBITDA has a maximum of 3.5 times. Both key bank covenant metrics at year end were well covered.

Return on average capital employed is a KPI management use to assess business unit performance. The Group's return on capital employed has fallen from 16% during 2010 to 15% in 2011 primarily due to the higher level of capital employed following the acquisition programme.

The Board considers each ordinary dividend proposed based on the merits of the information available to it at the time. Consideration is given to the financial projections of business performance and capital investment needs, together with feedback from shareholder discussions.

The Group operates a centralised treasury function with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency, interest rate exposures, cash management and the investment of surplus cash. Further detail on financial risks is provided within note 31.

The Group has significant foreign operations and hence results originate in a number of currencies, particularly in US dollars. As a result, the Group's financial statements, which are reported in sterling, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Currency options are used to reduce currency risk movements on the Group's results, by hedging approximately 50% of each year's budgeted US dollar earnings into sterling. Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency. Spot and forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies.

Critical Accounting Policies

The Group accounts are prepared using accounting policies in accordance with IFRS. The principal accounting policies are set out on pages 53 to 59.

The preparation of these accounts require the use of estimates, judgements and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Directors' estimates are based on historical experience, consultation with experts and other methods that they believe are reasonable and appropriate.

Review of Principal Risks and Uncertainties

The Group has an established risk management monitoring and review process described in the Corporate Governance Report on pages 47 to 51. The process requires all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk. Group risks are formally reviewed by the Board at least three times a year and are discussed at every Board meeting. The principal risks identified through this process that Hunting is exposed to, which could have a material adverse impact are listed below, together with the steps the Group has taken to mitigate against these risks. Some arise from the specific activities undertaken by the Group whereas others are common to many international manufacturing companies.

Risks Specifc to the Nature of Hunting Group Businesses

Product Quality and Reliability

Product quality and reliability is critical to the Group's reputation with its customers.

Quality assurance standards are monitored, measured and regulated within the Group under the authority of a Quality Assurance Director, who reports directly to the Chief Executive.

Acquisitions and Capital Investment

Acquisitions are an integral part of the continuing Group's strategy of expansion and development. While recent new acquisitions to the Group have integrated well, the Board is conscious of the potential disruption to both the Group and acquiree, of an acquisition process and subsequent integration.

The Board is actively involved in monitoring, approving and assessing acquisitions through post acquisition appraisals to mitigate the risk of poor investment decisions. All acquisitions require Board approval prior to commitment.

The Group continues to seek opportunities for organic growth and maintains an active capital investment programme. The programme encompasses investments in new territories, buildings, production equipment, rental equipment and IT systems. There is a range of risks involved in such programmes, including poor financial returns, management distraction, facility upheaval and risk of IT systems failure.

The Board and senior management follow a rigorous process of approving, managing and monitoring capital investments along with planning for contingencies. All capital expenditure above discretionary limits requires Board approval prior to commitment.

Shale Drilling

The Group is increasingly providing products that serve the oil and gas shale drilling industry, particularly following the recent acquisition of Titan. There may be considerable future resistance to further oil and gas shale exploration and development from significant sections of the public, and a drilling moratorium or new laws and regulations may unfavourably impact the industry.

The Board monitors public and political opinion and maintains an awareness of the potential for changes to legislation especially with regard to the US where the Group is mainly exposed.

Raw Material Commodity Prices

Although not under the Group's control, a material movement in oil or gas commodity prices could impact demand for the Group's products and services.

Working capital and in particular inventory levels are closely managed to mitigate against exposure to commodity price movement.

Relationships with Key Customers

The Group's success is defined by relationships with its key customers. A material reduction in orders from a major customer, whether through competitive action, contractual dispute, business consolidation or change in strategy could impact the Group's financial performance and prospects. The Group is also reliant upon the conduct of its customers, given its products are exported by those customers across the world and used in a range of environments, including deep sea exploration and production. Senior management maintain close relationships with key customers and seek to maintain the highest level of service to preserve Hunting's reputation for quality.

Review of Principal Risks and Uncertainties continued

Other Risks Common to International Manufacturing Businesses

Fluctuation in Currency Exchange Rates

The Group has significant overseas operations, hence results are denominated in a variety of currencies. As a result, the Group's financial statements, which are reported in sterling, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions.

The Group maintains an active strategy of financial hedging to mitigate such risk, subject to the availability of suitable products at the right cost.

Effective Control Over Subsidiaries

Group subsidiaries operate within a control framework with a degree of autonomy vested in local management. The operations of subsidiaries are subject to regular checking by management through board and management meetings, regular reporting and contact together with external and internal audit.

Key Executives

The Group is highly reliant on the continued service of its key executives and senior management, who possess commercial, engineering, technical and financial skills that are critical to the success of the Group. Remuneration packages are regularly reviewed to ensure they are remunerated in line with market rates. External consultants are engaged to provide guidance on best practice.

Failure to retain suitably qualified individuals, or to attract and retain strong management and technical staff in the future, could have an adverse effect upon the Group and the results of its operations. Senior management continually reviews the availability of the necessary skills within the Group and seeks to find suitable staff where they feel there is vulnerability.

Economics and Geopolitics

The economic and political environment in the geographic areas in which the Group operates impacts demand for energy and therefore the Group's range of products and services. Management and the Board closely monitor trading results, forecasts, political developments and projected economic trends in order to match capacity to demand and, where possible, minimise the impact of adverse trends on the Group. In addition overheads are monitored regularly to ensure the cost base is actively managed.

Health, Safety and Environmental ("HS&E")

The Group is subject to a number of HS&E laws and regulations that affect its operations, facilities and products in each of the jurisdictions in which it operates. The Group is committed to operating in compliance with all HS&E laws and regulations relating to its products, operations and business activities. However, there is a risk that it may have to incur unforeseen expenditures to cover HS&E liabilities, to maintain compliance with current or future HS&E laws and regulations or to undertake any necessary remediation.

It is difficult to estimate with any reasonable certainty the future impact of HS&E matters, including potential liabilities, due to a number of factors and especially the lengthy time intervals often involved in resolving them. There is regular HS&E compliance reporting to the Board.

Dennis Proctor
Chief Executive

Peter Rose
Finance Director
8 March 2012

Corporate Social Responsibility Report

Committed to acting responsibly

"Our commitment to shareholders and employees is to create a sustainable organisation capable of long term positive returns."

Key Stakeholder Groups

Introduction

Hunting PLC is an international energy services company, which manufactures and supplies products and services to the global energy industry.

The Group operates from over 38 manufacturing locations in the key energy producing regions of the world. Being at the forefront of delivering energy solutions to many customers, Hunting is committed to developing relationships with key stakeholders – employees, shareholders, customers, suppliers and communities within the areas we operate.

This report describes the policies and responsibilities which the Group has adopted as a global corporate citizen.

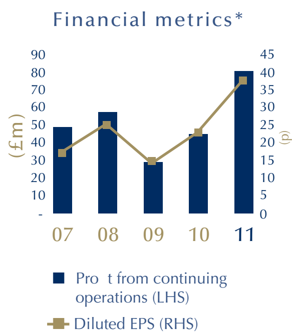
Financial Metrics

Hunting PLC is committed to a business strategy which targets long term growth in the value of the Group's assets. We are committed to investing capital to maintain our organic growth profile, while acquiring complementary businesses which deliver similar growth.

Selected key performance indicators include:

- Revenue
- Profit from operations
- Diluted earnings per share
- Free cash flow
- Return on capital employed
- Dividends per share

Financial metrics*



* Before amortisation and exceptional items

The Business Strategy and Business Model are outlined on page 9 of this Annual Report. The strategy of the Group is to provide value added products and services, focusing on proprietary technologies and know-how, incorporating product lines which capture good market share within each product segment in which we invest.

Our commitment to shareholders and employees alike is to create a sustainable organisation, capable of long term positive returns and provides stability to our employees.

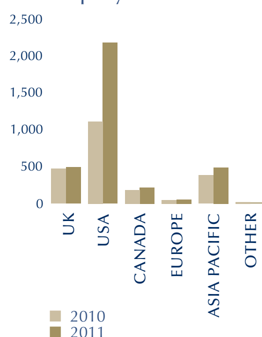
Shareholders

Communicating with the Company's shareholders is of key importance to the Directors. The methods of communication to our shareholders and employees include press releases issued to the London Stock Exchange, institutional investor presentations, which are published on the Group's website and other communications including the in-house corporate publication, the Hunting Review, which is published twice a year.

The Chief Executive and Finance Director meet with major shareholders at least twice a year, following the announcement of the Group's half and full year results, and whenever requested by a shareholder. The Chairman and the Senior Independent Director also meet with major shareholders annually to discuss strategy, governance and other matters.

"The Group is committed to mutually

Geographic Split of Employees 2010–2011



The Company is listed on the London Stock Exchange and is subject to regulation by the Financial Services Authority in the United Kingdom (UK) as well as compliance with UK Company Law. The Group is also subject to the laws and regulations of the jurisdictions in which it operates.

Employees

Our people are our most valuable asset and the Group recognises that its success and reputation depends upon their efforts and integrity. Our people create Hunting's competitive edge and we aim to ensure that our customers' expectations are met and exceeded. Responsibility for employees lies with local management, which allows local cultural issues to be appropriately managed and the necessary development programmes to be structured accordingly.

The location of our employees reflects the global nature of the oil and gas industry and the geographic diversity of the Group's activities.

The Group has 3,453 employees (2010 – 2,233). In 2011, there was a 55% increase in employee numbers, largely due to the acquisitions of Titan, Dearborn, Doffing and Specialty. The Group seeks to adhere to all relevant local and jurisdictional laws about employment equality and minimum wage legislation.

As a responsible employer, full and fair consideration is given to applications for positions from disabled persons and to their training and career advancement. Every effort is made to retain in employment those who become disabled while employed by the Group.

It is important for the Group to retain key employees, as well as attracting high quality individuals. This remains a major challenge for the oil and gas industry. Hunting has developed a supportive work environment that promotes development, learning and advancement to ensure that its employees realise their potential. Long service is a feature of the Group's employees and recognition is given through service award programmes across the Group. Forty years' service is not an uncommon attribute.

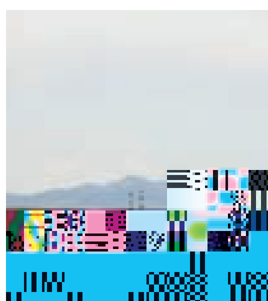
Hunting believes that employing the right people is only the start of the relationship between an employee and employer. The Group is committed to mutually developing an environment of honesty, integrity and respect for its staff and for those people and companies we work with daily. The Group is also committed to abiding by all international and local laws and regulations on employment and has a no child labour policy.

The Group encourages and promotes an awareness of the financial and economic factors affecting the performance of the Group and shares information on current activities through regular communication and consultation.

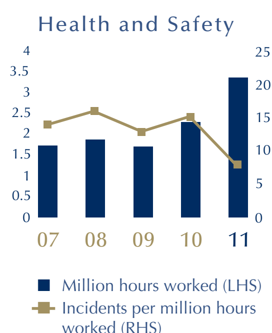
Through the Group's Code of Conduct, published on the Company's website, the Group sets out its equal opportunities policies and zero tolerance approach to harassment within the workplace. In February 2012, Hunting issued its gender diversity policy, which seeks to promote fair and equal opportunities.

The Group believes that providing additional benefits to staff encourages the best performance from our people. Therefore, most employees are offered participation in schemes which provide healthcare and post-retirement benefits and, in certain instances, participation in bonus arrangements when outperformance in terms of operational excellence has been achieved. Hunting has share award schemes in place as a longer term incentive whereby staff can participate in the ownership of the Company.

The Board has an established "whistle-blowing" procedure in place for any employee wishing to raise, in confidence, any concerns they may have about possible financial improprieties, or other matters, with the Senior Independent Director. Details of the procedure have been communicated to all employees.



Active participation in our community and environment are integral to our operations.



Health and Safety

The Group is committed to achieving and maintaining the highest standards of safety for its employees, customers, suppliers and the public. Hunting has a proven culture of aiming for best practice and employs rigorous health and safety practices.

Health and Safety policies include:

- Regular audit and maintenance reviews of facilities, equipment, practices and procedures to ensure compliance with prevailing standards and legislation and a safe environment for all those who work within and around our facilities.
- Seeking accreditation and aligning long standing company programmes and procedures to internationally recognised Quality Assurance standards.
- Monitoring, which is a management task, is documented and reported at each Board meeting.
- Appropriate training and education of all staff.

The Group has published its combined policy on health, safety and environmental matters, which can be found on the Group's website.

Hunting's Head of Health, Safety and Environment reports directly to the Chief Executive and a report is considered by the Board of Directors at each meeting.

The Group's target is to achieve zero recordable incidents. Each local business is required to develop tailored policies to reflect its daily business. These incorporate the Group's approach to putting safety first and, at a minimum, to comply with local regulatory requirements. Training is given to every employee, whether they are on the shop floor or working from a desk.

During the year, there were no fatalities across the Group's operations (2010 – nil) with 26 recordable incidents (2010 – 35) a reduction of 26%. The recorded number of hours worked for the Group's primary operating unit, Hunting Energy Services, in the last five years and corresponding incident rates per million hours worked are shown in the accompanying chart.

In 2011, the Group continued its programme to introduce lean manufacturing processes into global operations. This resulted in efficiency gains in a number of key business units.

Environment

The Group is committed to the protection of the environment and developing manufacturing processes and procedures, which ensure that any adverse effects on the environment are kept to a practicable minimum. We take the view that sustainable development is in the interests of all our stakeholders and include environmental issues in our planning and decision-making.

The Group's environmental policy is to look for opportunities and adopt practices that create a safer and cleaner environment. It is particularly sensitive to the challenges for the industry in which it operates. The Group has programmes in place to monitor the environmental impact from its operational activities and remains focused on ensuring environmental consideration is at the forefront of its business practices.

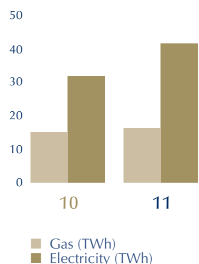
Key aspects of our environmental policies include:

- Keeping any adverse effects on the environment to a practicable minimum.
- Encouraging the reduction of waste and emissions and promoting awareness of recycled materials and use of renewable resources.
- Each operating unit developing and implementing their own procedures while conducting regular reviews to ensure that they are maintained and refined.
- Encouraging employees to pay special regard to environmental issues and requirements in the communities in which the Group operates.
- Incorporating health, safety and environment considerations into the design of new facilities.

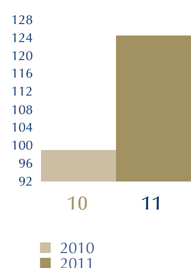
Corporate Social Responsibility Report continued

> "The Group continuously drives to gain leadership in areas of technology relevant to the Group's products."

Gas/Electricity usage
(TWh)



Water usage '000
(m3)



With the aim of maintaining standards a number of the Group's operating facilities are ISO or API registered or subject to other similar registrations or industry qualifications. In 2011, 6 facilities within the Group were ISO 14001 or ISO 18001 compliant (2010 – 6), indicating a recognised Environmental Management System being in place. More facilities across the Group are working towards this accreditation, continuing the Group's commitment to monitoring and reducing the environmental impact of its operations.

During the year, the Group completed the consolidation of its UK manufacturing operations from five sites down to two principal sites at Badentoy and Fordoun in Scotland. It is intended that this initiative will contribute to driving down utility costs and ultimately the release of greenhouse gas emissions. At Fordoun, the development work included a number of environmental considerations, including the extension of existing ditches and culverts to allow for a more natural habitat for local wildlife.

During 2011, the expansion of our Stafford, Texas facility commenced. As part of the project, a storm water retention system was put in place across the whole facility, the insulation of the building was upgraded and energy efficient glazing used. 'Smart' energy distribution systems were also installed for daily and emergency power demands and energy efficient lighting with energy saving controls have also been installed.

During 2011, the Group commenced an initiative to collect utility data from its operations. Data from the acquisitions completed in the year is included from the date of completion of the transaction. Usage of electricity and gas is presented in the accompanying chart.

Applying the respective emissions conversion factors to gas and electricity usage, the Group emitted a total of 25,700 tonnes of carbon dioxide equivalent (2010 – 19,600 tonnes) in 2011.

Mains water usage across the Group's facilities is also shown in the accompanying chart.

A number of the Group's facilities in the US are supplied by on-site wells – water sourced from these wells is not included in the data presented.

Operational Excellence and Research

The Group continues to develop its relationships with academic institutions and during 2011 Hunting continued its collaboration with the University of Dundee in the UK by investing £0.1m to research ways of improving safety and reliability during ultra deepwater oil and gas extraction.

The Group continuously strives to gain leadership in areas of technology relevant to the Group's products and at the year-end had 316 active patents (2010 – 341).

In order for the Group to develop its engagement within its industry sector, the Group is a member of the following organisations:

- American Petroleum Institute ("API")
- Society of Petroleum Engineers
- The Intervention and Coiled Tubing Association
- Leading Oil and Gas Industry Competitiveness
- Investors in People

The Community and Charitable Donations

Hunting's commitment to the communities in which it operates extends on many fronts. The Group participates in a number of initiatives and in events which raise money for charities around the world. In 2011, Hunting employees participated in local charitable events, including corporate support through sponsorship of a number of events, in Houston, Aberdeen and London.

The Group's major charitable event, the Hunting Art Prize is an annual event which supports and recognises the local community in Houston, Texas. In 2011, the Art Prize supported the charity 'Oil Helping Hands' which assists people who have been injured by working in the wider industry. In Aberdeen, employees from Hunting Energy Services participated in the Aberdeen Corporate Decathlon which raises funds for local charities including CLAN, a cancer support charity based in Scotland.

The Group also makes donations to charities through the Chairman's charitable trust committee, which comprises the Chairman and former Hunting employees. In 2011, assistance was granted to 32 charities.

During 2011, the Group donated £162,000 (2010 – £164,000) to charities. In accordance with Group policy, no political donations were made in the year (2010 – £nil).

Business Ethics

The Group's Directors and employees promote high standards of honesty and integrity in the way it goes about its business, recognising that the Group's reputation is of critical importance in the industry in which we operate.

Through the Group's Code of Conduct and in accordance with the recently implemented UK Bribery Act, the Group has policies and controls in place detailing procedures on how the Group interacts with customers, suppliers and governments around the world.

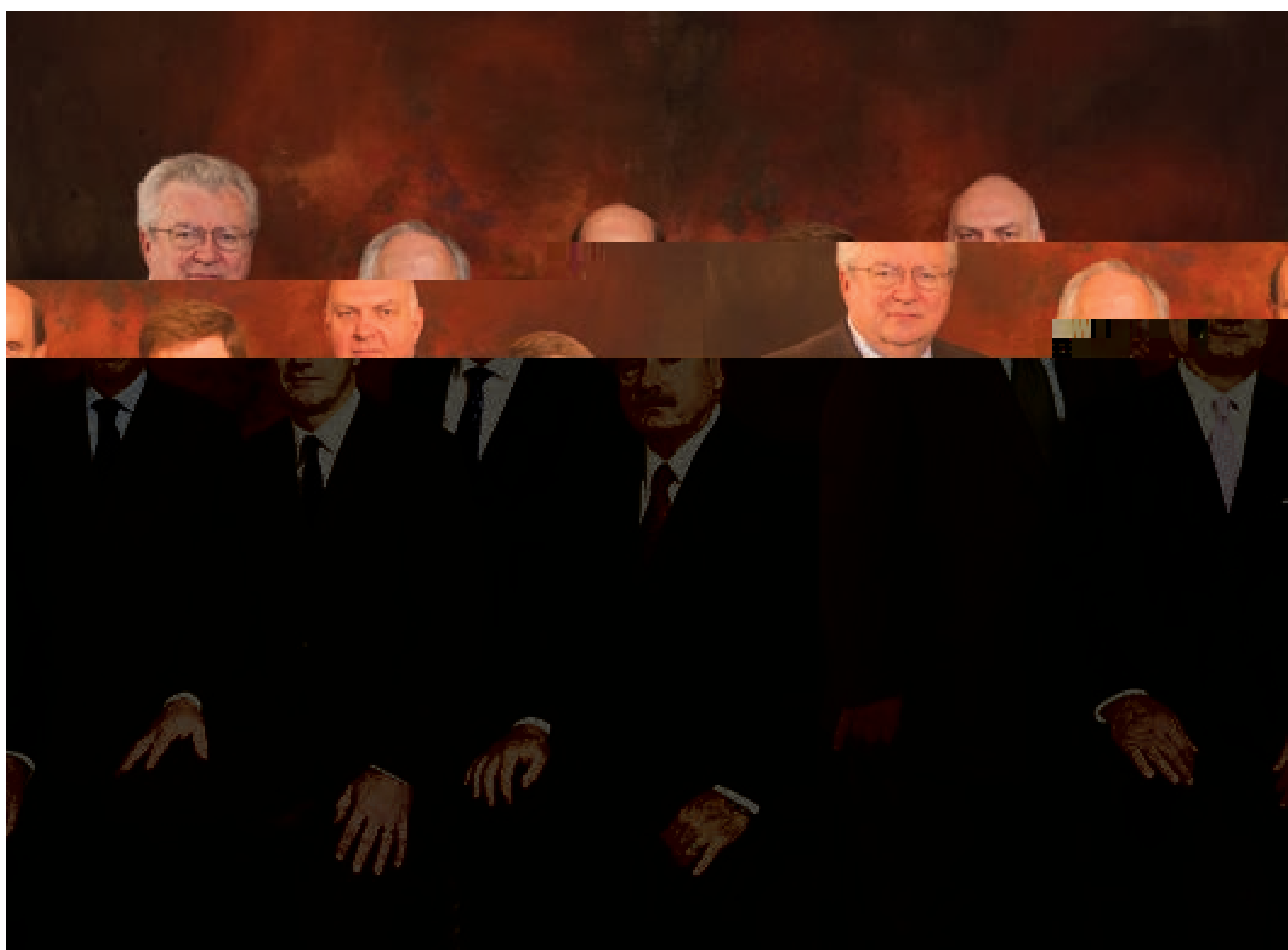
Customers and Suppliers

In February 2011, the Group published its Code of Conduct to be adopted by the Group's employees and agents, which is also sent to our customers and suppliers. The principles in the Code of Conduct lay out our responsibilities to all external associates and also incorporate anti-bribery and corruption policies addressed by the UK Bribery Act.

Dennis Proctor
Chief Executive
8 March 2012

Board of Directors

A wealth of knowledge and experience



L-R John Hofmeister, Dennis Proctor, Richard Hunting, Peter Rose, John Nicholas and Andrew Szescila

Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee
Dennis Proctor		✔	
Peter Rose			

Non-executive Directors	Audit Committee	Nomination Committee	Remuneration Committee
Richard Hunting		✔	
John Hofmeister	✔	✔	✔
John Nicholas	✔	✔	✔
Andrew Szescila	✔	✔	✔

Richard Hunting C.B.E.
Non-executive Chairman

Was elected an executive Director and Deputy Chairman on the formation of Hunting PLC in 1989 and has been Chairman of the Board since 1991. In August 2011, Mr Hunting moved from an Executive to a non-executive role. Chairman of the Nomination Committee. He is a non-executive director of the Royal Brompton & Haref eld NHS Foundation Trust.

Dennis Proctor
Chief Executive

Was appointed a Director in 2000 and Chief Executive in 2001. He was chief executive of Hunting Energy Services from March 2000 after joining the Group in 1993. He is a US citizen based in Houston, Texas and has held senior positions in the oil services industry in Europe, Middle East and North America.

Peter Rose
Finance Director

Was appointed to the Board as Finance Director in 2008. A Chartered Accountant, he joined Hunting PLC in 1997 prior to which he held senior f nancial positions with Babcock International.

John Hofmeister
Non-executive Director

Was appointed a non-executive Director in 2009 and appointed the senior independent director of the Company in June 2010. A US citizen resident in Houston, Texas. He is the founder and chief executive off cer of the Washington D.C. registered not-for-prof t Citizens for Affordable Energy Inc and a non-executive director of US quoted Lufkin Industries Inc and Camac Energy Inc. He is the former President of Shell Oil Company and a former Group Director of Royal Dutch Shell PLC in The Hague, Netherlands.

John Nicholas
Non-executive Director

Was appointed a non-executive Director in 2009 and is chairman of the Audit Committee. He is a Fellow of the Association of Chartered Certif ed Accountants and is a member of the UK Financial Reporting Review Panel. He is currently a non-executive director of Ceres Power Holdings plc, Rotork PLC and Mondi plc. He was formerly the Group Finance Director of Tate & Lyle plc and prior to that Group Finance Director of Kidde plc.

Andrew Szescila
Non-executive Director

Was appointed a non-executive Director in September 2011 and is chairman of the Remuneration Committee. A US citizen resident in Destin, Florida. He is currently a non-executive director of UK quoted Frontera Resources Corporation. He was formerly the Chief Operating Off cer of Baker Hughes Inc.

Report of the Directors 2011

The Directors present their report, together with the audited financial statements for the year ended 31 December 2011.

Principal Activities and Business Review

Hunting PLC is a holding company whose subsidiaries are primarily involved in the manufacture and distribution of products that enable the extraction of oil and gas for the world's leading energy companies.

The Company is UK domiciled and incorporated in England and Wales. Details of the Company's principal subsidiaries and associated undertakings are set out in note 46.

