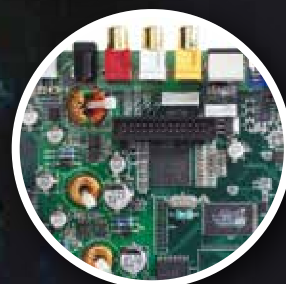
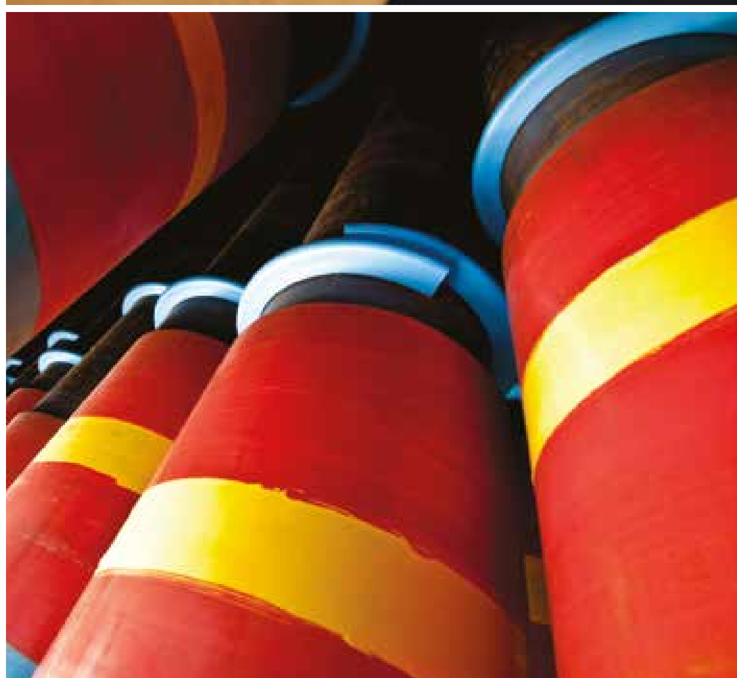
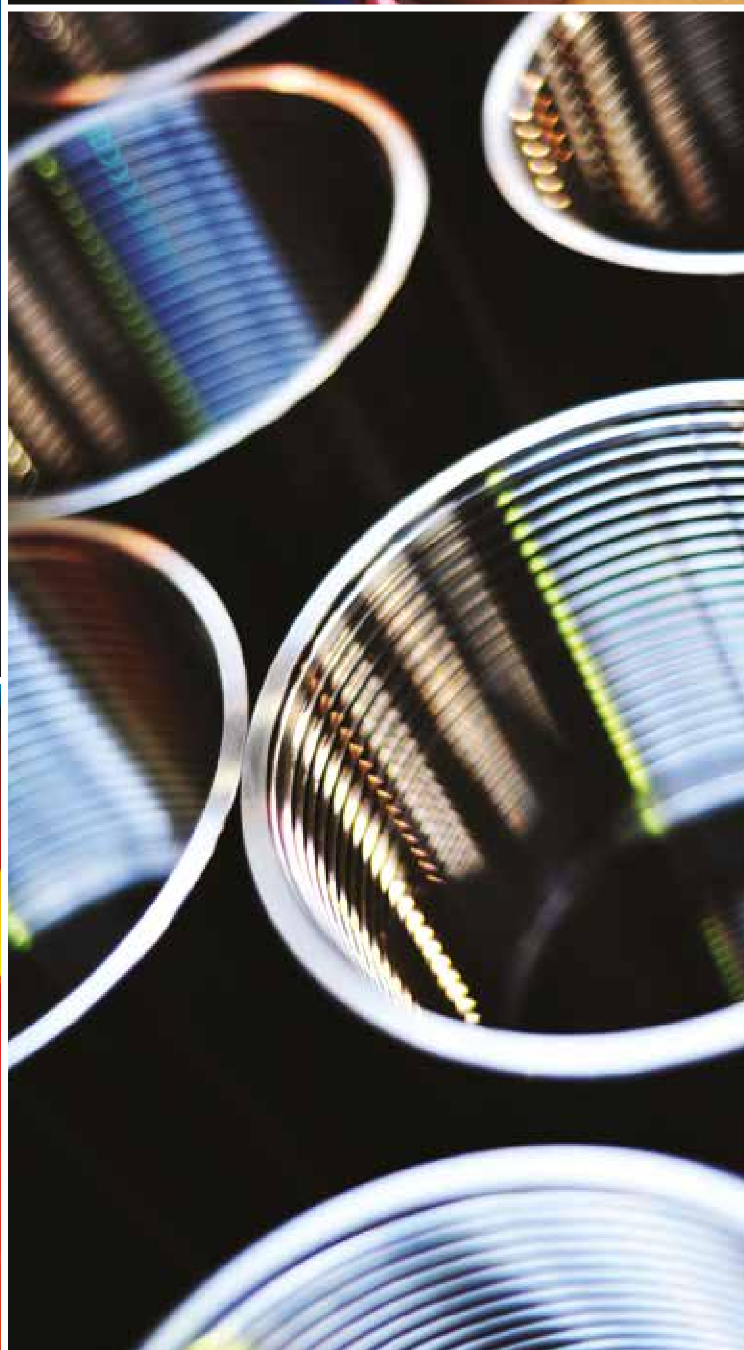
Extending and integrating our reach



Hunting PLC 2013 Annual Report and Accounts

Welcome to Hunting
the upstream energy services company which manufactures, supplies and distributes equipment to enable the extraction of oil and gas.





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Highlights

Hunting has changed the currency in which it presents its financial statements from Sterling to US dollars. A significant portion of the Group's revenues, cash flows and net assets are denominated in US dollars, and so this change is intended to present a more representative view of the Group's financial performance and position.

Robust operational performance

- Revenue increased to $1,334.0m (2012 – $1,309.0m).
- Continued global integration of past acquisitions.
- Further expansion in the US, UK and China.
- WEDGE-LOCK™ and SEAL-LOCK™ connection products introduced in the year.

Revenue

$1,334.0m

(2012 – $1,309.0m)

Employee numbers

3,990

(2012 – 3,866)

Facilities footprint – sq footage

2.8m

(2012 – 2.7m)

Capital investment programmes

- 2013 capital investment $95.0m (2012 – $97.4m).
- Strategic investment into South Africa to capture new geographic market share.
- Capital investment in 2014 is expected to be approximately $150m.

Stable year of profits

- Underlying profit from continuing operations $198.5m (2012 – $202.5m).
- Reported profit from continuing operations $137.4m (2012 – $134.6m).
- Underlying diluted earnings per share from continuing operations 93.5 cents (2012 – 90.8 cents).
- Reported diluted earnings per share from continuing operations 68.3 cents (2012 – 63.1 cents).
- Solid cash flows generated in year reducing net debt to $205.8m (2012 – $266.4m).
- Final dividend proposed of 21.8 cents (2012 – 21.3 cents), subject to approval by shareholders.

* Underlying – results for the year, as reported under IFRS, adjusted for amortisation and exceptional items. Reported – results for the year under IFRS.

Underlying profit before tax

$196.1m

(2012 – $195.3m)
Reported: $135.0m (2012 – $127.4m)

Reported profit for the year from continuing operations

$106.2m

(2012 – $99.2m)
Underlying: $144.0m (2012 – $140.6m)

Underlying diluted EPS

93.5 cents

(2012 – 90.8 cents)
Reported: 68.3 cents (2012 – 63.1 cents)

Chairman's Statement

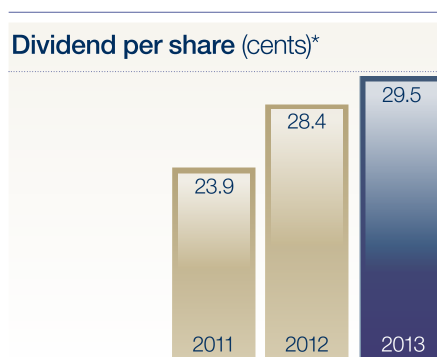
The Group's performance shows how our strategy continues to be successfully implemented with the future direction of investment and growth clearly defined.

Richard Hunting C.B.E.
Chairman

During 2013, Hunting continued its strategy implemented over the past few years of internationalising its product lines throughout our global operating hubs, while at the same time investing in new facilities to meet customer and product demand.

Within our main reporting segments, Well Construction operations produced weaker than expected results due to a challenging Canadian market and as some customers within the Advanced Manufacturing Group reduced inventory levels during the year. Our Well Completion activities had a solid year with Hunting Titan performing strongly with its perforating system product lines generating strong sales combined with an excellent performance from the Asia Pacific region. The third of our segments, Well Intervention, has delivered year-on-year trading gains with Hunting Subsea improving its results and other operations expanding especially in the Middle East.

In the year, within our main operating market of the United States, onshore developments have focused on oil shale resources, while shale gas drilling remains subdued due to the pricing environment in country. Offshore, the Gulf of Mexico has continued to accelerate, leading to an overall satisfactory performance from the region. In Canada and Europe the operating environment has been more challenging due to lower activity levels, while our Asia Pacific business has been growing rapidly due to higher levels of drilling activity and continued investment by the Group to increase its regional market share.



* Declared for the year.

This overall operating environment has led to underlying profits remaining broadly unchanged, with underlying profit before tax from continuing operations in 2013 being $196.1m (2012 – $195.3m). Reported profit before tax from continuing operations was $135.0m (2012 – $127.4m).

Capital investment on new and replacement facilities was broadly maintained at $95.0m (2012 – $97.4m), reflecting our continued confidence in future growth. Large capital investment programmes underway include: a new threading and testing facility in Houston; a final phase of expansion in Houma, Louisiana; and a new South African facility, where the Group sees high growth potential.

Underlying diluted earnings per share from continuing operations were 93.5 cents (2012 – 90.8 cents), an increase of 3% on the previous year. Reported diluted earnings per share from continuing operations were 68.3 cents (2012 – 63.1 cents).

We are recommending a final dividend for 2013 of 21.8 cents per share, payable on 27 May 2014 to shareholders on the register on 2 May 2014, giving a total of 29.5 cents for the year, a 4% increase. Though declared in US dollars, dividends will continue to be paid in Sterling.

Throughout the year, the Board has continued to enhance governance across the organisation, with particular attention being given to Board and senior management succession planning within key areas and businesses of the Group.

We are also pleased to highlight a new format for our Annual Report and Accounts which has been implemented following changes to legislation. The Strategic Report describes our business and operating model, our business strategy and our progress on these objectives and how this relates to our current performance, position and investment plans for the future. The new remuneration reporting regulations have also led to a revised format, with clear sections on policy and implementation to increase transparency.

Our business success continues to be defined by our people and it is the hard work of all our employees that gives us confidence that Hunting will continue to grow in the future. I am grateful to all our staff for their dedication and hard work.

Richard Hunting C.B.E.
Chairman
6 March 2014

Hunting and our business model

The Hunting Group comprises three separate business divisions. The Hunting Energy Services division carries out Hunting's core operating activity which is the manufacture and distribution of products, provision of related services and equipment rental to the upstream energy sector.

Hunting Energy Services works with international and national oil companies as well as the major energy service companies and independent operators. To support these customer relationships Hunting Energy Services operates on a global level. The division operates across three segments which reflect the well life cycle being Well Construction, Well Completion and Well Intervention.

The Hunting Group also includes two non-core divisions: Gibson Shipbrokers which is one of the world's foremost global ship brokers and an Exploration and Production business focused on the Southern US and offshore Gulf of Mexico.

Manufacturing centres

41

Service and distribution points

34

Total number of facilities

75

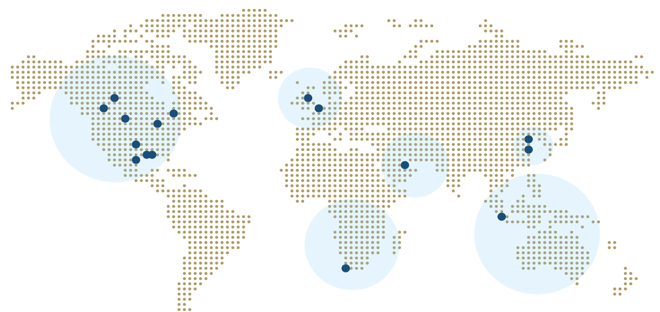
Well Construction

Hunting has a world leading Premium Connections platform, which manufactures and distributes precision engineered technologies and products for all well bores. We provide Oil Country Tubular Goods ("OCTG") directly to international, national and the independent oil and gas companies sourced from steel mills and apply proprietary or licensed technology to these tubular products.

In order to monitor the well construction environment, precision machined parts are manufactured together with associated electronic components, which provide sophisticated measurement and logging equipment.

The division is an innovator in the design, manufacture and rental of mud motors and associated drilling tools such as non-magnetic collars which improve drilling time in certain geological conditions. It also machines drill rods for trenchless drilling within the utilities industry. The global manufacturing base is supported by a growing network of distribution centres.

Global footprint

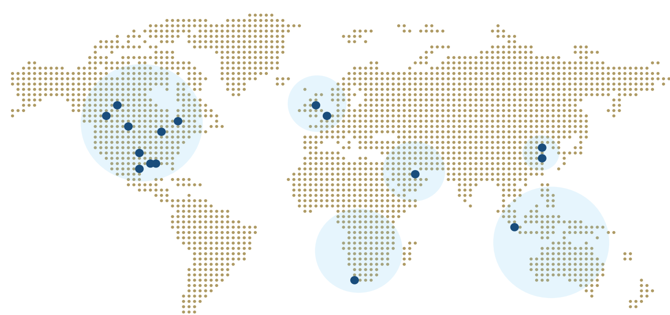


Well Completion

This division manufactures accessories and completion equipment for use below the well head. It provides tailored OCTG supply and pipe management options to the regional operator, with high specification tubing and connections supplied to global markets. Advanced manufacturing techniques offer an associated range of tubular accessories designed to suit the particular specifications of each well.

To initiate the flow of oil or gas back to the surface the division manufactures perforating guns, energetics and accessories. These are delivered by wireline or coiled tubing operators to the oil and gas target, to perforate the casing at predetermined points. Instrumentation to monitor and switchgear to manage firing sequencing have been developed in house. The growth of a worldwide manufacturing capability supports the regional distribution centres sought by the customer.

Global footprint

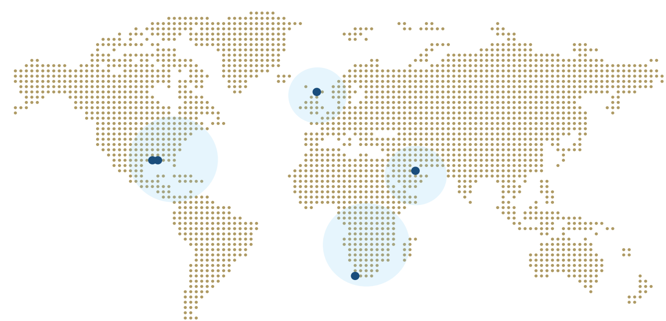


Well Intervention

Once a well begins production, various maintenance and intervention programmes are needed to manage it safely and ensure it produces to its full potential, whether on land or offshore. The wellbore is re-entered regularly so that a wide range of remedial and enhancement work can be completed.

The division manufactures and supplies equipment and tools to meet these demands, often engineered to a client’s specific needs geared to underwater or onshore environments. The work ranges from pressure control equipment to allow access, logging tools to monitor integrity and intervention tools to perform specific tasks. Hydraulic subsea equipment is also a core expertise. This specialisation allows for the integration of an extensive range of well intervention technologies, delivered by wireline, slickline or coiled tubing. These can be assembled into unique self-contained packages and are frequently supplied to remote locations around the world.

Global footprint



Hunting and our business model *continued*

Our business model to achieve our strategic objectives is:

To train and develop our people

Hunting's broad product portfolio demands experienced engineering and production staff crossing many manufacturing disciplines. Hunting has established regional training centres in North America and Asia Pacific to ensure our workforce is at the forefront of new industry developments.

To operate a decentralised management structure

The oil and gas industry is a fast paced sector where product requirements can operate on short lead times. Our business leaders are empowered to react quickly to our business needs as and when opportunities arise.

Each business unit assesses future customer needs and internal product development programmes are guided by evolving industry technologies and practices.

To unify standards and procedures

Demanding quality, safety and efficiency procedures are embodied in our business systems to monitor, adjust and raise our operating standards. Unified practices are developed and implemented at every Hunting facility, with training of employees at the heart of our continued commitment and success.

To maintain a strong governance framework

The Group's leaders and their teams operate their businesses within a tight framework of controls, monitored and directed by central management functions under direction of the Board.

"Our strategic acquisitions of recent years have brought the strength of a complementary range of high end precision machining capabilities, coupled with an electronic manufacturing capability, to the worldwide measurement-while-drilling/logging-while-drilling ("MWD/LWD") market."

Instrumentation synergy

Hunting's Advanced Manufacturing Group provides a unique platform to manufacture the MWD/LWD tools that can be integrated with their electrical subcomponents to provide a single piece, sub-section or whole tool with complete integrity. The Group has continued to develop both its product capability and geographic coverage with a new permanent presence in Asia Pacific.

Hunting develops appropriate proprietary instrumentation and rugged detector technologies that incorporate rigorous manufacturing and quality procedures to provide our customers with dependable and cost effective logging products. New Bond Cement tools, Nuclear and Gamma detectors as well as radio frequency safe switch gear for Perforating Systems has been introduced drawing on skill sets and resources across the Group.

Business strategy

Hunting's strategy is to be a key global provider of components and tools to companies who explore, develop and produce oil and gas resources and those primary service companies who support them. The Group seeks to deliver growth in long-term shareholder value by progressing the following objectives:

Strategic objective	**Develop leading proprietary products and services**	**Acquire complementary businesses**	**Capture product sales synergies**
Strategic driver	The energy industry is a competitive market – where best in class products, manufacturing know-how and intellectual property contribute to market leadership and increases barriers to entry.	In some circumstances it is more cost effective to purchase companies who have already developed successful products than develop these in-house. Hunting therefore expects to continue to grow by acquisition, adding products and services that complement the existing portfolio.	Hunting's market leverage can be enhanced by ensuring many of our products are available in all geographic regions. These revenue based synergies are the driving force behind our sales efforts to maximise our market position.
Our approach	Hunting is investing in a portfolio of leading proprietary technologies aligned to increasingly complex customer requirements. Hunting offers enhanced end-to-end services which integrate into the customer supply chain and offers customers the high level of quality and service which are critical to our sector.	Our approach to acquisitions follows a strict discipline. We acquire businesses with a strong technology offering and market share, often with clearly identified synergies with our existing business lines to achieve further pricing leverage. Each acquisition is also highly dependent on customer needs and the nature of new products.	We target to manufacture and sell Hunting's complete product offering across our global manufacturing hubs. Often our technology is developed and introduced into the North American energy market and then adopted into other global regions. Our aim is to ensure our products are sold in every relevant geographic region.

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

Develop a global presence

Exploration and production for oil and gas is undertaken globally requiring an appropriate geographic manufacturing footprint. E&P spend and drilling activity is occurring in more diverse and challenging environments. Our industry increasingly demands close points of presence to key areas of exploration and production activity.

The commitment to our customers is on time delivery of quality assured products to their locations.

Hunting is targeting further expansion of capacity to meet expected customer demands providing there is a sound business case. Hunting's expansion strategy includes developing a presence in fiscally and politically stable countries to ensure our investment is protected in the long term.

Build close relationships with customers and suppliers

Hunting supplies products and tools to many tiers of the upstream industry.

The energy industry is evolving, both in the complexity of its activities and regulatory environment. This means that trusted relationships with business partners are critical to success.

Our aim is to engage closely with our customer base, supported by our key suppliers.

Our focus remains on building and deepening these relationships to maintain our competitive edge.

We seek to acquire knowledge and respond rapidly to local needs by becoming an integral part of our customers supply chain and thereby increase our market presence.

Market the Hunting brand globally

Hunting has a long established pedigree and reputation in its core base of operations.

As the business develops, the brand is used in new markets and exploited as acquired businesses and product lines are integrated into the Hunting Group.

Hunting continues to develop its global brand through the standardisation of production, quality, employment and HSE practices throughout its operations.

Target a high market share for our high value products

A key success factor in the energy supply chain is achieving critical mass within a product or service line. This can support charging a market premium.

Hunting targets to be the supplier of choice for its key product lines and to achieve this we aim to secure a meaningful market share to give our customers confidence in our technology offering and the ability to supply into any global region.