The Business Review, encompassing the Chief Executive's Review, Operating Review, the Financial Review and Review of Principal Risks and Uncertainties on pages 6 to 28, together with the Chairman's Statement on pages 2 to 3, reports on the principal activities of the Group and its performance during the year ended 31 December 2011, along with likely future developments in its operations. This information, together with a description of financial capital management (page 25), details of the Group's policies on employment, health, safety and the environment, which are contained within the Corporate Social Responsibility Report on pages 29 to 33, and the Corporate Governance Report on pages 47 to 51, are incorporated into this report by reference.

Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 60.

The Directors, subject to approval by shareholders at the Annual General Meeting of the Company to be held on 18 April 2012, recommend a final dividend of 11.0p per share (2010 – 8.3p), which together with the interim dividend of 4.0p (2010 – 3.7p), takes the total dividend for the year to 15.0p per share (2010 – 12.0p), an increase of 25%. The final dividend will be paid on 2 July 2012 to shareholders on the register at the close of business on 8 June 2012.

Changes in the Group and its Interests During the Financial Year

On 5 August 2011, the Company announced the proposed acquisition of Titan, a leading manufacturer of perforating guns and switches used in the extraction of shale oil and gas. Following the publication of a Circular to shareholders on 25 August 2011 and a General Meeting on 15 September 2011, all regulatory and shareholder approvals were granted and the acquisition closed on 16 September 2011 for a consideration of £508.6m.

On 5 August 2011, the Company announced the placing of 13,175,838 new Ordinary shares to institutional investors at a price of 648.0p per share, representing approximately 9.9% of the Company's existing issued Ordinary share capital. The net proceeds of £83.5m were used to part-fund the acquisition of Titan.

On 16 September 2011, the Company entered into a new £375.0m five-year, multi-currency revolving credit facility. The new facility replaced the existing £120.0m three-year borrowing facility, which had been in place since October 2010.

On 12 August 2011, the Company completed the acquisition of Dearborn Precision Tubular Products, Inc., for a consideration of £50.6m. Dearborn manufactures high precision tubular and rotating components used predominantly in the drilling of oil and gas wells. On 2 September 2011, the Company completed the acquisition of the business and assets of W L Doffing L.P. for a consideration of £14.2m. Doffing provides critical tolerance machining, prototyping and first-pass specialist production services to the global energy industry. On 28 October 2011, the acquisition of Specialty Supply, L.P. was completed, for a consideration of £24.5m. Specialty manufactures precision machined components used in the global directional drilling market.

Further details on the acquisitions can be found in note 41 to the financial statements.

On 30 June 2011, Field Aviation was classified as a held for sale and discontinued operation. Active discussions are in progress to sell the business to its management and a sale is considered to be highly probable. Further details can be found in note 12.

Post Balance Sheet Events

There have been no disclosable post balance sheet events.

Directors

The biographies of the Directors of the Company as at 31 December 2011 are set out on page 35 of this report.

On 1 January 2011, David Barr was appointed to the Board as a non-executive Director. Mr Barr stepped down from the Board on 8 April 2011 following his appointment as Chief Executive Officer of Logan International Inc.

On 1 August 2011, Richard Hunting, the Company's Chairman, moved from an executive to a non-executive role. Mr Hunting's remuneration and new contractual arrangements are discussed in the Remuneration Committee Report on page 43.

On 16 September 2011, Andrew Szescila was appointed as a new independent non-executive Director. On 30 September 2011, George Helland, a non-executive Director, stepped down from the Board after ten years of service to the Company. Following the retirement of Mr Helland, Mr Szescila was appointed Chairman of the Remuneration Committee with effect from 1 October 2011.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party. Directors' interests in the shares of the Company are shown on page 44. As at 31 December 2011, no Director of the Company had any beneficial interest in the shares of subsidiary companies.

As recommended by the UK Corporate Governance Code, all Directors will submit themselves for re-election at the Company's Annual General Meeting to be held on 18 April 2012.

Directors' and Officers' Liability Insurance

The Company maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by its Directors and officers in the discharge of their duties. This is a qualifying third party indemnity provision, which was in force throughout the financial year.

Annual General Meeting

The Annual General Meeting of the Company will take place on Wednesday 18 April 2012 at The Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS, commencing at 10.30am. At the meeting, as well as routine matters, members will be asked to receive the Report of the Directors and Accounts, to approve the 2011 Remuneration Committee Report and to give authority to the Directors to reappoint the Group's external auditors and determine their remuneration.

Further details of the resolutions are set out in the letter concerning the Annual General Meeting, which accompanies the Notice of the Annual General Meeting.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution of the Company in general meeting, the business of the Company is managed by the Board. The Directors have been authorised to allot and issue Ordinary shares and to make market purchases of the Company's Ordinary shares. These powers are exercised under authority of resolutions of the Company passed at its Annual General Meeting. On 5 August 2011, these powers were exercised when the Company issued 13,175,838 new Ordinary shares, in connection with the acquisition of Titan.

During the financial year ended 31 December 2011 620,424 Ordinary shares were also issued pursuant to the Company's various share plans.

Share Capital

The Company's issued share capital comprises a single class, which is divided into Ordinary shares of 25p each, details of which are set out in note 34 of the financial statements. As at 31 December 2011, there were 146,316,186 Ordinary shares in issue. The rights and obligations attached to these shares are summarised on pages 37 and 38 and are detailed in the Articles of Association of the Company, copies of which can be obtained from Companies House in the UK, or by writing to the Company Secretary at the registered office of the Company. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. The movements in share capital during the year are laid out in note 34 of this report.

The Directors have the authority to allot shares and to disapply statutory pre-emption rights. This authority is renewed annually at the Annual General Meeting. The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 21,932,796 shares at 31 December 2011. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at its Annual General Meeting.

The Company holds 1,072,186 shares in Treasury (2010 – 971,723), which are to satisfy a proportion of the shares under award to employees who participate in the share-based incentive schemes currently run by the Company. This number of shares is deducted from the Company's equity. The Company has a policy to purchase shares in the market or issue new shares to ensure there are sufficient shares to meet future requirements.

The rights to such shares are restricted in accordance with the Companies Act 2006 and, in particular, the voting and dividend rights attaching to these shares are automatically suspended.

During the year, to satisfy share options exercised by certain employees, the Company, through the Employee Share Trust, purchased 140,431 Treasury shares with an aggregate nominal value of £35,108. The total consideration was £1,108,171. Details of the employee share schemes can be found in the Remuneration Committee Report on page 41 and in note 40.

Voting Rights and Restrictions on Transfer of Shares

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

Shareholders may submit votes electronically at www.sharevote.co.uk. A Voting ID, Task ID and Shareholder Reference Number will be required to complete this method of voting; these details are included on shareholders' voting proxy cards. To be valid, an electronic proxy must be received by no later than 48 hours before a general meeting. Any shareholder having difficulty submitting their voting instructions electronically should contact the Company's Registrars immediately.

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

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

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

Report of the Directors 2011 continued

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

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

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Substantial Interests

As at 31 December 2011, pursuant to the Disclosure and Transparency Directive, issued by the Financial Services Authority, the major shareholders of the Company are as follows:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
AXA group of companies		14,859,490	10.2
M&G Investment Management		13,859,740	9.5
Hunting Investments Limited	(i)/(iv)	10,884,743	7.4
Threadneedle Asset Management		8,150,409	5.6
Schroder Investment Management		7,535,972	5.2
Mirabaud Investment Management		7,000,642	4.8
BlackRock group of companies		6,699,805	4.6
Slaley Investments Limited		6,411,679	4.4
F Godson – as trustee	(ii)	5,861,575	4.0
Cooperative Insurance Society		5,587,261	3.8
Legal & General Investment Management		5,196,495	3.6
Standard Life Investments		4,426,932	3.0
JA Trafford – as trustee	(ii)	3,680,686	2.5
David RL Hunting		199,910	0.1
– other beneficial	(iii)	2,484,583	1.7
– as trustee	(ii)	2,549,117	1.7

Notes

i. Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly-owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.

ii. After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 6,165,269 Ordinary shares.

iii. Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.

iv. Richard H Hunting and David RL Hunting are both directors of Hunting Investments Limited.

As at 8 March 2012, no further interests have been disclosed to the Company by major shareholders.

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount incurred and written off by the Group during the year was £0.6m (2010 – £0.9m).

Charitable and Political Contributions

During the year, the Group donated £48,000 (2010 – £45,000) to UK charitable organisations and £114,000 (2010 – £119,000) to overseas charities. It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2010 – £nil).

Property, Plant and Equipment

Details of movements in property, plant and equipment are shown in note 15 to the financial statements. The Directors are of the opinion that the market value of Hunting's properties at 31 December 2011 exceeded their net book value by approximately £3.1m.

Registrar

The address and contact details of Equiniti Limited, the Company's Registrar, are listed on the inside back cover of this report. Equiniti is the Company's single alternative inspection location, whereby individuals can inspect the register of members. Individual shareholders may view their personal shareholder information online, through the www.shareview.co.uk website.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

Significant Agreements

The Company is a party to a revolving credit facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company.

The service agreements of the executive Directors include provisions for compensation for loss of office or employment as a result of a change of control. Further details of the Directors' service contracts can be found in the Remuneration Committee Report on pages 42 and 43.

Policy on the Payment of Creditors

The Company's and Group's policy is to pay all creditors in accordance with agreed terms of business. The Company itself has no substantial trade payables. The total amount of Group trade payables falling due within one year at 31 December 2011 represents 45 days' worth (2010 – 44 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Statement of Disclosure of Information to Auditors

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Review and the Operating Review on pages 6 to 9 and pages 16 to 21. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial capital management are described on pages 23 to 25 and the principal risks and uncertainties facing the business are described on pages 27 and 28. The notes to the financial statements include the Group's objectives, policies and processes for managing its capital (note 38), its financial risk management objectives (note 31), details of its financial instruments, hedging activities and sensitivity analysis (notes 30 and 31) and its exposures to credit risk and liquidity risk (note 31).

The Group has considerable financial resources together with a broad range of products and services and a diverse, global customer and supplier base. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully in the current economic climate.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently have adopted the going concern basis of accounting in preparing these financial statements.

Auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office as auditors. A resolution to reappoint them as auditors to the Group will be proposed at the Annual General Meeting to be held on 18 April 2012.

By Order of the Board

Peter Rose
Company Secretary
8 March 2012

Introduction

Hunting PLC operates in the international energy arena, supplying to global companies. Recruiting, retaining and appropriately incentivising our senior management remains a clear focus for the work of the Remuneration Committee. The following report summarises the Committee's work and outlines forward policies for remuneration.

Compliance

This report has been prepared in accordance with the relevant provisions of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and has been approved by the Board. The report also satisfies the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance Code. It will be presented to shareholders for approval at the Annual General Meeting on 18 April 2012.

Remuneration Committee Role and Composition

The Remuneration Committee (the "Committee") is responsible for determining the remuneration of the Chairman and the executive Directors, including the setting of competitive salaries, annual performance targets and participation in the Company's executive share-based incentive plans. The Committee also takes account of remuneration policy for the Group's senior executives generally.

The constitution and operation of the Committee during the year has complied with the UK Corporate Governance Code's guidance on Directors' remuneration. The terms of reference of the Committee are published on the Group's website and are available from the Company on request.

The Committee comprises the independent non-executive Directors of the Company Andrew Szescila (Committee Chairman), John Hofmeister and John Nicholas. Andrew Szescila was appointed to the Committee on 16 September 2011 following his appointment to the Board and became Chairman of the Committee on George Helland's retirement from the Board on 1 October 2011. David Barr joined the Committee on his appointment to the Board on 1 January 2011 and resigned from the Committee on 8 April 2011.

The Committee met four times in 2011 with members attending

considers that an effective policy needs to be kept under review in order to reflect future changes to business needs and the environment in which the Company operates and, therefore, the policy may be amended in the future.

Base Salaries

Base salaries are reviewed annually. In considering appropriate salary levels, the Committee takes into account the remuneration paid by comparable companies in terms of asset size, revenues, profits, the number of employees, market capitalisation and the complexity and international spread of the Group's operations, as well as applicable rates of inflation. The Company's practice is to target base salaries at the mid-market level in the appropriate market for the executive position. In determining executive salaries, consideration is given to their experience and general personal performance. The Committee is also mindful of pay and conditions for the wider employee population when determining executive remuneration.

Annual Bonus

An annual performance-linked cash bonus scheme is in place for the executive Directors. The scheme, which is not pensionable, is designed to provide an incentive reward for performance and reflects the competitive markets in which the Group conducts its business.

Dennis Proctor and Peter Rose are eligible for a bonus under the scheme when 80% of the Group's budgeted profit before tax and budgeted return on capital is achieved. Below this level no bonus is payable. The amount payable under the scheme, when the budgeted profit before tax and return on capital targets are achieved, is 100% of base salary for Dennis Proctor and 75% of base salary for Peter Rose. When actual results achieve 120% of these performance targets Dennis Proctor and Peter Rose are entitled to a maximum cash bonus of 200% and 150% of base salary respectively. The amount of bonus payable accrues on a straight-line basis when actual results achieved are between 80% and 120% of performance targets.

Bonus schemes are in place for the majority of the Group's employees.

Long-term Performance Related Incentives

The Group operates three long-term plans all of which target to align the incentive package of executives with that of the long-term interests of shareholders.

1. Performance Share Plan ("PSP")

Awards under the PSP are granted annually and only vest if demanding performance conditions based on increased shareholder value are met. Awards granted under the PSP, which are subject to a three year vesting period, are based on the Group's total shareholder return performance relative to the constituent members of the Dow Jones US Oil Equipment and Services and the DJ STOXX TM Oil Equipment and Services sector indices and if the Committee determines the Group's financial performance to be satisfactory. These indices are considered by the Committee to be appropriate as they compare the Group's performance against other companies in the oil and gas services sector.

Awards vest subject to the schedule outlined below:

Group's Total Shareholder Return ("TSR") against the TSR of the members of the Comparator Group

	% of the award that vests
Upper quartile or above	100%
Between upper quartile and median	On a straight-line basis between 40% and 100%
Median	40%
Below median	0%

The plan allows for a maximum of share-based awards with a value equal to 200% of annual salary to be granted. In 2011, awards to the value of 100% and 80% of base salary were granted to Dennis Proctor and Peter Rose respectively.

2. Long-term Incentive Plan ("LTIP")

The LTIP is intended to link key executives' remuneration to the long-term success and performance of the Group.

The LTIP is a performance-linked plan with an incentive pool, which is calculated using the sum of the Group's after tax operating income after deducting a charge for the after tax cost of capital, which for 2011 is a rate of 7% on average shareholders' funds. Determination of the incentive pool incorporates two components, the first being 2% of the absolute value added, and the second being 5% of the incremental value added. These performance conditions align the interests of the executives with those of the Group and its shareholders and will only produce value to the participants if value is created for the Group.

Awards are determined for each participant at the beginning of a three year performance cycle and are settled at the end of each cycle either in shares or in cash. The award for each participant is calculated as a percentage of the incentive pool resulting from the performance of the business over the performance cycle, as determined by the Committee.

The pool available for distribution was £1.4m at 31 December 2011 compared to £0.2m at 31 December 2010. The aggregate amount of the pool distributed to participants for 2011 was £1.3m.

Following vesting, the amount payable under any single award may not exceed a certain multiple of the base annual salary of each participant. The maximum award levels under the LTIP rules as a multiple of base salaries are 3.5 times annual salary for Dennis Proctor and 1.75 times annual salary for Peter Rose.

3. Executive Share Option Plan

The Group operated an Executive Share Option Plan ("ESOP") between 2001 and 2008 to provide long-term incentives for executive Directors and executives of the Group. From 2009, executive Directors were granted share-based awards under the PSP rather than grants under the option plan. In April 2011, the final grants under the ESOP vested. No further grants will be made under this share option plan.

Remuneration Committee Report continued

Directors' Shareholding Requirements

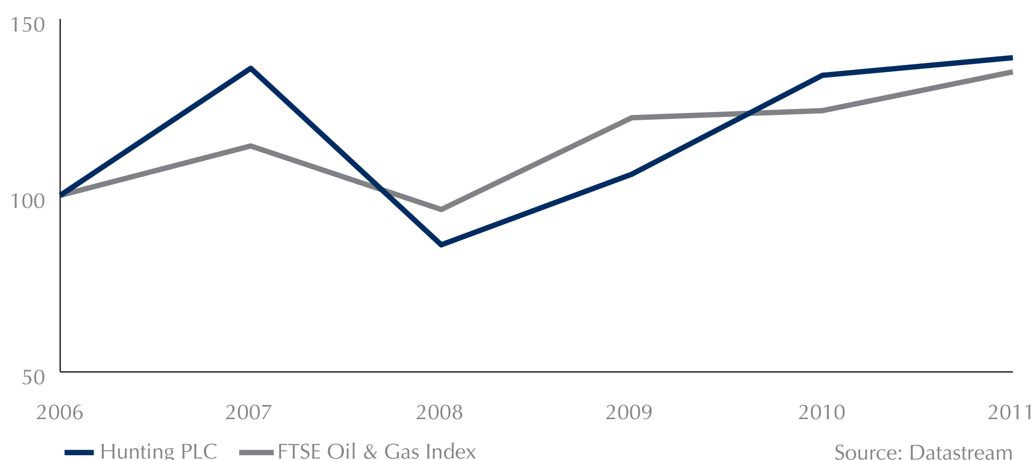
In order to align the interests of the executive Directors with that of shareholders, each executive Director is required to build up and maintain a holding in the Company's shares with a market value equivalent to not less than one times their annual salary.

Performance Graph

The graph below compares the total shareholder return for an investment in Hunting PLC Ordinary shares, with the return for the same investment in the FTSE Oil and Gas Index commencing on 31 December 2006.

Total Shareholder Return Performance of Hunting PLC vs. FTSE Oil & Gas Index

(TSR rebased to 100 at 31 December 2006 and measured on a three-month average basis)



In the opinion of the Directors, the FTSE Oil and Gas Index is the most appropriate index against which the shareholder return of the Company's shares should be compared because this is the sector in which the Company is quoted.

Director Service Contracts

Executive Directors

The Company's policy on executive Directors' contracts is to comply with guidance contained in the UK Corporate Governance Code.

All Directors' Service Contracts are rolling one year agreements and contain standard provisions allowing the Company to terminate summarily for cause, such as gross misconduct.

Dennis Proctor entered into an Employment Agreement with Hunting Energy Services Inc., a wholly-owned subsidiary of the Group, on 7 February 2001. This Agreement is governed by the laws of the State of Delaware, USA. Under the terms of the Agreement both Hunting Energy Services Inc. and Dennis Proctor are required to give one year's notice of termination.

The Agreement contains a pay in lieu of notice clause, which provides for payment of base salary, performance bonus and vacation pay based on an annual entitlement of four weeks. There are special provisions on a change of control. These provide for payment of one year's base salary together with an amount equal to the average performance bonus paid in the previous two years. In addition, Dennis Proctor would be entitled to continue to participate in the Group insurance programmes for one year following the change of control and, unless otherwise provided in the relevant option agreement, all share options and share-based awards granted to him will become exercisable at the date of the change of control.

Peter Rose entered into a Service Agreement with the Company on 23 April 2008. Under the terms of the Service Agreement for Peter Rose, both the Company and the Director are required to give one year's notice of termination. The Company reserves the right to pay Peter Rose in lieu of notice (whether given by the Company or by him) which comprises his salary and bonus. The Company also has the option to put Peter Rose on paid leave of absence following payment of a sum equivalent to salary and bonus (based on the previous twelve month period), subject to him complying with the terms of his Service Agreement. These conditions also apply on termination following a change of control. In addition, Peter Rose would be entitled to an acceleration of all share options and share-based awards, which would become immediately exercisable and remain exercisable for a period of one year following termination.

The Company has authorised the executive Directors to undertake non-executive directorships outside of the Group provided these do not interfere with their primary duties. During the year neither Dennis Proctor nor Peter Rose held any external positions.

Non-executive Directors

Non-executive Directors are initially appointed for a fixed term of three years and thereafter, subject to approval of the Board, for a further three year term. Andrew Szescila was appointed to the Board on 16 September 2011 for three years. On 30 September 2011, George Helland retired from the Board after ten years of service. David Barr was appointed to the Board on 1 January 2011 and resigned on 8 April 2011.

In the event of early termination by the Company, the independent non-executive Directors are not entitled to receive compensation for loss of office. Their letters of appointment are available for inspection by shareholders during normal business hours at the Company's registered office or at the Annual General Meeting.

Non-executive Director	Date of first appointment or subsequent reappointment	Term of appointment	Unexpired term from 8 March 2012
John Hofmeister	26 August 2009	Three years	6 months
John Nicholas	26 August 2009	Three years	6 months
Andrew Szescila	16 September 2011	Three years	30 months

Non-executive Director fees are determined by the Board as a whole on recommendation of the executive Directors following receipt of external salary information and are reviewed annually in December each year. The non-executive Directors do not participate in the Group's share plans or receive any other benefits.

The table below shows fees payable to non-executive Directors for the year to 31 December 2011 as well as fees applying from 1 January 2012.

	2011	2012
Annual fee	£50,000	£60,000
Additional fees per annum		
Senior Independent Director	£3,000	£10,000
Committee Chairman (Audit and Remuneration)	£6,000	£10,000

On 1 August 2011, Richard Hunting, the Company's Chairman, moved from an executive to a non-executive Director role. Mr Hunting has been appointed for a fixed term of three years and his letter of appointment contains details of his remuneration, expected time commitments, and requirements as detailed in the UK Corporate Governance Code. As at 8 March 2012, Mr Hunting's unexpired term was 29 months. The appointment can be terminated by the Company or Mr Hunting with either party giving three months' notice. On 7 June 2011, after receiving advice from Towers Watson, the Committee met to approve Mr Hunting's remuneration. This advice included benchmarked data of salary and benefits comparing companies of a similar size and profile to Hunting PLC. From 1 August 2011, Mr Hunting's annual fee was set at £193,500 and is subject to annual review.

Emoluments (audited)

Emoluments received by each Director during the year were as follows:

	Salary and fees £000	Annual bonus £000	Benefits £000	2011 Total £000	2010 Total £000
Non-executive Chairman					
Richard Hunting*	194	–	30	224	203
Executive Directors					
Dennis Proctor	443	885	27	1,355	1,028
Peter Rose	225	266	20	511	453
Non-executive Directors					
David Barr (to 8 April 2011)	14	–	–	14	–
George Helland (to 30 September 2011)	42	–	–	42	56
John Hofmeister	53	–	–	53	52
John Nicholas	56	–	–	56	55
Iain Paterson (to 8 June 2010)	–	–	–	–	24
Andrew Szescila (from 16 September 2011)	16	–	–	16	–
Total remuneration	1,043	1,151	77	2,271	1,871

* Includes salary of £112,895 and benefits of £29,642 relating to the period 1 January to 31 July 2011 and £202,727 for 2010 as executive Chairman and fees of £80,625 from 1 August to 31 December 2011 as non-executive Chairman.

Remuneration Committee Report continued

Analysed as:	Salary an f ƒ	ıual ɔonus £000	Benef ts £000	2011 Total £000	2010 Total £000
Executive Directors		1,151	77	2,009	1,684
Non-executive Directors		–	–	262	187
Total remuneration	ı3	1,151	77	2,271	1,871

Dennis Proctor's remuneration is paid in US dollars as follows:

	Salary and fees US$000	Annual bonus US$000	Benef ts US$000	ɹ
2011	710	1,420	4	ı72
2010	676	879		ı,593

Benef ts include the provision of a company car and fuel bɾ ɹbscriptions, health cover, life and disabilitʸ ɹe.

The emoluments for George Helland and Iain Paterson ı the table above are to the date of their reˊ ırom the Board. In the case of David Barr, his emoluments are from thʳ his appointment on 1 January 2011 up tɾ of his resignation from the board on 8 April 2011.

Directors' Share Interests (audited)

The interests of the Directors in the issued Ordˈ ɹres in the Company are as follows:

	31 December 2011 (or cessation date)	31 December 2010 (or cessation date)
Non-executive Chairman		
Richard Hunting	743,306	743,306
as trustee	1,105,339	1,137,854
as director of Hunting Investmenᵗ ɹ	10,884,743	10,884,743
Executive Directors		
Dennis Proctor	1,075,144	754,898
Peter Rose	38,196	33,940
Non-executive Director		
George Helland (as at 3ˈ nber 2011)	18,750	18,750
John Hofmeister	5,000	5,000
John Nicholas	5,000	5,000
Iain Paterson (as at .010)	–	2,500
Andrew Szescila	–	–

As at 8 March ıere were no further chaʳ ıe Directors' share interests. The market price of the Ordinary shares at 31 Decembɾ ʋas 750.0p. The highesᵗ ɛst mid-market prices during the year were 817.0p and 530.0p respectively.

Directorɛ ıs and Awards over ˁ ˌ Shares (audited)

The inteʳ ɛxecutive Directors ɔ ıary shares of the Company under the Executive Share Option Plan and the Perforn ıare Plan are set ouᵗ

The ˈ ɔf options and awˈ ɹubject to performance conditions set out within the remuneration policy on pages 40 and 41.

	Interests at 1 January 2011	Options/ awards granted in year	Options/ awards exercised in year	Interests at 31 December 2011	Exercise price p	Date from which exercisable/ vesting	Expiry date	Scheme
Dennis Proctor	426,738	–	426,738	–	194.0	28.03.04	27.03.11	ESOS
	181,622	–	–	181,622+	167.4	15.04.05	14.04.12	ESOS
	309,705	–	–	309,705+	116.9	31.03.07	30.03.14	ESOS
	171,742	–	–	171,742+	220.7	09.03.08	08.03.15	ESOS
	104,178	–	–	104,178+	383.0	08.03.09	07.03.16	ESOS
	64,688	–	–	64,688+	640.0	06.30.10	05.03.17	ESOS
	55,449	–	–	55,449+	784.5	04.03.11	03.03.18	ESOS
	38,863	–	–	38,863^	nil	28.04.12	–	PSP
	70,751	–	–	70,751^	nil	25.02.13	–	PSP
	–	57,295	–	57,295^	nil	25.02.14	–	PSP
Peter Rose	29,454	–	–	29,454+	220.7	09.03.08	08.03.15	ESOS
	18,277	–	–	18,277+	383.0	08.03.09	07.03.16	ESOS
	15,000	–	–	15,000+	640.0	06.03.10	05.03.17	ESOS
	21,670	–	–	21,670+	784.5	04.03.11	03.03.18	ESOS
	15,000	–	–	15,000^	nil	28.04.12	–	PSP
	29,129	–	–	29,129^	nil	25.02.13	–	PSP
	–	23,241	–	23,241^	nil	25.02.14	25.02.21	PSP

\+ Vested and currently exercisable.
^ Not yet vested/exercisable.

Under the PSP scheme rules, awards may be granted as share awards or share options. In 2011, Dennis Proctor was granted 57,295 nil cost share awards and Peter Rose was granted 23,241 nil cost options.

Dennis Proctor exercised 426,738 options on 23 March 2011. The share price on the date of exercise was 764.5p, representing a notional gain of £2,434,540. As part of this transaction, Mr Proctor sold 116,423 shares to cover income tax liabilities and retained 310,315 shares.

Directors' Awards Under the Long-term Incentive Plan (audited)

	Interest in three year performance cycle awarded February 2009 vested 31 December 2011 (at 1 January 2011)	Interest in three year performance cycle awarded February 2010 and vesting 31 December 2012 (at 1 January 2011)	Interest in three year performance cycle awarded February 2011 and vesting 31 December 2013 (at 1 January 2011)	Value of award in respect of three year performance cycle vested 31 December 2011
Dennis Proctor	35%	35%	35%	£478,321
Peter Rose	15%	15%	15%	£204,995

Executive Directors and some senior executives are invited to participate in the Company's LTIP, with all awards subject to the performance conditions outlined on page 41. Awards are settled at the end of each performance cycle in cash or shares. The determination of whether to deliver benefits under the LTIP in cash or shares is not made until after the awards vest. This applied to the performance cycle that vested on 31 December 2010 with Dennis Proctor receiving 9,931 shares and Peter Rose receiving 4,256 shares.

The mid-market price of an Ordinary share on 26 February 2009, the date of the award, for the cycle vested 31 December 2011 was 410p and the price on the date of vesting, 31 December 2011, was 750p.

The mid-market price of an Ordinary share on the date of the most recent LTIP award, 24 February 2011, was 774.5p.

Pensions (audited)

Peter Rose and Richard Hunting are members of the Hunting Pension Scheme (the "Scheme"), which is a defined benefit pension scheme. The retirement age for the Directors under the Scheme is 60 and they are entitled to, subject to certain limits, a pension of up to two thirds of final salary. Pensionable salary is the annual salary less an amount equal to the State Lower Earnings Limit.

Remuneration Committee Report continued

Richard Hunting contributed 8.5% of his pensionable salary up until his Scheme retirement date of 31 July 2006. Peter Rose contributes a similar proportion of his salary to the Scheme. The Scheme provides all members a lump sum death in service benefit of four time's base salary and a spouse's pension of two thirds of the member's pension on the member's death. Bonuses and benefits do not qualify as pensionable salary.

Dennis Proctor participates in a US 401K Tax Deferred Savings Plan and in 2011 the Company contributed £9,162 (2010 – £9,484). In addition, the Company contributed £109,532 to money purchase arrangements (2010 – £94,838).

Directors' Pension Benefits (audited)

Set out below are details of the pension benefits to which each of the Directors is entitled.

Name of Director	Pensionable service at 31 December 2011	Normal retirement age	Accrual rate	Total accrued pension at 31 December 2010 £000 pa	Increase in accrued pension during 2011 including inflation £000 pa	Increase in accrued pension during 2011 excluding inflation £000 pa	Transfer value of increase less Directors' contributions £000	Total accrued pension at 31 December 2011 £000 pa
Richard Hunting	35 years	60	1/50th	121	nil	nil	nil	132
Peter Rose	18.9 years	60	1/50th	74	3	6	244	81

Name of Director	Transfer value at 31 December 2011 £000	Transfer value at 31 December 2010 £000	Difference in transfer values less Directors' contributions £000
Richard Hunting	3,746	3,391	355
Peter Rose	2,628	2,186	442

Notes

i. The total accrued pension shown is that which would be paid annually on retirement for life based on service to 31 December 2011. Peter Rose's accrued pension at 31 December 2011 includes a temporary pension of just over £9,000 per annum.

ii. The transfer values at 31 December 2011 have been based on estimated insurance company pricing terms, reflecting the fact that most of the benefits are covered by insurance policies.

iii. Richard Hunting's normal retirement date was 31 July 2006. No further benefits have accrued to him since that date. The increase in Mr Hunting's total accrued pension during 2011 is mainly due to him deferring part of his pension entitlement since reaching his normal retirement age. The year-end transfer value reflects only the value of the pension shown above and does not include the value of the pension he received during the year.

The information on pages 40 and ending half way on page 43 of this report is not audited and the information starting on page 43 to 46 is audited.

By Order of the Board

Andrew Szescila
Chairman of the Remuneration Committee
8 March 2012

Corporate Governance Report

"Corporate Governance continues to be an important consideration of the Board of Hunting and so it is with great pleasure I introduce to you our report for 2011. During the year the Company was compliant with the UK Corporate Governance Code, with new initiatives being introduced to align the Board's operation with the Code's recommendations. With the appointment of Andrew Szescila in September 2011, Hunting now has a full complement of independent non-executive Directors all having served for fewer than three years. Their challenge in the Boardroom, including input to the strategy and direction of the Company, has enabled Hunting to successfully execute four acquisitions in the year, while maintaining significant internal investment in our operations. Both elements of this strategy should mean that Hunting's long-term future is built on a firm foundation."

From Richard Hunting, Chairman of the Company

UK Corporate Governance Code

This statement, which has been approved by the Board, reports on the Company's compliance with the UK Corporate Governance Code (the "Code") as issued by the Financial Reporting Council ("FRC") in May 2010 (available on its website www.frc.org.uk) and how the principles of the Code have been applied during 2011. Compliance with the principles relating to Directors' remuneration is reported within the Remuneration Committee Report on pages 40 to 46.

The Company was fully compliant with the Code's provisions throughout the year.

Board Composition and Committee Membership

The Board of Directors currently comprises the non-executive Chairman, Chief Executive, Finance Director and three independent non-executive Directors. All independent non-executive Directors are appointed to the Company's Nomination, Audit and Remuneration Committees. Changes to the Board and its committees during the year are as follows:

- David Barr was appointed to the Board as an independent non-executive Director on 1 January 2011. Following his appointment to an external executive role, Mr Barr stepped down from the Board on 8 April 2011.
- Andrew Szescila was appointed as an independent non-executive Director on 16 September 2011.
- George Helland retired from the Board after ten years' service on 30 September 2011 and following his retirement, Mr Szescila was appointed Chairman of the Remuneration Committee.

On 1 August 2011, Richard Hunting moved from an executive to a non-executive role. Mr Hunting is not regarded as independent, given his former executive position since joining the Company in 1989.

This composition, with a separate Chairman and Chief Executive, ensures a balance of responsibilities and authorities. Non-executive Directors' letters of appointment include details of their duties and expected time commitments required. The Directors, together with brief biographical details, are identified on pages 34 and 35.

Excluding the Chairman, 60% of the Board is currently comprised of independent non-executive Directors. Prior to the appointment of a non-executive Director, the Nomination Committee undertakes an evaluation of the Board's requirements to ensure the balance of skill and experience is maintained to fulfil the Group's strategy. In the case of a non-executive Director being reappointed, the Code recommends a particularly rigorous evaluation with particular consideration being given to the need to regularly refresh the Board and to continued independence.

The Company has procedures in place to deal with potential conflicrftT* y(o)13(i(t)-6(r)9(a)16-7(s i)23(n (s)-13(c)31(n)-3(7T16(i)23(n)115(u)

Corporate Governance Report continued

informed of Corporate Governance developments and maintaining corporate awareness of legislative and regulatory changes. The appointment and removal of the Company Secretary is a matter reserved for the Board.

Board and Committee Meetings

The Board normally meets formally five times a year and convened ten times during 2011, of which one meeting was held in North America. The additional Board meetings were convened to discuss and approve the acquisitions made during the year.

Meeting dates are set a year in advance. Attendance by each of the Directors at Board or committee meetings is detailed below (maximum possible number of meetings attended shown in brackets).

	Notes	Board	Nomination Committee	Remuneration Committee	Audit Committee
Number of meetings held in 2011		10	2	4	4
Number of meetings attended:					
Richard Hunting		10	2	–	–
Dennis Proctor		10	2	–	–
Peter Rose		10	–	–	–
George Helland	(i)	8 (8)	2 (2)	3 (3)	3 (3)
John Hofmeister		10	2	4	4
John Nicholas		10	2	4	4
Andrew Szescila	(ii)	2 (2)	0 (0)	1 (1)	1 (1)
David Barr	(iii)	0 (1)	0 (0)	0 (1)	0 (1)

Notes
i. Retired on 30 September 2011.
ii. Appointed 16 September 2011.
iii. Appointed 1 January 2011 and resigned 8 April 2011.

Board papers are always circulated in advance of meetings. These include detailed financial reports on the Group's activities, reports on each operating division, health and safety, risk management and investor relations reports. In addition, the meetings held in February and August focus on the full and half year results respectively and the meeting in December focuses on the budget for the following financial year.

The duties and responsibilities of the Board and its committees are formally agreed by the Board in writing. In addition, the division of responsibilities between the Chairman and Chief Executive is set out in writing and agreed by the Board. Matters specifically reserved for the Board include, but are not limited to, the following:

- compliance with UK Company Law and the UKLA's Listing Rules;
- review of the Group's system of risk management, internal control and assess its effectiveness;
- approve all Stock Exchange announcements;
- approve the full and half year financial statements, including the approval of dividends;
- consider the Group's commercial strategy and approval of the annual budget;
- consider recommendations of the Board subcommittees including Board remuneration, appointments and their terms of reference.

Board Performance Evaluation

The Board, its committees and each individual Director participate in an annual performance evaluation appraisal, the purpose of which is to confirm the continued effective contribution and performance of the individual or committee in line with the Code's recommendations. Evaluation of the Board was undertaken by the non-executive Directors and took account of the Directors' attendance and their contribution at meetings, financial performance of the Group against budget, compliance with corporate governance and best practice guidelines and market perception of the Group. The Nomination, Remuneration and Audit Committees were evaluated by the executive Directors and took account of communication with the Board and compliance with terms of reference. The evaluation of the Chairman was undertaken by the independent non-executive Directors, led by the Senior Independent Director, and included an assessment of his leadership and direction of the Board. The appraisal of the Chief Executive was completed by the non-executive Directors together with the Chairman. Evaluation of the other individual Directors took account of their contribution and, in the case of the Finance Director, the performance of his executive duties. The Board is also considering the use of external facilitators to evaluate its practices as recommended by the Code.

Board Committees

The Board has three main committees to which it delegates responsibility and authority:

Nomination Committee

Members of the committee are Richard Hunting (committee chairman), Dennis Proctor and the independent non-executive Directors. The committee convened twice during the year and has written terms of reference approved by the Board, which are published on the Group's website. The role of the committee includes leading the process for Board appointments and determining the terms of new appointments. The committee also considers succession planning which takes into account the experience and skills required of Board members.

In April 2011, the committee commenced a process to appoint a new independent non-executive Director. The committee considered the balance of experience currently represented by the Board of Directors and the need to regularly refresh the Board and concluded that a Director with oil services knowledge would enhance its capabilities. The committee appointed Boyden Associates to assist the search process, and after reviewing the available candidates completed a formal interview process. The committee met on 23 August 2011 and 16 September 2011 to consider the appointment of Andrew Szescila and recommended his appointment with effect from 16 September 2011. Mr Szescila has considerable experience in the global oil services sector and is a valuable addition to the Company as it continues its growth strategy.

In February 2011, the Davies Report (Women on Boards) was published. The Board has considered the recommendations of the report and, in February 2012, issued its gender diversity policy for Board appointments. Given the current size and balance of experience of Hunting's Board and the recent refreshing of the Board's independent non-executive Directors it is unlikely that Hunting will be compliant with the recommendations of the Davies Report in the short term. However, in line with the Davies Report's recommendations, Hunting's diversity policy commits the Group to:

- An embedded culture of equal opportunities for all employees, regardless of gender;
- Require external recruitment consultants to submit their diversity policies to the Group prior to appointment;
- Ensure that external consultants appointed by Hunting submit candidate shortlists comprising at a minimum 25% of women for consideration by the Nomination Committee;
- A target of at least one female Director of the Company when practicable;
- An annual review by the Nomination Committee of its progress complying with the Davies Report's recommendations.

Remuneration Committee

The Remuneration Committee comprises solely the independent non-executive Directors of the Company. Andrew Szescila was appointed to the Committee on 16 September 2011 following his appointment to the Board and on 1 October 2011 became the chairman of the Committee following the retirement of Mr Helland. Details of the Remuneration Committee's activities are contained within its report on page 40. The Committee convened four times during the year and the attendance of Committee members during the year is noted on page 48. The Committee has written terms of reference approved by the Board which are published on the Group's website. During the year, the Committee reviewed its effectiveness and the Chairman reported these findings to the Board.

Audit Committee

Members of the committee, which is chaired by John Nicholas, comprise exclusively the independent non-executive Directors.

The committee met four times during the year and operates under written terms of reference approved by the Board, which are published on the Company's website. The committee normally meets in February, April (to coincide with the Annual General Meeting of the Company), August and December. The Chairman, Chief Executive, Finance Director and the external auditors are invited to attend all meetings. During the year, the committee reviewed its effectiveness and the Chairman reported these findings to the Board.

The auditors present an audit report at the March, April, August and December meetings for consideration by the committee. Their full year report includes a statement on their independence, their ability to remain objective and to undertake an effective audit. The committee considers and assesses this independence statement on behalf of the Board taking into account the level of fees paid particularly for non-audit services. The committee considers the effectiveness of the audit by reviewing and taking account of any Financial Reporting Council reports on the auditors, together with input from executive management. PricewaterhouseCoopers LLP and its predecessor firms have been the Group's auditors for many years. The Audit Committee is satisfied with their effectiveness and their independence and has not considered it necessary to require an independent tender process. The Audit Committee considers the reappointment of the auditors annually and makes a recommendation to the Board.

During 2011, the committee continued to closely monitor fees paid to the auditors in respect of non-audit services, which are analysed within note 6 on page 74. In 2011, fees for non-audit services exceeded the annual audit fee largely due to fees charged of £1.5m for due diligence support on the four acquisitions completed during the year. In addition, taxation advice amounted to £1.0m and other services £0.2m, bringing the total non-audit services fee to £2.7m. The scope and extent of non-audit work undertaken by the external auditor is monitored by, and, above certain thresholds, requires prior approval from the committee to ensure that the provision of such services does not impair their independence or objectivity. At the August meeting, which was held immediately prior to the announcement of the half year results, the auditors presented their interim report to the committee, which included audit scope and fee estimates for the annual audit. The committee normally meets with the auditors without executive Directors present at the end of each formal meeting.

Other responsibilities of the Audit Committee include:

- monitor and review of reports on the Group's system of internal control;
- review of reports from the Group's internal audit programme;
- review of internal audit scope;
- review of the external auditor's independence and effectiveness of the audit process and assess the level and quality of service in relation to fees paid;
- monitor the Group's financial statements and announcements; and
- monitor and approve engagements of the external auditor to provide non-audit services to the Group.

The Board received copies of all reports submitted to the Audit Committee.

The Senior Independent Director, John Hofmeister, is the primary point of contact for staff of the Company to raise in confidence, concerns they may have over possible improprieties, financial or otherwise. All employees have been notified of this arrangement through the corporate magazine, Group notice boards and the Group's website.

Institutional Shareholders

The Company uses a number of processes for communicating with shareholders, including stock exchange announcements, the annual and half year reports, interim management statements issued twice a year, and the Annual General Meeting to which all shareholders are invited. In addition, the Chief Executive and Finance Director meet on a one-to-one basis with all principal shareholders at least twice a year, following the Group's half and full year results, or when requested to update them on Group performance and strategy. The Board is in turn briefed by the Chief Executive, when appropriate, on matters raised by shareholders.

During the year, the Chairman and Senior Independent Director met with a number of shareholders to discuss strategy, governance and other matters. Their comments were passed on to the Board by the Chairman. The non-executive Directors are also available to meet shareholders. The Company's major shareholders are listed, together with the information required under the Disclosure and Transparency Rules 7.2.6, within the Report of the Directors on page 38.

Internal Controls

The Board acknowledges its responsibility for the Group's system of internal control, for reviewing its effectiveness and for compliance with the Turnbull guidance. The internal control system, which has been in place throughout 2011 and up to the date of approval of these accounts, is an on-going process designed to identify, evaluate and manage the significant risks to which the Group is exposed. These systems of internal control are designed to manage rather than eliminate risks, therefore they only provide reasonable, but not absolute, assurance against material misstatement or loss in the financial statements and of meeting internal control objectives. The Directors have reviewed the effectiveness of the Group's system of internal control for the period covered by these financial statements, the key features of which are as follows:

Management Structure – within operational parameters set by the Board, management is delegated to the executive Directors. Subsidiaries operate within clearly defined policies and authorities contained within a group manual under a decentralised management structure. All senior management changes require the prior approval of the Chief Executive.

Reporting and Consolidation – all subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable. This includes weekly, bi-monthly and quarterly treasury reports, monthly management accounts, annual budgets and two-year plans, together with half year and annual statutory reporting. The Group's consolidation process is maintained and updated with regular communication, including distribution of a group manual to all reporting units. The Group monitors and reviews new UK Listing Rules, Disclosure and Transparency Rules, accounting standards, interpretations and amendments and legislation and other statutory requirements. Subsidiary reporting entities are supported by instruction from Group and structured training. All data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets. The content and format of reporting is kept under review and periodically amended to ensure appropriate information is available.

Strategic Planning and Budgeting – strategic plans and annual budgets containing comprehensive financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance. Clearly defined procedures exist for capital expenditure proposals and authorisation.

Quality Assurance – most of the business sectors within which the Group operates are highly regulated and subsidiaries are invariably required to be accredited, by the customer or an industry regulator, to national or international quality organisations. These organisations undertake regular audits and checks on subsidiary procedures and practices ensuring compliance with regulatory requirements.

Monitoring Process – in addition to reports from the external auditors, the Audit Committee receives reports from the internal auditor and monitors the internal audit process, as part of the Group's internal audit and risk assessment programme. An annual programme of internal audit assignments is reviewed by the Audit Committee. All subsidiaries undertake formal self-assessment risk reviews a minimum of three times a year on their internal control environment. These reviews encompass the identification of the key business, financial, compliance and operational risks facing the business, together with an assessment of the controls in place for managing and mitigating these risks. Additionally, risks are evaluated for their potential impact on the business. The results of these reviews, together with a review of risks facing the Group as a whole, are reported to the Board.

Bribery Act Compliance – On 1 July 2011, the UK's Bribery Act became law. To comply with the Act, Hunting has implemented procedures including the publication of Bribery and Corruption policies and detailed guidelines on interacting with customers,

Report of the Auditors

Independent Auditors' Report to the Members of Hunting PLC

We have audited the financial statements of Hunting PLC for the year ended 31 December 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 51, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2011 and of the Group's profit and Group's and parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs, as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 39, in relation to going concern;
- the parts of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Charles van den Arend
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2012

Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRIC Interpretations. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of available for sale financial assets and those financial assets and financial liabilities held for trading. The comparative amounts for the year ended 31 December 2010 have been restated to reflect Field Aviation as a discontinued operation.

The presentation of the Group's intangible asset amortisation charge has been changed such that the charge is separately presented with exceptional items in the income statement. The 2010 income statement has been re-presented to reflect this change.

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

Adoption of New Standards, Amendments and Interpretations

The following new standards, amendments and interpretations became effective for and were adopted during the year ended 31 December 2011:

- IAS 24 (revised) Related Party Disclosures
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- Improvements to IFRSs – May 2010

Although the adoption of these standards, amendments and interpretations represent a change in accounting policy, comparative figures for 2010 have not been restated for these, as the changes do not impact the financial performance or position of the Group.

Standards, Amendments and Interpretations Effective Subsequent to the Year End

- IFRS 9 Financial Instruments*
- IFRS 10 Consolidated Financial Statements*
- IFRS 11 Joint Arrangements*
- IFRS 12 Disclosure of Interests in Other Entities*
- IFRS 13 Fair Value Measurement*
- IAS 27 (revised) Separate Financial Statements*
- IAS 28 (revised) Investments in Associates and Joint Ventures*
- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
- Amendment to IAS 12 – Deferred tax: Recovery of Underlying Assets*
- Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income*
- Amendments to IAS 19 Employee Benefits*

* Not yet endorsed by the European Union.

It is not anticipated that any of the new requirements will significantly impact the Group's results or financial position.

Consolidation

The Group accounts include the results of the Company and its subsidiaries, together with its share of associates.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from their activities. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for a business acquisition represents the fair values of any assets transferred, liabilities incurred and/or equity interests issued by the Group. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The subsequent movement in fair value of any contingent asset or liability is taken to the income statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed to the income statement as incurred.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Uniform accounting policies have been adopted across the Group.

Non-controlling Interests

Non-controlling interests are those interests in the net assets and results of consolidated subsidiaries, which are not attributable, directly or indirectly, to the Group, and are identified separately in shareholders' equity.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Generally, the Group regards an investment in the voting rights of between 20% and 50% as an associate. Under the equity method, the investment in the associate is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of after tax results of associates is included separately in the income statement and the Group's share of the net assets is included separately in the balance sheet.

Discontinued Operations

A discontinued operation is a component of the Group that has either been disposed of or that is classified as held-for-sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Discontinued operations are presented in the income statement as a separate line and are shown net of tax.

Revenue

Revenue is measured as the fair value of the consideration received or receivable for the provision of goods or services in the ordinary course of business, taking into account trade discounts and volume rebates, and is stated net of sales taxes. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be reliably measured.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products. Revenue on contracts for the supply of goods is recognised on completion of the contract when the significant risks and rewards of ownership are transferred to the customer. However, if control and the significant risks and rewards of ownership of the work in progress in its current state are transferred to the customer as construction progresses, then revenue is recognised by reference to the stage of completion.

Revenue from the sale of services is recognised as the services are rendered. Revenue on contracts for the supply of services is recognised according to the stage of completion reached in the contract by reference to the work done during the period as a proportion of the total amount of work to be done under the contract. An estimate of the profit attributable to work completed is only recognised once the outcome of the contract can be reliably measured. Expected losses are recognised in full as soon as losses are probable. The net amount of costs incurred to date plus recognised profits less the sum of recognised losses and progress billings is disclosed as trade receivables or payables.

Exceptional Items

Exceptional items are regarded as significant items of income and expense, which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance. Exceptional items principally comprise profits or losses on the closure or disposal of subsidiaries, provision for warranties on the disposal of subsidiaries, the impairment of assets, provisions for onerous leases, acquisition costs, unamortised loan facility fees written off on early termination of the facility, retention bonuses for management of acquired businesses and the charge to the income statement for the fair value uplift to inventories as they are sold.

Interest

Interest income and expense is recognised in the income statement using the effective interest method, except for finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets until such time as they are substantially ready for their intended use or sale.

Foreign Currencies

The financial statements for each of the Group's subsidiaries and associates are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Group and functional currency of Hunting PLC is sterling.

Transactions in currencies other than the functional currency of the entity are translated 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, denoted in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and any exchange differences arising 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 any exchange differences arising are taken direct to equity.

For consolidation purposes, the net assets of non-sterling denominated subsidiaries and associates are translated into sterling at the exchange rates ruling at the balance sheet date. The income statements of these subsidiaries and associates are translated into sterling at the average rates of exchange for the year. Exchange differences are recognised directly in equity in the foreign currency translation refetranslated a(e)-89nG 0(n)4(d a)10(n)23(y e

If items of income and expense are recognised in other comprehensive income, then the current and deferred tax relating to those items is also recognised in other comprehensive income.

Segmental Reporting

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

Research and Development

Research costs and development costs ineligible for capitalisation are written off to the income statement as incurred.

Exploration Expenditure

Oil and gas exploration and appraisal costs are initially capitalised to wells or fields as appropriate, pending determination of the existence of commercial reserves. Expenditures incurred during the exploration and appraisal phases are written off unless probable ("commercial") reserves have been established or the determination process has not been completed. Drilling expenditure and directly attributable operational overheads associated with an exploratory dry hole are expensed immediately upon final determination that commercially viable quantities of hydrocarbons are not found.

When an oil or gas field has been approved for development, the accumulated exploration and appraisal costs are included in oil and gas development properties.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Costs include expenditure that is directly attributable to the acquisition and installation of the items and finance costs directly attributable to the acquisition, construction or production of qualifying assets.