Business strategy *continued*
Progress and near to mid-term targets

Project
Hunting's Premium Connections business continues to strengthen with investment in additional manufacturing capacity. In December 2013, ground was broken for a new 110,000 square foot facility in AmeriPort, near Houston, Texas to address onshore and offshore drilling activity. Further consolidation of facilities is planned, once AmeriPort is commissioned in 2015.
During the year Hunting has completed the development and testing of new WEDGE-LOCK™ products, with the first customer order being received in Q4 2013.
The Group has finalised development of a new range of SEAL-LOCK XD™ premium connection products which are to be introduced to customers in early 2014.
A new development and test facility in Houston has been approved to develop new premium connection product lines and accelerate certification timescales. This is expected to be commissioned in 2015.
During the year, investment continued with the expansion of Hunting Dearborn and approval of the final phase of development at Houma, Louisiana.
Hunting Titan has commenced the manufacture of perforating guns in Canada, Mexico and China during the year to address local customer demand and improve operating cost efficiencies. The business has also opened new international distribution centres to supply Hunting Titan's product lines to the Group's global customer base. In 2013, Hunting Titan introduced a new ControlFire™ detonation switch system to its global customer base for use in our range of perforating systems.
Hunting has initiated a green field investment in South Africa during the year with the appointment of new personnel in Cape Town and has secured a site to build a new facility in-country to address opportunities in West and East Africa where oil and gas exploration continues to accelerate. The facility is planned to be approximately 50,000 square feet and is scheduled to be commissioned in 2015.
Hunting's AMG business has located international sales personnel in Asia Pacific and is developing plans for a manufacturing presence in the region.

Related Strategic Objective

Relationships with customers and suppliers

Proprietary products and services

Proprietary products and services

Proprietary products and services

Global presence

Proprietary products and services

Product sales synergies

Product sales synergies; relationships with customers and suppliers; global presence

Product sales synergies; relationships with customers and suppliers; global presence

"New drilling techniques and the emergence of long lateral wellbores as the preferred option to extract hydrocarbons from shale formations, has led to the development of new technologies to meet these challenges."

Connection technologies

Hunting has an established reputation for supplying leading edge, premium connections that can withstand extreme operating environments. A rigorous development programme is pursued to keep the Group at the forefront of the technological curve to capture new opportunities demanded by the customer that enables them to access and produce their assets.

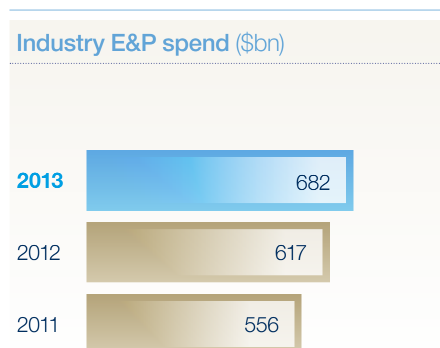
Proprietary products appear under the Hunting SEAL-LOCK™ banner and cover a full range of gas tight seals. Despite a strong order book for existing products, new connections have recently been made available including the extreme duty SEAL-LOCK XD™ designed for Canadian and Asia-Pacific conditions, while first orders for a WEDGE-LOCK™ suite using dovetailed teeth for horizontal production have been secured. A new in-house connection test centre is currently being built to shorten qualification time.

Performance indicators
Key Performance Indicators ("KPIs")

KPIs are used to compare the development, business performance and position of the Group and its business segments. Performance measures are looked at for continuing operations on an underlying basis and are regularly reviewed to ensure they remain appropriate and meaningful monitors of the Group's performance.

External KPIs

Industry E&P spend ($bn)



Source: Barclays Global 2012–2014 E&P Spending Outlook.

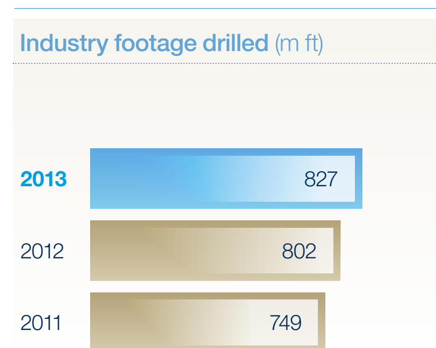
Estimated global exploration and production expenditure.

US E&P spend ($bn)

Source: Barclays Global 2012–2014 E&P Spending Outlook.

Estimated US exploration and production expenditure.

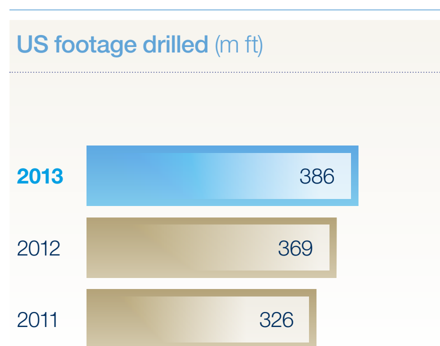
Industry footage drilled (m ft)



Source: Spears and Associates, Inc. – Drilling and Production Outlook, December 2013.

Estimated global footage drilled onshore and offshore.

US footage drilled (m ft)



Source: Spears and Associates, Inc. – Drilling and Production Outlook, December 2013.

Estimated US footage drilled onshore and offshore.

Oil price ($/barrel)

2013 – average spot	$97.61
2012 – average spot	$94.05
2011 – average spot	$97.00

Source: Bloomberg.

US dollar price per barrel based on WTI.

Natural gas price ($/mmBtu)

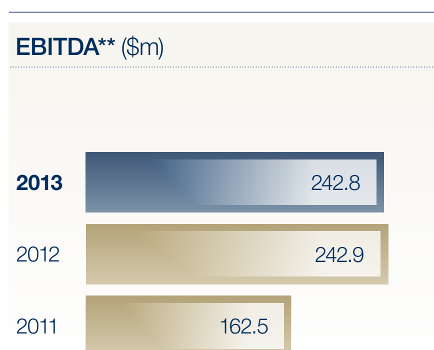
2013 – average spot	$3.73
2012 – average spot	$2.83
2011 – average spot	$4.03

Source: Bloomberg.

US dollar price per million Btu based on Henry Hub.

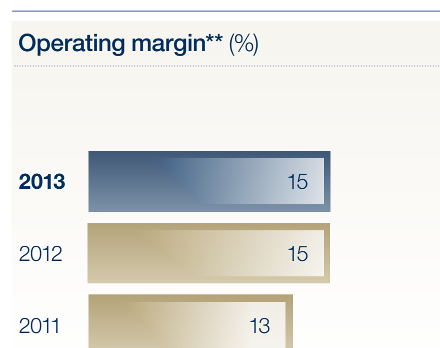
Internal KPIs*

Revenue is earned from products and services sold to customers from the Group's principal activities in continuing operations.



"EBITDA" is defined as pre-exceptional profit from continuing operations before interest, tax, depreciation, amortisation and impairment of property, plant and equipment.

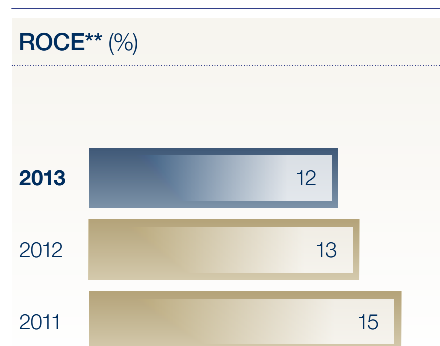
Profit from operations is defined as pre-exceptional profit from continuing operations before interest, tax, amortisation and impairment to property, plant and equipment.



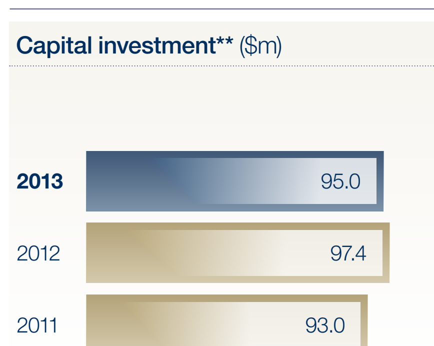
Profit from operations as a percentage of revenue.

Profit before tax comprises profit from continuing operations, less net finance expense plus the Group's share of associates' post-tax profits.

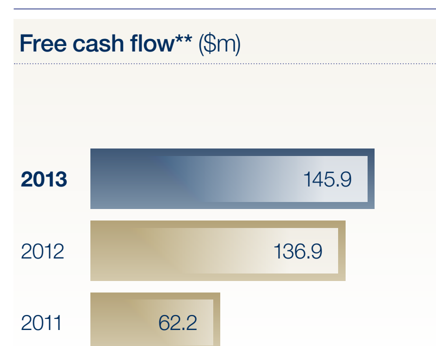
Underlying earnings from continuing operations, attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year adjusted for all potentially dilutive ordinary shares.



Return on average capital employed measures underlying profit from operations as a percentage of average gross capital employed. Gross capital employed comprises the total equity plus net debt.



Cash spend on property, plant and equipment.



Profit from continuing operations adjusted for working capital, tax, replacement capital investment and interest.

*KPIs are calculated using underlying results for the year.
**Non-GAAP measure.

Performance indicators *continued*
Supplementary indicators

Supplementary indicators are used to provide additional information on the development, business performance and position of the Group and its business segments. Performance measures are looked at for continuing operations on an underlying basis and are regularly reviewed to ensure they remain appropriate and meaningful monitors of the Group's performance.

	Unit	2013	2012
Gross profit*	$m	**435.1**	422.5
Gross margin*	%	**33**	32
Inventory days	days	**105**	109
Trade receivable days	days	**61**	65
Effective tax rate*	%	**27**	28
Dividend per share – declared in respect of the year	cents	**29.5**	28.4
Closing net debt	$m	**205.8**	266.4
Gearing ratio	%	**15**	20
Total Shareholder Return (three year compound)	%	**9.6**	16.2
Quality and HS&E:			
Employees – end of year		**3,990**	3,866
Injuries to employees:			
Number of recordable incidents		**63**	82
Incident rate – based on OSHA method		**1.54**	1.94
Average rig count[1]:			
US land		**1,705**	1,871
US offshore		**56**	47
Canada		**351**	364
Far East, Central Asia and China		**1,373**	1,341
EMEA (Europe, Middle East and Africa)		**612**	556
Other		**1,446**	1,382
Total		**5,543**	5,561
Wells drilled[1]:			
US land		**46,631**	46,341
US offshore		**446**	396
Canada		**10,448**	10,874
Far East, Central Asia and China		**29,264**	28,845
EMEA (Europe, Middle East and Africa)		**5,739**	5,392
Other		**13,241**	12,941
Total		**105,769**	104,789
Footage drilled[1] (millions of feet):			
US land	m ft	**380.0**	364.0
US offshore	m ft	**5.7**	4.8
Canada	m ft	**67.2**	69.3
Far East, Central Asia and China	m ft	**218.8**	214.7
EMEA (Europe, Middle East and Africa)	m ft	**46.9**	44.7
Other	m ft	**108.1**	104.7
Total	m ft	**826.7**	802.2

1. Source: Spears and Associates, Inc – Drilling and Production Outlook, December 2013.

* Continuing operations before amortisation and exceptional items.

Synergy in new product development

Perforation is a widely used procedure to blast holes through the steel casing into an oil and gas formation to facilitate the ability of subsequent fracking.

Predetermined points in the casing are selected by the operator and detonation of the explosive charges occurs sequentially to blast the requisite holes into the target zones. However, the development of shale has led to a typical profile of a vertical wellbore turning horizontal at the desired level to allow further lateral drilling into the shale formation. The potential for this drilling is as long as the well is deep, which brings a different set of challenges. One clear problem is the deployment of the gun string along the near horizontal wellbore, which these new products address.

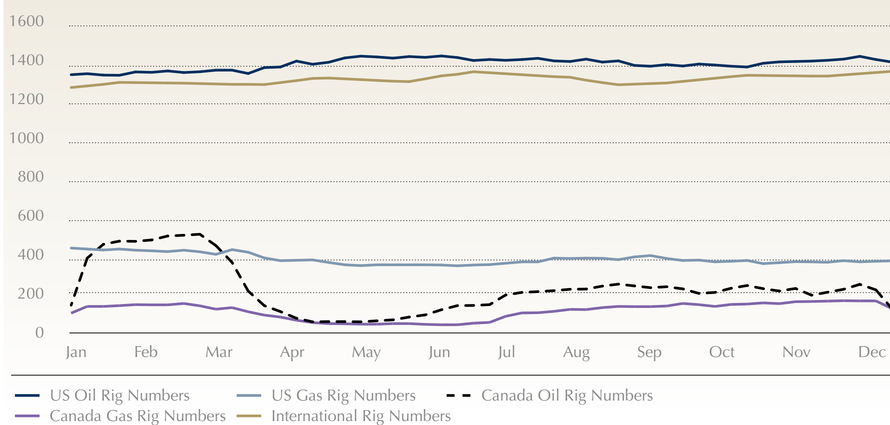
"Engineers from the perforating systems team at Hunting Titan in Pampa Texas, collaborated with colleagues from the Well Intervention team at Aberdeen in the UK. The result of this has been a new Ballistic Variball, leveraging off the expertise of both teams to develop, produce and deploy gun strings more easily and cost effectively than previously possible."

Market review

"For 2014, global E&P spending is projected to reach a new record of $723 billion."

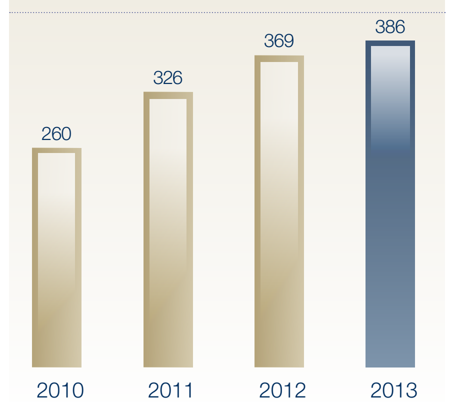
Source: Barclays

Rig Count during 2013



Source: Baker Hughes.

US Well Footage (m feet)



Introduction

As a global energy products and services provider, Hunting's operating activities are subject to a range of market drivers. Given our diverse product and service offering, each of the major operating businesses within Hunting Energy Services are driven by a range of macro and micro drivers which define the overall performance and are often regionally specific.

During 2013, oil prices traded at an average of $97.61 per barrel for the WTI benchmark, giving a relatively stable environment for new oil drilling projects and existing developments. The US natural gas price in the year traded at an average of $3.73mmBtu, which was above that of 2012, but still in a range which dampened new investments. New international deepwater prospects remained attractive.

Taken as a whole, industry commentators record that capital investment across the energy industry increased by 11% in 2013 compared to the previous year highlighting the need for industry reinvestment to replace reserves as accelerated depletion rates, global demand and consumption continued to increase, particularly from emerging economies.

Regional Commentary

The Americas

Hunting Energy Services' Well Construction and Well Completion divisions sell products for use in the initial drilling and completion phases of an oil and gas well. As such, global drilling rig activity, in particular within North America, provides a useful indicator of market momentum.

During 2013, while rig counts in the United States remained relatively static, weather events and a funding squeeze hindered many projects in Canada, with a consequent drop in rig numbers during the year. The energy industry in the United States has shifted in the last few years from gas to oil-focused drilling programmes, which has contributed to the net increase in domestic oil production and allowed commentators to speculate on self-sufficiency. While this shift has occurred onshore, activity offshore in the Gulf of Mexico has continued to recover, with activity leading to increased demand. The Mexican government has also introduced legislation to allow foreign participation in drilling operations.

Drilling procedures continue to evolve with operators endeavouring to minimise rig down time by drilling multiple wells from a single well pad – therefore a further measure of activity is the physical number of wells drilled. 2013 showed a 1% increase in the number of wells drilled in the US and a 5% increase in the footage drilled.

Europe and Middle East

Activity in the North Sea continued to be volatile, as geopolitical influences altered the programming and prioritisation of activity levels in the region. In 2013, the North Sea saw near-record rig count lows on the UK Continental Shelf as geographic spending patterns of the international oil companies shifted to more promising long-term prospects in other emerging regions.

In the Middle East, activity continues to increase as resource development across the region continues. Investment continues to grow in the established producing countries to sustain long-term export targets.

Africa

Investment in oil and gas activity across sub-Sahara Africa continues to be dominated by strong development activity in West Africa, with increasing focus on exploration, both onshore and offshore in East Africa, following appraisal of major new gas discoveries. New activity in Southern Africa is also anticipated, including shale related resources which are beginning to show potential.

Asia-Pacific

The demand for energy from emerging countries such as China and India continues to support offshore and onshore development programmes. Major operators continue to indicate a "move east" in terms of focus and investment, with energy service companies establishing significant operations across the region to support anticipated activity in the future. A resurgence in South-East Asia for oil and further investment in Australasia for gas look set to service the anticipated regional energy mix. Closer to the main population centre, China has excellent prospects for extracting natural gas from shale for internal consumption.

Group performance and development

We continue to make significant investments in new manufacturing equipment and facilities, positioning ourselves with the capability to meet anticipated market demand for our extensive product portfolio.

Peter Rose
Finance Director

Dennis Proctor
Chief Executive

Introduction
2013 has seen Hunting deliver another set of solid financial results. While a number of our operations experienced reduced activity levels – in particular within our Well Construction division, which was restrained by customers unwinding inventory – overall our performance has achieved a year of modest growth.

With confidence in the long-term growth of our industry, we continue to make significant investments in new manufacturing equipment and facilities, positioning ourselves with the capability to meet anticipated market demand for our extensive product portfolio.

Our plans remain focused on expansion and growth with some of our key statistics reflecting the current scale and reach of our operations: 2.8 million square feet of manufacturing floor space, in 41 manufacturing facilities with 1,104 machines supported by 34 service and distribution points. We have a physical presence in 12 countries with nearly 4,000 employees.

Overview
As expected, 2013 began slowly and was followed by a stronger performance in the second half, reflecting prevailing market conditions within the industry, which gave rise to mixed demand levels across the geographic regions.

Activity levels in the US remained healthy and overall footage drilled was up 5% year on year, supported by the continued recovery in the Gulf of Mexico. Hunting revenues increased by 2% in line with US drilling and completion spend. Our Premium Connections, Titan and Subsea businesses performed particularly well but these results were offset by a decline in the AMG businesses which suffered from customer destocking.

Trading in Canada remained difficult with adverse weather and structural supply issues impacting the market. Despite the expansion of Titan in Canada, revenues from this region fell by 22% principally due to weakness in Oil Country Tubular Goods ("OCTG") related business.

Summary Group Income Statement

	Underlying			Reported		
	2013 $m	2012 $m	*Change*	**2013 $m**	2012 $m	*Change*
Continuing operations:						
Revenue	**1,334.0**	1,309.0	*+2%*	**1,334.0**	1,309.0	*+2%*
EBITDA	**242.8**	242.9	*–*	**235.6**	227.7	*+3%*
Profit from operations	**198.5**	202.5	*–2%*	**137.4**	134.6	*+2%*
Profit before taxation	**196.1**	195.3	*–*	**135.0**	127.4	*+6%*
Profit for the year	**144.0**	140.6	*+2%*	**106.2**	99.2	*+7%*
Discontinued operations:						
Profit for the year	**–**	–		**15.4**	108.0	
Total profit for the year	**144.0**	140.6		**121.6**	207.2	
Diluted EPS – continuing operations	**93.5c**	90.8c	*+3%*	**68.3c**	63.1c	*+8%*

Europe was impacted by declining rig counts in the North Sea partly due to rig maintenance programmes and customers deferring major project spend into 2014, which led to an 18% decline in revenues in the region.

Asia Pacific continues to be a strong and developing region for the Group and, in 2013, contributed 16% of the Group's revenue (2012 – 11%).

During the year, Hunting commenced a programme of investment in Africa, establishing a regional office and temporary storage facilities in Cape Town, South Africa. Local management have been appointed and a 9 acre site was purchased in December 2013 and a new manufacturing facility of approximately 50,000 square feet is being designed. Regional repair service centres in sub-Saharan Africa are planned in the future as activity levels in the region build.

During 2013, we have focused on initiating projects to meet our strategic goals of developing proprietary products, capitalising on global sales opportunities and expanding our geographic manufacturing presence. These are discussed further below. We anticipate capital investment of approximately $150m will be incurred in 2014.

Results from Continuing Operations

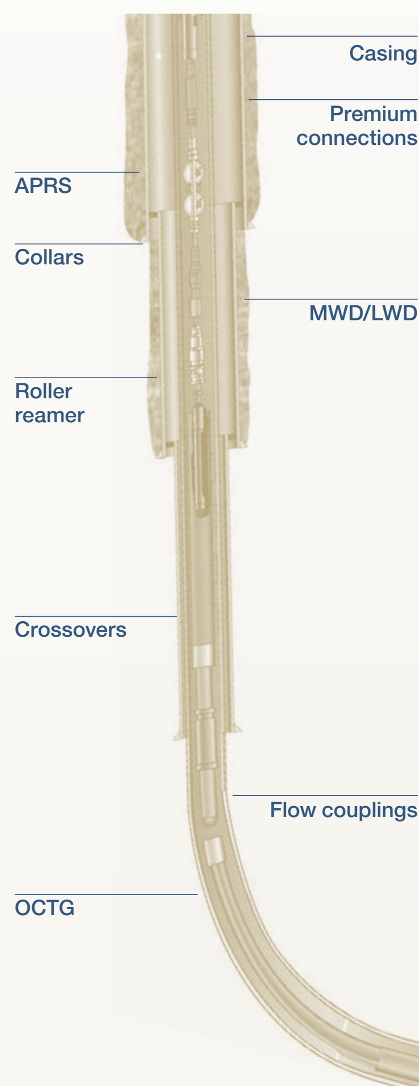
The Group generated revenue of $1,334.0m in 2013, an increase of 2% over the prior year. This helped support underlying EBITDA at $242.8m which was materially unchanged versus 2012. Underlying profit from operations was down $4.0m, or 2%, compared to 2012, partly due to difficult trading conditions in the Gibson Shipbrokers division which reported a loss of $1.5m in the year (2012 – $1.7m profit). The 2013 operating profit margin was 15% (2012 – 15%). Reported profit from operations was up 2% at $137.4m due to lower exceptional charges.

Amortisation of intangibles in 2013 at $43.4m remained virtually unchanged.

The following items are classified as exceptional items in 2013, consistent with managements' internal reporting, given their significance and in compliance with the Group's accounting policies: PP&E impairment and dry hole costs in Exploration and Production of $10.5m, the settlement of litigation costs of $2.9m, which were treated as exceptional as these related to pre-acquisition circumstances, and inventory fair value adjustments of $4.3m principally relating to the acquisition of Titan in 2011, as this does not reflect underlying performance. All the inventory fair value adjustments arising on the 2011 acquisitions have now been charged through the income statement.

Covering the entire wellbore.

Building on a history that has spanned one hundred years of innovation in developing products and techniques to enable the successful development of customer assets.



Group performance and development *continued*

Well Construction

		2013	2012	*Change*
Revenue	$m	**380.9**	442.7	*−14%*
Underlying profit from operations	$m	**58.6**	72.5	*−19%*
Underlying operating profit margin	%	**15**	16	
Capital investment	$m	**43.3**	38.1	
Average employees		**1,186**	1,219	
Year end employees		**1,121**	1,254	

Net finance costs have reduced from $8.7m in 2012 to $2.8m in 2013. This reduction was mainly due to foreign exchange gains in the year and reductions in bank interest due to lower average debt levels and lower interest rates.

Underlying profit before tax at $196.1m was marginally up on 2012 at $195.3m. The underlying tax charge for the year was $52.1m (2012 – $54.7m), resulting in an underlying profit for the year of $144.0m (2012 – $140.6m). The Group's underlying tax rate for 2013 was lower than expected at 27% (2012 – 28%). The rate of tax reflects the weighting of profits in lower tax jurisdictions, particularly Singapore where corporate tax rates are currently 17%, together with a reduced UK corporate tax rate. The Group's effective tax rate for 2014 is expected to remain at 27%; however, the actual rate will depend on the regional mix of profits. On a reported basis, profit before tax at $135.0m was 6% above 2012 and reported profit for the year up 7% at $106.2m.

Underlying diluted EPS increased by 3% to 93.5 cents (2012 – 90.8 cents) and reported diluted EPS increased by 8% to 68.3 cents (2012 – 63.1 cents).

Results from Discontinued Operations

The reported profit from discontinued operations was $15.4m (2012 – $108.0m) with profits in both years derived mainly from exceptional items relating to provision releases on the successful resolution of tax affairs in Canada arising from the sale of Gibson Energy in 2008. There are no provisions remaining on the balance sheet at 31 December 2013 for tax amounts payable in respect of this sale.

Segmental Trading Review

Hunting Energy Services

Hunting Energy Services comprises the Well Construction, Well Completion and Well Intervention segments. In 2013 Hunting Energy Services reported revenues of $1,285.6m compared to $1,257.6m in 2012 and underlying profit from operations of $198.8m compared to $199.9m in 2012.

Well Construction

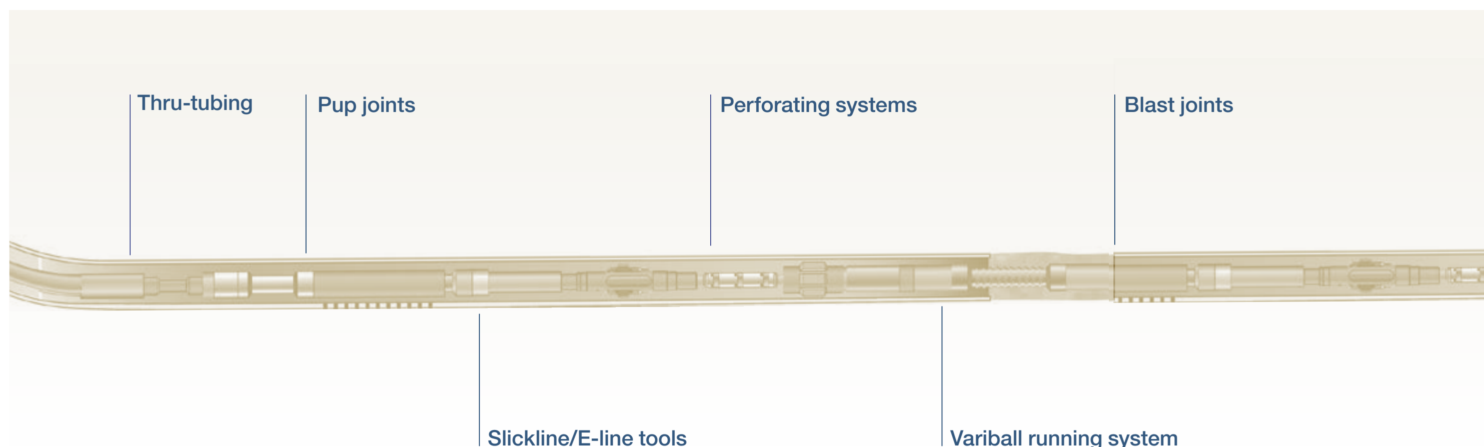
The Well Construction division includes Hunting's Premium Connections, Drilling Tools, OCTG, Trenchless, Advanced Manufacturing Group and Hunting Specialty business platforms. In 2013 revenue declined by 14% to $380.9m largely due to destocking in the Electronics business and adverse trading in Canada; however, margins were maintained largely due to cost reduction initiatives, including staff reductions of 133 during the year.

Premium Connections

Hunting's Premium Connections business platform is driven by its SEAL-LOCK™ and WEDGE-LOCK™ connection product lines. With the increase in activity in the Gulf of Mexico, where the Group has supplied products to key exploration projects in the region, the business has reported another strong result supported by demand within the oil shale regions across North America. The business has also seen a notable increase in global demand for its product lines.

During the year product development has focused on SEAL-LOCK XD™ product lines for application to high pressure/high temperature environments, which has now concluded testing and certification. These will be introduced to the market during 2014.

To meet the high demand for our Premium Connections products, the Group has approved construction of a $43.0m,



110,000 square foot facility near Houston, Texas and a new $11.0m testing and certification facility, enabling new products to be brought to market more rapidly. The facility is expected to be completed in 2015 and $11.1m of capital has been invested, primarily related to land and design fees.

The outlook for this business remains positive as new rigs are commissioned globally.

Drilling Tools
Hunting's Drilling Tools business delivered a year of steady growth on maintained margins. Activity levels have been driven by drilling programmes in the oil-focused shale basins which have been a major contributor to the increase in total US oil production. The business has also been successful in capturing further market share within the oil shale sector where new customers have started to use Hunting's mud motor fleet.

During 2013, the Group invested $21.7m in new drilling tools and spare parts which included the introduction of a 7" motor into its fleet. This additional product line complements the more standard 5" motors and enabled new business opportunities to be secured in the Eagle Ford and Permian basins where shale drilling continues to accelerate.

The outlook for this business remains positive as the focus on drilling in the US remains on oil shales.

OCTG
Hunting's OCTG business had a weak year, with revenue down $25.7m driven by the adverse weather conditions in Canada, difficult market conditions generally and increased competition.

Hunting's Trenchless
Hunting's Trenchless business manufactures drill stems and operates through a third party distribution network to access its customers. During 2013, the business reported satisfactory results despite a competitive environment.

Advanced Manufacturing Group ("AMG")
The AMG comprises the Hunting Electronics, Hunting Dearborn and Hunting Doffing operations.

Hunting Electronics reported a significant reduction in activity levels with a $27.9m decline in year-on-year revenues as customers reduced inventory levels. In response to this, the business reduced the headcount of its US operations by some 30% over the year, while at the same time exploring and securing international growth opportunities through Hunting's global sales and manufacturing hubs, particularly in the Asia Pacific region.

Within Hunting Dearborn, the business reported flat activity levels during the year as customers unwound inventory levels. While the business reported unchanged demand for its oil and gas focused products, the business benefited from stronger sales of its aviation product lines. The business is commencing an $18.8m expansion of its facility to increase capacity and reduce customer lead times as the forward order book improves.

Customer interest in AMG's single source MWD/LWD product offering has been encouraging, with international sales efforts increasing as personnel were added to Hunting's regional hubs. The outlook for AMG is positive, with order books increasing into 2014 as activity levels build internationally.

Hunting Specialty
Hunting Specialty manufactures drill pipe screens and other MWD/LWD tool components. The business delivered an operating profit in line with 2012, despite a slow start to the year, by broadening its customer base and has started to develop international sales for its products through Hunting's international network. The business has worked closely with Hunting Drilling Tools to further develop customer interest in Hunting's broad product range, generating new customers and sales in North America.

Group performance and development *continued*

Well Completion

		2013	2012	*Change*
Revenue	$m	**796.1**	725.1	*+10%*
Underlying profit from operations	$m	**124.5**	116.6	*+7%*
Underlying operating profit margin	%	**16**	16	
Capital investment	$m	**31.2**	16.4	
Average employees		**2,102**	1,954	
Year end employees		**2,197**	1,985	

Well Completion

The Well Completion segment incorporates Hunting Titan, Manufacturing and Accessories and Hunting's international completion businesses. In 2013, underlying profit from continuing operations increased 7% from $116.6m in 2012 to $124.5m in 2013 with margins maintained. Employee numbers increased by more than 200 during the year with the increase focused in the high growth Titan and Asia Pacific businesses.

Hunting Titan

Hunting Titan comprises three business lines: Perforating – which includes Hunting's suite of perforating gun systems; Instruments – which includes detonation switches and gamma ray detection tools; and Energetics – which includes Hunting's range of charges and jet-cutting product lines.

During 2013 Hunting Titan reported record results, with revenues up nearly 16% driven by continued demand in the oil-focused shale basins and the ongoing international growth. A tiered pricing structure was also introduced in the year which improved our competitive position.

Hunting Titan's business model is focused on manufacturing its products at a number of core locations and selling these products through its network of distribution centres to meet customer requirements. The growth strategy of the business is to internationalise its footprint by leveraging Hunting's global network of facilities.

During 2013, Hunting Titan broadened its manufacturing capabilities commencing production at Hunting's Canadian, Mexican and Chinese facilities to service demand in these geographic regions. In May 2013, Hunting Titan acquired XL Perforating Partnership ("XLPP") providing a distribution network in Western Canada which increased Hunting Titan's exposure to activities in the heavy oil segment of the market. The acquisition has added six distribution centres. Hunting Titan also opened distribution centres in Oklahoma and Hobbs in the US as well as Jakarta and Aberdeen as further expansion into international markets continued. In parallel to these expansion activities, Hunting Titan's US manufacturing facilities continued its drive to implement lean manufacturing processes into its operations which has resulted in a number of productivity gains.

Hunting Titan has introduced a number of new product lines in the year, including a range of perforating guns suitable for heavy oil developments, a new ControlFire™ detonation switch system and new jet cutters.

Manufacturing and Accessories

Hunting's Manufacturing and Accessories business incorporates product lines which are used in the completion phase of an oil and gas well. Hunting's US facilities have been supported by ongoing investment in the oil-focused shale regions and strong activity levels in the deep water Gulf of Mexico. Within Canada, Hunting's operations have been adversely affected by lower rig counts and poor weather conditions in a number of key basins which has impacted utilisation levels.

The Board of Hunting has approved the final expansion phase of the facility in Houma, Louisiana for $36.0m which will support the increasing activity in the Gulf of Mexico and developing international demand. The facility on completion will be approximately 280,000 manufacturing square feet.

International Completion Activities

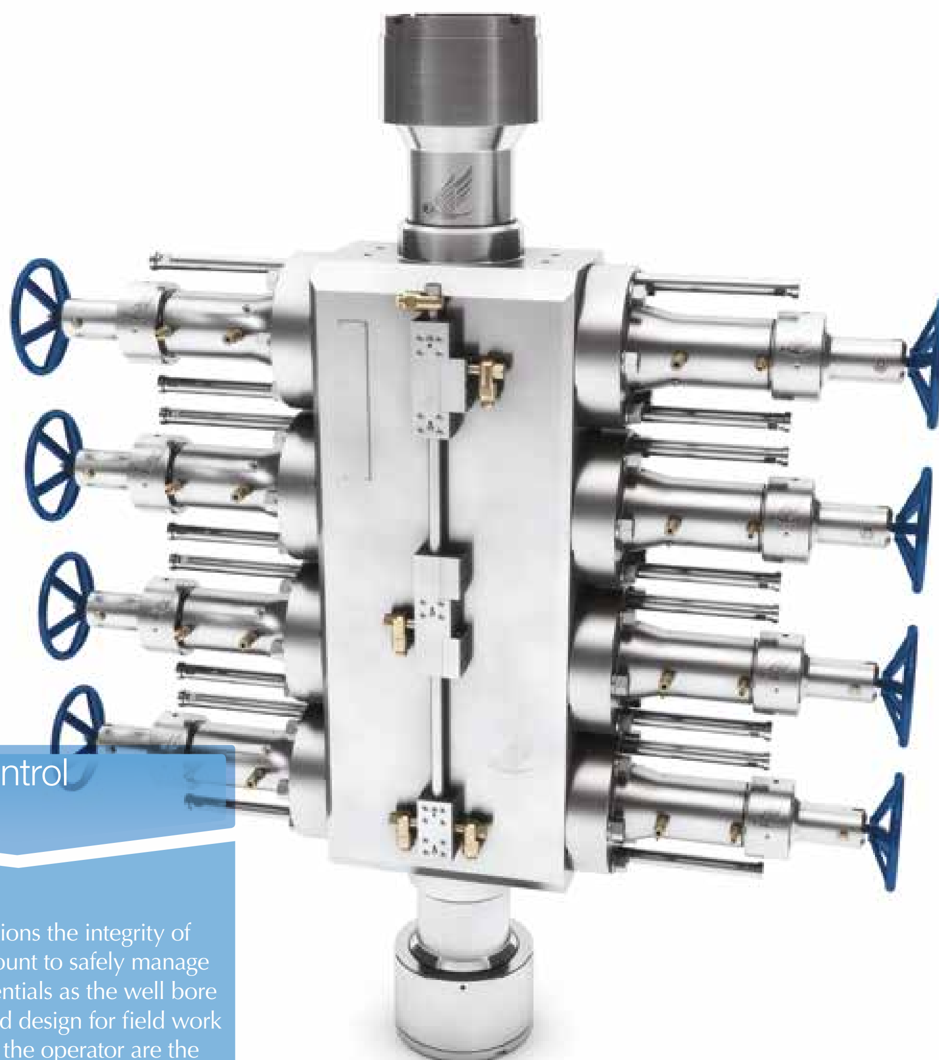
The strategy for Hunting's global completion operations is focused on ensuring the Group has an operational presence in its key geographic hubs. Year-on-year overall revenues are up 10% and margins have improved.

In Europe, activity has been impacted by low rig count levels in the North Sea, with some of our key customers deferring a number of major projects into 2014. The outlook for this region is improving as activity levels recover.

Hunting's Asia Pacific operations have reported excellent results in the year as drilling activity accelerated in the region. While a slowing in momentum was noted during Q4 2013, due to the availability of rigs, the business is anticipating new opportunities within the region. Hunting's facility in Wuxi, China commenced the manufacturing of Titan perforating guns in the year and is now supplying products to Hunting's distribution centre in Jakarta.

New sales offices have also been opened in Perth, Australia, with plans to establish a presence in India and Norway underway.

"Wireline operations have a key role to play in well intervention. Tools and equipment are run into the well using a cable to perform tasks such as reservoir evaluation, stimulation or tool recovery. Pressure control is essential, as the wireline passes through a valve containing a series of rams designed to close over the cable in the case of an emergency."



Pressure control

For wireline operations the integrity of the valve is paramount to safely manage the pressure differentials as the well bore is entered. A rugged design for field work and ease of use by the operator are the desired outcomes. In order to meet these requirements Hunting's engineers are constantly seeking to refine the product range to simplify it and make it more efficient.

Born from a specific customer demand, the engineering team designed the Eziclose hydraulic actuator, which also allows rams to be manually closed over the wireline at any well pressure up to 10,000psi. Retro-fittable to the existing Hunting wireline valve body design, finite element analysis was used to lower weight and reduce parts without compromising safety.

Eziclose quad valve customised for optional manual operation.

Group performance and development *continued*

Well Intervention

		2013	2012	*Change*
Revenue	$m	**108.6**	89.8	*+21%*
Underlying profit from operations	$m	**15.7**	10.8	*+45%*
Underlying operating profit margin	%	**14**	12	
Capital investment	$m	**9.2**	33.8	
Average employees		**432**	359	
Year end employees		**438**	398	

Well Intervention

The Well Intervention division includes the Hunting Subsea and Well Intervention businesses. In 2013, underlying profit from continuing operations increased from $10.8m in 2012 to $15.7m. The year-on-year reduction in capital investment reflects the completion of Houma phase 1 in 2012.

Hunting Subsea

Hunting Subsea has resolved certification issues, which followed the Deepwater Horizon incident in 2010, and this, coupled with increased activity in the Gulf of Mexico, has led to a year of strong revenue growth. Sales of hydraulic couplings have been particularly strong during the year as key customers increased their volumes, supported by demand for Subsea valve product lines.

The business has also delivered growth into international markets, leading to new sales appointments in Europe to capture opportunities in the North Sea.

Well Intervention

Well Intervention activities, which includes the Thru-Tubing product lines, has seen good demand in the Middle East and Asia Pacific during the year, with growth initiatives pursued in Thailand where a new facility was opened in June 2013.

Hunting's range of pressure control systems have continued to gain market traction during the year with robust sales throughout the Middle East and increasingly into North America.

Exploration and Production

Hunting's exploration and production division has oil and natural gas well investments mainly in the Southern US and shallow water offshore Gulf of Mexico, holding equity interests in 48 producing properties. On a Barrel of Oil Equivalent ("BOE") basis, production in the year was 128,000 barrels (2012 – 131,000 barrels), with reserves at 31 December 2013 being 1.1m barrels (2012 – 1.1m barrels). The business reported a profit from operations, before exceptional items, of $1.2m (2012 – $0.9m).

During 2013 the business, as contractually committed, participated in drilling eight oil and gas wells. This resulted in five successful outcomes and three wells, which were deemed non-commercial resulting in dry hole costs of $2.6m (2012 – $3.2m), which has been shown as an exceptional item.

Following a year-end valuation of reserves, which requires individual oil and gas properties to be impaired when the estimated realisable value is less than the book value based on future production and commodity prices, the business has taken an impairment charge of $7.9m (2012 – $8.2m), which has been shown as an exceptional item, reflecting a reduction in reserve estimates, higher retirement obligation cost estimates and a higher discount rate.

Gibson Shipbrokers

Gibson is a leading international shipbroker and is expanding its global presence in line with the shifting markets in the oil, gas and bulk shipping sectors. Gibson has a strong focus on crude and tanker chartering, clean products, vegoil, dry bulk, LPG and offshore activities.

With the shipping sector enduring an uninterrupted and unprecedented downturn since 2009, there was little expectation that 2013 would offer any significant improvement. Fixing volumes for 2013 were in line with those for 2012, however the 2013 revenue of $40.4m (2012 – $43.6m) was down with rates continuing to suffer from an oversupply in the shipping market. Given the relatively fixed cost nature of the business, this decline gave rise to a loss for the year of $1.5m (2012 – profit $1.7m).

Gibson continues to expand its core shipbroking activities despite difficult trading conditions. The business targets to provide an international, premium shipbroking service and is well positioned to benefit from future market recovery.