Depreciation is charged so as to write off the cost of assets, other than land or assets under construction, to their residual value, over their estimated useful lives. All categories of asset are depreciated, using the straight-line method, using the following rates, with the exception of oil and gas exploration and production equipment, which is charged on a unit of production basis.

- 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.

Freehold land and expenditure on the exploration for and evaluation of mineral resources are not depreciated.
Assets in the course of construction are carried at cost, less any impairment in value and are included in the relevant asset category. Depreciation of these assets commences when the assets are ready for their intended use. In the case of a new manufacturing facility this will be when the facility has been commissioned. For larger facilities, this may occur in phases.

Computer software integral to an item of machinery is capitalised as part of the hardware.

Property, plant and equipment are impaired if their recoverable amount falls below their carrying value. Impairment losses are charged to the income statement immediately.

Oil and gas development expenditure is stated at cost less accumulated depreciation and any impairment in value. Where commercial production in an area of interest has commenced, the capitalised costs are depreciated using the unit of production method over the total proved reserves of the field concerned. Costs are depreciated only when commercial reserves associated with a development project can be determined with reasonable accuracy and commercial production has commenced.

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration paid 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 those 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 remaining on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

Goodwill written off to reserves prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Other Intangible Assets

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

Intangible assets are amortised over the following periods:

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

Impairments

The Group carries out impairment reviews in respect of goodwill 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 other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. For the

Principal Accounting Policies continued

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 its recoverable amount, which is the higher of the fair value less costs to sell and value in use, being the net present value of estimated future cash flows. Impairments are recognised immediately in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been previously recognised.

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.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash. Accrued interest is disclosed as part of the year-end balance.

For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Financial Assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. Financial assets are initially recognised at fair value at the trade date, which is normally the consideration paid, plus, in the case of financial assets that are not measured at fair value through profit or loss, transaction costs. The Group assesses at each balance sheet date whether a financial asset is impaired by comparing its carrying value with the present value of the estimated future cash flows discounted at a rate relevant to the nature of the financial asset. Management will however use an alternative method where this would result in a more accurate fair value. If the carrying amount is higher, it is reduced to the appropriate value and the loss is recognised immediately. Financial assets cease to be recognised when the right to receive cash flows has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(a) Financial Assets at Fair Value Through Pro t or Loss

Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. A financial asset is included in this category if acquired principally for the purpose of selling in the short-term and also includes derivatives that are not designated in a hedge relationship. Assets in this category are classified as current assets if they are expected to be settled within twelve months, otherwise they are classified as non-current assets.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and receivables are carried at amortised cost using the effective interest method. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Interest accrued on loans carried at amortised cost is regarded as an integral part of the loan balance and therefore included within the carrying amount of those loans. Consequently, interest receivable within twelve months on loans due after more than one year is recognised within non-current assets.

(c) Available for Sale Financial Assets

Available for sale financial assets are held at fair value, with changes in fair value recognised directly in equity. On disposal or impairment, the accumulated gains and losses previously recognised in equity are recognised in the income statement. Available for sale financial assets are non-derivative assets that are either designated in this category or not classified in any other categories.

Financial Liabilities

Financial liabilities, including trade payables, 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Interest accrued on loans that are measured at amortised cost using the effective interest method is regarded as an integral part of the loan balance and therefore included within the carrying amount of those loans. Consequently, interest payable within twelve months on loans due after more than one year is recognised in non-current borrowings.

Debt Issue Costs

When it is probable that some or all of the loan facility will be drawn down, transaction costs are capitalised and presented as a reduction to the borrowed amount and subsequently amortised through interest expense using an appropriate effective interest method. When it is not probable that some or all of the loan facility will be drawn down, the facility fee is capitalised as a prepayment for services and amortised over the period of the relevant facility on a straight-line basis. The amortisation charge is recognised in the income statement as an interest expense.

When a facility is terminated early, the unamortised debt issue costs carried at the time of termination are written off to the income statement immediately and recognised as an interest expense.

Derivatives and Financial Instruments

Derivatives are initially recognised at fair value as net proceeds received or consideration paid at the trade date and are subsequently remeasured at their fair value at each balance sheet date. Changes in the fair value of derivatives that have not been designated in a hedge relationship are recognised immediately in the income statement.

Derivative and primary financial instruments that are designated in a hedge relationship are accounted for as cash flow hedges. Hedges of highly probable forecast transactions are cash flow hedges. The effective portion of changes in the fair value of derivatives designated in a cash flow hedge is recognised directly in equity. The gains and losses relating to the ineffective portion are recognised in the income statement. Amounts accumulated in equity are taken to the income statement at the same time the hedged item is recognised in the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gains and losses that were reported in equity are immediately transferred to the income statement.

All of the Group's hedges to which hedge accounting is applied, are tested for effectiveness prospectively and retrospectively and are fully documented as hedges at the point of inception of the hedge relationship.

Embedded Derivatives

An embedded derivative is a feature in a contract that causes the cash flows of the contract to change whenever there is a change in a specified variable. The Group reviews its contracts when it first becomes a party to the contract in order to determine the existence of embedded derivatives within them.

Derivatives that are embedded within a host contract are separated from that contract and measured at fair value unless either (1) the host contract is measured at fair value, in which case the fair value of the derivative is subsumed within the fair value of the entire contract, or (2) the derivative is closely related to the host contract, in which case the derivative is measured at cost. An embedded derivative is regarded as not closely related to its host contract when the cash flows it modifies are associated with risks that are not inherent in the contract itself.

Subsequent reassessment of whether an embedded derivative is required to be separated from the host contract is prohibited unless there is a change in the contract's terms.

Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful lives and their lease terms. The corresponding rental obligations are included in borrowings as finance lease liabilities, initially at a value equal to the fair value of the leased asset, or if lower, at a value equal to the present value of the minimum lease payments. Interest incurred on finance leases is charged to the income statement on an accruals basis.

All other leases are operating leases and the rental of these is charged to the income statement as incurred over the life of the lease on a straight-line basis. Operating lease income is recognised in the income statement within other income as it is earned.

Provisions

Provisions are liabilities where the amount or timing of future expenditure is uncertain. Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value. If an obligation is not capable of being reliably estimated it is classified as a contingent liability.

Employee Benefits

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

For defined benefit retirement schemes, the expected cost of providing benefits is determined using the Projected Unit Method, with valuations updated annually by qualified independent actuaries at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income. The asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, as offset by the fair value of plan assets. Interest arising on the present value of the defined benefit obligation and the expected return on the plan's assets is recognised, as a net figure, within interest in the income statement.

Past service cost is recognised immediately to the extent that the benefits are already vested and is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

Accounting estimates are applied in determining the carrying amounts of the following significant assets and liabilities:

Asset/liability	Nature of Estimates
Post-employment benefits	The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. The assumptions are shown in note 33. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. Where actual experience differs to these estimates, actuarial gains and losses are recognised directly in equity.
Goodwill	The Group has capitalised goodwill of £316.5m at 31 December 2011 (2010 – £100.6m), as shown in note 16. The Group uses the present value of future cash flows to determine implied fair value. In calculating the implied fair value, significant management judgement is required in forecasting relevant cash flows considering factors such as long-term growth rates, future margins, timing and quantum of future replacement capital expenditure, future tax rates and the selection of discount rates to reflect the risks involved. If alternative management judgements were adopted then different impairment outcomes could result. A goodwill impairment of £1.5m has been recognised in 2011 relating to PT SMB Industri. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to materially exceed its recoverable amount.
Other intangible assets	Other intangible assets include the Group's aggregate amounts spent on the acquisition of customer relationships, patented and unpatented technology, trademarks and other intangibles. At 31 December 2011, intangible assets amounted to £220.8m (2010 – £22.6m), as shown in note 17, and represented 30% (2010 – 4%) of the Group's net assets. These assets have principally arisen from the Group's acquisitions. The relative size of the Group's other intangible assets, makes the judgements regarding the initial recognition, useful economic lives and potential impairments significant to the Group's financial position and performance. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. The use of different assumptions for the expectations of future cash flows and the discount rate could change the valuation of the intangible assets. Management also utilises judgement in estimating the lives of these assets and in considering whether any indicators of impairment have arisen.
Provisions	The main components of the provisions relate to warranties, tax indemnities and onerous contracts, as shown in note 32. On the sale of Gibson Energy in 2008, accounting estimates and judgements were applied in determining the amount of provisions held for tax indemnities. The timing and amounts payable in respect of these provisions remain uncertain. 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.
Share-based payments	A number of assumptions are made in determining the fair value of awards at the grant date and at each subsequent reporting date for LTIPs, as shown in note 40. Management is required to make annual estimates and assumptions about the number of shares that are expected to lapse for those participants who cease employment during the vesting period and forfeit a proportion of their award. In making these estimates and assumptions, management considers advice provided by external advisers.
Deferred tax	Deferred tax balances are derived from assumptions, which include the future utilisation of trading losses and provisions at assumed tax rates.
Discontinued operations	The Group is currently in active negotiations to sell the Field Aviation business. The Directors took the view in preparing the 2011 Half Year Report that the business was available for sale in its current condition and that a sale would occur within twelve months of 30 June 2011. The Directors remain of this opinion at 31 December 2011.

Consolidated Income Statement

For the Year ended 31 December 2011

	Notes	Before amortisation and exceptional items 2011 £m	Amortisation and exceptional items (note 5) 2011 £m	Total 2011 £m	Restated Before amortisation and exceptional items 2010 £m	Restated Amortisation and exceptional items (note 5) 2010 £m	Restated Total 2010 £m
Revenue	2	608.8	–	608.8	423.3	–	423.3
Cost of sales		(428.2)	(13.9)	(442.1)	(305.6)	(8.4)	(314.0)
Gross profit		180.6	(13.9)	166.7	117.7	(8.4)	109.3
Other operating income	3	3.3	–	3.3	3.5	–	3.5
Operating expenses	4	(102.9)	(26.1)	(129.0)	(76.2)	(5.6)	(81.8)
Profit from continuing operations	6	81.0	(40.0)	41.0	45.0	(14.0)	31.0
Finance income	9	3.5	–	3.5	3.8	–	3.8
Finance expense	9	(5.7)	(1.0)	(6.7)	(2.8)	–	(2.8)
Share of associates' post-tax profits	18	1.0	–	1.0	1.0	–	1.0
Profit before tax from continuing operations		79.8	(41.0)	38.8	47.0	(14.0)	33.0
Taxation	11	(22.5)	15.2	(7.3)	(14.0)	4.1	(9.9)
Profit for the year from continuing operations		57.3	(25.8)	31.5	33.0	(9.9)	23.1
Profit for the year from discontinued operations	12	0.7	50.0	50.7	5.8	(4.6)	1.2
Profit for the year		58.0	24.2	82.2	38.8	(14.5)	24.3
Profit attributable to:							
Owners of the parent	36	54.9	24.2	79.1	36.3	(14.5)	21.8
Non-controlling interests	37	3.1	–	3.1	2.5	–	2.5
		58.0	24.2	82.2	38.8	(14.5)	24.3
Earnings per share							
Basic – from continuing operations	14	39.6p		20.7p	23.1p		15.6p
– from discontinued operations	14	0.5p		37.0p	4.5p		1.0p
Group total		40.1p		57.7p	27.6p		16.6p
Diluted – from continuing operations	14	38.7p		20.3p	22.7p		15.4p
– from discontinued operations	14	0.5p		36.2p	4.4p		0.9p
Group total		39.2p		56.5p	27.1p		16.3p

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2011	2011 £m	2010 £m
Profit for the year	82.2	24.3
Other comprehensive income after tax:		
Exchange adjustments	6.6	7.2
Fair value gains and losses:		
– gain on available for sale financial investment arising during the year	35.3	15.3
– gains transferred to income statement on redemption of available for sale financial investment	(53.2)	–
– gains originating on cash flow hedges arising during the year	4.0	0.5
– losses (gains) transferred to income statement on disposal of cash flow hedges	0.8	(0.1)
– gains transferred to goodwill on disposal of cash flow hedges	(5.5)	–
Actuarial losses on defined benefit pension schemes	(1.3)	(2.0)
Other comprehensive (expense) income after tax	(13.3)	20.9
Total comprehensive income for the year	68.9	45.2
Total comprehensive income attributable to:		
Owners of the parent	65.1	42.8
Non-controlling interests	3.8	2.4
	68.9	45.2

Company Balance Sheet

At 31 December 2011	Notes	2011 £m	2010 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	20	312.4	313.0
Trade and other receivables	21	26.6	10.2
		339.0	323.2
Current asset			
Trade and other receivables	21	8.7	2.4
Current tax asset		7.3	2.4
Cash and cash equivalents	25	0.7	4.5
		16.7	9.3
LIABILITIES			
Current liabilities			
Trade and other payables	27	9.3	7.6
Borrowings	28	0.1	37.4
		9.4	45.0
Net current assets (liabilities)		7.3	(35.7)
Non-current liabilities			
Borrowings	28	71.5	77.9
Deferred tax liabilities	22	1.1	1.1
		72.6	79.0
Net assets		273.7	208.5
Equity attributable to owners of the parent			
Share capital	34	36.6	33.1
Share premium	34	87.1	85.8
Other components of equity	35	7.0	5.6
Retained earnings	36	143.0	84.0
Total equity		273.7	208.5

The notes on pages 68 to 119 are an integral part of these consolidated financial statements. The financial statements on pages 60 to 119 were approved by the Board of Directors on 8 March 2012 and were signed on its behalf by:

Dennis Proctor
Director

Peter Rose
Director

Registered number: 974568

Consolidated Statement of Changes in Equity

	Year ended 31 December 2011						
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January	33.1	85.8	52.2	409.3	580.4	14.2	594.6
Comprehensive income							
Profit for the year	–	–	–	79.1	79.1	3.1	82.2
Other comprehensive income							
Exchange adjustments	–	–	5.9	–	5.9	0.7	6.6
Fair value gains and losses:							
– gain on available for sale financial investment arising during the year	–	–	35.3	–	35.3	–	35.3
– gains transferred to income statement on redemption of available for sale financial investment	–	–	(53.2)	–	(53.2)	–	(53.2)
– gains originating on cash flow hedges arising during the year	–	–	4.0	–	4.0	–	4.0
– losses transferred to income statement on disposal of cash flow hedges	–	–	0.8	–	0.8	–	0.8
– gains transferred to goodwill on disposal of cash flow hedges	–	–	(5.5)	–	(5.5)	–	(5.5)
Actuarial losses on defined benefit pension schemes	–	–	–	(1.3)	(1.3)	–	(1.3)
Total other comprehensive income (expense)	–	–	(12.7)	(1.3)	(14.0)	0.7	(13.3)
Total comprehensive income	–	–	(12.7)	77.8	65.1	3.8	68.9
Transactions with owners							
Dividends	–	–	–	(16.8)	(16.8)	(1.2)	(18.0)
Shares issued							
– share option schemes and awards	0.2	1.3	–	–	1.5	–	1.5
– share placing	3.3	–	82.1	–	85.4	–	85.4
– share placing costs	–	–	(1.9)	–	(1.9)	–	(1.9)
Treasury shares							
– purchase of treasury shares	–	–	–	(1.1)	(1.1)	–	(1.1)
– disposal of treasury shares	–	–	–	0.2	0.2	–	0.2
Share options and awards							
– value of employee services	–	–	2.2	–	2.2	–	2.2
– discharge	–	–	(0.6)	0.6	–	–	–
– taxation	–	–	–	0.2	0.2	–	0.2
Transfer between reserves	–	–	(80.2)	80.2	–	–	–
Total transactions with owners	3.5	1.3	1.6	63.3	69.7	(1.2)	68.5
At 31 December	36.6	87.1	41.1	550.4	715.2	16.8	732.0

Consolidated Statement of Changes in Equity continued

	Year ended 31 December 2010						
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January	33.1	90.2	28.0	397.2	548.5	13.3	561.8
Comprehensive income							
Profit for the year	–	–	–	21.8	21.8	2.5	24.3
Other comprehensive income							
Exchange adjustments	–	–	7.3	–	7.3	(0.1)	7.2
Fair value gains and losses:							
– gain on available for sale financial investment arising during the year	–	–	15.3	–	15.3	–	15.3
– gains originating on cash flow hedges arising during the year	–	–	0.5	–	0.5	–	0.5
– gains transferred to income statement on disposal of cash flow hedges	–	–	(0.1)	–	(0.1)	–	(0.1)
Actuarial losses on defined benefit pension schemes	–	–	–	(2.0)	(2.0)	–	(2.0)
Total other comprehensive income	–	–	23.0	(2.0)	21.0	(0.1)	20.9
Total comprehensive income	–	–	23.0	19.8	42.8	2.4	45.2
Transactions with owners							
Dividends	–	–	–	(14.1)	(14.1)	(1.5)	(15.6)
Shares issued							
– share option schemes and awards	–	0.7	–	–	0.7	–	0.7
Treasury shares							
– purchase of treasury shares	–	–	–	(0.4)	(0.4)	–	(0.4)
– disposal of treasury shares	–	–	–	0.2	0.2	–	0.2
– taxation	–	–	–	0.1	0.1	–	0.1
Share options and awards							
– value of employee services	–	–	1.6	–	1.6	–	1.6
– discharge	–	–	(0.4)	0.4	–	–	–
– taxation	–	–	–	1.0	1.0	–	1.0
Transfer between reserves	–	(5.1)	–	5.1	–	–	–
Total transactions with owners	–	(4.4)	1.2	(7.7)	(10.9)	(1.5)	(12.4)
At 31 December	33.1	85.8	52.2	409.3	580.4	14.2	594.6

	Year ended 31 December 2011				
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m
At 1 January	33.1	85.8	5.6	84.0	208.5
Loss for the year	–	–	–	(4.1)	(4.1)
Transactions with owners					
Dividends	–	–	–	(16.8)	(16.8)
Shares issued					
– share option schemes and awards	0.2	1.3	–	–	1.5
– share placing	3.3	–	82.1	–	85.4
– share placing costs	–	–	(1.9)	–	(1.9)
Treasury shares					
– purchase of treasury shares	–	–	–	(1.1)	(1.1)
– disposal of treasury shares	–	–	–	0.2	0.2
Share options and awards					
– value of employee services	–	–	2.2	–	2.2
– discharge	–	–	(0.6)	0.6	–
Other	–	–	(0.2)	–	(0.2)
Transfer between reserves	–	–	(80.2)	80.2	–

Consolidated and Company Statement of Cash Flows

For the Year ended 31 December 2011

	Notes	Group 2011 £m	Group Restated 2010 £m	Company 2011 £m	Company 2010 £m
Operating activities					
Continuing operations:					
Profit (loss) from operations		41.0	31.0	(5.1)	(4.3)
Depreciation, amortisation and impairment		36.2	28.5	–	–
Loss on disposal of property, plant and equipment		1.4	1.7	–	–
Proceeds from disposal of property, plant and equipment held for rental		3.1	1.8	–	–
Purchase of property, plant and equipment held for rental		(20.2)	(10.1)	–	–
Increase in inventories		(14.1)	(2.8)	–	–
Increase in receivables		(38.0)	(33.6)	(6.2)	(0.4)
Increase (decrease) in payables		33.4	(2.5)	7.5	(0.4)
Decrease in provisions		(0.1)	(3.6)	–	–
Taxation (paid) received		(15.5)	(3.2)	(3.3)	2.5
Other non-cash flow items		1.1	1.5	2.7	1.5
Discontinued operations		2.0	(5.6)	–	–
Net cash inflow (outflow) from operating activities		30.3	3.1	(4.4)	(1.1)
Investing activities					
Continuing operations:					
Interest received		2.3	3.1	0.8	0.4
Dividends received from subsidiaries		–	–	0.4	50.0
Dividends received from associates	18	2.3	0.2	–	–
Purchase of subsidiaries		(593.6)	(81.1)	–	–
Net cash acquired with subsidiaries		26.9	0.7	–	–
Proceeds from disposal of subsidiaries		87.5	–	–	–
Indemnity payments in respect of disposed subsidiaries		–	(25.2)	–	–
Loans from associates		0.1	0.4	–	–
Loans from associates repaid		(0.6)	(0.2)	–	–
Loans to associates		(0.6)	–	–	–
Proceeds from disposal of property, plant and equipment		1.7	1.0	–	–
Purchase of property, plant and equipment		(37.8)	(38.9)	–	–
Purchase of intangibles		(0.3)	(0.2)	–	–
Receipt (purchase) of bank deposit investments		0.1	(2.5)	–	–
Discontinued operations		0.2	(0.3)	–	–
Net cash (outflow) inflow from investing activities		(511.8)	(143.0)	1.2	50.4
Financing activities					
Continuing operations:					
Interest and bank fees paid		(9.9)	(1.5)	(1.9)	(2.1)
Equity dividends paid		(16.8)	(14.1)	(16.8)	(14.1)
Non-controlling interest dividend paid		(1.2)	(1.5)	–	–
Share capital issued		86.8	0.7	86.8	0.7
Costs of share issue		(1.9)	–	(1.9)	–
Purchase of treasury shares		(1.1)	(0.4)	(1.1)	(0.4)
Disposal of treasury shares		–	0.2	–	0.2
Capital element of finance leases		–	(0.2)	–	–
Loan issued		–	–	(16.4)	–
Proceeds from new borrowings		266.7	1.7	16.4	–
Repayment of borrowings		(16.3)	–	(28.4)	(50.0)
Discontinued operations		–	(0.1)	–	–
Net cash inflow (outflow) from financing activities		306.3	(15.2)	36.7	(65.7)
Net cash (outflow) inflow in cash and cash equivalents		(175.2)	(155.1)	33.5	(16.4)
Cash and cash equivalents at the beginning of the year		212.0	365.8	(32.9)	(16.5)
Effect of foreign exchange rates		0.2	1.3	–	–
Classified as held for sale		(1.9)	–	–	–
Cash and cash equivalents at end of the year		35.1	212.0	0.6	(32.9)
Cash and cash equivalents and bank overdrafts at the end of the year comprise:					
Cash and cash equivalents (note 25)		68.8	268.7	0.7	4.5
Bank overdrafts included in borrowings (note 28)		(33.7)	(56.7)	(0.1)	(37.4)
		35.1	212.0	0.6	(32.9)

Notes to the Financial Statements

1. Segmental Reporting

The Group reports on eight operating segments, three of which are discontinued operations, in its internal management reports, which are used to make strategic decisions. The Group's segments are strategic business units that offer different products and services to international oil and gas companies and the aviation and shipping sectors.

The discontinued operations comprise Field Aviation, which was classified as held for sale on 30 June 2011, Gibson Energy, which was sold in 2008, and Hunting Energy France, which was sold in 2009. Gibson Energy and Hunting Energy France continue to generate accounting entries due to sale related transactions and are required for reconciliation purposes.

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

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

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

The Exploration and Production segment includes the Group's oil and gas exploration and production activities in the Southern US and offshore Gulf of Mexico.

Gibson Shipbrokers is a global energy shipping broker headquartered in London. Crude oil, fuel oil and bio fuels are actively shipped along with dry bulk such as coal, iron ore and grain. Gibson Shipbrokers is also involved in the shipping of liquefied petroleum gas ("LPG"), petrochemicals and liquefied natural gas ("LNG").

Field Aviation is an aircraft service organisation providing modification, installation, distribution, maintenance and manufacturing services for regional, business and government operators worldwide. Field Aviation has been presented as a discontinued operation and its results have been restated to exclude central costs previously allocated to the division. All central costs have been allocated to continuing operations.

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

The Group measures the performance of its operating segments based on revenue and profit from operations, before any exceptional items and the amortisation of intangible assets. Accounting policies used for segment reporting reflect those used for the Group. Inter-segment sales are priced on an arm's length basis. Costs and overheads incurred centrally are apportioned to the continuing operating segments on the basis of time attributed to those operations by senior executives.

1. Segmental Reporting continued
Results from operations

	Year ended 31 December 2011					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m
Continuing operations:						
Hunting Energy Services						
Well Construction	200.8	(6.3)	194.5	28.5	(7.8)	20.7
Well Completion	340.9	(13.7)	327.2	41.2	(19.8)	21.4
Well Intervention	52.9	–	52.9	7.9	(0.6)	7.3
Exploration and Production	8.2	–	8.2	1.7	(1.0)	0.7
	602.8	(20.0)	582.8	79.3	(29.2)	50.1
Gibson Shipbrokers	26.0	–	26.0	1.7	–	1.7
Total from continuing operations	628.8	(20.0)	608.8	81.0	(29.2)	51.8
Exceptional items not apportioned to business segments*				–	(10.8)	(10.8)
Profit from continuing operations				81.0	(40.0)	41.0
Net finance expense				(2.2)	(1.0)	(3.2)
Share of associates' post-tax profits				1.0	–	1.0
Profit before tax from continuing operations				79.8	(41.0)	38.8
Discontinued operations:						
Gibson Energy	–	–	–	–	55.0	55.0
Hunting Energy France	–	–	–	–	0.1	0.1
Field Aviation	25.9	–	25.9	0.8	–	0.8
Total from discontinued operations	25.9	–	25.9	0.8	55.1	55.9
Net finance income				0.2	–	0.2
Taxation				(0.3)	(5.1)	(5.4)
Profit from discontinued operations				0.7	50.0	50.7

* Exceptional items not apportioned to business segments include acquisition costs and head office property provisions.