Summary Group Cash Flow

	2013 $m	2012 $m
EBITDA before amortisation and exceptional items	**242.8**	242.9
Working capital movements	**(20.3)**	(29.9)
Net interest paid and bank fees	**(6.3)**	(8.4)
Tax paid	**(20.4)**	(23.9)
Replacement capital investment	**(45.0)**	(42.6)
Other operating cash and non-cash movements	**(4.9)**	(1.2)
Free cash flow	**145.9**	136.9
Expansion capital investment	**(50.0)**	(54.8)
Dividends to equity holders and non-controlling interests	**(45.8)**	(38.3)
Purchase of subsidiaries	**(10.7)**	(3.5)
Tax indemnity refunds	**17.7**	27.2
Other	**4.1**	4.0
Foreign exchange	**(0.6)**	1.5
Reduction in net debt in the year	**60.6**	73.0

Cash Flow

EBITDA was materially unchanged versus 2012. Working capital movements during 2013 gave rise to an outflow of $20.3m largely driven by trade payables with the UK, front-loading inventory purchases in the first half of the year. Trade receivable positions also reduced with collection performance improving.

Net interest and bank fees paid reduced by $2.1m due to lower average debt levels and resulting reductions in the interest charged on our revolving credit facility. Tax paid reduced by $3.5m through the use of capital losses in the UK.

Replacement capital investment at $45.0m was broadly in line with 2012. The key components were $16.3m on replacement drilling tools and $9.5m in Exploration and Production, with the residual of $19.2m largely being machinery replacement.

As a result of the above, free cash flow increased by 7% from $136.9m in 2012 to $145.9m in 2013.

Expansion capital investment in the year of $50.0m was $4.8m lower than 2012 with the initiation of a number of key capital projects occurring in the second half. Investment included $11.1m for AmeriPort and the new testing facility, $5.4m on new drilling tools and $5.1m for South Africa. Total capital investment for 2013 was $95.0m, a decrease of $2.4m. Capital investment in 2014 is expected to be approximately $150m.

Total dividend payments of $45.8m were paid, with $3.3m of this relating to non-controlling interests. The $42.5m paid to equity shareholders reflected the payment of the final dividend for 2012 of 21.3 cents (14.0 pence) and the 2013 interim dividend of 7.7 cents (4.75 pence). All subsequent dividends, including the 2013 final dividend will be declared in cents. The final dividend for 2013 is proposed at 21.8 cents, and, if approved by shareholders, is expected to result in an outflow of $32m.

Payments for the purchase of subsidiaries included $8.7m for the acquisition of XLPP by Hunting Titan, and earn-out payments related to the acquisitions made in 2011.

During 2013, a $17.7m repayment of tax and interest was received from the Canadian tax authorities on the resolution of disputes related to Gibson Energy, a division sold in 2008.

After other cash flows of $4.1m, offset by foreign exchange movements of $0.6m, net debt reduced by $60.6m during 2013.

Group funding and position at year end

The Group's financial position remains robust with adequate funding facilities in place and a strong balance sheet – net assets in excess of $1.4 billion.

Financial Capital Management
2013 has been a year of developing and integrating the businesses acquired towards the end of 2011. Market conditions for companies in the oil and gas sector have been relatively stable at a global level, albeit with regional variations. Notwithstanding these neutral external factors, net debt has reduced significantly in the year to $205.8m (2012 – $266.4m), with gearing falling to 15% at 31 December 2013 (2012 – 20%) while capital investment has been maintained at recent historical levels.

The Group's financial position remains robust, with total credit facilities of $688.8m in place (2012 – $676.5m) of which $621.1m or £375.0m (2012 – $609.6m or £375.0m) is committed. The committed facility is a £375.0m Sterling denominated multi-currency revolving credit facility ("RCF") from a syndicate of ten banks which extends to 5 August 2016. Further details regarding the facility can be found in note 29. Given the Group's treasury management is now US dollar oriented it is expected that future facilities will be denominated in US dollars.

The ratio of net debt to EBITDA permitted under the RCF must not exceed a maximum of 3 times. EBITDA must also cover relevant finance charges by a minimum of 4 times. At 31 December 2013 both these covenants were comfortably met.

Management's judgement is that the level of headroom remaining is adequate to provide ongoing flexibility and to support the investment in key projects outlined in our strategic review.

Return on average capital employed is a KPI management use to assess business unit performance. The Group's underlying return on average capital employed has reduced to around 12% (2012 – 13%) reflecting the ongoing capital investment programme on expansion projects, which do not provide an immediate financial return. Rates of capital return are expected to increase as these expansion projects become operational and contribute to Group results.

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 final dividend for 2013, and future dividends, will now be declared in cents.

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 29.

The Group operates on a global basis and hence results originate in a number of currencies. The US dollar is the most significant functional currency used; however, where this is not the case the Group is subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. 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.

Gearing

15%

(2012 – 20%)

ROCE

12%

(2012 – 13%)

"Land has been purchased and construction scheduled for a new OCTG facility within the AmeriPort industrial complex, close to Houston, Texas."

"The return of activity to the Gulf of Mexico has increased production demands on Hunting's existing facilities creating the need for new manufacturing capacity."

Capacity realisation

New

97
acres

New

422,000
square feet of manufacturing

At Houma in Louisiana the final phase of the construction project at the 311 facility is well underway to expand manufacturing capacity to nearly 280,000 square feet. Rising demand for Hunting products and constraints on existing facilities led to building a new facility on this 57-acre site in 2012. This final phase is due for completion in the second half of 2014, together with the expansion of the deep water storage facility on the same site to 32,000 square feet.

Meanwhile, along the coast at AmeriPort in Texas, a further 110,000 square foot tubular threading facility is being built on a 40-acre site to produce full length Hunting premium connection products. As well as being set up as a state-of-the art, high capacity manufacturer, the facility will include a testing and certification unit to accelerate development and deployment of proprietary Hunting products.

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Group funding and position at year end *continued*

Balance Sheet

	2013 $m	2012 $m
Goodwill	**495.2**	495.0
Other intangible assets	**263.0**	301.1
Property, plant and equipment	**431.8**	403.8
Working capital	**467.6**	435.2
Taxation (current and deferred)	**(48.7)**	(40.1)
Provisions	**(33.4)**	(48.0)
Other net assets	**45.1**	52.1
Capital employed	**1,620.6**	1,599.1
Net debt	**(205.8)**	(266.4)
Net assets	**1,414.8**	1,332.7
Non-controlling interests	**(30.9)**	(29.7)
Equity attributable to owners of the parent	**1,383.9**	1,303.0

Goodwill has increased marginally over 2012 following the XLPP acquisition. The Group has conducted its impairment reviews and has concluded that there is appropriate justification to carry this asset based on future cash projections. All cash generating units carrying goodwill have sufficient headroom to cover reasonably foreseeable downside cases.

Other intangible assets have reduced by $38.1m, with the amortisation expense for the year of $43.4m being offset by the capitalisation of technology and software development costs of $5.0m.

Property, plant and equipment has increased by $28.0m. Additions of $95.0m together with $1.7m of PPE acquired with XLPP were offset by $44.3m of depreciation, $10.5m impairment in Exploration and Production, net book value on disposals of $13.0m and other movements of $0.9m.

Working capital has increased by $32.4m since 2012 principally due to a reduction in trade and other payables of $35.9m, with the UK having front loaded inventory purchases in the first half of the year. Inventories report a small decrease of $4.8m to end the year at $386.3m.

Tax balances have increased by $8.6m to $48.7m at 31 December 2013. The increase mainly relates to increased deferred tax liabilities on pensions.

Provisions have reduced by $14.6m during the year primarily due to the resolution of a Canadian tax dispute as noted earlier.

Overall, capital employed in the Group has remained relatively steady at $1,620.6m (2012 – $1,599.1m).

Thanks to strong cash generation the overall cash inflow in 2013 of $60.6m has reduced net debt to $205.8m at 31 December 2013.

Net assets at 31 December 2013 were $1,414.8m, which, after non-controlling interests of $30.9m, result in equity shareholders' funds of $1,383.9m. This is an increase of $80.9m over 31 December 2012, which reflects the retained result for the year of $117.9m and other items of $5.5m offset by $42.5m dividend payments.

Manufacturing synergies

"Hunting's global footprint provides a foundation to roll-out new regional product manufacturing."

Using established facilities around the world, it has been possible to open new manufacturing cells for new product lines for businesses that have been acquired in the last few years. A strategy has been pursued to internationalise those lines that would be commercially attractive because of a local manufacturing base and where pure export would severely limit the market opportunity.

Perforating gun systems were identified as leading candidates for this campaign. Following extensive training and reconfigured plant, perforating guns are now manufactured at Monterrey in Mexico, Calgary in Canada and at Wuxi in China, with further opportunities being explored. Hunting QA systems are standardised at every facility which also gives flexibility to the production mix to satisfy peaks in regional demand.

Outlook

Global demand for oil and gas is forecast to rise with attendant capital expenditure to fulfil that requirement.

Markets for Hunting are more often customer and region specific. While the macro elements of the oil and gas industry are important, the Group's attention to historical customers and their needs plays a more important role in our view of future growth. Granted, our customers represent some of the largest E & P companies and major service companies, but individual contracts and activity levels vary year to year. Accordingly, we work closely with their management to assess their expectations, often 2–3 years forward. Certainly oil prices, energy demand, global rig count, E & P spending growth and industry forecasts are favourable and strongly underpin our confidence in capital investment and global expansion for 2014.

Gas and oil prices are key drivers to drilling activity and equipment demand. While the North American natural gas supply gap narrowed and drove gas prices higher in the last quarter of 2013, forecasts suggest more pricing pressure throughout 2014. Accordingly, exports are critical for growth in US production, which may not occur until 2020. Gas directed drilling appears to have found some stability on the downside. Having fallen nearly 50% in 2012, the gas rig count fell "only" 13% in 2013, currently just below 400 rigs. Globally, natural gas demand is expected to grow annually at a rate of 1.8% driven by China and India as well as Latin America and other gas poor countries.

Oil prices averaged $98 per barrel in 2013, $4 per barrel more than the average in 2012. Forecasts for 2014 range from $93 to $99 per barrel. The US oil rig count has been relatively unchanged since May 2012, averaging 1,380 rigs. Globally, oil consumption is forecast to reach 91.59 million barrels per day – a 1% increase over 2013. Supply disruptions present considerable uncertainty over the forecast period because issues underpinning the disruptions in most countries remain unresolved.

Given the above, the US industry sentiment reflects US capital investment of nearly $160 billion for 2014, an 11% increase over 2013. Producers onshore are utilising more geology specific drilling and completion equipment resulting in longer well bores and specific supplier products. Further, the US Gulf of Mexico activity is anticipating 57 rigs operating, a 5% increase. This growth is the basis for our increased capital investment on additional facilities, but unfortunately, will not be available until late in the year. Incremental machine capacity, coupled with more efficient operations will soften the delay and enable the Company to capture the expected increase in business.

In Canada, unusual flooding occurred throughout the Alberta province, delaying and, in some cases, cancelling drilling programmes. Calgary, home to most operators' headquarters, was disrupted by the flood for several weeks. Coupled with high inventories, our Canadian operations saw a record profit year in 2012 turn to a loss for 2013. Operations have returned to higher levels and 2014 should return to profitability.

The North Sea, another disappointment for 2013, started the year with 22 rigs and expectations of excellent activity. With contracts to provide support for nine of these rigs, the facilities were prepared for high production levels and supported by higher inventories. The rig activity declined to 10, with exploration wells drilled at the lowest level since 1965, and profits fell to half of expectations. Drilling activity levels have recovered and expectations are for a return to 2012 results.

Our Middle East operations have the highest potential for best percentage growth in future months and years. The region contains and continues to develop some of the world's largest "giant" fields – those fields with a recoverable reserve of 500 MMboe or more. A new joint venture in Saudi Arabia and a licence agreement with the new Arcelor Mittal seamless mill in Saudi Arabia will commence and should have a significant impact on business development.

Outside of the US, the Asia Pacific region continues to be the largest and fastest growing region in the Group. Past investment has performed extremely well, with expectations to continue as more capacity, new sales offices and distribution points are added.

Regardless of the euphoria and media attention over shale oil and gas, future oil and gas supply will continue to be dominated by conventional reserves found mostly offshore. The International Energy

Oil price average 2013

$98per barrel

Gas price average 2013

$3.73mmBtu

Facilities are being set up to manufacture Hunting's complete product offering, enhancing flexibility and speed of product delivery.

Agency (IEA) predicts that unconventional oil will contribute only 13% of global supply and unconventional gas 26% by 2035. Hunting's variety of product lines can be utilised in all types of reservoirs both onshore and offshore. Accordingly, our efforts extend far beyond the US shale plays and the Gulf of Mexico despite the volume of wells drilled and the attention received.

Following years of acquisitions and facility growth, the Group has and will continue to provide its vast product offering within each region. Perforating equipment is now produced or distributed in each location. Premium connections are produced or repaired throughout the Group's facilities. Pressure control, wire line tools, drilling tools, OCTG and accessories are produced at facilities closest to the operator's drilling activity. Our goal to provide the customer with any product from any of our 41 manufacturing plants or 34 distribution centres having the identical quality assurance is maturing but will be further enhanced in 2014.

Regional growth has and will continue to be important in order to service our global customers. Equally important is the advancement and new developments of our product line.

Looking at the profit from operations generated by a number of our key business units:

- Premium Connections – 2013 year on year growth was flat due to specific customer project delays. High single digit growth for 2014.
- Drilling Tools – Up 4% year on year from increased utilisation in various shale plays in the US. Low double digit growth for 2014 from delivery of additional tools.
- North American OCTG – Canada down 86% and US down 28%, but both regions expect double digit improvements in 2014.
- International Completion Activities – Results varied during 2013 dependent on regional activities, with Asia Pacific up 60% and North Sea down 27%. In 2014, both regions expect mid to high single digit growth.
- AMG – Excluding the Electronics division, down 22% primarily due to timing of deliveries slipping into 2014. Low double digit growth for 2014.
- Electronics – Significantly down 60% as customers destocked from an excessive pre-purchase of product in 2012. Modest improvement in 2014 as customers continue working off inventory.
- Perforating Products – Strong 2013 year on year growth due to US market share capture and establishment of international manufacturing and distribution facilities. High, single digit growth is expected in 2014.
- US Manufacturing – No change year on year with low double digit growth expected in 2014.
- Subsea – Excellent recovery of 202% following recertification issues in 2012 with expectations for additional 50%+ growth in 2014.

Your company has and will continue to build a unique business that is highly focused on the well bore within the oil and gas industry. Drilling and completion characteristics continue to be more complex in high pressure, high temperature deviated environments requiring sophisticated components. People skills, attitudes, quality conformance and manufacturing competence exist in Hunting to meet the demands of the industry. Growth is our passion, not just a financial necessity. The assets are well placed and opportunities exist to accomplish our goals in the coming year.

Principal risks and uncertainties

The Group is exposed to a wide variety of commercial, operational and financial risks and the Board has established an internal control process to manage, monitor and review these risks which is described in more detail on page 80. Group risks are formally reviewed by the Board at least three times a year and are discussed at every Board meeting.

The Group's principal risks are those that the Board considers would have a major impact on the operational, financial and reported performance of the business and are therefore of heightened importance.

Risks Specific to the Nature of Hunting Group Businesses

Product Quality and Reliability

The Group has an established reputation for producing high quality products capable of withstanding high pressure, high temperature environments.

A failure of any one of these components could adversely impact the Group's reputation and demand for the Group's entire range of products and services.

Controls and Actions
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.

Movement in Year
The risk of poor product quality or reliability has remained relatively unchanged during the year with no significant issues raised by the Group's customers or during the Board's internal monitoring process.

Raw Material Commodity Prices

Hunting is exposed to the influence of oil and gas prices as the supply and demand for energy is a key driver of demand for Hunting's products.

Oil and gas exploration companies may reduce or curtail operations if prices become or are expected to become uneconomical and therefore continuation of prices above these levels is critical to the industry and the financial viability of the Hunting Group.

Controls and Actions
Working capital and in particular inventory levels are closely managed to ensure the Group maintains a sufficient adaptability to meet changes in demand.

The Group maintains three operating platforms: the Well Construction and Well Completion segments expect to benefit when exploration companies are active in their drilling operations and the Well Intervention segment benefits when wells are subject to maintenance or require testing or repair work.

Movement in Year
With the Group's continuing strategy of product expansion the Board believes that the likelihood of future price changes affecting a major financial impact on the Group remains broadly unchanged.

Acquisitions and Capital Investment

Acquisitions and capital investment form the basis of the Group's strategy of expansion and development. Such activity incurs the potential for business disruption, management distraction, interruption to IT systems and the consequent poor financial returns that would emanate from these issues if not controlled properly.

Controls and Actions
The Board reviews and challenges each potential acquisition prior to approval and frequently engages consultants to provide expert analysis of the key issues.

The success of each acquisition is assessed through a post acquisition appraisal process that provides a learning platform for future business combinations.

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.

Movement in Year
During 2013 the Board focused on organic expansion and consequently heightened the Group's relative exposure to the risks associated with capital investment while at the same time reduced the risks associated with business acquisitions.

Relationships with Key Customers

The Group's financial success is ultimately defined by its 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.

Controls and Actions
Senior management maintains close relationships with key customers and seeks to maintain the highest level of service to preserve Hunting's reputation for quality.

The Group has a very wide customer base that includes many of the major oil and gas service providers and no one customer represents an overly significant portion of Group revenue.

Movement in Year
The Board believes that the risks associated with key customers remained stable during 2013.

Shale Drilling

The Group provides products to the oil and gas shale drilling industry. Although it is now an established practice in the US, significant sections of the public continue to view this activity as high risk and any consequent moratorium or new laws may unfavourably impact the industry.

Controls and Actions
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.

The Group maintains a diverse portfolio of products that extends beyond supplying the shale drilling industry, including the supplies for conventional drilling and the manufacture of high precision and advanced technology components for both the onshore and offshore markets.

Many of the Group's facilities have the flexibility to re-configure their manufacturing processes to meet with a change in the pattern of demand.

Movement in Year
The Board believes that US consumers are becoming more aware of the heightened benefits and reduced risks associated with shale drilling and that public resistance in the US has abated to a certain degree.

The Board therefore considers that the risk of a reduction in shale drilling activity in the US has diminished.

Principal risks and uncertainties *continued*

Risks Common to International Manufacturing Businesses

Economics and Geopolitics

The economic and political environments in which the Group operates have the potential to impact demand for energy and therefore the Group's range of products and services.

The Group's established facilities in the Asia Pacific region has proportionately increased its exposure to the emerging markets in that part of the world. As they grow, these economies could continue to be less stable than Hunting's established regions of Europe and North America.

However, exposure to the risks of high growth within these regions is considered a necessary part of the Board's expansion strategy as well as a continued presence in the stable areas of Europe and North America.

Controls and Actions
Management and the Board closely monitor projected economic trends in order to match capacity to regional demand.

Areas exposed to high political risk are noted by the Board and are strategically avoided.

Movement in Year
Notwithstanding the Group's strongest presence remaining in North America the risk of exposure to economic uncertainty has been slightly heightened during the year.

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.

Controls and Actions
Remuneration packages are regularly reviewed to ensure that key executives are remunerated in line with market rates. External consultants are regularly engaged to provide guidance on best practice.

Senior management regularly review the availability of the necessary skills within the Group and seeks to engage suitable staff where they feel there is vulnerability.

Movement in Year
The composition of the Board has not changed during the year and each member has received further inductions to the Group's businesses.

A number of changes have arisen at the senior management level with all vacated positions being filled by competent individuals who are anticipated to proactively contribute to the success of the Group.

Due to the small turnover of key personnel, the Board has assessed the risk of losing key executives as unchanged from last year.

Health, Safety and the Environment ("HS&E")

Due to the wide nature of the Group's activities it is subject to a relatively high number of HS&E risks and the laws and regulations issued by each of the jurisdictions in which the Group operates.

The Group's exposure to risk therefore includes the potential for the occurrence of a reportable incident, the financial risk of a breach of HS&E regulations and the risk of unexpected compliance expenditure whenever a law or regulation is renewed or enhanced.

Controls and Actions
The Board targets to achieve a record of nil incidents and further aims for full compliance with the laws and regulations in each jurisdiction in which the Group operates.

Every Group facility is overseen by a health and safety officer with the responsibility for ensuring current and newly issued HS&E standards are complied with.

The Board receives a Group HS&E compliance report at every Board meeting.

Movement in Year
The Group incurs a small number of minor incidents each year, which is significantly below the industry average and is similar to the Group's record in prior years. The risks associated with HS&E have therefore not materially changed.

Details of the Group's HS&E record are disclosed on page 41.

Effective Control Over Subsidiaries

Group subsidiaries operate within a control framework with a degree of autonomy vested in local management. Autonomy incurs the risk of local decisions being made outside the parameters of the Board's strategies and policies, possible breaches of the Group's Code of Conduct and a general ineffectiveness by local management to conduct business in a manner that furthers the interests and profitability of the Group.

Controls and Actions
Each subsidiary is subject to regular assessment that includes Board and management meetings, regular reporting and frequent contact. Compliance is further checked by internal audit. The Group is also subject to external audit.

A conference of senior management is held annually in which key business operations are discussed and challenged.

Senior managers at the Group's subsidiaries remain aware of their responsibilities to corporate governance and the Group's own operational policies.

Movement in Year
No concerns were raised by the Board during the year.

Fluctuation in Currency Exchange Rates

Many of the Group's businesses import or export goods and services and may have to transact in currencies other than their own functional currency. This exposes the Group to currency fluctuations that could affect reported results and the local carrying values of assets and liabilities.

In addition, the Group's consolidated financial statements are subject to currency fluctuations arising on the conversion of each business's financial statements into the Group's presentational currency.

Controls and Actions
The Group monitors each business's forthcoming exposure to foreign currency transactions using weekly forecasts of funding and currency requirements. Exposures may be hedged, fully or partly, with primary and derivative financial instruments up to 18 months forward.

The functional currency of each business is regularly assessed by local and central management and accounting records are re-configured when the functional currency changes.

Senior management review the currency profile of the Group's budgets and forecasts to assess the exposure to currency risk arising from retranslation of subsidiary financial statements. Derivative financial instruments may be acquired to mitigate this translation risk.

Movement in Year
Having changed the presentation currency to US dollars, the risk of annual volatility in Group consolidated results due to exchange rate movements has been significantly reduced.

Corporate and Social Responsibility

As an international services provider, Hunting relies on its reputation within the energy industry. The relationships developed with stakeholders are critical to our business success and in order to ensure the continuing growth of the Group we constantly evaluate ways to strengthen our links with investors, customers, suppliers, employees, governments and the communities in which our businesses operate.

The responsibility for building and maintaining our reputation with stakeholders extends from the Board, to our executive management and to those employees working at an operational level. Hunting continues to update and introduce policies on governance, business conduct, bribery and corruption and most recently human rights.

Further details on the Group's governance framework can be found within the Corporate Governance Report on pages 50 to 53.

The Board believes that the combined policies covering these areas continued to remain effective during the year. The Board also believes that the policies in place covering other key areas such as human rights, bribery and corruption and compliance with laws and regulations remained effective in the period.

Code of Conduct

Through the Group's Code of Conduct Hunting has published the basis on which our employees interact with our customers and suppliers around the world. Our commitment to do business in an ethical and transparent way enables Hunting to occupy a position of trust with our partners. As part of our established procedures, the Code of Conduct is sent to all major trading partners around the world.

Human Rights

Hunting is committed to upholding the Human Rights of all individuals and in March 2014 published its global Human Rights Policy which is incorporated within the Group's Code of Conduct.

This policy extends to:

- providing a safe working environment for all employees and contractors;
- respecting the rights of the individual with a zero tolerance to any form of discrimination, harassment or bullying;
- providing training and development programmes to our global workforce;
- not employing child labour;
- promoting good relationships with the communities in which we operate;
- operating in an environmentally aware manner.

Investors

Communicating performance and future strategy with the Group's shareholders is of key importance to the Board of Directors. Communications include press releases issued to the London Stock Exchange, industry analyst and institutional investor presentations and webcasts and interacting with shareholders at general meetings of the Company. Other communications include an in-house corporate publication, the Hunting Review, which is published twice a year.

Regional training centres

"Our commitment to training in support of a world class workforce is essential for individual personal development, teamwork and to ensure that we develop the right skills for the next generation."

Attracting high quality candidates to the oil and gas industry means having the right resources to create an environment that values continued learning, advancement and fulfilment. A looming skills gap is evident within the industry and the Group has a responsibility to ensure that the right skills sets are not just maintained but raised for future success.

Amongst a strategic mix of programmes designed to engage employees in their respective workplaces, the Group has also opened three dedicated Regional Training Centres in Singapore, Houston, and Oklahoma City to reinforce training standards across the Group.

Training programmes and modules have been developed to meet the Group's specific needs. Classroom instruction for theoretical grounding is complemented by practical hands-on training in the centres workshops. The emphasis was initially to train the trainers who could coach and offer on-the-job, site specific guidance. Further e-learning modules have been customised to meet key industry standards and along with company assessment and qualifications, provide industry accepted accreditation.

Classroom, workshop and e-learning are part of a standardised training strategy.

Corporate and Social Responsibility *continued*

The Company is quoted on the London Stock Exchange and has a premium listing status, indicating its commitment to the UK's highest standards of regulation and corporate governance as published by the Financial Conduct Authority. The Company is also required to comply with UK Company Law and the laws and regulations of the jurisdictions in which it operates.

Customers and Suppliers

Hunting's customers and suppliers are an integral part of the success of the Group. Developing our relationships with these partners is essential to our long-term growth. The Hunting way of doing business is summarised in the Code of Conduct, with openness and transparency being key components of our reputation with long-term business partners.

Hunting PLC is a signatory to the UK government's Prompt Payment Code and is committed to making timely payments to our suppliers, providing transparency and certainty to our business partners.

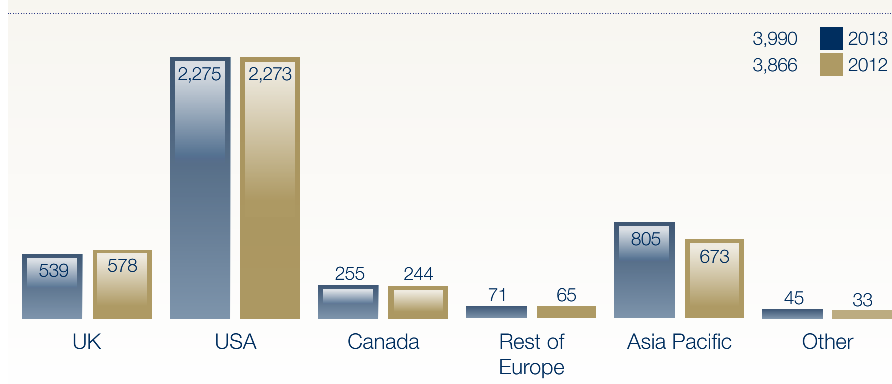
In order to promote its standing within our industry sector, Group companies hold memberships with a variety of organisations including:

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

Employees

Our people are our most valuable asset and the Group recognises that its success and reputation depends upon their efforts, integrity and commitment. Our people create Hunting's competitive edge and ensure that our customers' expectations are met. 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.

Geographic split of employees 2012–2013



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

At 31 December 2013, the Group had 3,990 employees (2012 – 3,866) with the geographical split shown in the chart above.

Hunting believes that employing the right people is only the start of the relationship between an employee and employer. The Group seeks to adhere to all relevant local and jurisdictional laws covering employment 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 and to recruit high quality candidates. This remains a major challenge for the oil and gas industry. Hunting has cultivated a supportive environment that promotes development, learning and advancement to ensure that its employees realise their potential. Long service is a feature of the Group's employment profile and recognition is given through service award programmes across the Group.

Thirty years' service is not an uncommon attribute. The Group believes that providing additional benefits to staff encourages the best performance from our people. The majority of 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 and to encourage employees to participate in the ownership of the Company.

The Board has an established "whistle-blowing" procedure for any employee wishing to raise, in confidence, any concerns they may have about possible financial improprieties, or other matters, with the Chairman or Senior Independent Director. During 2013 an independent and confidential whistle-blowing reporting service operated by Safecall Limited was commissioned with contact details communicated to all employees.

Diversity

Hunting's diversity policy is detailed within the Corporate Governance Report. The Group adheres to these principles to ensure equal opportunities are given to its global workforce across the whole spectrum of diversity areas, including gender.

"Hunting's customers and suppliers are an integral part of the success of the Group and developing our relationships with these partners is essential to our long-term growth."

Hunting's Gender Balance

	Total number of officers/ employees	Number of males %	Number of females %
Senior Management	162	92	8
Whole Workforce	3,990	83	17

The London corporate office participates in local charitable activities, supplemented by charitable donations given by the Chairman's Charitable Trust.

The Group's gender diversity is represented in the table below.

Hunting's senior management is defined as those employees who have influence in the daily running of the Group's major operational businesses and activities, including the number of persons who were directors of the undertakings included in the consolidation.

Hunting's Board currently comprises a small and all-male Board of six Directors with no female representation. As noted in the Corporate Governance Report, the Board of Hunting will appoint a female Director as soon as is practical taking into account the need to periodically refresh the Board.

Community

Hunting's commitment to the communities in which it operates extends on many fronts. The Group participates in a number of initiatives and events which raise money for charities and community projects around the world. In 2013, many Hunting employees participated in local charitable events with associated corporate support.

The Hunting Art Prize is an annual event hosted in Houston which supports local community organisations. In 2013, the Art Prize supported the charity New Danville, a self-sustaining community dedicated to providing adults with intellectual and development disabilities an opportunity to live, work, and grow with their non-disabled peers. In 2014, Hunting's chosen charity is Patriot PAWS Service Dogs. Patriot is dedicated to training dogs to assist disabled service veterans and others with mobile disabilities.

The Group also makes donations to various UK charities through the Chairman's charitable trust committee, which comprises the Chairman and former Hunting employees. In 2013, assistance was granted to 36 charities.

During 2013, the Group donated $0.5m (2012 – $0.3m) to charities.

Health and Safety

The Group operates from 41 principal manufacturing facilities and 34 service and distribution points across the globe and all are 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, documented and reported at Board level.
- Appropriate training and education of all staff.
- A detailed combined policy on health, safety and environmental matters, which can be found on the Company's website www.huntingplc.com.

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

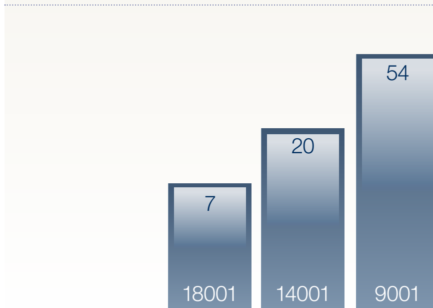
The Group's target is to achieve zero recordable incidents. Each local business is required to develop tailored policies to suit their environment. These incorporate the Group's approach to putting safety first and, at a minimum, to comply with local regulatory requirements. Training is given to every employee, throughout the Group.

During the year, there were no fatalities across the Group's operations with 63 recordable incidents (2012 – 82). The incident rate, as calculated from guidance issued by the Occupation Safety and Health Administration in the US, was 1.54 compared to 1.94 in 2012. The industry average incident rate in 2013 was 7.0 (2012 – 5.6).

Corporate and Social Responsibility *continued*

Marshall Harris is announced as the winner of the annual Hunting Art Prize for his work 'Round Up'.

ISO Accreditation
(% of manufacturing facilities)



Quality and Manufacturing Excellence

The Group is committed to enhancing its production and operational quality with a number of facilities being certified ISO 9001 (quality), 14001 (health and safety) and 18001 (environmental) compliant, indicating that globally recognised standards and systems are in place.

More facilities across the Group are working towards these accreditations, continuing the Group's commitment to monitoring and reducing the environmental impact of its operations and increasing HSE standards.

Operational and production excellence is a key feature of our relationship with customers, therefore quality assurance for each component manufactured is a key indication of our drive to be an industry leading provider of critical components and measurement tools.

In 2013, 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.

The Group continuously strives to gain leadership in areas of technology relevant to the Group's products and at the year end had 338 active patents.

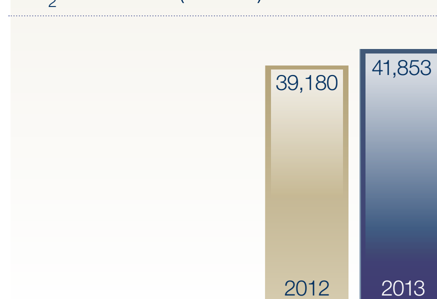
Environment

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 minimum.

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 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.



The Group monitors and collects data relating to its greenhouse gas emissions from across its operations and submits data to the UK's Carbon Disclosure Project.

In compliance with the Climate Change Act (2008) each business unit across the Group has reported scope 1 and 2 emissions to provide a consolidated total of each source of greenhouse gas emissions for the year ended 31 December 2013. Scope 1 emissions result from direct sources such as fossil fuels consumed onsite. Scope 2 emissions are indirect emissions such as electricity consumed by a business. The reporting basis for emissions has been presented on an operational control basis, with data collected on the six greenhouse gases highlighted by the Kyoto Protocol. Total emissions are converted to a carbon dioxide equivalent figure, using the methodologies and conversion factors detailed in the UK government's Environmental Reporting Guidance as published by DEFRA (www.gov.uk/defra) in June 2013.

The following table details Hunting's scope 1 and 2 emissions:

CO_2 equivalent emissions (tonnes)

	2013	2012*	*% change*
Scope 1	8,309	9,061	*–8*
Scope 2	33,544	30,119	*+11*
Total controlled emissions	41,853	39,180	*+7*

*2012 emissions have been restated following publication of revised factors by DEFRA.

The Group also collects mains water usage data and in 2013 consumed 195k cubic metres (2012 – 169k cubic metres) of water.

The Group's emissions are primarily a function of the production activity within its operating facilities, therefore the Group's facilities square footage has been adopted as the basis of the intensity factor presented below:

	2013	2012	*% change*
Total controlled emissions (tonnes)	41,853	39,180	*+7*
Facilities footprint ('000 square feet)	2,763	2,705	*+2*
Intensity Factor	15.2	14.5	*+5*

2013 has seen the Group continue to develop and enhance its relationships with all stakeholders with a commitment from all levels of the Group to deliver value for its partners in the long term.

Dennis Proctor
Chief Executive

Peter Rose
Finance Director

6 March 2014

Board of Directors

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 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 & Harefield 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 in 1997 prior to which he held senior financial positions with Babcock International.

Board Subcommittee Membership

	Audit Committee	Nomination Committee	Remuneration Committee
Executive Directors			
Dennis Proctor	–	✔	–
Peter Rose	–	–	–
Non-executive Directors			
Richard Hunting	–	✔	–
John Hofmeister	✔	✔	✔
John Nicholas	✔	✔	✔
Andrew Szescila	✔	✔	✔

John Hofmeister
Non-executive Director

Was appointed a non-executive Director in 2009 and is the Company's Senior Independent Director. A US citizen resident in Houston, Texas. He is the founder and chief executive officer of the Washington D.C. registered not-for-profit Citizens for Affordable Energy Inc, and a non-executive director of Camac Energy Inc and Applus. 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 Certified Accountants and is a member of the UK Financial Reporting Review Panel. He is currently a non-executive director of Diploma 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 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 Officer of Baker Hughes Inc.

Report of the Directors

The Directors present their report, together with the audited consolidated financial statements for the year ended 31 December 2013.

Principal Activities and Strategic Report

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 are set out in note 42. A full list of the Company's subsidiaries will be incorporated into the 2014 Annual Return.

The Strategic Report, which is set out on pages 2 to 43, provides a comprehensive review of the development, performance and future prospects of the business for the year ended 31 December 2013 (pages 20 to 33). The information set out includes a description of the Company's strategy and business model (pages 6 to 13), the principal risks and uncertainties facing the Group (pages 34 to 37), key performance indicators (pages 14 and 15) and key information about environmental matters, the Company's employees and community issues. These sections, including the Corporate Governance Report on pages 50 to 53, are deemed to form part of this report.

Results

The results of the Group are set out in the Consolidated Income Statement on page 84.

From 1 January 2013, Hunting PLC has changed the currency in which it presents its consolidated financial statements from Sterling to US dollars. In addition the functional currency of the Company has changed to US dollars. See note 1 for further details.

Dividends

The Directors, subject to approval by shareholders at the Annual General Meeting of the Company to be held on 16 April 2014, recommend a final dividend of 21.8 cents per share (2012 – 21.3 cents), which together with the interim dividend of 7.7 cents (2012 – 7.1 cents), takes the total dividend for the year to 29.5 cents per share (2012 – 28.4 cents), an increase of 4%. The final dividend will be paid on 27 May 2014 to shareholders on the register at the close of business on 2 May 2014.

Changes in the Group and its Interests During the Financial Year

On 29 May 2013, the Group purchased the assets of XL Perforating Partnership, a distributor of perforating products in Western Canada, for a consideration of $8.7m. Further details can be found in note 41.

Post Balance Sheet Events

There are no disclosable post balance sheet events.

Annual General Meeting

The Annual General Meeting of the Company will take place on Wednesday 16 April 2014 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:

- approve the Directors' Remuneration Policy;
- approve the Annual Report on Remuneration; and
- approve the new 2014 Hunting Performance Share Plan.

Further details of the resolutions and voting procedures are set out in the Notice of Annual General Meeting.

Shareholders can vote by completing the form of proxy sent with the Notice of Meeting, or by submitting votes electronically via the Registrars' website www.sharevote.co.uk or via their online portfolio service, Shareview, if registered as a member. Alternatively, shares held in CREST may be voted through the CREST Proxy Voting Service. To be valid all votes must be received no later than 48 hours before the time set for the meeting.

Directors

The biographies of the Directors of the Company as at 31 December 2013 are set out on pages 44 and 45 of this report. As recommended by the UK Corporate Governance Code, all Directors will submit themselves for re-election at the Company's Annual General Meeting.

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 74.

As at 31 December 2013, no Director of the Company had any beneficial interest in the shares of subsidiary companies.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Board. The Directors have been authorised to allot and issue Ordinary shares and to disapply statutory pre-emption rights. These powers are exercised under authority of resolutions of the Company passed at its Annual General Meeting. During the financial year ended 31 December 2013 693,519 Ordinary shares were issued pursuant to the Company's various share plans.

Further, the Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 22,042,681 shares. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury.

These powers are effective for 15 months from the date of shareholder approval, or up to the next general meeting where new authorities are sought.

The Directors will be seeking new authorities for these powers at the 2014 Annual General Meeting.

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.

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.

Share Capital

The Company's issued share capital comprises a single class, which is divided into Ordinary shares of 25 pence each, details of which are set out in note 32 of the financial statements. All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects. As at 31 December 2013, there were 147,742,760 Ordinary shares in issue. The rights and obligations attached to these shares are summarised below 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 detailed in note 32 of this report.

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. None of the Ordinary shares carry any special rights with regard to control of the Company. Proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting.

A shareholder can lose 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.

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

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

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.

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.

Employee Share Trust

The Hunting Employee Share Trust was established on 5 June 1996 as a vehicle to satisfy shares options and awards granted to employees who participate in the share-based incentive schemes run by the Company. At 31 December 2013 the Trust held 986,731 Ordinary shares in the Company (2012 – 986,731). The Trust has elected to waive its voting rights and all dividends attached to the shares held. The Trust has a policy to purchase shares in the market or subscribe for new shares to meet future requirements of these incentive schemes. During the year, the Trust subscribed for 486,700 Ordinary shares with an aggregate nominal value of $0.2m. The total consideration was $7.0m.

Details of the employee share schemes can be found in the Directors' Remuneration Policy on pages 64 and 65 and in note 37.

Report of the Directors *continued*

Substantial Interests

As at 31 December 2013 pursuant to the Disclosure and Transparency Directive, issued by the Financial Conduct Authority, the major shareholders of the Company are as follows:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
AXA group of companies		16,423,868	11.1%
Hunting Investments Limited	(i)/(iv)	10,884,743	7.4%
Mirabaud Investment Management		6,918,611	4.7%
Slaley Investments Limited		6,411,679	4.3%
Threadneedle Asset Management		6,212,332	4.2%
F Godson – as trustee	(ii)	5,722,170	3.9%
Norges Bank Investment Managers		5,635,895	3.8%
Royal London Asset Management		4,801,174	3.2%
Franklin Templeton Fund Management		4,340,000	2.9%
Legal & General Investment Management		4,229,029	2.9%
BlackRock group of companies		4,142,297	2.8%
Standard Life Investments		4,038,384	2.7%
J Trafford – as trustee	(ii)	3,541,281	2.4%
F&C Asset Management		3,172,512	2.1%
Henderson Global Investors		2,779,310	1.9%
David RL Hunting		199,910	0.1%
– as trustee	(ii)	2,549,117	1.7%
– other beneficial	(iii)	2,484,583	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 6,025,864 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 (Chairman of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.

Greenhouse Gas Emissions

The Group's greenhouse gas emissions for 2013 total 41,853 tonnes (2012 – 39,180 tonnes). For further details please see page 43 of the Strategic Report.

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount incurred by the Group during the year was $0.6m (2012 – $2.7m).

Political Contributions

It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2012 – $nil).

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 Directors' Remuneration Policy contained within pages 66 and 67.

Going Concern

The Group has a broad range of products and services, a large portfolio of production and storage facilities, a sufficiently diverse global customer and supplier base and meets its day-to-day working capital requirements through its cash and debt facilities.

The Group has limited exposure to the Eurozone or other regions that are perceived as high risk or exposed to the direct impact of austerity measures. The Group also retains limited exposure to credit risk as it has strong, well-developed relationships with its major customers and maintains insurance cover for 96% of its trade receivables.