1. Segmental Reporting continued

	Restated Year ended 31 December 2010					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m
Continuing operations:						
Hunting Energy Services						
Well Construction	116.5	(5.2)	111.3	9.5	(1.7)	7.8
Well Completion	229.6	(5.4)	224.2	23.2	–	23.2
Well Intervention	58.8	(0.1)	58.7	10.1	(0.8)	9.3
Exploration and Production	6.5	–	6.5	1.3	(8.4)	(7.1)
	411.4	(10.7)	400.7	44.1	(10.9)	33.2
Gibson Shipbrokers	22.6	–	22.6	0.9	–	0.9
Total from continuing operations	434.0	(10.7)	423.3	45.0	(10.9)	34.1

1. Segmental Reporting continued

Other segment items

	2011			Restated 2010		
	Depreciation £m	Amortisation of intangible assets £m	Impairment £m	Depreciation £m	Amortisation of intangible assets £m	Impairment £m
Continuing operations:						
Hunting Energy Services						
Well Construction	7.7	5.2	–	6.2	1.7	0.5
Well Completion	7.8	6.4	1.5	5.6	–	–
Well Intervention	2.7	0.6	–	2.8	0.8	–
Exploration and Production	3.1	–	1.0	2.3	–	8.4
	21.3	12.2	2.5	16.9	2.5	8.9
Gibson Shipbrokers	0.2	–	–	0.2	–	–
Total – continuing operations	21.5	12.2	2.5	17.1	2.5	8.9
Discontinued operations:						
Field Aviation	0.2	–	–	0.5	–	–

Geographical information

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

	External revenue		Non-current assets	
	2011 £m	Restated 2010 £m	2011 £m	Restated 2010 £m
Continuing operations:				
UK	134.2	131.3	52.7	95.5
USA	314.8	182.7	678.2	195.9
Canada	53.1	41.4	24.5	21.7
Rest of Europe	15.2	11.3	3.2	2.8
Singapore	82.4	56.1	10.1	20.8
Other	9.1	0.5	8.1	–
	608.8	423.3	776.8	336.7
Discontinued operations:				
Canada	25.9	38.3	–	2.3
	634.7	461.6	776.8	339.0
Unallocated assets:				
Deferred tax assets			20.5	8.6
Retirement benefit assets			4.8	5.5
Total non-current assets			802.1	353.1

Non-current assets in 2010 have been restated for the additional goodwill of £0.3m recognised on the acquisition of Innova on 3 September 2010. The additional goodwill has been included within US non-current assets. Field Aviation's non-current assets for 2010 have been re-presented as discontinued operations.

Major Customer Information

The Group had no customers (2010 – nil) who accounted for more than 10% of the Group's external revenue during the year.

Company

The Company's business is to invest in its subsidiaries and, therefore, it operates in a single segment.

Notes to the Financial Statements continued

2. Revenue

	2011 £m	Restated 2010 £m
Sale of goods	565.3	378.9
Revenue from services	43.5	44.4
Continuing operations	608.8	423.3

3. Other Operating Income

	2011 £m	Restated 2010 £m
Royalty income	1.2	1.3
Operating lease rental income	0.7	0.7
Gain on disposal of property, plant and equipment	0.7	0.5
Foreign exchange gains	0.5	0.6
Other income	0.2	0.4
Continuing operations	3.3	3.5

4. Operating Expenses

	2011 £m	Restated 2010 £m
Administration expenses before amortisation and exceptional items	97.1	74.0
Distribution costs	5.8	2.2
Operating expenses before amortisation and exceptional items	102.9	76.2
Amortisation and exceptional items (note 5)	26.1	5.6
Continuing operations	129.0	81.8

	2011 £m	2010 £m
Administrative expenses include:		
Foreign exchange losses	–	0.3

5. Amortisation and Exceptional Items

	2011 £m	2010 £m
Dry hole costs	–	3.1
Impairment of property, plant and equipment	1.0	5.3
Fair value uplift to inventories charge	12.9	–
Charged to cost of sales	13.9	8.4
Amortisation of intangible assets (note 17)	12.2	2.5
Acquisition costs	8.6	3.1
Retention bonuses for key employees of acquired businesses	1.6	–
Impairment of goodwill (note 16)	1.5	–
Property provisions (note 32)	2.2	0.1
Other exceptional items	–	(0.1)
Charged to operating expenses	26.1	5.6
Amortisation and exceptional items	40.0	14.0
Unamortised loan facility fees written off – charged to finance expense	1.0	–
Taxation on amortisation and exceptional items (note 11)	(15.2)	(4.1)
Total from continuing operations	25.8	9.9

The impairment charge of £1.0m (2010 – £5.3m) relates to the write down of oil and gas development expenditure, largely due a fall in forecast natural gas prices during the year. The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted pre-tax cash flow projections based on estimated oil and gas reserves, future production and income attributable to such reserves. Cash flows are based on reserve production lives varying from one to fifteen years. Cash flows are discounted using a pre-tax rate of 10% (2010 – 10%). The prices of oil and natural gas are derived from published futures prices, with the long-term average oil price assumed to be US$96.10 bbl. (2010 – US$90.97 bbl.) and the long-term average gas price at US$4.07 mcf (per 1,000 cubic feet). A decline in the long-term average gas price from US$5.10 mcf in 2010, together with a review of oil and gas reserves, resulted in an impairment impact of £1.0m in the year.

Under IFRS, at acquisition, inventory values are adjusted from their carrying values (generally at cost of production) to a fair value, which includes profit attributable to the degree of completion of the inventory. This resulted in a fair value uplift totalling £23.6m for the four acquisitions. This uplift is charged to the income statement as the inventory is sold, thereby reducing reported operating profits. In 2011, the charge was £12.9m.

A £1.6m charge for bonuses for key employee retention, relating to the acquisitions, has been recognised.

Following a downturn of business activity levels in 2011, a goodwill impairment charge of £1.5m (2010 – £nil) has been recognised in relation to PT SMB Industri.

Following a reassessment of its property provisions, the Group has recognised an additional provision of £2.2m for onerous lease obligations as a result of additional remediation and dilapidation costs and the impact of the economic downturn on the recoverability of rental income.

Unamortised loan facility fees of £1.0m (2010 – £nil) were written off to the income statement when the £120.0m revolving credit facility was terminated early and replaced with the £375.0m revolving credit facility, following the acquisition of Titan.

Notes to the Financial Statements continued

6. Profit from Continuing Operations

Group

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

	2011 £m	Restated 2010 £m
Staff costs (note 8)	134.9	89.3
Depreciation of property, plant and equipment	21.5	17.1
Amortisation of other intangible assets (included in operating expenses)	12.2	2.5
Impairment of goodwill (included in operating expenses)	1.5	–
Impairment of property, plant and equipment (included in cost of sales and operating expenses)	1.0	8.9
Impairment of trade and other receivables (note 21)	1.3	0.5
Cost of inventories recognised as expense (included in cost of sales)*	346.8	216.0
Write down in inventories	0.7	0.7
Net loss on disposal of property, plant and equipment	1.4	1.7
Operating lease payments:		
– Plant and machinery	0.5	0.6
– Property	5.5	5.1
Research and development expenditure	0.6	0.6

* The cost of inventories recognised as an expense includes the release of the fair value uplift to inventories of £12.9m (2010 – £nil) included in exceptional items (note 5).

Services provided by the Group's auditor PricewaterhouseCoopers LLP and its associates comprised:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	0.3	0.2	0.3	0.2
Fees payable to the Company's auditor for other services:				
– Audit of the Company's subsidiaries pursuant to legislation	1.2	1.0	–	–
– Services relating to corporate finance transactions entered into by the Group	1.5	0.8	0.8	0.4
– Other services relating to taxation	1.0	1.0	0.3	0.3
– Other services	0.2	–	–	–
	4.2	3.0	1.4	0.9

7. EBITDA

Group

	2011 £m	Restated 2010 £m
Total profit from continuing operations (page 60)	41.0	31.0
Add: Amortisation and exceptional items (note 5)	40.0	14.0
Add: Depreciation (note 1)	21.5	17.1
Add: Non-exceptional impairment	–	0.5
EBITDA	102.5	62.6

"EBITDA" is a non-GAAP measure and is defined as pre-exceptional profit from continuing operations before interest, tax, depreciation, amortisation and impairment to property, plant and equipment. EBITDA is used by the Board as a measure of performance of the Group.

8. Employees
Group

	2011			Restated 2010		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Staff costs during the year comprised:						
Wages and salaries	112.3	8.5	120.8	76.4	12.2	88.6
Social security costs	10.0	1.0	11.0	6.8	1.3	8.1
Share-based payments (note 40)	6.9	–	6.9	2.1	–	2.1
Pension costs						
– defined contribution schemes (note 33)	3.7	0.5	4.2	2.5	0.5	3.0
– defined benefit scheme (note 33)	2.0	–	2.0	1.5	–	1.5
	134.9	10.0	144.9	89.3	14.0	103.3

	2011			Restated 2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
The average monthly number of employees (including executive Directors) comprised:						
UK	499	–	499	459	–	459
Rest of Europe	54	–	54	52	–	52
Canada	202	183	385	166	251	417
USA	1,487	5	1,492	793	–	793
Asia Pacific	480	–	480	315	–	315
	2,722	188	2,910	1,785	251	2,036

	2011			2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Actual number of employees at year end:						
Male	2,785	166	2,951	1,761	161	1,922
Female	668	37	705	472	37	509
	3,453	203	3,656	2,233	198	2,431

Key management comprises the executive and non-executive Directors only. Their compensation is:

	2011 £m	2010 £m
Salaries and short-term employee benefits	2.3	1.9
Social security costs	0.2	0.1
Post-employment benefits	0.3	0.2
Share-based payments	1.0	0.4
	3.8	2.6

Salaries and short-term benefits are included within Emoluments on pages 43 and 44 of the Remuneration Committee's Report. Post-employment benefits comprise employer pension contributions. Share options exercised are disclosed on page 45 within Directors' Options over Ordinary shares in the Remuneration Committee's Report.

Company
The Company has no employees.

Notes to the Financial Statements continued

9. Net Finance Costs

Group

	2011 £m	Restated 2010 £m
Finance income:		
Bank balances and deposits	2.1	3.0
Gain on fair value movement of non-hedging financial instruments	0.1	–
Foreign exchange gains	1.0	0.2
Other investment income	0.3	0.6
	3.5	3.8
Finance expense:		
Bank overdrafts	(1.2)	(0.9)
Bank borrowings	(1.6)	–
Bank fees and commissions	(1.8)	(0.5)
Unwinding of discount in provisions	(0.5)	(0.5)
Loss on fair value movement of non-hedging financial instruments	(0.2)	(0.2)
Foreign exchange losses	(0.2)	(0.6)
Other	(0.2)	(0.1)
Finance expense before exceptional items	(5.7)	(2.8)
Unamortised loan facility fees written off – exceptional item (note 5)	(1.0)	–
	(6.7)	(2.8)
Net finance (expense) income – continuing operations	(3.2)	1.0

10. Other Losses (Gains) – Net

Group

	2011 £m	Restated 2010 £m
Net foreign exchange losses (gains):		
– cash and cash equivalents	(0.1)	0.2
– loans and receivables	(1.4)	(0.6)
– financial liabilities held for trading	0.2	–
– financial liabilities measured at amortised cost	–	0.5

11. Taxation

Group

	2011			Restated 2010		
	Before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m	Before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m
Current tax						
– current year expense	26.9	(13.0)	13.9	14.8	(3.5)	11.3
– adjustment in respect of prior years	(3.3)	–	(3.3)	0.2	–	0.2
	23.6	(13.0)	10.6	15.0	(3.5)	11.5
Deferred tax						
– origination and reversal of temporary differences	(1.0)	(2.2)	(3.2)	(1.3)	(0.6)	(1.9)
– previously unrecognised tax losses and credits	–	–	–	0.3	–	0.3
– change in tax rate	(0.1)	–	(0.1)	–	–	–
	(1.1)	(2.2)	(3.3)	(1.0)	(0.6)	(1.6)
Total tax charged to the income statement – continuing operations	22.5	(15.2)	7.3	14.0	(4.1)	9.9

The weighted average applicable tax rate for continuing operations before amortisation and exceptional items is 28% (2010 – 30%). The lower rate in 2011 is mainly due to the weighting of profits in lower tax jurisdictions and a reduced UK corporate tax rate.

11. Taxation continued

The tax credit in the income statement for amortisation and exceptional items principally comprises £3.8m (2010 – £0.6m) for amortisation, £0.3m (2010 – £2.8m) for the impairment of oil and gas development expenditure, £2.5m (2010 – £0.4m) for acquisition costs, £0.5m (2010 – £0.3m) for property provisions, £0.6m (2010 – £nil) for retention bonuses, £0.3m (2010 – £nil) for unamortised loan facility fees and £4.9m (2010 – £nil) for the fair value uplift to inventories charge.

The total tax charge for the year is lower (2010 – higher) than the standard rate of UK corporation tax of 26.5% (2010 – 28%) for the following reasons:

	2011 £m	Restated 2010 £m
Profit before tax from continuing operations	39.0	33.0
Tax at 26.5% (2010 – 28%)	10.3	9.3
Permanent differences	1.6	1.3
Recognition of previously unrecognised deferred taxes	(2.0)	–
Non-tax deductible (untaxed) exceptional items	0.5	(0.3)
Higher (lower) rate of tax on overseas profits	0.3	(0.9)
Change in tax rates	(0.1)	–
Adjustments in respect of prior years	(3.3)	0.5
Tax charge for the year – continuing operations	7.3	9.9

Tax effects relating to each component of other comprehensive income:

	2011			2010		
	Before tax £m	Tax (charged) credited £m	After tax £m	Before tax £m	Tax (charged) credited £m	After tax £m
Exchange adjustments	9.1	(2.5)	6.6	7.5	(0.3)	7.2
Fair value gains and losses:						
– gain on available for sale financial asset arising during the year	40.4	(5.1)	35.3	15.3	–	15.3
– gains transferred to income statement on redemption of available for sale financial investment	(58.3)	5.1	(53.2)	–	–	–
– gains originating on cash flow hedges arising during the year	5.4	(1.4)	4.0	0.6	(0.1)	0.5
– (gains) losses transferred to income statement on disposal of cash flow hedges	(0.8)	1.6	0.8	(0.1)	–	(0.1)
– gains transferred to goodwill on disposal of cash flow hedges	(5.5)	–	(5.5)	–	–	–
Actuarial losses on defined benefit pension schemes	(1.9)	0.6	(1.3)	(2.9)	0.9	(2.0)
	(11.6)	(1.7)	(13.3)	20.4	0.5	20.9

Tax credited directly in equity:

	2011 £m	2010 £m
Disposal of Treasury shares	–	0.1

A number of changes to the UK corporation tax system were announced in the March 2011 Budget Statement, whereby from 1 April 2011 the main rate of corporation tax has been reduced to 26%. The impact of this change has been recognised in the year ended 31 December 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes are not expected to have a material impact on the Group's deferred tax balances.

12. Discontinued Operations

The Group continues to classify Field Aviation as held for sale, as sale negotiations are at an advanced stage such that it is highly probable that the company will be sold within twelve months of the initial classification of held for sale on 30 June 2011. Field Aviation is considered to be a major operation of Hunting and as such the results have been presented as a discontinued operation.

The sale of Gibson Energy Inc., Hunting's midstream services operation, was completed on 12 December 2008. On 22 December 2009, the Group sold Hunting Energy France SA, its French-based business.

The results from discontinued operations comprise the following:

	2011				Restated 2010			
	Field Aviation £m	Hunting Energy France £m	Gibson Energy £m	Total £m	Field Aviation £m	Hunting Energy France £m	Gibson Energy £m	Total £m
Trading results:								
Revenue	25.9	–	–	25.9	38.3	–	–	38.3
Cost of sales	(23.9)	–	–	(23.9)	(30.7)	–	–	(30.7)
Gross profit	2.0	–	–	2.0	7.6	–	–	7.6
Other operating income	2.4	–	–	2.4	1.9	–	–	1.9
Operating expenses	(3.6)	–	–	(3.6)	(4.3)	–	–	(4.3)
Profit from operations	0.8	–	–	0.8	5.2	–	–	5.2
Finance income	0.2	–	–	0.2	0.4	–	–	0.4
Finance expense	–	–	–	–	(0.1)	–	–	(0.1)
Profit before tax	1.0	–	–	1.0	5.5	–	–	5.5
Taxation	(0.3)	–	–	(0.3)	(1.6)	–	1.9	0.3
Profit for the year	0.7	–	–	0.7	3.9	–	1.9	5.8
Gain on disposal:								
Gain (loss) on sale before tax	–	0.1	55.0	55.1	–	(0.1)	(4.5)	(4.6)
Tax on gain	–	–	(5.1)	(5.1)	–	–	–	–
Gain (loss) on sale after tax	–	0.1	49.9	50.0	–	(0.1)	(4.5)	(4.6)
Total profit from discontinued operations	0.7	0.1	49.9	50.7	3.9	(0.1)	(2.6)	1.2

Additional provisions, together with foreign exchange gains, of £3.3m have been recognised on the Canadian dollar denominated tax indemnities given in respect of our former Canadian business, Gibson Energy.

On 15 June 2011, Gibson Energy Inc. redeemed in full the equity warrant issued to Hunting on 12 December 2008. On completion of the sale of Gibson Energy, Hunting agreed to defer payment of C$100.0m of the consideration in return for receipt of the warrant. Between 12 December 2008 and 12 December 2010, the warrant carried a cumulative and compounding annual dividend entitlement at a rate of 12%. Following the announcement to extend the maturity date of the warrant on 10 December 2010, the rate of dividend entitlement on the warrant increased to 13% from 13 December 2010. The total amount paid to Hunting was C$134.6m (£85.3m), which comprises the warrant value of C$100.0m (£63.4m) and the accrued dividend entitlement of C$34.6m (£21.9m). The pre-tax profit on redemption of the warrant is £58.3m. The tax charge of £5.1m relates to tax arising on the profit on redemption of the warrant.

Foreign exchange gains of £0.1m have been recognised in respect of the Euro denominated bond received on the disposal of Hunting Energy France in 2009. The bond was repaid in full on 28 June 2011.

14. 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:

	2011 £m	Restated 2010 £m
Basic and diluted earnings attributable to Ordinary shareholders		
From continuing operations	28.4	20.6
From discontinued operations	50.7	1.2
Total	79.1	21.8
Basic and diluted earnings attributable to Ordinary shareholders before amortisation and exceptional items		
From continuing operations	28.4	20.6
Add: amortisation and exceptional items after taxation (note 5)	25.8	9.9
Total for continuing operations	54.2	30.5
From discontinued operations	50.7	1.2
Add: exceptional items after tax	(50.0)	4.6
Total for discontinued operations	0.7	5.8

	millions	millions
Basic weighted average number of Ordinary shares	137.1	131.3
Dilutive outstanding share options	1.4	1.8
Long-term incentive plans	1.6	0.9
Adjusted weighted average number of Ordinary shares	140.1	134.0

	pence	pence
Basic EPS		
From continuing operations	20.7	15.6
From discontinued operations	37.0	1.0
	57.7	16.6
Diluted EPS		
From continuing operations	20.3	15.4
From discontinued operations	36.2	0.9
	56.5	16.3

Earnings per share before amortisation and exceptional items:

	pence	pence
Basic EPS from continuing operations before amortisation and exceptional items	39.6	23.1
Diluted EPS from continuing operations before amortisation and exceptional items	38.7	22.7
Basic EPS from discontinued operations before amortisation and exceptional items	0.5	4.5
Diluted EPS from discontinued operations before amortisation and exceptional items	0.5	4.4

15. Property, Plant and Equipment
Group

	Year ended 31 December 2011				
	Land and buildings		Oil and gas exploration and development	Plant, machinery and motor vehicles	
	Freehold £m	Short leasehold £m	£m	£m	Total £m
Cost:					
At 1 January	55.9	6.6	93.7	155.4	311.6
Exchange adjustments	0.9	0.1	1.1	2.4	4.5
Additions	18.0	–	3.4	38.2	59.6
Acquisitions	18.7	–	–	26.7	45.4
Disposals	(2.1)	–	–	(9.5)	(11.6)
Classified as held for sale	–	(5.4)	–	(6.1)	(11.5)
Reclassification	(1.8)	0.1	–	1.7	–
At 31 December	89.6	1.4	98.2	208.8	398.0
Depreciation and impairment:					
At 1 January	6.0	4.8	76.5	70.2	157.5
Exchange adjustments	–	–	0.9	0.3	1.2
Charge for the year*	1.5	0.2	3.1	16.9	21.7
Impairment of assets	–	–	1.0	–	1.0
Disposals	(0.8)	–	–	(4.4)	(5.2)
Classified as held for sale	–	(4.6)	–	(4.8)	(9.4)
Reclassification	–	0.4	–	(0.4)	–
At 31 December	6.7	0.8	81.5	77.8	166.8
Net book amount	82.9	0.6	16.7	131.0	231.2

* Included in the charge for the year is £0.2m for discontinued operations.

The impairment charge of £1.0m (2010 – £5.3m) relates to the write down of oil and gas development expenditure, largely due a fall in forecast natural gas prices during the year. The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted pre-tax cash flow projections based on estimated oil and gas reserves, future production and income attributable to such reserves. Cash flows are based on reserve production lives varying from one to fifteen years. Cash flows are discounted using a pre-tax rate of 10% (2010 – 10%). The prices of oil and natural gas are derived from published futures prices, with the long-term average oil price assumed to be US$96.10 bbl. (2010 – US$90.97 bbl.) and the long-term average gas price at US$4.07 mcf (per 1,000 cubic feet). A decline in the long-term average gas price from US$5.10 mcf in 2010, together with a review of oil and gas reserves, resulted in an impairment impact of £1.0m in the year.

Oil and gas exploration and development includes expenditure on the exploration for and evaluation of mineral resources, which is recognised at cost and is not depreciated. The amount recognised in cost at 31 December 2011 is £0.1m (2010 – £nil), including additions during the year of £0.1m (2010 – £3.1m) and an impairment loss of £nil (2010 – £3.1m).

Plant, machinery and motor vehicles include £nil (2010 – £nil) being the net book amount of the capital element of assets held under finance leases after accumulated depreciation of £nil (2010 – £0.1m).

Included in the net book amount is expenditure relating to assets in the course of construction of £6.4m (2010 – £6.3m) for freehold land and buildings, £2.6m (2010 – £2.8m) for oil and gas exploration and development, £4.2m (2010 – £0.9m) for plant and machinery and £nil (2010 – £0.3m) for short leasehold buildings.

15. Property, Plant and Equipment continued

	Year ended 31 December 2010				
	Land and buildings		Oil and gas exploration and development	Plant, machinery and motor vehicles	
	Freehold £m	Short leasehold £m	£m	£m	Total £m
Cost:					
At 1 January	36.1	5.3	83.9	127.4	252.7
Exchange adjustments	0.2	0.5	2.1	4.0	6.8
Additions	19.7	0.3	7.7	23.7	51.4
Acquisitions	–	0.5	–	9.1	9.6
Disposals	(0.1)	–	–	(8.8)	(8.9)
At 31 December	55.9	6.6	93.7	155.4	311.6
Depreciation and impairment:					
At 1 January	4.6	4.2	64.3	58.2	131.3
Exchange adjustments	–	0.4	1.5	2.1	4.0
Charge for the year*	1.0	0.2	2.3	14.1	17.6
Impairment of assets	0.5	–	8.4	–	8.9
Disposals	(0.1)	–	–	(4.2)	(4.3)
At 31 December	6.0	4.8	76.5	70.2	157.5
Net book amount	49.9	1.8	17.2	85.2	154.1

* Included in the charge for the year is £0.5m for discontinued operations.

The net book amount of property, plant and equipment at 1 January 2010 was £121.4m.

16. Goodwill
Group

	2011 £m	Restated 2010 £m
Cost:		
At 1 January	120.3	74.1
Exchange adjustments	5.1	1.6
Additions	212.5	44.6
At 31 December	337.9	120.3
Impairment:		
At 1 January	19.7	19.2
Exchange adjustments	0.2	0.5
Charge for the year	1.5	–
At 31 December	21.4	19.7
Net book amount	316.5	100.6

Goodwill for 2010 has been restated to recognise additional goodwill of £0.3m on the acquisition of Innova on 3 September 2010.

The net book amount at 1 January 2010 was £54.9m.

16. Goodwill continued

Impairment tests for goodwill

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

	2011		Restated 2010	
	Pre-tax discount rate %	Goodwill £m	Pre-tax discount rate %	Goodwill £m
Well Construction				
Drilling Tools	8.7	10.1	9.0	10.2
Canada Pipe	8.6	6.6	8.9	6.7
Innova	8.7	44.2	9.0	43.7
Dearborn	9.5	16.4	–	–
Doffing	8.7	5.9	–	–
Specialty Supply	8.7	10.9	–	–
Well Completion				
US Pipe	8.7	1.5	9.0	1.5
US Manufacturing	8.7	2.1	9.0	2.0
PT SMB Industri	14.5	1.4	12.3	2.9
Titan	9.5	183.6	–	–
Well Intervention				
Well Intervention	9.4	5.9	9.2	5.9
Welltonic	9.4	5.7	9.2	5.7
National Coupling Company	8.7	21.0	9.0	20.8
Gibson Shipbrokers				
Gibson Gas	9.1	1.2	9.6	1.2

17. Other Intangible Assets
Group

	2011					
	Customer lists and relationships £m	Unpatented technology £m	Patents £m	Trademarks £m	Other £m	Total £m
Cost:						
At 1 January	19.6	–	3.1	0.9	3.0	26.6
Exchange adjustments	2.9	0.6	0.1	0.5	0.2	4.3
Additions	–	–	–	–	0.3	0.3
Acquisitions	136.8	33.8	9.8	18.0	7.8	206.2
At 31 December	159.3	34.4	13.0	19.4	11.3	237.4
Amortisation:						
At 1 January	2.2	–	0.5	0.5	0.8	4.0
Exchange adjustments	0.1	–	–	0.1	0.2	0.4
Charge for the year	6.6	1.0	0.6	1.7	2.3	12.2
At 31 December	8.9	1.0	1.1	2.3	3.3	16.6
Net book amount	150.4	33.4	11.9	17.1	8.0	220.8

	2010				
	Customer lists and relationships £m	Patents £m	Trademarks £m	Other £m	Total £m
Cost:					
At 1 January	2.2	3.0	0.3	0.3	5.8
Exchange adjustments	(0.3)	0.1	(0.1)	–	(0.3)
Additions	–	–	–	0.2	0.2
Acquisitions	17.5	–	0.7	2.7	20.9
Disposals	0.2	–	–	(0.2)	–
At 31 December	19.6	3.1	0.9	3.0	26.6
Amortisation:					
At 1 January	1.2	0.3	–	–	1.5
Charge for the year	1.0	0.2	0.5	0.8	2.5
At 31 December	2.2	0.5	0.5	0.8	4.0
Net book amount	17.4	2.6	0.4	2.2	22.6

The net book amount of total other intangible assets at 1 January 2010 was £4.3m.

None of the Group’s intangible assets have been internally generated.

All amortisation charges relating to intangible assets have been charged to operating expenses.

All intangible assets are regarded as having a finite life and are amortised accordingly.

Notes to the Financial Statements continued

17. Other Intangible Assets continued

Individual material intangible assets

Included in the table above are the following individual material intangible assets:

	2011	
	Customer relationships – Innova £m	Customer relationships – Titan £m
Cost:		
At 1 January	17.3	–
Exchange adjustments	0.1	1.9
Acquisitions	–	120.4
At 31 December	17.4	122.3
Amortisation:		
At 1 January	0.7	–
Exchange adjustments	0.1	0.1
Charge for the year	2.1	3.5
At 31 December	2.9	3.6
Net book amount	14.5	118.7
Remaining amortisation period at 31 December	6.7 years	9.8 years

18. Investments in Associates

Group

	2011 £m	2010 £m
At 1 January	13.0	11.7
Exchange adjustments	(0.2)	0.5
Share of profits after taxation attributed to the Group	1.0	1.0
Dividends	(2.3)	(0.2)
Liquidation	(5.6)	–
At 31 December	5.9	13.0

Interests in associates includes goodwill of £nil (2010 – £nil).

The Directors believe that the carrying value of the investments is supported by the underlying net assets.

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

	2011 £m	2010 £m
Aggregated amounts relating to interests in associates:		
Share of balance sheet:		
Total assets	13.8	20.1
Total liabilities	(7.9)	(7.1)
	5.9	13.0
Share of results:		
Revenue	16.1	15.8
Profit before tax	1.0	1.3
Taxation	–	(0.3)
Profit after tax	1.0	1.0

The key investments in associates, including the name, country of incorporation and proportion of ownership interest, are disclosed in note 46.

19. Available for Sale Financial Investments

Group

	2011 £m	2010 £m
At 1 January	45.1	29.8
Fair value gain transferred to equity	40.4	15.3
Redemption of warrant	(85.3)	–
At 31 December	0.2	45.1

The financial assets comprise:

	2011 £m	2010 £m
Unlisted equity investments	0.2	0.2
Equity warrant	–	44.9
	0.2	45.1

On 15 June 2011, Gibson Energy Inc. redeemed in full the equity warrant issued to Hunting on 12 December 2008. On completion of the sale of Gibson Energy, Hunting agreed to defer payment of C$100.0m of the consideration in return for receipt of the warrant. Between 12 December 2008 and 12 December 2010, the warrant carried a cumulative and compounding annual dividend entitlement at a rate of 12%. Following the announcement to extend the maturity date of the warrant on 10 December 2010, the rate of dividend entitlement on the warrant increased to 13% from 13 December 2010. The total amount paid to Hunting was C$134.6m (£85.3m), which comprises the warrant value of C$100.0m (£63.4m) and the accrued dividend entitlement of C$34.6m (£21.9m). The pre-tax profit on redemption of the warrant is £58.3m. The tax charge of £5.1m relates to tax arising on the profit on redemption of the warrant.

The maximum exposure to credit risk at 31 December 2011 is the fair value of the financial assets of £0.2m (2010 – £45.1m), see note 30.

20. Investments in Subsidiaries

Company

	2011 £m	2010 £m
Cost:		
At 1 January and 31 December	314.4	314.4
Impairment:		
At 1 January	1.4	1.5
Charge for the year	0.6	–
Reversal of impairment	–	(0.1)
At 31 December	2.0	1.4
Net book amount	312.4	313.0

The principal subsidiaries are detailed in note 46.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

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

The impairment charge of £0.6m (2010 – £nil) relates to a non-trading subsidiary that has incurred losses and which the Directors do not expect to be recovered in the foreseeable future. The investment has therefore been written down to the subsidiary's net asset value, being the Directors' estimate of the recoverable amount.

21. Trade and Other Receivables

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Non-current:				
Receivables from subsidiaries	–	–	26.6	10.2
Other receivables	–	2.1	–	–
Prepayments	2.2	1.5	–	–
	2.2	3.6	26.6	10.2
Current:				
Trade receivables	154.8	85.7	–	–
Less: provision for impairment of receivables	(2.2)	(1.7)	–	–
Net trade receivables	152.6	84.0	–	–
Receivables from subsidiaries	–	–	8.5	2.2
Receivables from associates	0.8	0.2	–	–
Other receivables	11.8	11.2	0.1	0.1
Prepayments	5.0	5.2	0.1	0.1
Accrued revenue	4.0	3.2	–	–
Derivative financial assets	–	0.5	–	–
	174.2	104.3	8.7	2.4

Group

Trade receivables that are not overdue and not impaired are expected to be fully recovered as there is no recent history of default or any indications that the customers will not meet their payment obligations. At the year-end there are no trade receivables (2010 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

At 31 December 2011, trade receivables of £52.0m (2010 – £28.5m) were past due but not impaired. The ageing of these receivables at the year-end is as follows:

Number of days overdue:

	2011 Trade receivables £m	2010 Trade receivables £m
1–30 days	29.0	13.1
31–60 days	12.5	8.0
61–90 days	7.0	5.3
91–120 days	2.5	1.9
more than 120 days	1.0	0.2
Receivables overdue not impaired	52.0	28.5

21. Trade and Other Receivables continued

Movements on the provision for impairment of trade and other receivables are shown below:

	2011 Trade receivables £m	2010 Trade receivables £m
At 1 January	1.7	1.9
Exchange adjustments	(0.1)	0.1
Provision for receivables impairment	1.3	0.5
Receivables written off during the year	(0.3)	(0.1)
Unused amounts reversed	(0.4)	(0.7)
At 31 December	2.2	1.7

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base.

The maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 30.

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

Company

None (2010 – none) of the Company's trade and other receivables were past due at the year end and the Company does not consider it necessary to provide for any impairments. The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 30. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

22. Deferred Tax

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax assets	20.5	8.6	–	–
Deferred tax liabilities	(35.3)	(25.6)	(1.1)	(1.1)
	(14.8)	(17.0)	(1.1)	(1.1)

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 January	(17.0)	(13.8)	(1.1)	(0.1)
Exchange adjustments	–	(0.3)	–	–
Acquisitions	–	(8.5)	–	–
Credit (charge) to income statement*	1.5	3.3	–	(1.0)
Taken direct to equity	1.0	1.8	–	–
Transfers to current tax	(0.3)	0.6	–	–
Classified as held for sale	(0.1)	–	–	–
Other	0.1	(0.1)	–	–
At 31 December	(14.8)	(17.0)	(1.1)	(1.1)

* Included in the credit to the income statement is a £1.8m charge (2010 – £1.7m credit) relating to discontinued operations.

Deferred tax assets of £0.6m (2010 – £4.2m) have not been recognised as realisation of the tax benefit is not probable.

Notes to the Financial Statements continued

22. Deferred Tax continued

The movements in deferred tax assets and liabilities are shown below:

Deferred tax assets
Group

	Provisions £m	Tax losses £m	Share options and awards £m	Goodwill £m	Asset retirement obligations £m	Other £m	Total £m
At 1 January 2011	0.5	2.0	2.9	–	–	3.2	8.6
Exchange adjustments	0.2	0.1	–	–	–	0.1	0.4
Credit to income statement	4.3	1.9	2.2	1.4	1.1	0.4	11.3
Taken direct to equity	–	–	0.2	–	–	0.1	0.3
Transfers to current tax	–	(0.3)	–	–	–	–	(0.3)
Classified as held for sale	(0.2)	–	–	–	–	–	(0.2)
Reclassification	2.6	–	–	–	–	(2.6)	–
Other	0.1	0.3	–	–	–	–	0.4
At 31 December 2011	7.5	4.0	5.3	1.4	1.1	1.2	20.5

Deferred tax assets of £20.5m (2010 – £7.5m) are expected to be recovered after more than twelve months.

Deferred tax liabilities
Group

	Pension asset £m	Exploration and production activities £m	Goodwill £m	Accelerated tax depreciation £m	Fair value adjustments £m	Other £m	Total £m
At 1 January 2011	1.5	4.4	1.5	10.1	6.3	1.8	25.6
Exchange adjustments	–	0.1	0.1	0.2	0.1	(0.1)	0.4
Charge (credit) to income statement	0.3	0.5	1.0	8.3	–	(0.3)	9.8
Taken direct to equity	(0.6)	–	–	–	(0.1)	–	(0.7)
Classified as held for sale	–	–	–	(0.1)	–	–	(0.1)
Reclassification	–	–	–	0.1	–	(0.1)	–
Other	–	–	0.3	–	–	–	0.3
At 31 December 2011	1.2	5.0	2.9	18.6	6.3	1.3	35.3

Deferred tax liabilities of £35.3m (2010 – £24.2m) are expected to be released after more than twelve months.

Deferred income tax credited (charged) to equity during the year comprised:

	Group 2011 £m	Group 2010 £m
Actuarial losses on defined benefit pension schemes	0.6	0.9
Losses originating on cash flow hedges arising during the year	(1.4)	(0.1)
Gains transferred to income statement on disposal of cash flow hedges	1.6	–
Share options and awards	0.2	1.0
	1.0	1.8

Company

The Company had £1.1m (2010 – £1.1m) of deferred tax liabilities relating to unremitted earnings at the year end.

23. Inventories

Group

	2011 £m	2010 £m
Raw materials	71.4	42.5
Work in progress	43.4	21.4
Finished goods	123.6	76.2
Less: provisions for losses	(6.0)	(9.4)
	232.4	130.7

Inventories are stated at the lower of cost and fair value less selling costs. The carrying amount of inventories stated at fair value less selling costs is £nil (2010 – £3.0m).

The Group reversed £2.2m (2010 – £2.1m) of a previous inventory write-down as the goods were sold during the year for an amount greater than their carrying value. The amount reversed has been included in cost of sales in the income statement.

24. Investments

Group

Investments comprise bank deposits maturing after more than three months of £2.4m (2010 – £2.5m).

25. Cash and Cash Equivalents

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	68.8	86.8	0.7	4.5
Short-term deposits and Money Market Funds	–	181.9	–	–
	68.8	268.7	0.7	4.5

26. Assets Held for Sale

Group

The assets and liabilities of Field Aviation continue to be presented as held for sale, as sale negotiations are at an advanced stage, such that it is highly probable that the company will be sold within twelve months of the initial classification of held for sale on 30 June 2011. Field Aviation's assets and liabilities are a disposal group and the business is considered to be a discontinued operation, as it represents a major line of business. The disposal of this business will enable Hunting to focus on its core operations.

Field Aviation's assets and liabilities are carried at the lower of carrying amount and fair value less costs to sell at the date of held-for-sale classification. The carrying values of Field Aviation's assets and liabilities at 31 December 2011 are:

	2011 £m
Assets classified as held for sale	
Property, plant and equipment	2.1
Deferred tax assets	0.2
Inventories	2.8
Trade and other receivables	6.3
Cash and cash equivalents	2.0
Current tax assets	0.2
	13.6
Liabilities classified as held for sale	
Trade and other payables	8.0
Provisions	0.3
Borrowings	0.1
Deferred tax liabilities	0.1
	8.5

27. Trade and Other Payables

	Group		Company	
	2011 £m	Restated 2010 £m	2011 £m	2010 £m
Current:				
Trade payables	57.5	40.1	–	–
Payables to subsidiaries	–	–	3.2	0.8
Payables to associates	1.0	7.1	–	5.6
Social security and other taxes	3.5	1.8	–	–
Accruals	70.6	43.6	5.7	0.6
Deferred revenue	0.5	1.0	–	–
Other payables	13.3	12.8	0.4	0.6
Derivative financial liabilities	0.4	0.1	–	–
	146.8	106.5	9.3	7.6

Other payables in 2010 have been restated to reflect an additional payable of £0.3m in relation to the acquisition of Innova on 3 September 2010.

28. Borrowings

	Group	Company
	2011	

28. Borrowings continued

Company

The Company has borrowings of £71.6m (2010 – £115.3m) at the year end, of which £55.3m are denominated in sterling and £16.3m are denominated in Canadian dollars.

29. Changes in Net Debt

The analysis below is provided in order to reconcile the movement in borrowings (note 28) and cash and cash equivalents (note 25) during the year.

	At 1 January 2011 £m	Cash flow £m	Exchange movements £m	Acquisition of subsidiaries* £m	Amortisation of loan facility fees £m	Reclassify as held for sale £m	At 31 December 2011 £m
Cash and cash equivalents	268.7	(198.2)	0.3	–	–	(2.0)	68.8
Bank overdrafts	(56.7)	23.0	(0.1)	–	–	0.1	(33.7)
	212.0	(175.2)	0.2	–	–	(1.9)	35.1
Investments	2.5	(0.1)	–	–	–	–	2.4
Non-current borrowings	(2.3)	(236.1)	(3.9)	(5.6)	(0.4)	–	(248.3)
Current borrowings	–	(9.0)	(0.3)	(0.2)	–	–	(9.5)
Classified as held for sale	–	–	–	–	–	1.9	1.9
Total net cash (debt)	212.2	(420.4)	(4.0)	(5.8)	(0.4)	–	(218.4)

* Excludes cash and cash equivalents of £26.9m acquired with subsidiaries, which have been included in cash flow.

30. Derivatives and Financial Instruments

Currency derivatives

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

At 31 December 2011, the total notional amount of the Group's outstanding forward foreign exchange contracts is £15.9m (2010 – £12.1m).

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 £0.1m loss (2010 – £0.2m loss) have been recognised in the income statement during the year for continuing operations.

Certain highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts. These forecast transactions are expected to occur at various dates during the next 18 months. Gains and losses recognised in the hedging reserve on forward foreign exchange contracts at 31 December 2011 will be recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

Gains of £5.4m (2010 – £0.6m gain) were recognised in the hedging reserve (note 35) during the year. Gains of £6.3m (2010 – £0.1m gains) were removed from equity during the year, with £0.8m gains (2010 – £0.1m gains) included in revenue in the income statement and gains of £5.5m (2010 – £nil) recognised as part of goodwill on acquisition of Titan (note 41). Ineffectiveness of £nil (2010 – £nil) arose on the cash flow hedges during the year.

Fair values of derivative nancial instruments

	2011	2010	
	Total liabilities £m	Total assets £m	Total liabilities £m
Forward foreign exchange – in cash flow hedges	(0.4)	0.5	–
Forward foreign exchange – not in a hedge	–	–	(0.1)
	(0.4)	0.5	(0.1)

30. Derivatives and Financial Instruments continued

Fair values of nancial assets and nancial liabilities

The carrying amounts of each measurement category of the Group's financial assets and financial liabilities are stated below, together with a comparison of fair value and carrying amount for each class of financial asset and financial liability.

Group

	Year ended 31 December 2011					
	Carrying amount					
	Loans and receivables £m	Available for sale financial assets £m	Financial liabilities measured at amortised cost £m	Derivatives at fair value through equity (cash flow hedges) £m	Total £m	Fair value total £m
Non-current assets						
Unlisted equity investments (note 19)	–	0.2	–	–	0.2	0.2
Current assets						
Net trade receivables (note 21)	152.6	–	–	–	152.6	152.6
Receivables from associates (note 21)	0.8	–	–	–	0.8	0.8
Other receivables	9.4	–	–	–	9.4	9.4
Accrued revenue (note 21)	4.0	–	–	–	4.0	4.0
Investments (note 24)	2.4	–	–	–	2.4	2.4
Cash and cash equivalents (note 25)	68.8	–	–	–	68.8	68.8
Assets classified as held for sale	7.9	–	–	–	7.9	7.9
Current liabilities						
Trade payables (note 27)	–	–	(57.5)	–	(57.5)	(57.5)
Payables to associates (note 27)	–	–	(1.0)	–	(1.0)	(1.0)
Accruals (note 27)	–	–	(70.6)	–	(70.6)	(70.6)
Other payables	–	–	(9.4)	–	(9.4)	(9.4)
Derivative financial liabilities (note 27)	–	–	–	(0.4)	(0.4)	(0.4)
Provisions	–	–	(42.3)	–	(42.3)	(42.3)
Liabilities classified as held for sale	–	–	(5.3)	–	(5.3)	(5.3)
Current borrowings (note 28)						
Bank overdrafts	–	–	(33.7)	–	(33.7)	(33.7)
Secured bank loans	–	–	(0.2)	–	(0.2)	(0.2)
Unsecured bank loans	–	–	(8.0)	–	(8.0)	(8.0)
Other unsecured loans	–	–	(1.3)	–	(1.3)	(1.3)
Non-current borrowings (note 28)						
Secured bank loans	–	–	(0.2)	–	(0.2)	(0.2)
Unsecured bank loans	–	–	(243.0)	–	(243.0)	(243.0)
Other unsecured loans	–	–	(5.1)	–	(5.1)	(5.1)
Non-current liabilities						
Provisions	–	–	(15.3)	–	(15.3)	(15.3)
	245.9	0.2	(492.9)	(0.4)	(247.2)	(247.2)

30. Derivatives and Financial Instruments continued

	Restated Year ended 31 December 2010						
	Carrying amount						
	Loans and receivables £m	Available for sale financial assets £m	Financial liabilities measured at amortised cost £m	Financial liabilities held for trading £m	Derivatives at fair value through equity (cash flow hedges) £m	Total £m	Fair value total £m
Non-current assets							
Unlisted equity investments (note 19)	–	0.2	–	–	–	0.2	0.2
Equity warrant (note 19)	–	44.9	–	–	–	44.9	44.9
Other receivables (note 21)	2.1	–	–	–	–	2.1	2.1
Current assets							
Net trade receivables (note 21)	84.0	–	–	–	–	84.0	84.0
Receivables from associates (note 21)	0.2	–	–	–	–	0.2	0.2
Other receivables	4.9	–	–	–	–	4.9	4.9
Accrued revenue (note 21)	3.2	–	–	–	–	3.2	3.2
Derivative financial assets (note 21)	–	–	–	–	0.5	0.5	0.5
Investments (note 24)	2.5	–	–	–	–	2.5	2.5
Cash and cash equivalents (note 25)	268.7	–	–	–	–	268.7	268.7
Current liabilities							
Trade payables (note 27)	–	–	(40.1)	–	–	(40.1)	(40.1)
Payables to associates (note 27)	–	–	(7.1)	–	–	(7.1)	(7.1)
Accruals (note 27)	–	–	(43.6)	–	–	(43.6)	(43.6)
Other payables	–	–	(5.1)	–	–	(5.1)	(5.1)
Derivative financial liabilities (note 27)	–	–	–	(0.1)	–	(0.1)	(0.1)
Provisions	–	–	(39.7)	–	–	(39.7)	(39.7)
Current borrowings (note 28)							
Bank overdrafts	–	–	(56.7)	–	–	(56.7)	(56.7)
Non-current borrowings (note 28)							
Other unsecured loans	–	–	(2.3)	–	–	(2.3)	(2.3)
Non-current liabilities							
Provisions	–	–	(15.0)	–	–	(15.0)	(15.0)
	365.6	45.1	(209.6)	(0.1)	0.5	201.5	201.5

Other payables in 2010 have been restated to reflect an additional payable of £0.3m in relation to the acquisition of Innova on 3 September 2010.

The fair value of forward foreign exchange contracts is determined by the deviation in future expected cash flows calculated by reference to the movement in market quoted exchange rates. The carrying values of available for sale unlisted investments are based on the Directors' best estimate of fair value as there is no active market in which these are traded. The fair values of non-sterling denominated financial instruments are translated into sterling using the year end exchange rate.

30. Derivatives and Financial Instruments continued

The table below shows the level in the fair value hierarchy in which fair value measurements are categorised for assets and liabilities measured at fair value in the balance sheet.

	Fair value at 31 December 2011 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial investments				
Unlisted equity investments	0.2	–	–	0.2
Derivatives at fair value through equity				
Derivative financial liabilities	(0.4)	–	(0.4)	–
	(0.2)	–	(0.4)	0.2

	Fair value at 31 December 2010 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial investments				
Unlisted equity investments	0.2	–	–	0.2
Equity warrant	44.9	–	–	44.9
Derivatives at fair value through equity				
Derivative financial assets	0.5	–	0.5	–
Derivatives held for trading				
Derivative financial liabilities	(0.1)	–	(0.1)	–
	45.5	–	0.4	45.1

The fair value hierarchy has the following levels:

- Level 1 – inputs are quoted prices 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.
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy.

	Available for sale financial assets £m
At 1 January 2011	45.1

30. Derivatives and Financial Instruments continued
Company

	Year ended 31 December 2011			
	Carrying amount			
	Loans and receivables £m	Financial liabilities measured at amortised cost £m	Total £m	Fair value total £m
Non-current assets				
Receivables from subsidiaries (note 21)	26.6	–	26.6	26.6
Current assets				
Receivables from subsidiaries (note 21)	8.5	–	8.5	8.5
Other receivables (note 21)	0.1	–	0.1	0.1
Cash and cash equivalents (note 25)	0.7	–	0.7	0.7
Current liabilities (note 27)				
Payables to subsidiaries	–	(3.2)	(3.2)	(3.2)
Accruals	–	(5.7)	(5.7)	(5.7)
Other payables	–	(0.4)	(0.4)	(0.4)
Current borrowings (note 28)				
Bank overdrafts	–	(0.1)	(0.1)	(0.1)
Non-current borrowings (note 28)				
Amounts due to subsidiaries	–	(71.5)	(71.5)	(71.5)
	35.9	(80.9)	(45.0)	(45.0)

	Year ended 31 December 2010			
	Carrying amount			
	Loans and receivables £m	Financial liabilities measured at amortised cost £m	Total £m	Fair value total £m
Non-current assets				
Receivables from subsidiaries (note 21)	10.2	–	10.2	10.2
Current assets				
Receivables from subsidiaries (note 21)	2.2	–	2.2	2.2
Other receivables (note 21)	0.1	–	0.1	0.1
Cash and cash equivalents (note 25)	4.5	–	4.5	4.5
Current liabilities (note 27)				
Payables to subsidiaries	–	(0.8)	(0.8)	(0.8)
Payables to associates	–	(5.6)	(5.6)	(5.6)
Accruals	–	(0.6)	(0.6)	(0.6)
Other payables	–	(0.6)	(0.6)	(0.6)
Current borrowings (note 28)				
Bank overdrafts	–	(37.4)	(37.4)	(37.4)
Non-current borrowings (note 28)				
Amounts due to subsidiaries	–	(77.9)	(77.9)	(77.9)
	17.0	(122.9)	(105.9)	(105.9)

Notes to the Financial Statements continued

30. Derivatives and Financial Instruments continued

Hedge of Net Investments in Foreign Operations

The Group has US dollar denominated borrowings, which it has designated as a hedge of the net investment in its US subsidiaries. At 31 December 2011, the carrying amount of US dollar borrowings was £244.1m.

At 31 December 2011, foreign exchange losses of £4.7m (2010 – £nil) on translation of the borrowings into sterling has been recognised in the cumulative translation reserve.

31. Financial Risk Factors

The Group's activities expose it to certain financial risks, namely market risk (including currency risk, fair value interest risk and cash flow interest 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 its 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, cash management and the investment of surplus cash.

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

(a) Foreign exchange risk

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

The Group's material foreign exchange rates are:

	US dollar		Canadian dollar	
	2011	2010	2011	2010
Average exchange rate to sterling	1.60	1.55	1.59	1.59
Year-end exchange rate to sterling	1.55	1.57	1.58	1.56

(i) Transactional risk

The exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts and currency options. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. Operating companies prepare quarterly rolling twelve month cash flow forecasts to enable working capital currency exposures to be identified. Currency exposures arise where the cash flows are not in the functional currency of the entity. Exposures arising from committed long-term projects beyond a twelve month period are also identified. The currency flows to be hedged are committed foreign currency transactions greater than £250,000 equivalent per month and/or currency flows that in aggregate exceed £500,000 equivalent per annum.

No speculative positions are entered into by the Group.