In conducting its review of the Group's ability to remain as a going concern for the foreseeable future, the Board assessed the Group's recent trading position and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the Group's current business model, its strategy, the principal risks and the potential financial impact of the estimates, judgements and assumptions that were used to prepare

these financial statements. The Board is satisfied that all material uncertainties have been identified and they are not considered to be sufficiently material to impact the financial viability of the Group.

The Group has access to considerable financial resources including a $621.1m (£375m) committed bank facility. The main financial covenants (note 35) attached to this facility are (1) EBITDA should not be less than four times net finance charges, and (2) net debt should be no more than three times adjusted EBITDA. The Group continues to have significant headroom over both covenants.

The Board is satisfied that it has conducted a robust review of the Group's foreseeable future and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due, will be able to sustain its operational requirements and will remain solvent during that period. Consequently the Board continues to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Independent 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 16 April 2014.

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.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Audit and Remuneration Committee Reports and the financial statements in accordance with applicable laws and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

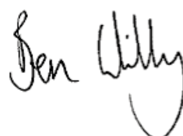
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements and the Remuneration Committee Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Group and the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's website, www.huntingplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pursuant to the Financial Conduct Authority's Listing Rules, Disclosure and Transparency Rules and the UK Corporate Governance Code, each of the Directors, whose names and responsibilities are listed on pages 44 and 45, confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and of the Company;
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy;
- the Strategic Report on pages 2 to 43 comprising the Group Performance Summary and Corporate and Social Responsibility Report, includes a fair review of the development and performance of the Group's operations and the year-end position of the Group and the Company, together with a description of the principal risks and uncertainties they face. The Strategic Report also details the Group's policies on human rights, gender balance and its scope 1 and 2 greenhouse gas emissions.

By Order of the Board



Ben Willey
Company Secretary
6 March 2014

Corporate Governance Report

"It is with great pleasure that I introduce to you our Corporate Governance Report for 2013. During the year the Board implemented new procedures following publication in 2012 of the revised UK Corporate Governance Code and Guidance for Audit Committees.

Attention is now placed on a tendering process for the appointment of the Group's external auditor. The Board, on recommendation of the Audit Committee, believes that a tender process is not necessary at present due to the thoroughness and effectiveness of the audit completed in the year. Commentary supporting this is provided in the Audit Committee Report.

The Board spent time during the year considering its plans for management succession. Stability within the senior managers and executive Director levels of the Group is of primary concern to the Board, therefore management succession will be a regular agenda topic at future Board meetings. This is to ensure the development of our key personnel at all levels is achieved which is key to supporting the long-term viability of the Group."

Richard Hunting C.B.E., Chairman

UK Corporate Governance Code

This report, 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 2012 and how the principles of the Code have been applied during the year.

The Company was fully compliant with the Code's provisions throughout the year, except with regard to the Code's request to put the external audit contract out to tender at least every 10 years. For the reasons stated in the Audit Committee Report on page 80, the Board believes appropriate measures are in place to ensure the audit undertaken by PricewaterhouseCoopers LLP is effective and remains independent.

Compliance with the revised principles relating to Directors' remuneration is reported within the Remuneration Committee Report on pages 54 to 77 and the activities of the Audit Committee are reported on pages 78 to 80.

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, including the Senior Independent Director. The Directors, together with brief biographical details, are identified on pages 44 and 45.

The division of responsibilities between the Chairman and Chief Executive is set out in writing and agreed by the Board. This composition, with a separate Chairman and Chief Executive, ensures a balance of responsibilities and authorities.

All independent non-executive Directors are appointed to the Company's Nomination, Audit and Remuneration Committees. Non-executive Directors' letters of appointment include details of their duties and expected time commitments required.

Excluding the Chairman, 60% of the Board is currently comprised of independent non-executive Directors. Mr Hunting, the Company's non-executive Chairman, is not regarded as independent, given his former executive position since joining the Company in 1989.

The Company has procedures in place to deal with potential conflicts of interest whereby actual and potential conflicts of interest are reviewed, and appropriate authorisation sought, prior to the appointment of any new Director or if a new conflict arises with an existing Director. In accordance with the Articles of Association, only non-conflicted Directors are involved in the authorisation process. The Board is of the view that these procedures operated effectively throughout the year. The Group operates a decentralised management structure to allow for rapid responses to business matters. A framework of controls with discretionary limits and powers for local management is contained within a group manual.

Appointment and Replacement of Directors

Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association. Directors are appointed by the Company by ordinary resolution at a general meeting of ordinary shareholders or by the Board on the recommendation of the Nomination Committee. The Company may also remove a Director. Additional details of the workings of the Nomination Committee are set out on page 53.

Following the Code's guidance on the election of Directors, all members of the Board submit themselves for re-election at each Annual General Meeting of the Company.

The non-executive Directors are initially appointed for a three year term with subsequent reappointment conditional upon an appraisal and review process. Letters of appointment for each of the independent non-executive Directors and non-executive Chairman are available from the Company upon request and their terms of appointment are summarised on page 66. Details of the executive Directors' service contracts are set out on page 66.

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.

On appointment to the Board, each Director receives an introduction to the Group tailored to their experience and needs including site visits. All Directors have access to the Company Secretary and to independent professional advice, at the Company's expense, in the furtherance of their duties. Directors are encouraged to maintain their skills and knowledge to best practice standards and, where appropriate, attend update training courses on relevant topics. During the year, the Chairman held meetings with the non-executive Directors without the executive Directors being present and also met each individual Director to discuss training and development requirements.

The Company Secretary, through the Chairman, is responsible for keeping the Board 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.

Annual Performance Evaluation

During 2013, the Board completed an internal performance evaluation exercise, which comprised of a detailed questionnaire on its operation and practices and that of the subcommittees of the Board. The findings from the questionnaire were presented by the Chairman to the Board at its March 2014 meeting.

The performance of the Chairman was evaluated by the non-executive Directors, led by the Senior Independent Director. The independent non-executive Directors evaluated the performance of the individual executive Directors, with feedback being provided to the Chairman and then to the respective Directors. The performance of the non-executive Directors and that of the subcommittees of the Board was assessed by the executive Directors.

As recommended by the Code, the Board appoint external facilitators every three years to complete a Board performance evaluation. The next external evaluation will take place in 2015.

Board and Committee Meetings

The Board's powers and authorities under which they act and as detailed in the Company's Articles of Association are contained within the Report of the Directors on pages 46 and 47.

The Board normally holds six formal meetings each year. Meeting dates are set a year in advance. Attendance by each of the Directors at Board or subcommittee meetings is detailed below.

The duties and responsibilities of the Board and its subcommittees are formally agreed by the Board in writing.

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 and assess the effectiveness of the Group's system of risk management and internal control;
- approve all Stock Exchange announcements;
- approve the full and half year financial statements, including the declaration of dividends;
- consider the Group's commercial strategy and approve the annual budget; and
- consider recommendations of the Board subcommittees including Board remuneration, appointments and their terms of reference.

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 March 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.

During the year, the Board reviewed the major Stock Exchange announcements issued by the Group, including the full and half year results, and concluded that the information presented was a fair, balanced and understandable assessment of the affairs of the Group.

Corporate Governance Report *continued*

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings held in 2013	6	4	Nil	5
Number of meetings attended:				
Richard Hunting	6	–	–	–
Dennis Proctor	6	–	–	–
Peter Rose	6	–	–	–
John Hofmeister	6	4	–	5
John Nicholas	6	4	–	5
Andrew Szescila	6	4	–	5

Internal Control

The Board acknowledges its responsibility for monitoring the Group's system of internal control, for reviewing its effectiveness and for compliance with the Turnbull guidance, now incorporated into the Code. The internal control system, which has been in place throughout 2013 and up to the date of approval of these accounts, is an ongoing evolutionary 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.

During the year there were no material changes to the internal control procedures described above.

Institutional Shareholders

The Company uses a number of processes for communicating with shareholders, including stock exchange announcements, the annual and half year reports and webcasts, 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 of the Remuneration Committee met with key shareholders to discuss the implementation of the new 2014 Hunting Performance Share Plan. As part of this engagement, the Directors' Remuneration Policy was presented to key shareholders ahead of seeking approval at the Annual General Meeting of the Group to be held in April 2014.

The Chairman and Senior Independent Director also 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 48.

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 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, balance and skills required of Board members. The Committee did not formally convene in the year; however, as noted above, the Board discussed management succession and diversity at its August meeting, where all key roles were debated.

The Board has considered the recommendations of the Davies Report (Women on Boards) and in 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 in the short term Hunting will be compliant with the recommendations of the Davies Report and its update in 2013.

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 of an appropriate gender balance for consideration by the Nomination Committee;
– a target of at least one female Director of the Company when practicable; and
– a periodic review by the Nomination Committee of its progress in complying with the Davies Report's recommendations.

Remuneration Committee

The Remuneration Committee comprises solely the independent non-executive Directors of the Company and is chaired by Andrew Szescila.

The Committee convened five times during the year and 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.

Details of the Committee's activities are contained within its Report on pages 54 to 77. The Report follows the new disclosure requirements published in 2013 and contains a Statement from the Chairman of the Remuneration Committee, the Directors' Remuneration Policy and an Annual Report on Remuneration. Both the Policy and Annual Report will be tabled for a shareholder vote at the Company's Annual General Meeting in April 2014.

Audit Committee

The Audit Committee comprises exclusively of the independent non-executive Directors of the Company and is chaired by John Nicholas. Details of the Audit Committee's activities are contained within its report on pages 78 to 80.

By Order of the Board

Richard Hunting, C.B.E.
Chairman
6 March 2014

Remuneration Committee Report

For the year ended 31 December 2013

"During the year the Committee reviewed the remuneration and incentive programmes in place for the executive Directors and the senior management team, to ensure they remain fairly remunerated for their contribution to the continuing success of the Company.

The Committee is of the view that the principles and policies encompassed within the following report are fitting and appropriate to Hunting given its international spread of operations and in particular its focus on the North American market place. The Committee commends the Policy and the Annual Report on Remuneration to you.

The Committee consulted with shareholders on all of these proposals and following amendments provide full details of the future Policy in the following report to be approved by shareholders at the Company's AGM in April 2014."

Andrew Szescila, Chairman of the Remuneration Committee

Annual Statement from the Chairman of the Remuneration Committee

Introduction

The Directors' Remuneration Policy and Annual Report on Remuneration that follow reflect the Remuneration Committee's (the "Committee") work undertaken during the year, and their commitment to comply with the requirements of the amended Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Directors' Remuneration Policy (the "Policy") sets out the framework for Directors' remuneration which will apply from April 2014 subject to shareholder approval. The Annual Report on Remuneration shows how the proposed Policy's principles were applied during 2013. Both the Policy and Annual Report on Remuneration will be individually tabled for shareholder approval at the Annual General Meeting ("AGM") of the Company to be held on 16 April 2014.

During the year the Committee reviewed the remuneration and incentive programmes in place for the executive Directors and the senior management team, to ensure they remain fairly remunerated for their contribution to the continuing success of the Company.

An ongoing issue which faces the Committee is the ability to attract and retain experienced executives in the geographic territories in which the Company operates. Therefore, the Committee ensures that appropriate competitor and market peers are identified when reviewing relevant remuneration survey data. Following consultation with external advisers and key shareholders, the remuneration framework set out within the Policy and Annual Report which follow reflect levels of remuneration which are considered necessary to enable Hunting to compete in this market place – the Committee fully endorses this framework.

Major decisions and substantial changes to remuneration made by the Committee in 2013

- **Salary review** – the Committee decided to increase the base salary of the Finance Director to reflect his strong performance in role and to bring his salary in line with Policy.
- **Review of performance in 2013** – the fixed and variable components of remuneration reported within the Annual Report on Remuneration have been reviewed by the Committee and reflect Policy.
- **Design of the new 2014 Hunting Performance Share Plan** – following expiry of the 2004 Long Term Incentive Plan ("LTIP") and cancellation of the 2009 Performance Share Plan ("PSP"), the Committee is tabling a new Hunting Performance Share Plan (the "Hunting PSP") which encompasses a number of performance targets for approval at the AGM in 2014. The Hunting PSP forms part of the Company's ongoing Policy, details of which are set out in the reports that follow.
- **Design of the Directors' Remuneration Policy** – the Board has reviewed the remuneration framework for both the executive and non-executive Directors and has finalised the future Policy to be approved at the AGM in 2014.
- **Implementation of a Personal Performance Adjustor to the Annual Bonus Plan** – the Committee has reviewed the mechanism to apply discretion to the Annual Bonus and are introducing a personal performance adjustor which allows the Annual Bonus to be reduced to zero or to be increased by a factor of 1.25 times. The adjustor will be applied subject to the Committee setting individual performance targets and their delivery at the end of each financial year. However, the Committee will not award a bonus above the current plan maxima.
- **Modified Stock Ownership Requirements** – the Committee has reviewed a number of mechanisms to enhance the retention of shares under award to key employees and to align all award participants with the long-term interests of shareholders. It is proposed that the enhanced Stock Ownership Requirements be introduced during 2014.

The Committee consulted with shareholders on all of these proposals and following amendments provides full details of the future Policy in the following report to be approved by shareholders at the Company's AGM in April 2014.

Performance and Context of Remuneration awarded in 2013

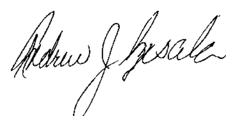
The Group reported underlying profit before tax of $196.1m which was 98% of the Annual Budget approved by the Board in December 2012. Return On Capital Employed was 94% of the Annual Budget. Using the formulae contained within the approved Annual Bonus Plan bonuses were paid of $647,285 and $238,684 to the Chief Executive and Finance Director respectively.

Following measurement of the Total Shareholder Return performance condition, a zero vesting of the grants made in 2011 under the rules of the PSP was recorded. The 2011 awards to the Chief Executive and Finance Director therefore lapsed with no payments made to either executive.

At 31 December 2013, the accumulated incentive pool under the rules of the LTIP was $12.2m, resulting in awards of $2,674,732 and $657,479 to the Chief Executive and Finance Director respectively.

Further details of the emoluments of the executive Directors can be found within the Annual Report on Remuneration on pages 70 to 77.

The Committee is of the view that the principles and policies encompassed within the following report are fitting and appropriate to Hunting given its international spread of operations and in particular its focus on the North American market place. The Committee commends the Policy and the Annual Report on Remuneration to you.



Andrew Szescila
Chairman of the Remuneration Committee
6 March 2014

Directors' Remuneration Policy

Policy Overview

This report outlines the Directors' Remuneration Policy (the "Policy") framework proposed by the Hunting Board for the executive and non-executive Directors of the Company which will be applied by the Company following approval by shareholders with remuneration before this date being in line with the principles of this Policy.

The Policy for executive Director remuneration is designed to comply with the principles of the UK Corporate Governance Code and amendments to the Companies Act 2006 regarding remuneration and to ensure that each Director is attracted, retained and motivated to promote and achieve the long-term success of the Group. The Policy is divided between fixed and variable incentives and is structured to link total reward to both corporate and individual performance. The remuneration structures of the Chief Executive and Finance Director are based on externally benchmarked data aimed at providing the executive Directors with competitive levels of remuneration.

Non-executive Director fees are set at levels which take into account the time commitment and responsibilities of each role. Given the small size of the Hunting Board, each non-executive Director is required to give an above average time commitment to Group matters, which is reflected in the annual fees paid. The fees are benchmarked to other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors.

Fixed Emoluments

Fixed emoluments to the executive Directors comprise of base salary, benefits including healthcare insurance, the provision of a company vehicle and fuel, and pension contributions suitable to the geographic location of the executive. Base salaries are aimed at the market mid-point.

Variable Emoluments

Variable emoluments comprise of an Annual Bonus and participation in a number of long-term incentive schemes, as detailed in the following Policy.

The Remuneration Committee (the "Committee") applies the Group's Budget, agreed annually at each December meeting of the Board, to benchmark the performance-linked annual cash bonus which is indexed to the Group's actual performance against Budget. From 2014, the bonus award may be subject to adjustment through the application of a personal performance adjustor, which recognises the delivery of individual targets set by the Committee.

Awards under the 2009 Performance Share Plan ("PSP") begin to vest when the Total Shareholder Return of the Company is at the median of the peer group. Awards under the 2004 Long Term Incentive Plan ("LTIP") are designed to pay out when the increase in average shareholder funds of the Group exceeds demanding long-term growth targets. Existing awards to the executive Directors for these long-term incentive schemes will continue to 2016, following measurement of the respective performance conditions.

New 2014 Hunting Performance Share Plan (the "Hunting PSP")

Following a review of the PSP and the LTIP and reflecting the Committee's drive to ensure the incentive plans in place remain fair and demanding, a new long-term incentive plan, the Hunting PSP, has been developed to replace both the PSP and LTIP. The executive Directors will receive awards over Hunting shares which will vest after three years, subject to performance conditions. Awards under the Hunting PSP for the executive Directors will be equally apportioned into three categories with each category subject to a performance condition: (i) relative total shareholder return ("TSR"), (ii) absolute growth in earnings per share ("EPS") and (iii) average return on capital employed ("ROCE"). Subject to approval by shareholders, the first awards under the Hunting PSP will be made to the executive Directors and senior managers of the Group after the April 2014 Annual General Meeting, with the first vesting of these awards to occur in 2017.

Enhanced Stock Ownership Requirements

In parallel to the introduction of the Hunting PSP, the Committee has considered ways to enhance share ownership and improve the alignment of participants in Hunting's long-term incentive schemes with shareholders. Subject to the approval of the Policy, enhanced Stock Ownership Requirements will be implemented in Hunting's long-term incentive arrangements, with the Chief Executive required to maintain a minimum holding of shares in the Company equal to a market value of 500% of base salary; the Finance Director a minimum holding of 200% of base salary and the non-executive Directors a minimum holding of 100% of annual fees. Other executives of the Group will be required to build and maintain a minimum holding of shares in the Company equal to a market value of between 100% to 200% of base salary. To achieve these requirements the guidelines require the retention of all vested share awards, following the payment of relevant taxes, until the ownership level is achieved.

Amendments to the Policy

The oil and gas industry is increasingly a competitive market place, therefore recruiting and retaining the right individuals to deliver long-term shareholder growth is subject to increasingly challenging market conditions. As a result, the Committee intends to keep the Policy under review, and will make any necessary revisions only after appropriate consultation and approval from shareholders has been received.

Statement of Disclosure of Performance Targets

The annual performance-linked cash bonus plan is measured against performance targets based on underlying profit before tax ("PBT") and ROCE values contained within the Group's Annual Budget. In the opinion of the Directors, this budget/target information is commercially sensitive and would be prejudicial to the competitive interests of the Group. Retrospective disclosures on the corporate performance against the Annual Budget will be provided in the Annual Report on Remuneration.

Remuneration Committee Discretion

The Committee has reviewed the policies for Director remuneration and proposes that discretion within the new framework will be limited to the following areas:

- annual base salary and fee reviews of the Directors;
- application of the personal performance adjustor to the annual cash bonus;
- application of the annual cash bonus following the exit of a Director;
- composition of the comparator group for the Hunting PSP;
- setting the performance targets for the Hunting PSP; and
- specific recruitment considerations if new Directors are appointed.

Where discretion is applied, the Committee will disclose the rationale for the application of discretion. Further details are provided within the following policy section.