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

At 31 December 2011	Currency of denomination					
	Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities:						
Sterling	–	11.9	(54.0)	0.8	(0.1)	(41.4)
US dollars	–	–	1.5	–	(0.4)	1.1
Canadian dollars	–	4.5	–	–	0.3	4.8
Euro	(2.1)	2.1	–	–	–	–
Other currencies	–	(7.8)	–	–	–	(7.8)
	(2.1)	10.7	(52.5)	0.8	(0.2)	(43.3)

31. Financial Risk Factors continued

At 31 December 2010

	Currency of denomination					
	Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities:						
Sterling	–	20.9	(41.1)	2.3	(0.4)	(18.3)
US dollars	(1.2)	–	–	–	(3.3)	(4.5)
Canadian dollars	–	2.3	–	–	1.1	3.4
Euro	–	0.1	–	–	–	0.1
Other currencies	–	(5.4)	–	–	–	(5.4)
	(1.2)	17.9	(41.1)	2.3	(2.6)	(24.7)

The US dollar denominated financial instruments consists mainly of cash and cash equivalents and receivables and the Canadian dollar denominated financial instruments consists mainly of warranty provisions and inter-group loans.

(ii) Translational risk
Foreign exchange risk also arises from the Group's investments in foreign operations. Average rate options are used to reduce translation risk on the Group's consolidated profit before tax by hedging the translation of approximately 50% of budgeted US dollar earnings into sterling. These derivatives are not designated as a hedge.

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

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

During the year, the Group needed to ensure that sufficient liquid funds were available to support its working capital and capital expenditure requirements and to fund acquisitions. Surplus cash was, therefore, invested by the treasury function in AAA rated, instant access Money Market Funds and in fixed-rate bank deposits, with terms of between overnight and three months. As the funds were invested for short periods of time, the interest yield on these was relatively low. However, the preservation of the Group's net cash took priority over earning high interest yields.

(c) Credit risk
The Group's credit risk arises from its available for sale financial assets, pension assets, cash and cash equivalents, investments, derivative financial instruments and outstanding receivables.

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

Surplus cash is only invested with financial institutions approved by the Board. The process of investing excess cash is conducted and monitored by the Group's treasury function.

Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the treasury function can invest surplus cash with all must have a minimum of an A1, P1 or F1 short-term rating from Standard and Poor's, Moody's or Fitch rating agencies and AAA rating for Money Market Funds.

The majority of cash and cash equivalents, which total £68.8m (2010 – £268.7m) at the year end, and investments of £2.4m (2010 – £2.5m) have been deposited with banks with Fitch short-term ratings of F1 to F1+. All cash and cash equivalents and investments are expected to be fully recovered.

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.

31. Financial Risk Factors continued

The Company operates a pension scheme, which includes a defined benefit section with pension plan assets of £4.8m (2010 – £5.5m). The majority of the Scheme's defined benefits are now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated. The pension buy-in has been affected by using three insurers, so as to spread its credit risk. The credit rating of these insurers is monitored.

(d) Liquidity risk

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and to fund acquisitions. All subsidiaries submit weekly and bi-monthly treasury reports 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.

A new bank facility agreement was signed on 5 August 2011. The five-year, multi-currency revolving credit facility of £375.0m replaced Hunting's existing £120.0m facility on completion of the acquisition of Titan on 16 September 2011.

The Group's credit facilities are provided by a variety of funding sources and total £423.6m (2010 – £153.9m) at the year end. The facilities comprise £375.0m (2010 – £120.0m) of committed facilities and £48.6m (2010 – £33.9m) of uncommitted facilities. Of the uncommitted facilities, £0.4m is secured on the machinery that the loan was used to purchase and £48.2m is unsecured. The £375.0m committed facility is unsecured.

The committed facilities comprise the £375.0m multi-currency loan facility from a syndicate of ten banks. This facility expires on 5 August 2016. A commitment fee is payable on the undrawn amount.

The Group's treasury function maintains flexibility in funding by maintaining availability under committed credit facilities. The Group has the following undrawn committed borrowing facilities available at the year-end:

	2011 £m	2010 £m
Floating rate:		
Expiring between two and five years	128.5	120.0
	128.5	120.0

Surplus funds are placed in short-term deposits with approved banks and with AAA rated Money Market Funds.

The tables below analyse the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on

31. Financial Risk Factors continued
Group

	Restated 2010			
	On demand or within one year £m	Between two and five years £m	After five years £m	Total £m
Non-derivative financial liabilities:				
Trade payables	40.1	–	–	40.1
Payables to associates	7.1	–	–	7.1
Accruals	43.6	–	–	43.6
Other payables	5.1	–	–	5.1
Provisions	39.7	8.3	8.7	56.7
Other unsecured loans	–	–	2.3	2.3
Bank overdrafts	56.7	–	–	56.7
	192.3	8.3	11.0	211.6

Other payables in 2010 have been restated to reflect an additional payable of £0.3m in relation to the acquisition of Innova on 3 September 2010.

At the end of 2010, the Group did not have any net-settled financial liabilities.

Company

	2011		
	On demand or within one year £m	Between two and five years £m	Total £m
Non-derivative financial liabilities:			
Payables to subsidiaries	3.2	71.5	74.7
Accruals	5.7	–	5.7
Other payables	0.4	–	0.4
Bank overdrafts	0.1	–	0.1
	9.4	71.5	80.9

	2010		
	On demand or within one year £m	Between two and five years £m	Total £m
Non-derivative financial liabilities:			
Payables to subsidiaries	0.8	77.9	78.7
Payables to associates	5.6	–	5.6
Accruals	0.6	–	0.6
Other payables	0.6	–	0.6
Bank overdrafts	37.4	–	37.4
	45.0	77.9	122.9

The Company did not have any derivative financial liabilities.

31. Financial Risk Factors continued

Group

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.

	On demand or within one year	
	2011 £m	2010 £m
Currency derivatives – held for trading		
– inflows	37.3	27.4
– outflows	(37.5)	(25.9)

(e) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's and Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2011.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the cash and derivatives and the proportion of financial instruments in foreign currencies remain unchanged from the hedge designations in place at 31 December 2011.

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

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

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Group's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(i) Interest rate sensitivity

Group

The table below shows the post-tax impact for the year of a reasonable change in interest rates, with all other variables held constant, at 31 December.

	2011 Income statement £m	2010 Income statement £m
US interest rates +0.5% (2010: +0.5%)	(0.9)	–
US interest rates –0.5% (2010: –0.5%)	0.9	–
UK interest rates +0.25% (2010: +0.5%)	–	0.3
UK interest rates –0.25% (2010: –0.5%)	–	(0.3)

The movements in the income statement are mainly attributable to US dollar denominated borrowings. There is no impact on equity for a change in interest rates.

Company

The table below shows the post-tax impact for the year of a reasonable change in the UK interest rate, with all other variables held constant, at 31 December.

	2011 Income statement £m	2010 Income statement £m
UK interest rates +0.25% (2010: +0.5%)	(0.1)	(0.4)
UK interest rates –0.25% (2010: –0.5%)	0.1	0.4

The movements arise on sterling loans from subsidiaries. There is no impact on equity for a change in interest rates.

31. Financial Risk Factors continued

(ii) Foreign exchange rate sensitivity

Group

The table below shows the post-tax impact for the year of a reasonable change in foreign exchange rates, with all other variables held constant, at 31 December.

	2011		2010	
	Income statement £m	Equity £m	Income statement £m	Equity £m
US dollar exchange rates +10% (2010: +10%)	(1.2)	(8.4)	(0.9)	(13.7)
US dollar exchange rates –10% (2010: –10%)	1.5	10.3	1.0	16.8
Canadian dollar exchange rates +10% (2010: +10%)	2.6	(1.2)	2.8	(5.4)
Canadian dollar exchange rates –10% (2010: –10%)	(3.3)	1.5	(3.4)	6.7

The movements in the income statement arise from cash, borrowings, receivables and payables where the functional currency of the entity is different to the currency that the monetary items are denominated in.

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

Company

The table below shows the post-tax impact for the year of a reasonable change in the US dollar exchange rate, with all other variables held constant, at 31 December.

	2011 Income statement £m	2010 Income statement £m
US dollar exchange rates +10% (2010: +10%)	(0.4)	(0.1)
US dollar exchange rates –10% (2010: –10%)	0.4	0.1

The movement arises from US dollar denominated receivables.

There is no impact on equity from a change in the US dollar exchange rate.

32. Provisions

Group

	Onerous contracts £m	Asset decommissioning and remediation obligations £m	Warranties and tax indemnities £m	Other £m	Total £m
At 1 January 2011	17.6	1.4	37.0	0.1	56.1
Exchange adjustments	–	0.1	(0.5)	–	(0.4)
Charged to income statement	1.4	–	3.7	–	5.1
Charged to property, plant and equipment	–	1.2	–	–	1.2
Provisions utilised	(2.2)	–	(0.1)	–	(2.3)
Unutilised amounts reversed	(0.1)	–	(0.1)	–	(0.2)
Unwinding of discount	0.3	0.2	–	–	0.5
Change in discount rate	0.9	–	–	–	0.9
Classified as held for sale	(0.1)	–	(0.3)	–	(0.4)
Reclassification	–	–	0.1	(0.1)	–
At 31 December 2011	17.8	2.9	39.8	–	60.5

Provisions are due as follows:

	2011 £m	2010 £m
Current	42.3	39.8
Non-current	18.2	16.3
	60.5	56.1

32. Provisions continued

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that £2.5m of the provision will be utilised in 2012, £2.9m in 2013 and the remaining balance of £12.4m utilised from 2014 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.33% and 2.12% pa, for the net rental deficit on these properties to the end of the lease term.

Asset decommissioning and remediation obligations relate to the Group's obligation to dismantle, remove and restore items of property, plant and equipment. The 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, at a risk-free rate of 6%. The provision is expected to be utilised over a period of one to fifteen years.

Following the disposal of Gibson Energy in 2008, the Group recognised a provision for tax indemnities. These provisions are expected to be utilised in 2012.

33. Post-Employment Benefits

Pensions

Within the UK, the Group operates a funded pension scheme, which includes a defined benefit section with benefits linked to final salary and a defined contribution section with benefits dependant on future investment returns. With effect from 31 December 2002, the defined benefit section was closed to new UK employees who are offered membership of the defined contribution section. The majority of UK employees are members of one of these arrangements.

The majority of the Scheme's defined benefits are now covered by insurance policies, meaning that pensions-related risks have largely been eliminated. This is demonstrated by the stability of the pension asset from year to year. However, the obligation ultimately rests with the Group. During the year, the Trustees paid additional funds into the existing insurance policies to secure further benefits for members.

A valuation of the defined benefit section of the Scheme was produced and updated to 31 December 2011 by independent qualified actuaries.

The present value of the defined benefit has been calculated on the basis that benefits continue to be linked to the RPI measure of inflation.

The main assumptions used for IAS 19 purposes at 31 December were:

	2011	2010
Annual rates		
Rate of increase in salaries	5.2%	5.6%
Rate of increase in pensions	3.2%	3.6%
Discount rate	4.7%	5.4%
Inflation (RPI)	3.2%	3.6%

The post-employment mortality assumptions allow for future improvements in mortality. The mortality table implies that a 65 year old male currently has an expected future lifetime of 24.3 years (2010 – 24.1 years) and an expected future lifetime of 27.4 years (2010 – 27.3 years) for a male reaching 65 in 20 years' time. The mortality table implies that a 65 year old female currently has an expected future lifetime of 25.8 years (2010 – 25.7 years) and an expected future lifetime of 27.7 years (2010 – 27.6 years) for a female reaching 65 in 20 years' time. Based upon past experience, pension increases have been assumed to be in line with RPI inflation.

Long-term rates of return expected at 31 December:

33. Post-Employment Benefits continued

Other Information

The defined contribution section of the Scheme held assets, equal to its liabilities, of £6.6m as at 31 December 2011 (2010 – £5.1m).

Scheme Assets

The proportions of the total assets in the defined benefit section of the Scheme for each asset class and the contributions made were:

	2011	2010
Insurance annuity policies	98%	95%
Bonds	0%	5%
Cash	2%	0%
	100%	100%
Employer contributions made during year (£m)	3.2	1.9

During the year to 31 December 2011, contributions by the Group of £1.1m (2010 – £1.0m) were also made to the UK defined contribution section of the Scheme. For 2012, the Group will pay estimated contributions of £4.3m to the defined benefit section of the Scheme. Contributions to the defined contribution section of the Scheme are in addition.

Surplus in the Plan

The following amounts were measured in accordance with IAS 19:

	2011 £m	2010 £m
Total fair value of plan assets	238.0	223.9
Present value of obligations	(233.2)	(218.4)
Asset recognised in the balance sheet	4.8	5.5

Movements in the Present Value of the De ned Bene t Obligation

	2011 £m	2010 £m
Change in present value of obligation:		
Present value of obligation at the start of the year	218.4	214.5
Current service cost (employer)	2.1	1.9
Interest cost	11.6	11.8
Contributions by plan participants	0.4	0.4
Actuarial losses	11.2	0.6
Benefits paid	(10.5)	(10.8)
Present value of obligation at end of the year	233.2	218.4

Movements in the Fair Value of Plan Assets

	2011 £m	2010 £m
Change in plan assets:		
Fair value of plan assets at the start of the year	223.9	222.5
Expected return on plan assets	11.7	12.2
Actuarial gain (loss) on plan assets	9.3	(2.3)
Contributions by plan participants	0.4	0.4
Contributions by employer	3.2	1.9
Benefits paid	(10.5)	(10.8)
Fair value of plan assets at the end of the year	238.0	223.9

For 2011, the actual return on the plan's assets amounted to a gain of £21.0m (2010 – £9.9m). The gain of £9.3m (2010 – £2.3m loss) principally arising as a result of the increase of the value placed on the insurance annuity policies is offset by a corresponding increase in the value placed on the corresponding liabilities. This is the principal component of the actuarial losses on the defined benefit obligations stated above.

Notes to the Financial Statements continued

33. Post-Employment Benefits continued

Total Expense Recognised in the Income Statement

	2011 £m	2010 £m
Current service cost (employer)	2.1	1.9
Interest cost	11.6	11.8
Expected return on assets	(11.7)	(12.2)
Total expense included within staff costs (note 8)	2.0	1.5

In addition, employer contributions of £4.2m (2010 – £3.0m) for various Group defined contribution arrangements (including the UK defined contribution arrangement referred to on page 103) are recognised in the income statement.

Total Expense Recognised in the Statement of Comprehensive Income

	2011 £m	2010 £m
Actuarial losses before tax	1.9	2.9

The cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income at 31 December 2011 is a loss of £36.9m (2010 – £35.0m loss).

Amounts to be Shown for the Current and Previous periods

	2011	2010	2009	2008	2007
Difference between the expected and actual return on plan assets:					
Amount (£m)	9.3	(2.3)	38.6	(35.3)	(12.0)
As a percentage of plan assets	4%	1%	17%	(19)%	(5)%
Experience (losses) and gains on obligations:					
Amount (£m)	(1.1)	7.0	(0.2)	(0.2)	0.5
As a percentage of the present value of the obligations	0%	3%	0%	0%	0%

	£m	£m	£m	£m	£m
Present value of defined benefit obligation	(233.2)	(218.4)	(214.5)	(175.0)	(198.5)
Fair value of plan assets	238.0	223.9	222.5	182.6	222.1
Surplus in the plan	4.8	5.5	8.0	7.6	23.6

The Company has no employees and therefore does not participate in any of the above schemes, although it does guarantee the contributions due by the participating employers.

34. Share Capital and Share Premium

	Number of Ordinary shares of 25p each Number	Ordinary shares of 25p each £m	Share premium £m	2011 Total £m	2010 Total £m
At 1 January	132,519,924	33.1	85.8	118.9	123.3
Shares issued – share placing (note 35)	13,175,838	3.3	–	3.3	–
Shares issued – share option schemes	620,424	0.2	1.3	1.5	0.7
Transfer between reserves	–	–	–	–	(5.1)
At 31 December	146,316,186	36.6	87.1	123.7	118.9

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

At 31 December 2011, the Group held 1,072,186 (2010 – 971,723) Treasury shares. Details of the carrying amount are set out in note 36.

35. Other Components of Equity
Group

	Year ended 31 December 2011				
	Other reserves £m	Merger reserve £m	Cash flow hedge reserve £m	Foreign currency translation reserve £m	Total £m
At 1 January	23.3	–	0.4	28.5	52.2
Exchange adjustments	–	–	–	8.4	8.4
– taxation	–	–	–	(2.5)	(2.5)
Fair value gains and losses:					
– gain on available for sale financial investment arising during the year	40.4	–	–	–	40.4
– taxation	(5.1)	–	–	–	(5.1)
– gains transferred to income statement on redemption of available for sale financial investment	(58.3)	–	–	–	(58.3)
– taxation	5.1	–	–	–	5.1
– gains originating on cash flow hedges arising during the year	–	–	5.4	–	5.4
– taxation	–	–	(1.4)	–	(1.4)
– gains transferred to income statement on disposal of cash flow hedges	–	–	(0.8)	–	(0.8)
– taxation	–	–	0.2	–	0.2
– gains transferred to goodwill on disposal of cash flow hedges	–	–	(5.5)	–	(5.5)
– taxation	–	–	1.4	–	1.4
Shares issued					
– share premium on share placing	–	82.1	–	–	82.1
– share placing costs	–	(1.9)	–	–	(1.9)
Share options					
– value of employee services	2.2	–	–	–	2.2
– discharge	(0.6)	–	–	–	(0.6)
Transfer between reserves	–	(80.2)	–	–	(80.2)
At 31 December	7.0	–	(0.3)	34.4	41.1

On 5 August 2011, a placing of 13,175,838 new Ordinary shares at a price of 648.0p took place, representing approximately 9.9% of Hunting's existing issued Ordinary share capital. In accordance with Section 612 of the Companies Act 2006, the premium from the placing of £82.1m, along with costs of £1.9m, were recognised in the merger reserve. The net proceeds of £83.5m were used to fund, in part, the acquisition of Titan. The merger reserve has been transferred to retained earnings as it has become distributable.

	Year ended 31 December 2010			
	Other reserves £m	Cash flow hedge reserve £m	Foreign currency translation reserve £m	Total £m
At 1 January	6.8	0.1	21.1	28.0
Exchange adjustments	–	–	7.6	7.6
– taxation	–	–	(0.3)	(0.3)
Fair value gains and losses:				
– gain on available for sale financial investment arising during the year	15.3	–	–	15.3
– gains originating on cash flow hedges arising during the year	–	0.6	–	0.6
– taxation	–	(0.1)	–	(0.1)
– gains transferred to income statement on disposal of cash flow hedges	–	(0.1)	–	(0.1)
Share options and awards				
– value of employee services	1.6	–	–	1.6
Other	–	(0.1)	0.1	–
Transfer between reserves	(0.4)	–	–	(0.4)
At 31 December	23.3	0.4	28.5	52.2

Other reserves include share option reserves, capital redemption reserves and available for sale financial assets reserves.

35. Other Components of Equity continued
Company

	2011 £m	2010 £m
At 1 January	5.6	4.3
Shares issued		
– share premium on share placing	82.1	–
– share placing costs	(1.9)	–
Share options		
– value of employee services	2.2	1.6
– discharge	(0.6)	(0.4)
Other	(0.2)	0.1
Transfer between reserves	(80.2)	–
At 31 December	7.0	5.6

Other reserves include the merger and share option reserves.

36. Retained Earnings

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 January	409.3	397.2	84.0	48.4
Profit (loss) for the year	79.1	21.8	(4.1)	44.3
Actuarial loss on defined benefit pension schemes	(1.9)	(2.9)	–	–
– taxation	0.6	0.9	–	–
Dividends paid	(16.8)	(14.1)	(16.8)	(14.1)
Treasury shares				
– purchase of treasury shares	(1.1)	(0.4)	(1.1)	(0.4)
– disposal of treasury shares	0.2	0.2	0.2	0.2
– taxation	–	0.1	–	–
Share options and awards				
– discharge	0.6	0.4	0.6	0.4
– taxation	0.2	1.0	–	–
Other	–	–	–	0.1
Transfer between reserves	80.2	5.1	80.2	5.1
At 31 December	550.4	409.3	143.0	84.0

In respect of the tax on the actuarial loss on defined benefit pension schemes, £0.5m (2010 – £0.8– p)2(u)9(r)4(c)13(h)13(a)-10(s)-7(e o)1(f t)-8(r)

37. Non-controlling Interests
Group

	2011 £m	2010 £m
At 1 January	14.2	13.3
Profit after tax attributed to non-controlling interests	3.1	2.5
Exchange adjustments	0.7	(0.1)
Dividends paid	(1.2)	(1.5)
At 31 December	16.8	14.2

38. Capital Risk Management

The Group's capital consists of equity and net debt.

	2011 £m	2010 £m
Total equity	732.0	594.6
Net debt (cash)	218.4	(212.2)
Capital employed	950.4	382.4
Gearing	30%	n/a

Capital employed is managed with the aim of maintaining an appropriate level of financing available for the Group's activities. The balance of debt and equity, as reflected in the gearing ratio, which is net debt expressed as a percentage of total equity, is managed having due regard to the respective cost of funds and their availability.

The Group's net debt is monitored on a daily basis and is managed by the control of working capital, dividend and capital expenditure payments and the purchase and disposal of assets and businesses. The level of net debt and related gearing ratio of 30% at 31 December 2011 is considered comfortable, with adequate headroom remaining, giving management ongoing flexibility.

For debt funding, the Group ensures that banking and other borrowing covenants are complied with, and that appropriate forecast headroom exists, to ensure that borrowing facilities remain in place. Our bank facility covenants require EBITDA to cover relevant finance charges by a minimum of 4 times and net debt to adjusted EBITDA has a maximum of 3.5 times. The covenants are monitored on a monthly basis and all external covenant requirements were met during the year. Both key bank covenant metrics at year end were well covered.

Return on average capital employed is a KPI management uses to assess business unit performance. The Group return on capital employed has fallen from 16% during 2010 to 15% in 2011 primarily due to the higher level of capital employed following the acquisition programme.

Changes in equity arise from the retention of earnings and, from time to time, issues of share capital. The Board considers each ordinary dividend proposed based on the merits of the information available to it at the time. Consideration is given to the financial projections of business performance and capital investment needs, together with feedback from shareholder discussions.

The Group operates a centralised treasury function with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency, interest rate exposures, cash management and the investment of surplus cash. Further detail on financial risks is provided within note 31.

The Group has significant foreign operations and hence results originate in a number of currencies, particularly in US dollars. As a result, the Group's financial statements, which are reported in sterling, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Currency options are used to reduce currency risk movements on the Group's results, by hedging approximately 50% of each year's budgeted US dollar earnings into sterling. Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency. Spot and forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies.

39. Dividends Paid
Group and Company

	2011		2010	
	Pence per share	£m	Pence per share	£m
Ordinary dividends:				
2011 interim paid	4.0	5.8	–	–
2010 final paid	8.3	11.0	–	–
2010 interim paid	–	–	3.7	4.9
2009 second interim paid*	–	–	7.0	9.2
	12.3	16.8	10.7	14.1

* In March 2010, the Directors declared and paid a second interim dividend of 7.0p to shareholders, which replaced the final dividend.

A final dividend of 11.0p per share has been proposed by the Board, amounting to a distribution of £16.0m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 18 April 2012 and has not been provided for in these financial statements.

40. Share-based Payments
Executive Share Options

The Company operates an executive share option scheme, which granted options to eligible employees. Vesting of options granted was subject to the achievement of performance targets, as described in the Remuneration Committee Report, over a three year period. Thereafter the employee, subject to continued employment, has seven years in which to exercise the option. Under this scheme, the final vesting of options occurred on 4 March 2011.

Options were valued using an option pricing model based on the binomial model, but adjusted to model the particular features of the options. The assumptions used in calculating the charge to the income statement, which only relates to options granted after November 2002 as permitted by IFRS 2, are as follows:

Date of grant	04.03.2008	06.03.2007
Exercise price (p)	784.5	640.0
Share price at grant (p)	784.5	640.0
Expected volatility (% pa)	32	36
Dividend yield (% pa)	1.1	1.17
Risk-free interest rate (% pa)	4.3	4.9
Turnover rates (% pa)	5	5
Fair value at grant (p)	294.9	248.4
Assumed likelihood of satisfying performance condition at:		
31 December 2010	75%	100%
31 December 2011	100%	100%

The assumption for early exercise is 50% when options were 20% in the money.

The expected volatility is calculated as the historic volatility of the Hunting PLC share return over the five years prior to each grant date.

The charge to the income statement attributable to Executive Share Options is £0.2m (2010 – £0.6m) and is recognised as part of operating expenses.

Share Option Movements During the Year

	2011		2010	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at beginning of the year	3,205,151	322	3,627,438	321
Exercised during the year	(626,145)	233	(377,094)	259
Lapsed during the year	(39,582)	703	(45,193)	714
Outstanding at the year end	2,539,424	338	3,205,151	322
Exercisable at the year end	2,539,424	338	2,873,236	269

40. Share-based Payments continued

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

The weighted average share price at the date of exercise was 755.0p (2010 – 676.6p).

Share Options Outstanding at the Year End

	2011 Number of options	2010 Number of options	Exercise price range (p)	Exercise period
Executive Share Options 2001 – vested	–	441,392	194.0	28.03.04–27.03.11
Executive Share Options 2002 – vested	189,389	189,389	167.4	15.04.05–14.04.12
Executive Share Options 2003 – vested	78,592	81,421	79.0	14.03.06–13.03.13
Executive Share Options 2004 – vested	637,728	675,402	116.9	31.03.07–30.03.14
Executive Share Options 2005 – vested	564,511	594,418	220.7	09.03.08–08.03.15
Executive Share Options 2006 – vested	420,142	514,658	383.0	08.03.09–07.03.16
Executive Share Options 2007 – vested	334,228	375,791	640.0	06.03.10–05.03.17
Executive Share Options 2008 – vested	–	765	784.5	06.04.10–05.04.11
Executive Share Options 2008 – vested	314,834	331,915	784.5	04.03.11–03.03.18
	2,539,424	3,205,151		

Performance Share Plan (PSP)

The Company continues to operate and grant share awards and options under its performance share plan. Under the PSP, annual conditional awards of shares and options may be made to executive Directors and senior employees. Awards and options are subject to performance conditions and continued employment during the vesting period. The PSP is a share award scheme and as such there is no exercise price.