Directors' Remuneration Policy *continued*

Executive Director Remuneration Policy Table

Fixed Emoluments

Remuneration Component – *Base Salary*

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– Retain and reward executives with the necessary skills to effectively deliver the Company strategy.	– Base salaries are set at competitive rates which take into account the individual's country of residence and primary operating location as well as companies in the same market segment. – Aimed at the market mid-point. – Annual increases take into account inflation in the UK, US and increases across the total workforce. – Relocation and tax equalisation agreements are also in place for employees working across multiple geographic jurisdictions.	– There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in responsibility, and/ or specific retention issues.	N/A

Remuneration Component – *Pension Arrangements and Benefits*

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– Provide normal pension and benefit schemes appropriate to their country of residence. – Each executive Director is provided with healthcare insurance and a company car with fuel.	– The Group contributes on behalf of the Chief Executive (currently resident in the US) to a US 401K tax deferred savings plan and an additional deferred compensation scheme. – The Group contributes on behalf of the Finance Director (currently resident in the UK) to a UK final salary defined benefits pension scheme.	N/A	N/A

Executive Director Remuneration Policy Table *continued*

Variable Emoluments

Remuneration Component – *Annual Performance-Linked Cash Bonus Plan*

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– To incentivise annual delivery of financial and operational targets. – High reward potential for exceeding demanding targets.	– Awards are made subject to plan rules and to measurement against the Annual Budget. – Bonus is weighted 70% to budgeted PBT and 30% to budgeted ROCE. – Budgeted PBT for plan purposes is before amortisation and items deemed exceptional within the Annual Budget. – Budgeted ROCE for plan purposes is profit from operations before amortisation and items deemed exceptional within the Annual Budget divided by the budgeted average capital employed. – Bonus begins to accrue when 80% of the Budget targets are achieved. – Level of bonus increases on a straight-line basis from zero payment when 80% of Budget is achieved to a maximum when 120% of Budget is achieved. – For an on target performance defined as actual results equal to the Budget, the Chief Executive is paid 100% of base salary and the Finance Director is paid 75% of base salary. – Bonus is not pensionable. – The Committee implemented a personal performance adjustor to the annual bonus arrangements during 2014. – The Committee has the discretion to adjust the annual bonus using the performance adjustor. The adjustor range is from 0 to 1.25 times of the annual bonus figure. The personal performance targets linked to the performance adjustor will be disclosed on award of the bonus. – Clawback provisions were introduced in 2010 to allow for the bonus to be adjusted to zero.	**Chief Executive** – 200% of base salary. **Finance Director** – 150% of base salary.	N/A

Directors’ Remuneration Policy *continued*

Executive Director Remuneration Policy Table *continued*

Variable Emoluments

Remuneration Component – *Hunting PSP*

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– Recognition and reward to executive Directors for the creation of shareholder value over the longer term. – This element provides full alignment to shareholder interests.	– Annual grant of shares. – Vesting levels determined by Company performance over a three year period against (i) TSR of a bespoke peer group; (ii) EPS growth; and (iii) average ROCE. – Grant value of 450% of base salary for the Chief Executive and 210% of base salary for the Finance Director. – Achievement of minimum performance target results in a 25% vesting of any element of the award. – Awards subject to clawback and malus provisions. – The maximum award noted provides the Committee with flexibility in cases such as recruitment. The Committee has set the award levels of the current executive Directors and does not intend to increase these further.	**Chief Executive** – 550% of base salary. **Finance Director** – 450% of base salary.	N/A

Remuneration Component – *Stock Ownership Requirement*

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– To encourage the retention of shares under award to the executive. – To align the long-term interests of the executive with shareholders.	– The target holding of the Chief Executive is a target equal to the market value of 500% of base salary and for the Finance Director 200% of base salary. – All vested shares are to be retained, following the payment of relevant taxes, until the ownership requirement is achieved. – Directors have five years to achieve the required holding level.	N/A	N/A

Executive Director Remuneration Policy Table *continued*

Legacy Long-term Incentive Arrangements

2009 Performance Share Plan

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– Recognition and reward to executive Directors for the creation of shareholder value over the longer term. – This element provides strong alignment with the interests of shareholders.	– Annual grant of nil cost performance shares or options. – Vesting levels determined by TSR measured over three years against a peer group. – 40% of shares vest for a median performance increasing on a straight-line basis to 100% for a top quartile performance. – Face value of award to the Chief Executive is 100% of base salary. – Face value of award to the Finance Director is 80% of base salary.	**Chief Executive** – 200% of base salary. **Finance Director** – 200% of base salary.	– Awards under the PSP, which are subject to performance measurement, will continue to vest up to 2016 when the final grants made in 2013 vest. – The PSP which operated between 2009 and 2013 will be replaced by the Hunting PSP subject to shareholder approval at the Company's Annual General Meeting ("AGM") on 16 April 2014.

2004 Long-Term Incentive Plan

Purpose and Link to Strategy	Operation and Award Basis	Maximum	Notes
– Recognition and reward to executive Directors for the creation of shareholder value over the longer term.	– Awards are made based on the accruing of an incentive pool over a three year period. – The incentive pool only accumulates if increases to average shareholder funds are achieved throughout the period. – If the accruing incentive pool equals zero across the period, no payments are made. – Chief Executive receives 35% of the accumulated incentive pool, with actual payout limited to a maximum of 350% of base salary. – Finance Director receives 15% of the accumulated incentive pool with actual payout limited to a maximum of 175% of base salary.	**Chief Executive** – 350% of base salary. **Finance Director** – 175% of base salary.	– Awards under the LTIP will continue to 2016, when the final grants made in 2013 vest. – The LTIP which operated between 2004 and 2013 will be replaced by the Hunting PSP subject to shareholder approval at the Company's AGM on 16 April 2014.

Directors' Remuneration Policy *continued*

Non-executive Director Remuneration Policy Table

The remuneration of the non-executive Directors as adopted by the Company is designed to reflect the time and commitment of each to their respective roles.

Element	Purpose and link to strategy	Operation	Fee detail	Maximum
Chairman's fees	– To attract and retain a high-calibre Chairman by offering a market competitive fee level.	– The Chairman is paid a single fee for all his responsibilities including chairing the Nomination Committee. – Fees are determined by the Board as a whole on recommendation of the executive Directors following receipt of external fee information and an assessment of the time commitment and responsibilities involved.	– The current fee for the Chairman is $302,789 (£193,500). – Fees are reviewed annually in December.	– The fees paid to the non-executive Directors are benchmarked to other UK companies of a similar size and profile to the Group. – Given the small size of the Board, each non-executive Director is expected to give an above average time commitment to Group matters and fees are based on this increased commitment. – The Company's Articles of Association prescribe aggregate maximum fees for all non-executive Directors of $782,400 (£500,000) per annum.
Non-executive Director fees	– To attract and retain high-calibre non-executive Directors by offering a market competitive fee level.	– The non-executive Directors are paid a basic fee. The Chairmen of the main board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. – Non-executive Director fees are determined by the Board as a whole on recommendation of the executive Directors following receipt of external fee information and an assessment of the time commitment and responsibilities involved. – The non-executive Directors do not participate in the Group's share plans and do not receive any other benefits.	– The basic Board fee is $93,888 (£60,000) with an additional fee of $15,648 (£10,000) for the Audit and Remuneration Committee Chairmen, and for the role of Senior Independent Director. – Fees are reviewed annually in December.	
Stock Ownership Requirements	– To align the non-executive Directors' interests to the long-term interests of shareholders.	– Non-executive Directors are required to build up a holding of shares in the Company equal to a market value of 100% of the annual fees paid and have five years to achieve the required holding level.	N/A	N/A

Relevance to Employee Pay

The Policy described above provides an overview of the structure that also operates and applies to the most senior executives in the Group.

While bonus and pensions arrangements are in place for most of the Group's employees, lower aggregate remuneration operates at below the executive Director and senior manager level with levels driven by market comparatives and the individual responsibilities of each role.

The oil and gas industry operates in an increasingly competitive labour market globally and, to reflect this, the Group's average employee costs, including base salary, benefits and bonuses, in the year increased 1%. Average base salaries across the Group increased 1% compared to 2012.

Choice of Performance Metrics

The corporate strategy includes promoting the long-term success of the Group by investing in its existing product and services portfolio through capital investment or by acquisition and growing the business in a way that is aligned to the evolving global energy industry.

The performance of the executive Directors in executing this strategy is evaluated by the following key performance indicators ("KPIs"), which drive the variable components of the executive Directors' emoluments.

KPI	Element of remuneration	Reason for use
Underlying Profit before Taxation	Annual Bonus	– PBT is a management KPI used to measure the underlying performance of the Group. – PBT reflects the achievements of the Group in a given financial year and recognises sustained profitability measured against an agreed Annual Budget.
Underlying Return on Capital Employed	Annual Bonus/Hunting PSP	– ROCE is a management KPI used to measure the underlying performance of the Group. – ROCE reflects the value created on funds invested in the short and medium term.
Total Shareholder Return	PSP/Hunting PSP	– To achieve sustained levels of shareholder return over the long term.
Underlying Earnings Per Share	Hunting PSP	– To achieve sustained levels of earnings growth over the long term.

Taken together, the Committee believes that the executive Directors are appropriately incentivised to deliver both short and long-term performance based on these metrics.

Single Figure Remuneration Definition

For the purposes of the Policy and Annual Report on Remuneration, the single figure remuneration presented comprises base salary, benefits (including healthcare insurance and car benefits), tax equalisation, pension contributions incorporating where relevant the prescribed HMRC multiplier, annual cash bonus and vested PSP and LTIP awards during the financial year (or where the performance period has substantially completed). The single figure remuneration equates to Total Remuneration as shown on page 71 of the Annual Report on Remuneration.

Directors' Remuneration Policy *continued*

Detailed Policy

Base Salaries and Fees

Base salaries and fees are reviewed annually. In considering appropriate salary levels for the executive Directors, the Committee takes into account their experience and personal performance, the remuneration paid by comparable companies in terms of asset size, revenues, profits, number of employees, market capitalisation and the complexity and international spread of Group operations, as well as Group wide salary increases and applicable rates of inflation. Other relocation and taxation agreements are also in place for key executives.

As part of the consultation process with major shareholders in 2013, the base salary of the Finance Director was reviewed. The Committee concluded that in line with the Policy, his base salary should be increased towards the market mid-point. As a consequence of this adjustment, the proposed long-term incentive awards to the Finance Director will be reduced to ensure his total emoluments, including base salary, annual bonus and long-term incentives, remain at the market mid-point.

Base fee increases for the non-executive Directors are based on benchmarked market data for fees paid by comparable companies.

Pension

The Group contributes to the pension arrangements of both the Chief Executive and Finance Director.

Being a US based citizen, Dennis Proctor participates in the Group's US 401K tax deferred savings plan, with the Group making annual contributions to the plan equivalent to 2% of base salary at the current contribution limit. In addition, the Group contributed a figure equivalent to 23% of his 2013 base salary to a deferred compensation scheme. In practice this scheme is administered and operated on a money purchase basis.

Richard Hunting and Peter Rose 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.

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 with a lump sum death in service benefit of four times 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. Mr Rose is able to draw his pension on an unreduced basis from age 57 with the consent of the Company.

Benefits

Other benefits provided to the executive Directors as part of their remuneration package include the provision of appropriate health cover, life and disability insurance, car and fuel benefits.

Annual Performance-Linked Cash Bonus

An annual performance-linked cash bonus plan is in place for the executive Directors. The plan, 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.

In 2014 the bonus plan will be amended to allow the Committee to incorporate a personal performance adjustor to the bonus, ranging from 0% to 125% of the award value. The Committee is committed to publishing the personal targets set for the executive Directors and, where the personal performance adjustor is applied, will provide detailed disclosures to investors. This amendment allows the Committee to reduce the formula-driven bonus to zero or increase the bonus up to 1.25 times the award value but not greater than the plan maxima.

Long-term Performance Related Incentives

The Group operated three long-term incentive plans during the year all of which align the incentive packages of executives with the long-term interests of shareholders. The Hunting PSP is being proposed to shareholders, which will replace awards under the PSP and LTIP plans, details of which are set out below.

1. Performance Share Plan

The PSP operated between 2009 and 2013 and will now, subject to shareholder approval, be cancelled and replaced by the Hunting PSP.

Awards under the PSP were granted annually and only vest if demanding performance conditions based on returns to shareholders are met. Awards granted under the PSP, which are subject to a three year performance period, are based on the Group's TSR 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 were 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 TSR against the TSR of the members of the Comparator Group

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

2. Long-Term Incentive Plan
The LTIP, which operated between 2004 and 2013, was intended to link key executives' remuneration to the long-term success and performance of the Group. The plan has now expired and no further awards will be granted under the plan. Subject to shareholder approval, the plan is being replaced by the Hunting PSP.

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 7% charge on average shareholders funds for the after tax cost of capital. 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.

3. Executive Share Option Plan ("ESOP")
The Group operated an ESOP between 2001 and 2008 to provide long-term incentives for executive Directors and senior executives of the Group. From 2009, executive Directors are granted share-based awards under the PSP in place of grants under the ESOP. No further grants will be made under the ESOP.

Hunting PSP
The Committee has reviewed the remuneration arrangements for the executive Directors and after considering recent recommendations by UK institutional investor groups, has decided to cancel the PSP and to replace it with an alternative plan at the same time as the LTIP expires. In place of these two long-term incentive plans, a single plan has been prepared by the Committee for approval by shareholders in April 2014, with the first grants under the Hunting PSP to be made once shareholder approval has been obtained.

Certain key shareholders were consulted on the new plan's implementation during 2013.

Shares awarded to the executive Directors under the Hunting PSP are divided equally into the three tranches. Each tranche is subject to a three year vesting period, and is also subject to a performance condition. The three performance conditions are listed below:
– Relative TSR.
– Absolute growth in EPS.
– Average ROCE.

Directors' Remuneration Policy *continued*

More detail on the performance conditions is provided in the following table:

% of award	Performance condition	Detail
33.33	TSR	– The Group's TSR will be measured over a three year period against a bespoke peer group selected from the same global market sector as Hunting. – 25% of the award will vest if a median performance against the peer group is achieved, increasing on a straight-line basis to 100% if a top quartile performance against the peer group is achieved.
33.33	Underlying EPS	– The Group's growth in EPS will be measured across the three year vesting period. – 25% of the award will vest if earnings growth achieves a minimum growth target set by the Committee increasing on a straight-line basis to 100% if a stretch growth target set by the Committee is achieved.
33.33	Underlying ROCE	– The Group's ROCE will be measured across the three year vesting period. – 25% of the award will vest if reported ROCE achieves a minimum target set by the Committee increasing on a straight-line basis to 100% if a stretch target set by the Committee is achieved.

The respective performance conditions will be measured at the end of the three year vesting period and awards to the executive Directors will be proportional to the total vesting level achieved.

The face value of the grant proposed for the Chief Executive is 450% of base salary and 210% of base salary for the Finance Director. Dividends declared by the Company during the vesting period are added to the awards once the final vesting levels have been determined.

Executive Director Service Contracts

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

The Chief Executive 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 the Chief Executive 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, up to a maximum of one year, a performance bonus if earned and vacation pay based on an annual entitlement of five weeks. There are special provisions on a change of control. These provide for payment of an amount equal to the total of the base salary for one year and the average Performance Bonus over the immediately preceding two year period. In addition, the Chief Executive would be entitled to continue to participate in the Group insurance programmes for 18 months following the change of control, and, unless otherwise provided in the relevant agreement, all share-based awards granted to him shall immediately accelerate and become exercisable as of the date of change of control.

The Finance Director entered into a Service Agreement with the Company on 23 April 2008. Under the terms of the Service Agreement both the Company and the Director are required to give one year's notice of termination. The Company reserves the right to pay the Finance Director in lieu of notice (whether given by the Company or by him) which provides for payment of base salary up to a maximum of one year and bonus, which he would have been entitled to receive under his contract between the date of termination and the earliest date the appointment could otherwise be lawfully terminated, less income tax and National Insurance Contributions. The Company also has the option to put the Finance Director 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 and, in addition, the Finance Director would be entitled to an acceleration of all share-based awards which would immediately vest at the date of the change of control.

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 executive Director held any external positions.

Non-executive Director Letters of Appointment

On appointment each non-executive Director is provided with a letter of appointment which sets out the responsibilities and time commitments for the role. Additional duties, as requested by the Nominations Committee, including chairing a Board Committee, are also incorporated into the letters of appointment and fees paid. Non-executive Director appointments are usually for a fixed three year term, which can be terminated by either party at any time.

Payment for Loss of Office

The Committee has considered the Company's policy on remuneration for executive Directors leaving the Company and is committed to applying a consistent approach to ensure that the Company pays no more than is necessary. The loss of office payment policy subject to existing Service Contract agreements is generally aligned with market practice and depends on whether the departing executive Director is, or is deemed to be treated as, a "good leaver" or "bad leaver". A good leaver is defined as an employee who has ceased to be employed by the Group due to death, ill-health, injury, disability, redundancy, the employee's company ceasing to be a Group member or for any other reason, if the Committee so decides.

In the case of a good leaver the policy normally allows:

- payment in lieu of notice equal to twelve months' base salary, pension supplement and contractual benefits;
- the payment of a bonus for the period worked subject to the achievement of the relevant performance conditions;
- any unvested long-term incentives to vest subject to the achievement of the performance conditions and pro-rated based on the period of service.

If an employee departs the Group for any other reason than those specified in the good leaver definition above then he/she is treated as a bad leaver and unvested long-term incentives lapse immediately on cessation of employment. The Committee however in respect of bad leavers, retains discretion to satisfy bonus payments subject to performance conditions and pro-rating.

New Director Policies

Appointment of New Directors

As the Board of Hunting is refreshed, with new executive and non-executive Director appointments being made, the policy for remuneration for the new Board members, will align to those detailed above.

Hunting needs to be able to attract and retain the best executives and non-executive Directors in the market place. The Remuneration Committee believes that the framework now in place will enable the Company to achieve its recruitment aims.

For executive Director appointments the fixed component of the total emoluments made will target the market mid-point, subject to geographic considerations and the specific labour markets of the candidate. The Service Contracts will be rolling one year agreements with standard provisions. The fixed components of emoluments will include base salary including any appropriate relocation or tax equalisation agreements, benefits including healthcare insurance, pension contributions and car benefits and other components deemed necessary to secure an appointment. The variable components to the emoluments will be implemented in line with the policies above, subject to any future amendments to these arrangements being approved by shareholders. Annual Performance-Linked Cash Bonus arrangements will include awards up to 150% and 200% of base salary for the new Finance Director and Chief Executive respectively. The maximum awards under the Hunting PSP will be up to 450% and 550% of base salary for the new Finance Director and Chief Executive respectively. The Committee anticipates market standard change of control provisions within new Service Contracts.

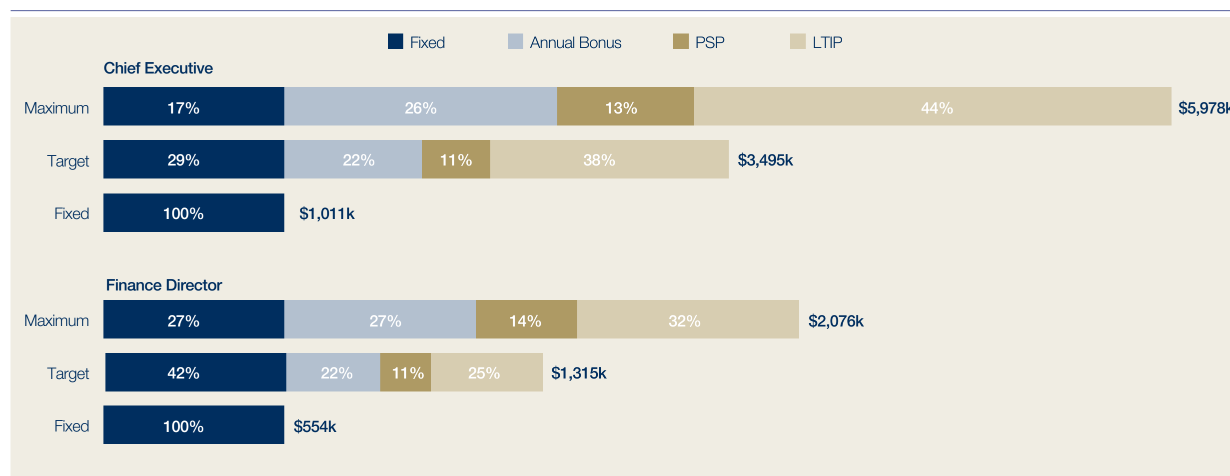
In addition, for new appointees the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders). Any such payments would take account of remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For non-executive Director appointments, benchmarked fees to companies of similar size and profile to Hunting will be applied.

Directors' Remuneration Policy *continued*

Remuneration Scenarios for Executive Directors

The total remuneration of the executive Directors under current arrangements for a fixed, target and maximum performance is presented in the chart below.



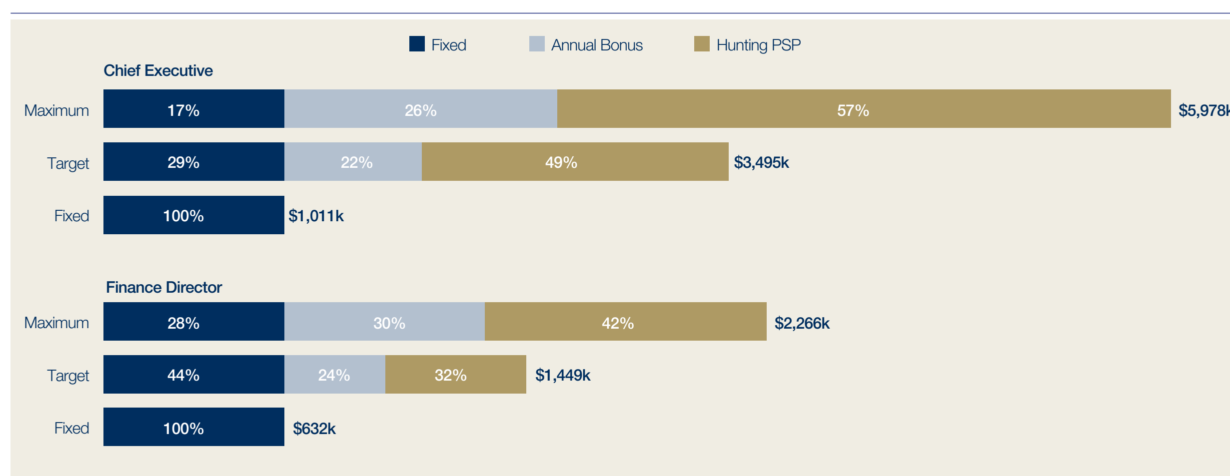
Note: these charts are based on 2013 remuneration and are indicative as share price movement and dividend accruals have been excluded. Assumptions made for each scenario are as follows:

- Fixed: latest known salary, benefits and pension as shown in the single figure table.
- Target: fixed remuneration plus half of maximum annual cash bonus opportunity plus 50% vesting of awards under the PSP plus 50% vesting of awards under the LTIP.
- Maximum: fixed remuneration plus maximum annual cash bonus opportunity plus 100% vesting of all long-term incentives.