The PSP awards made in the year will vest subject to total shareholder return ("TSR") performance over a three year period from date of grant, relative to comparator companies from the Dow Jones US Oil Equipment and Services sector index and the DJ STOXX TM Oil Equipment and Services sector index.

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

	2011 Number of awards	2010 Number of awards
Outstanding at beginning of the year	450,112	182,038
Granted during the year	249,323	288,135
Vested during the year	–	(1,294)
Lapsed during the year	(63,864)	(18,767)
Outstanding at the end of the year	635,571	450,112

Details of PSP awards and options outstanding at 31 December 2011 are as follows:

	Number of shares 2011	Number of shares 2010	Normal vesting date
Date of grant:			
29 April 2009	155,541	167,977	28.04.12
26 February 2010	264,717	282,135	25.02.13
24 February 2011	215,313	–	23.02.14
Outstanding at the end of the year	635,571	450,112	

The fair value of the PSP awards and options granted in 2011 was calculated using the Stochastic pricing model (also known as the "Monte Carlo" model), which incorporates the effect of the TSR performance condition.

40. Share-based Payments continued

The assumptions used in the model were as follows:

	2011	2010
Assumptions:		
Weighted average share price at grant	774.5p	587.5p
Expected volatility – Hunting PLC	50.7%	44.4%
Expected volatility – Comparator group	71.4%	58.3%
Risk free rate	1.9%	1.8%
Expected life	3 years	3 years
Fair value	525.89p	401.64p

The expected volatility was calculated using historic weekly volatility over three years prior to grant, equal in length to the performance period at the date of grant. The expected volatilities of each constituent of the comparator group are calculated on the same basis and input into the model individually and the average of these figures is shown in the table above.

The expected life of the award has been calculated as three years, 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 condition. 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 PSP 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 2.5% per annum. The subsequent accounting charge for 2011 includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

The charge to the income statement attributable to the PSP is £0.8m (2010 – £0.4m), which is recognised in operating expenses.

40. Share-based Payments continued

The fair value of the RSP award granted in 2011 was calculated using the Black-Scholes pricing model. The assumptions used in the model were as follows:

	2011	2010
Assumptions:		
Weighted average share price at grant	774.5p	587.5p
Expected volatility	50.7%	44.4%
Risk free rate	1.9%	1.8%
Expected life	3 years	3 years
Fair value	774.5p	587.5p

The expected volatility was calculated using historic weekly volatility over three years to grant, 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 as three years, 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 which make up their award. It is accumulated over the vesting period and released subject to the employee remaining in employment. 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 RSP 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 2.5% per annum. The subsequent accounting charge for 2011 includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

The charge to the income statement attributable to the RSP is £1.2m (2010 – £0.6m), which is recognised in operating expenses.

Long-term Incentive Plan

The Group operates a Long-term Incentive Plan ("LTIP") for key executives. LTIP awards may be settled in shares or cash. Details of awards made under this plan are contained within the Remuneration Committee Report on page 41.

The fair value charge to the income statement attributable to the LTIP is £4.7m (2010 – £0.5m).

The liability in relation to the LTIP at the year-end is £4.9m (2010 – £0.5m).

Notes to the Financial Statements continued

41. Acquisitions

Titan

The Group acquired 100% of the share capital of TSI Acquisition Holdings LLC and its subsidiaries ("Titan"), for a consideration of £508.6m (US$811.9m) on 16 September 2011. Titan is a leading provider of perforating gun systems, shaped charges, well logging instrumentation, perforating gun switches and other engineered hardware used throughout the drilling, completion and maintenance of a well. This business has been classified as part of the Well Completion segment.

Details of the acquired net assets, goodwill and consideration are set out below:

	Provisional fair values £m
Property, plant and equipment	29.5
Other intangible assets	187.6
Cash and cash equivalents	25.4
Inventories	73.8
Trade and other receivables	26.9
Trade and other payables	(9.7)
Current tax liabilities	(0.3)
Non-current borrowings	(5.3)
Net assets acquired	327.9
Goodwill	180.7
Consideration	508.6

Consideration comprised £506.6m cash paid on 16 September 2011 and a further £2.0m paid on 9 January 2012 for adjustments specified in the agreement.

Goodwill on the acquisition of Titan represents the value of the assembled workforce at the time of acquisition, market share in perforating products, specific knowledge and technical skills that will enhance Hunting's products and services and the prospective future economic benefits expected to accrue from the portfolio of products and services to the Group's customers and increased exposure to high growth unconventional resource plays. The provisional amount of goodwill that is expected to be deductible for tax purposes is £180.7m.

Other intangible assets recognised on acquisition include the following:

	£m
Customer relationships	120.4
Trademarks	17.2
Patented in-use technology and know-how	9.8
Unpatented in-use technology and know-how	33.8
Other	6.4
	187.6

The fair value of trade and other receivables is £26.9m and includes trade receivables with a fair value of £26.1m. The gross contractual amount for trade receivables due is £26.7m, of which £0.6m is expected to be uncollectable.

The pre-acquisition carrying value of inventories was £53.6m and the fair value at acquisition was £73.8m. The uplift to inventories is charged to the income statement as the acquired inventories are sold. During 2011, £10.3m was charged to the income statement as an exceptional item. The remaining uplift to inventories of £9.9m is expected to be charged to the income statement during 2012.

The fair values of the net assets acquired are provisional as work is continuing in respect of the fair value exercise.

Acquisition related costs of £6.7m have been included in operating expenses in the income statement for the year ended 31 December 2011 (note 5).

41. Acquisitions continued

Dearborn

The Group acquired 100% of the share capital of Dearborn Precision Tubular Products, Inc. ("Dearborn"), for a cash consideration of £50.6m (US$82.4m) on 12 August 2011. Dearborn is a company that provides specialist precision machining services. Dearborn manufactures high precision tubular and rotating metal components for customers who require products with exacting tolerances and unique configurations. The components are used primarily for measurement-while-drilling ("MWD") and logging-while-drilling ("LWD") applications in the oil and gas sector, in addition to products for the aerospace and power generation industries. This business has been classified as part of the Well Construction segment.

Details of the acquired net assets, goodwill and consideration are set out below:

	Provisional fair values £m
Property, plant and equipment	11.8
Other intangible assets	10.4
Inventories	9.0
Trade and other receivables	4.9
Cash and cash equivalents	0.3
Trade and other payables	(0.9)
Current borrowings	(0.2)
Non-current borrowings	(0.3)
Net assets acquired	35.0
Goodwill	15.6
Consideration	50.6

Consideration comprised £50.6m cash.

Goodwill on the acquisition of Dearborn represents the value of the assembled workforce at the time of acquisition, its expertise in manufacturing close tolerance parts for the oil and gas sector, specific knowledge and technical skills that will enable Hunting to broaden its manufacturing offering and the future economic benefits expected to accrue from the Group's ability to supply products into higher specification oil and gas wells and increasingly challenging environments being pursued by the global energy industry. The provisional amount of goodwill that is expected to be deductible for tax purposes is £15.6m.

Other intangible assets recognised on acquisition include the following:

	£m
Customer relationships	9.1
Trademarks	0.4
Other	0.9
	10.4

The fair value of trade and other receivables is £4.9m and includes trade receivables with a fair value of £4.9m. The gross contractual amount for trade receivables due is £4.9m, of which £nil is expected to be uncollectable.

The pre-acquisition carrying value of inventories was £7.1m and the fair value at acquisition was £9.0m. The uplift to inventories is charged to the income statement as the acquired inventories are sold. During 2011, £1.9m was charged to the income statement as an exceptional item.

The fair values of the net assets acquired are provisional as work is continuing in respect of the fair value exercise.

Acquisition related costs of £1.3m have been included in operating expenses in the income statement for the year ended 31 December 2011 (note 5).

Notes to the Financial Statements continued

41. Acquisitions continued

Dof ng

The Group acquired the business and assets of W L Doffing, L.P. (“Doffing”), for a consideration of £14.2m (US$23.0m) on 2 September 2011. Doffing is a company that provides high precision machining services to the energy industry. Doffing is a supplier of precision machined components to the global energy services industry focusing on equipment used for measurement-while drilling (“MWD”) and logging-while-drilling (“LWD”). The business provides critical tolerance machining, prototyping and first-pass specialist production services. The business also holds intellectual property for manufacturing other key components used in the oil and gas well bore. This business has been classified as part of the Well Construction segment.

Details of the acquired net assets, goodwill and consideration are set out below:

	Provisional fair values £m
Property, plant and equipment	2.9
Other intangible assets	3.5
Inventories	1.3
Trade and other receivables	1.2
Trade and other payables	(0.4)
Net assets acquired	8.5
Goodwill	5.7
Consideration	14.2

Consideration comprised £12.9m cash paid, £0.2m to be paid in 2012 for working capital adjustments and £1.1m contingent consideration.

The contingent consideration arrangement requires the Group to pay in cash the former owners of Doffing up to US$2.0m if agreed EBITDA targets are reached for the two years from 2 September 2011. If the EBITDA target is not achieved, then no further consideration is due. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$nil and US$2.0m. The fair value of the contingent consideration arrangement of US$1.8m was estimated by applying the income approach and an appropriate discount rate.

Goodwill on the acquisition of Doffing represents the value of the assembled workforce at the time of acquisition, its machining expertise and technical skills that fit with Hunting’s existing manufacturing capabilities and complements Hunting’s technology offering to its customers. The ability to deliver products with exacting machining requirements and the ability to complete a machining job on a first-pass will enable Hunting to participate in increasingly complex well designs, with future economic benefits expected to accrue from opportunities to supply other products and services from Hunting’s portfolio. The provisional amount of goodwill that is expected to be deductible for tax purposes is £5.7m.

Other intangible assets recognised on acquisition include the following:

	£m
Customer relationships	3.0
Trademarks	0.2
Other	0.3
	3.5

The fair value of trade and other receivables is £1.2m and includes trade receivables with a fair value of £1.2m. The gross contractual amount for trade receivables due is £1.2m, of which £nil is expected to be uncollectable.

The pre-acquisition carrying value of inventories was £1.0m and the fair value at acquisition was £1.3m. The uplift to inventories is charged to the income statement as the acquired inventories are sold. During 2011, £0.3m was charged to the income statement as an exceptional item.

The fair values of the net assets acquired are provisional as work is continuing in respect of the fair value exercise.

Acquisition related costs of £0.3m have been included in operating expenses in the income statement for the year ended 31 December 2011 (note 5).

41. Acquisitions continued

Specialty

The Group acquired 100% of the share capital of Specialty Supply, L.P. ("Specialty"), for a consideration of £24.5m (US$39.5m) on 28 October 2011. Specialty is a company that manufactures precision machined measurement-while-drilling ("MWD") parts used in directional drilling markets worldwide. These include a comprehensive line of running gear and associated products for MWD, logging-while-drilling ("LWD"), steering tool and gyro systems. Additionally, Specialty's product offering includes drill pipe screens for all drilling applications as well as a complete line of down-hole filter sub rentals. This business has been classified as part of the Well Construction segment.

Details of the acquired net assets, goodwill and consideration are set out below:

	Provisional fair values £m
Property, plant and equipment	1.2
Other intangible assets	4.7
Inventories	4.2
Trade and other receivables	3.6
Cash and cash equivalents	1.2
Trade and other payables	(0.9)
Net assets acquired	14.0
Goodwill	10.5
Consideration	24.5

Consideration comprised £21.5m cash and £3.0m contingent consideration.

The contingent consideration entitles the former owners of Specialty additional consideration of up to US$5.0m if EBITDA targets are achieved in the two years ended 28 October 2013. If the EBITDA target is not reached, then no further payment is to be made. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between US$nil and US$5.0m. The fair value of the contingent consideration arrangement of US$4.8m was estimated by applying the income approach and appropriate discount rates.

Goodwill on the acquisition of Specialty represents the value of the assembled workforce at the time of acquisition, its machining expertise, technical skills and the future economic benefits expected to accrue from Hunting's strengthening portfolio of MWD/LWD products and its ability to provide specialist manufacturing for complex conventional and unconventional oil and gas wells that enable companies to drill in demanding environments. The provisional amount of goodwill that is expected to be deductible for tax purposes is £10.5m.

Other intangible assets recognised on acquisition include the following:

	£m
Customer relationships	4.3
Trademarks	0.2
Other	0.2
	4.7

The fair value of trade and other receivables is £3.6m and includes trade receivables with a fair value of £3.6m. The gross contractual amount for trade receivables due is £3.6m, of which £nil is expected to be uncollectable.

The pre-acquisition carrying value of inventories was £3.0m and the fair value at acquisition was £4.2m. The uplift to inventories is charged to the income statement as the acquired inventories are sold. During 2011, £0.4m was charged to the income statement as an exceptional item. The remaining uplift to inventories of £0.8m is expected to be charged to the income statement during 2012.

The fair values of the net assets acquired are provisional as work is continuing in respect of the fair value exercise.

Acquisition related costs of £0.3m have been included in operating expenses in the income statement for the year ended 31 December 2011 (note 5).

Welltonic

On 18 July 2011, contingent consideration of £2.0m was paid to the former owners of Welltonic, in accordance with the sale agreement.

Notes to the Financial Statements continued

41. Acquisitions continued

Post-acquisition Performance

The acquisitions have contributed the following to the Group's performance from the date of acquisition to 31 December 2011:

	Before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m
Revenue	64.8	–	64.8
Profit (loss) from operations	15.1	(22.0)	(6.9)
Profit (loss) before tax	15.5	(22.0)	(6.5)
Profit (loss) for the period	9.9	(13.7)	(3.8)

Full year Performance

If the acquisitions had been made on 1 January 2011, the Group's performance during 2011 would have been as follows:

	Before amortisation and exceptional items £m	Amortisation and exceptional items £m	Total £m
Revenue	759.8	–	759.8
Profit (loss) from operations	128.9	(67.9)	61.0
Profit (loss) before tax	118.4	(68.9)	49.5
Profit (loss) for the year	80.5	(43.1)	37.4

42. Operating Leases

The Group as Lessee

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

	2011			Restated 2010		
	Property £m	Others £m	Total £m	Property £m	Others £m	Total £m
Operating lease payments in income statement – continuing operations:						
Lease and rental payments*	6.9	0.6	7.5	6.7	0.7	7.4

*Included in the charge for the year is £1.5m (2010 – £1.7m) for discontinued operations.

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

	2011			2010		
	Property £m	Others £m	Total £m	Property £m	Others £m	Total £m
Within one year	8.4	0.5	8.9	8.7	0.8	9.5
Between two and five years	24.7	1.1	25.8	25.1	0.9	26.0
After five years	14.1	–	14.1	16.5	–	16.5
Total lease payments	47.2	1.6	48.8	50.3	1.7	52.0

The Group as Lessor

Property rental earned during the year was £2.8m (2010 – £2.3m), of which £2.1m (2010 – £1.6m) relates to discontinued operations. A number of the Group's leasehold properties are sublet under existing lease agreements.

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

	2011 Property £m	2010 Property £m
Within one year	0.6	0.7
Between two and five years	0.8	1.3
Total lease income receivable	1.4	2.0

43. Capital Commitments

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for in these financial statements amounted to £10.9m (2010 – £18.3m).

44. Exploration and Evaluation Activities

The assets, liabilities, income, expense and cash flows arising on the Group's exploration for and evaluation of oil and gas resources are as follows:

The Group had £nil assets (2010 – £nil) and £3.2m liabilities (2010 – £3.0m) relating to the exploration for and evaluation of oil and gas reserves.

	2011 £m	2010 £m
Income	–	–
Expense	–	(3.2)
Taxation	–	1.1
Net expense	–	(2.1)
Cash outflow from operating activities	–	(0.2)
Cash outflow from investing activities	(0.1)	(0.3)
Cash inflow from financing activities	–	0.5
Net cash flow	(0.1)	–

Expenses comprise £nil (2010 – £3.1m) for dry hole costs and £nil (2010 – £0.1m) finance expense.

45. Related Party Transactions

Group

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

	2011 £m	2010 £m
Transactions:		
Sales of goods and services	2.4	1.8
Purchase of goods and services	(0.3)	(1.0)
Royalties receivable	0.5	0.1
Loans from associates repaid	(6.2)	(0.2)
Loans from associates	0.1	0.4
Loans to associates	(0.6)	–
Dividends received from associates	2.3	0.2
Year end balances:		
Interest bearing loans owed to associates	(0.9)	(1.3)
Interest free loans owed to associates	–	(5.6)
Receivables from associates	0.8	0.2
Payables from associates	(0.1)	(0.2)

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

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

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

Notes to the Financial Statements continued

45. Related Party Transactions continued

Company

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

	2011 £m	2010 £m
Transactions:		
Royalties receivable	1.6	1.2
Management fees payable	(3.3)	(2.3)
Recharges:		
Share options and awards	1.7	0.9
LTIP recharges	4.7	0.5
Administrative expenses	2.3	0.7
Loans received from subsidiaries	22.0	–
Loan from subsidiary repaid	(28.3)	(50.0)
Loan to subsidiary	(16.4)	–
Interest payable on inter-company loans	(1.3)	(1.5)
Interest receivable on inter-company loans	0.4	0.2
Dividends received from subsidiaries	–	50.0
Year end balances:		
Amounts owed to subsidiaries	(74.7)	(78.7)
Amounts owed by subsidiaries	35.1	12.4

All balances between the Company and its subsidiaries have no fixed term for repayment and are unsecured.

The Company owed £nil (2010 – £5.6m) on an interest free loan from an associate.

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 balance receivable for these services was £6.1m (2010 – £1.2m).

46. Principal Subsidiaries and Associates

Subsidiaries and associates	Country of incorporation and operations	Business
Oil and gas activities		
Hunting Energy Corporation	USA	Oilfield services
Hunting Energy Services Inc.	USA	Oilfield and trenchless drilling products and services
Hunting Energy Services (Drilling Tools) Inc.	USA	Drilling equipment
Hunting Energy Services (International) Limited	England and Scotland	Oilfield services
Hunting Energy Services (UK) Limited (60%)	Scotland and Netherlands	Oilfield services
Hunting Energy Services Limited	Scotland	Oilfield services
Hunting Energy Services (Well Intervention) Limited	Scotland, USA and Singapore	Oilfield services
Hunting Energy Services (Canada) Limited	Canada	Oilfield services
Hunting Energy Services (Drilling Tools) Limited	Canada	Drilling equipment
Hunting Energy Services (International) Pte Limited	Singapore	Oilfield services
Hunting Energy Services Pte Limited	Singapore	Oilfield services
Hunting Energy Services (Wuxi) Co. Ltd (70%)	China	Oilfield services
Hunting Welltonic Ltd	Scotland	Oilfield services
Hunting Welltonic LLC (49%)$	Dubai	Oilfield services
National Coupling Company Inc.	USA	Oilfield services
Hunting Innova Inc.	USA	Oilfield services electronic component manufacturer
Hunting Titan Ltd	USA, Canada and Russia	Oil and gas industry perforating systems
Hunting Dearborn Inc.	USA	Oilfield services – precision engineering
Hunting Specialty Supply, L.P.	USA	Oilfield services
PT SMB Industri	Indonesia	Oilfield services
Hunting Airtrust Tubulars Pte Limited (50%)≠	Singapore and China	Oilfield services
Tubular Resources Pte Ltd (30%)+≠	Singapore	Oilfield services
Tenkay Resources Inc.	USA	Oil and natural gas exploration
Other activities		
E.A. Gibson Shipbrokers Limited	England, Hong Kong, Singapore and Norway	Shipbroking, LPG broking
Field Aviation Company Inc.	Canada	Aviation engineering services
Corporate activities		
Hunting Energy Holdings Limited*	England	Holding company
Huntaven Properties Limited	England	Group properties
Hunting Knightsbridge Holdings Limited*	England	Finance
Hunting U.S. Holdings Inc.	USA	Holding company
Hunting America Corporation	USA	Finance

Notes
1 Certain subsidiaries and associates have been excluded from the above where in the opinion of the Directors they do not have a material bearing on the profits or assets of the Group.
2 Except where otherwise stated companies are wholly-owned being incorporated and operating in the countries indicated.
3 Interests in companies marked * are held directly by Hunting PLC.
4 Subsidiaries and associates marked + are audited by firms other than PricewaterhouseCoopers LLP.
5 Associates are marked ≠ above.
6 All interests in subsidiaries and associates are in the equity shares of those companies.
7 Hunting Welltonic LLC (marked $) is a subsidiary by virtue of a shareholders' agreement.

Shareholder Information
(Unaudited)

Financial Calendar 2012

18 April	Annual General Meeting
2 July	Final Ordinary Dividend Payment
August	Announcement of Interim Results
November	Interim Ordinary Dividend Payment

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

Analysis of Ordinary Shareholders
At 31 December 2011, the Company had 2,137 Ordinary shareholders (2010 – 2,291) who held 146.3 million (2010 – 132.5 million) Ordinary shares analysed as follows:

	2011		2010	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
Size of holdings				
1 – 4,000	74.1	1.1	74.7	1.3
4,001 – 20,000	12.3	1.6	12.3	1.9
20,001 – 40,000	2.8	1.1	3.1	1.5
40,001 – 200,000	6.2	9.0	5.4	9.0
200,001 – 500,000	2.3	11.1	2.5	13.8
500,001 and over	2.3	76.1	2.0	72.5

Share Information
The Ordinary shares of the Company are quoted on the London Stock Exchange.

The Company's registrars, Equiniti, offer a range of shareholder information and dealing services on www.shareview.co.uk.

Financial Record*
(Unaudited)

	2011 £m	Restated 2010 £m	2009 £m	2008 £m	2007 £m
Revenue	608.8	423.3	309.9	371.1	321.3
EBITDA	102.5	62.6	42.8	73.8	62.7
Depreciation and non-exceptional impairment	(21.5)	(17.6)	(13.7)	(16.1)	(13.6)
Profit from continuing operations	81.0	45.0	29.1	57.7	49.1
Finance (charges) income	(2.2)	1.0	1.7	(4.0)	(6.4)
Share of associates' post-tax profits	1.0	1.0	0.9	1.2	2.2
Profit before taxation from continuing operations	79.8	47.0	31.7	54.9	44.9
Taxation	(22.5)	(14.0)	(9.8)	(18.2)	(17.3)
Profit for the year from continuing operations	57.3	33.0	21.9	36.7	27.6
Profit for the year from discontinued operations	0.7	5.8	5.9	42.3	37.0
Profit for the year	58.0	38.8	27.8	79.0	64.6
Basic earnings per share:					
Continuing operations	39.6p	23.1p	14.3p	25.5p	17.3p
Continuing and discontinued operations	40.1p	27.6p	18.8p	57.8p	45.7p
Diluted earnings per share:					
Continuing operations	38.7p	22.7p	14.1p	25.5p	16.6p
Continuing and discontinued operations	39.2p	27.1p	18.5p	57.8p	44.0p
Dividend per share#	15.0p	12.0p	10.5p	9.90p	8.25p
Total assets					
Non-current assets	802.1	353.1	238.3	204.5	373.9
Net current assets	231.7	285.7	362.0	386.0	104.2
	1,033.8	638.8	600.3	590.5	478.1
Financed by:					
Shareholders' funds (including non-controlling interests)	732.0	594.6	561.8	557.3	251.1
Non-current liabilities	301.8	44.2	38.5	33.2	227.0
	1,033.8	638.8	600.3	590.5	478.1
Net assets per share	500.3p	448.8p	425.0p	422.2p	191.0p

* Information is stated before exceptional items and amortisation of intangible assets.
\# Dividend per share is stated on a declared basis.

The financial information for the years 2007 to 2010 has been restated to present Field Aviation as a discontinued operation and to state the numbers before the amortisation of intangible assets acquired as part of a business combination.

Additional Information on the Acquisition of Subsidiaries
(Unaudited)

The following pre-acquisition trading results, in relation to the acquisition of Titan, were released in published announcements. All results were based on unaudited management accounts prepared on a US GAAP basis. The Group does not believe any differences of more than 10% to the figures below have subsequently been identified.

Date acquired	Period covered	Revenue $m	EBITDA $m
16 September 2011	Six months to 30 June 2011	114.7	41.7

It should, however, be noted that these results occurred prior to acquisition and therefore they do not form part of the reported results for 2011. Consequently, the results have not been adjusted to be consistent with Hunting PLC's accounting policies, and are not given on the same basis as Hunting PLC's Group accounts which are prepared under IFRSs as adopted by the European Union and IFRIC Interpretations.

Notes

Notes

Professional Advisers

Solicitors
CMS Cameron McKenna LLP

Auditors
PricewaterhouseCoopers LLP

Joint Corporate Brokers
Jefferies Hoare Govett Limited and Barclays Capital

Financial Advisers
DC Advisory Partners Limited

Insurance Brokers
Willis Limited

Pension Advisers & Actuary
Lane Clark & Peacock LLP

Financial Public Relations
Buchanan Communications Limited

Registrars & Transfer Office
Equiniti Limited
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