The Finance Director is paid in Sterling and the equivalent total remuneration scenarios are as following – fixed £354k; target £840k and maximum £1,326k.

The Hunting PSP, subject to approval by shareholders in April 2014, is proposed to replace the PSP and the LTIP.

The remuneration scenarios of the executive Directors under future arrangements, if the Hunting PSP is implemented, are as follows:



Note: these charts are indicative as share price movement and dividend accruals have been excluded. Assumptions made for each scenario are as follows:

- Fixed: proposed 2014 salary (for the Finance Director) and latest known benefits and pension as shown in the single figure table.
- Target: fixed remuneration plus half of maximum annual cash bonus opportunity plus 50% vesting of awards under the Hunting PSP.
- Maximum: fixed remuneration plus maximum annual cash bonus opportunity plus 100% vesting of all long-term incentives.

The Finance Director is paid in Sterling and the equivalent total remuneration scenarios are as following – fixed £404k; target £926k and maximum £1,448k.

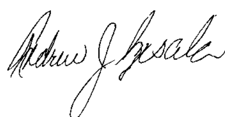
Consideration of Employment Conditions Elsewhere in the Group

The Committee considers the general basic salary increases for the broader employee population when determining the annual salary increases for the executive Directors. Employees have not been consulted in respect of the design of the Company's senior executive remuneration policy.

Shareholder Consultation and Feedback

The Committee consulted with major shareholders on the Policy and the Hunting PSP in the final quarter of 2013. Following this consultation, minor revisions were made to the Policy and the proposals for the Hunting PSP. The Policy, the Annual Report on Remuneration and the Hunting PSP will be tabled separately for approval by shareholders at the Company's AGM on 16 April 2014.

The Committee designs the Policy to be in line with Hunting's strategic objectives but also takes into account shareholder feedback and the views of investor bodies.



Andrew Szescila
Chairman of the Remuneration Committee
6 March 2014

Annual Report on Remuneration

Introduction

The principles of the Directors' Remuneration Policy (the "Policy") detailed on pages 56 to 69 have been in operation throughout 2013. The Remuneration Committee (the "Committee") will continue to implement these new policy proposals throughout 2014, subject to shareholder approval, which will include the introduction of awards under the proposed new 2014 Hunting Performance Share Plan (the "Hunting PSP").

Role, Membership and Attendance

The Committee is responsible for setting the remuneration of the executive Directors. Remuneration of the non-executive Directors is agreed by the Board as a whole.

The Chairman and Chief Executive are consulted on proposals relating to the remuneration of the Finance Director and designated senior management and, when appropriate, are invited by the Committee to attend meetings but are not present when their own remuneration is considered.

The role of the Committee is set out in its terms of reference which are reviewed annually and can be found on the Group's website www.huntingplc.com. The Committee met five times during the year with all members attending all meetings.

During the year the members of the Committee were:

Director	Latest appointment date	Unexpired term as at 6 March 2014
Andrew Szescila	16 September 2011	6 months
John Hofmeister	29 August 2012	18 months
John Nicholas	29 August 2012	18 months

External Advisers

During the year, New Bridge Street, a trading name of Aon Hewitt Ltd, and Pearl Meyer and Partners were engaged by the Committee to provide remuneration consultancy services. Both firms, whose initial appointment was subject to a formal tender process, are regarded as independent having been appointed by the Committee and acting under direction of the Committee.

The total cost of advice to the Committee over the year to 31 December 2013 was $279,747 and is higher than normal as it reflects fees paid in respect of the review of remuneration, subsequent development of proposals and in complying with new remuneration reporting and disclosure requirements.

Shareholding Voting at 2013 Annual General Meeting ("AGM")

At the AGM of the Company held in April 2013, the resolution to approve the 2012 Remuneration Committee Report received the following votes from shareholders:

	Number of votes	% of votes cast
For	89,551,126	77.8
Discretion	45,659	–
Against	25,531,104	22.2
Votes withheld*	491,120	n/a
Total votes cast	115,619,009	100.0

* A vote withheld is not a vote in law and is not included in the calculation of the % of votes cast.

The votes against the resolution to approve the 2012 Remuneration Committee Report reflect certain legacy elements of the Company's remuneration policies, including the threshold vesting of awards under the 2009 Performance Share Plan ("PSP") and the use of discretion in respect of bonus awards to the executive Directors.

The Committee believes that the Policy submitted to shareholders for approval addresses these concerns.

Director Remuneration (audited)

2013	Fixed remuneration Base salary/fees[1] $'000	Benefits[2] $'000	Pension[3] $'000	Sub total $'000	Variable remuneration Annual cash bonus[4] $'000	PSP Awards[6] $'000	LTIP Awards[8] $'000	Sub total $'000	Other remuneration $'000[10]	**Total remuneration 2013 $'000**
Executives										
Dennis Proctor	764	54	193	1,011	647	–	2,675	3,322	109	4,442
Peter Rose	376	36	142	554	239	–	657	896	–	1,450
Non-executives										
John Hofmeister	110	–	–	110	–	–	–	–	–	110
Richard Hunting	303	–	–	303	–	–	–	–	–	303
John Nicholas	110	–	–	110	–	–	–	–	–	110
Andrew Szescila	110	–	–	110	–	–	–	–	–	110
Total	1,773	90	335	2,198	886	–	3,332	4,218	109	6,525

2012	Fixed remuneration Base salary/fees[1] $'000	Benefits[2] $'000	Pension[3] $'000	Sub total $'000	Variable remuneration Annual cash bonus[5] $'000	PSP awards[7] $'000	LTIP awards[9] $'000	Sub total $'000	Other remuneration $'000[10]	**Total remuneration 2012 $'000**
Executives										
Dennis Proctor	742	57	191	990	1,113	653	2,597	4,363	144	5,497
Peter Rose	369	34	–	403	476	269	647	1,392	–	1,795
Non-executives										
John Hofmeister	111	–	–	111	–	–	–	–	–	111
Richard Hunting	308	–	–	308	–	–	–	–	–	308
John Nicholas	111	–	–	111	–	–	–	–	–	111
Andrew Szescila	111	–	–	111	–	–	–	–	–	111
Total	1,752	91	191	2,034	1,589	922	3,244	5,755	144	7,933

Notes to table:
1. Executive Directors' salaries increased by 3% from 2012 to 2013.
2. Benefits include the provision of healthcare insurance, a company car and fuel benefits.
3. Dennis Proctor's single figure pension remuneration represents the total Company contributions paid to his US pension arrangements which, in practice, are administered and operated on a money purchase basis. Peter Rose is a member of a defined benefit pension scheme and the single figure pension remuneration has been calculated in a consistent way for 2012 and 2013 in accordance with the regulations and represents 20 times the increase in his accrued pension over 2013 and 2012 after allowing for CPI inflation and deducting his own pension contributions. The 2012 comparator is nil due to the nature of the tax rules, the timing of the calculation and how these factors interact with the calculation of the single pension remuneration figure under the new directors' disclosure requirements.
4. The bonus is comprised 70% based on a Profit Before Tax ("PBT") target and 30% based on a Return on Capital Employment ("ROCE") target. In 2013, the PBT and ROCE targets achieved were 98% and 94% of those Annual Budget items respectively, leading to bonus payments equating to 85% of base salary for the Chief Executive and 64% of base salary for the Finance Director.
5. The bonus is comprised 70% based on a PBT target and 30% based on a ROCE target. In 2012, the PBT and ROCE targets exceeded the Annual Budget by 14% and 2% respectively, leading to bonus payments equating to 150% of base salary for the Chief Executive and 112% of base salary for the Finance Director. The Committee applied discretion to the bonus award to the Finance Director, with an additional payment of $59,857 for achieving personal performance targets.
6. The 2011 awards under the PSP had a 3 year performance period to 24 February 2014 and are included in 2013 as a substantial portion of the performance period was completed at the financial year end. The awards were measured on 24 February 2014 and are subject to the performance conditions specified on pages 64 and 65, which resulted in a zero vesting. No payments were therefore made to the Executive Directors.
7. The 2010 awards under the PSP with a 3 year performance period to 25 February 2013 partially vested on 7 March 2013 at 65.9% following an above median performance. The respective payments were determined as per the PSP rules summarised on pages 64 and 65 of the Policy. Dennis Proctor received 46,625 shares and Peter Rose received 19,196 shares. The quarter-up price on the date of vesting was 898.62p. Dividends declared over these shares during the performance period were also paid to the Chief Executive and Finance Director totalling $26,819 and $11,041 respectively and are included in the PSP award figure. The £/$ exchange rate on the payment date of 14 March 2013 was 1.494.
8. In accordance with the rules under the 2004 Long-term Incentive Plan ("LTIP") and the three year cycle ending 31 December 2013, the accumulated incentive pool totalled $12.2m, resulting in an entitlement of $2.7m to Dennis Proctor and an entitlement of $0.7m to Peter Rose. Under the rules of the LTIP, Dennis Proctor is entitled to 35% of the accumulated incentive pool, while Peter Rose is entitled to 15% of the incentive pool. The maximum levels of award to Dennis Proctor and Peter Rose are capped at 350% and 175% of base salary respectively.
9. In accordance with the rules under the LTIP and the three year cycle ending 31 December 2012, the accumulated incentive pool totalled $9.2m, resulting in a payment of $2.6m to Dennis Proctor and a payment of $0.6m to Peter Rose. Under the rules of the LTIP, Dennis Proctor is entitled to 35% of the accumulated incentive pool, while Peter Rose is entitled to 15% of the incentive pool. The maximum levels of award to Dennis Proctor and Peter Rose are capped at 350% and 175% of base salary respectively.
10. Other remuneration represents additional UK tax payable under a tax equalisation agreement.

Annual Report on Remuneration *continued*

The remuneration of the Chairman, Peter Rose and the non-executive Directors is originally denominated in Sterling and is as follows:

2013	Fixed remuneration				Variable remuneration				
	Base salary/fees £'000	Benefits £'000	Pension £'000	Sub total £'000	Annual cash bonus £'000	PSP awards £'000	LTIP awards £'000	Sub total £'000	**Total remuneration £'000**
Executives									
Peter Rose	240	23	91	354	153	–	420	573	927
Non-executives									
Richard Hunting	194	–	–	194	–	–	–	–	194
John Hofmeister	70	–	–	70	–	–	–	–	70
John Nicholas	70	–	–	70	–	–	–	–	70
Andrew Szescila	70	–	–	70	–	–	–	–	70

2012	Fixed remuneration				Variable remuneration				
	Base salary/fees £'000	Benefits £'000	Pension £'000	Sub total £'000	Annual cash bonus £'000	PSP awards £'000	LTIP awards £'000	Sub total £'000	Total remuneration £'000
Executives									
Peter Rose	233	21	–	254	300	180	408	888	1,142
Non-executives									
Richard Hunting	194	–	–	194	–	–	–	–	194
John Hofmeister	70	–	–	70	–	–	–	–	70
John Nicholas	70	–	–	70	–	–	–	–	70
Andrew Szescila	70	–	–	70	–	–	–	–	70

Salary and Fees

In December 2012, the executive Directors reviewed the non-executive Directors' fees, following receipt of benchmarked data from New Bridge Street. The review resulted in no changes to the fees payable in 2013.

In March 2013, the Committee increased the 2013 base salaries of the executive Directors by 3% over those paid in 2012, following receipt of benchmarked UK and US data from New Bridge Street and Pearl Meyer.

Pensions (audited)

Dennis Proctor is a member of a deferred compensation scheme in the US, which is anticipated to provide a cash lump sum on his retirement. In practice, this scheme is administered and operated on a money purchase basis. In 2013, the Group contributed $177,908 (2012 – $175,733) to that arrangement. There are no additional benefits provided on early retirement from this arrangement. The Group also contributed $15,300 in 2013 (2012 – $15,000) to his US 401K tax deferred savings plan.

Peter Rose is a member of the defined benefit section of the Hunting pension scheme. His accrued pension as at 31 December 2013 amounted to $144,000 p.a. (2012 – $134,000 p.a.) which includes a temporary pension of $9,000 p.a. (2012 – $8,000 p.a.). He is able to retire on 24 October 2018 age 60, his normal retirement age in that scheme, without any reduction on his main scheme benefits (although there is a small part of his pension that is payable only from age 62 without reduction). With Company consent Peter Rose is able to retire from age 57 without any actuarial reduction for early retirement applied to his accrued pension.

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Annual Performance-Linked Cash Bonus Plan

The annual performance-linked cash bonus plan entitles the executive Directors to cash bonus payments when the actual financial results of the Group achieve preset financial targets based on the Group's Annual Budget. The 2013 actual results were 98% of budgeted PBT and 94% of ROCE leading to a cash bonus payment of $647,285 for Dennis Proctor and $238,684 (£152,533) for Peter Rose. The amounts paid reflect 85% and 64% of the base salaries for Dennis Proctor and Peter Rose respectively.

2011 PSP Vesting (audited)

The 2011 awards granted under the PSP were measured by New Bridge Street on 24 February 2014 and resulted in a zero vesting. The 2011 share grants to the Chief Executive and Finance Director duly lapsed with no payments made to either executive Director.

2010 PSP Vesting (audited)

The 2010 awards granted under the PSP were measured by New Bridge Street on 25 February 2013 and resulted in a partial vesting of 65.9%. The vesting date was 7 March 2013. Vesting levels were calculated in accordance with the PSP rules summarised on pages 64 and 65. Following this, Dennis Proctor received 46,625 shares and Peter Rose received 19,196 shares and a cash sum equivalent to the dividends declared over these shares during the vesting period. The quarter-up price on the date of vesting was 898.62p. Details of the 2010 award which vested to the executive Directors are as follows:

Director	Number of shares awarded in 2010	Number of shares vested in 2013	Value of vested award, (excluding dividends) $	Value of dividends paid $	Total value of vested award $
Dennis Proctor	70,751	46,625	625,962	26,819	652,781
Peter Rose	29,129	19,196	257,715	11,041	268,756

2013 PSP Grants

On 20 March 2013, the Committee approved the allocation of nil cost share awards to Dennis Proctor and nil cost options to Peter Rose under the rules of the PSP. Awards will vest on 20 March 2016, subject to a median (or above) TSR performance being achieved against Hunting's relevant peer group. For further information on the performance criteria please refer to pages 64 and 65. Details of the grant are as follows:

Director	Award as % of base salary	Number of shares awarded	Face value of minimum award (vesting at 40%) $	Face value of maximum award (vesting at 100%) $
Dennis Proctor	100%	52,516	305,684	764,209
Peter Rose	80%	21,119	120,223	300,558

The face value of the 2013 award is based on the closing mid-market price on 19 March 2013 which was 909.5p.

2013 LTIP Vesting (audited)

On 31 December 2013, the 2011 award under the LTIP for the three year period commencing 1 January 2011 was measured in accordance with the plan rules and resulted in an accumulated incentive pool of $12.2m. The executive Directors were awarded the following:

Director	% of incentive pool awarded	Value of award $	Award as % of base salary
Dennis Proctor	35%	2,674,732	350
Peter Rose	15%	657,479	175

Annual Report on Remuneration *continued*

2013 LTIP Grants

Executive Directors and some senior executives are invited to participate in the Company's LTIP, with all awards subject to the performance conditions outlined in the Policy on page 65. 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.

Awards made to Dennis Proctor and Peter Rose for the three year performance cycle period ending 31 December 2013, 2014 and 2015 are summarised as follows:

Director	Interest in three year performance cycle awarded February 2011 and vesting 31 December 2013 (at 1 January 2013)	Interest in three year performance cycle awarded March 2012 and vesting 31 December 2014 (at 1 January 2013)	Interest in three year performance cycle awarded March 2013 and vesting 31 December 2015 (at 1 January 2013)
Dennis Proctor	35%	35%	35%
Peter Rose	15%	15%	15%

The award granted on 7 March 2013 for the three year performance cycle ending on 31 December 2015 is the last award under the LTIP. Subject to shareholder approval, awards will be replaced by the Hunting PSP, detailed in the Policy on pages 65 and 66.

Payments to Past Directors and for Loss of Office (audited)

During the year no payments were made to past Directors in the normal course of business or for loss of office.

Directors' Shareholdings, Ownership Policy and Share Interests (audited)

The interests of the Directors in the issued Ordinary shares in the Company are as follows:

Director	At 31 December 2013	At 31 December 2012
Non-executive Chairman		
Richard Hunting[1]	463,306	678,306
as trustee	979,049	1,105,339
as director of Hunting Investments Limited	10,884,743	10,884,743
Executives		
Dennis Proctor[1]	1,267,097	1,220,472
Peter Rose[1]	52,410	43,196
Non-executives		
John Hofmeister[1]	10,000	5,000
John Nicholas[1]	5,000	5,000
Andrew Szescila[1]	10,000	5,000

1. Beneficial share ownership are those Ordinary shares owned by the Director or spouse which he is free to dispose of.

There have been no changes to the Directors' share interests in the period 31 December 2013 to 6 March 2014.

In 2014, the Group will implement a share ownership policy which requires Directors and certain senior executives within the Group to build up shares to a certain multiple of their base salary or fee. The multiple takes into account the post tax value of vested but unexercised share awards or options.

The proposed required shareholding of the respective Director and the current shareholding as a % of base salary as at 31 December 2013 is presented below:

Director	Required % of base salary or fee	Achieved value of holding in shares including the post tax value of vested but unexercised share awards and options expressed as a % of base salary or fee as at 31 December 2013
Dennis Proctor	500	2,555
Peter Rose	200	237
Richard Hunting	100	1,951
John Hofmeister	100	116
John Nicholas	100	58
Andrew Szescila	100	116

Directors have five years from 1 January 2014 in which to address any shareholding multiplier shortfall.

The interests of executive Directors over Ordinary shares of the Group under the ESOP and the PSP are set out below:

The vesting of options and awards are subject to performance conditions set out within the Policy on pages 64 and 65.

Director	Interests at 1 January 2013	Options/ awards granted in year	Options/ awards exercised/ vested in year	Options/ awards lapsed in year	Interests at 31 December 2013	Exercise price p	Date from which exercisable/ vesting	Expiry date	Scheme
Dennis Proctor	309,705	–	–	–	309,705+	116.9	31.03.07	30.03.14	ESOP
	171,742	–	–	–	171,742+	220.7	09.03.08	08.03.15	ESOP
	104,178	–	–	–	104,178+	383.0	08.03.09	07.03.16	ESOP
	64,688	–	–	–	64,688+	640.0	06.03.10	05.03.17	ESOP
	55,449	–	–	–	55,449+	784.5	04.03.11	03.03.18	ESOP
Sub total	705,762	–	–	–	705,762				
	70,751	–	(46,625)	(24,126)	–	nil	26.02.13	–	PSP
	57,295	–	–	–	57,295^	nil	25.02.14	–	PSP
	52,103	–	–	–	52,103^	nil	17.04.15	–	PSP
	–	52,516	–	–	52,516^	nil	20.03.16	–	PSP
Sub total	180,149	52,516	(46,625)	(24,126)	161,914				
Total	885,911	52,516	(46,625)	(24,126)	867,676				
Peter Rose	29,454	–	–	–	29,454+	220.7	09.03.08	08.03.15	ESOP
	18,277	–	–	–	18,277+	383.0	08.03.09	07.03.16	ESOP
	15,000	–	–	–	15,000+	640.0	06.03.10	05.03.17	ESOP
	21,670	–	–	–	21,670+	784.5	04.03.11	03.03.18	ESOP
Sub total	84,401	–	–	–	84,401				
	29,129	–	(19,196)	(9,933)	–	nil	26.02.13	–	PSP
	23,241	–	–	–	23,241~	nil	25.02.14	24.02.21	PSP
	20,953	–	–	–	20,953~	nil	17.04.15	16.04.22	PSP
	–	21,119	–	–	21,119~	nil	20.03.16	19.03.23	PSP
Sub total	73,323	21,119	(19,196)	(9,933)	65,313				
Total	157,724	21,119	(19,196)	(9,933)	149,714				

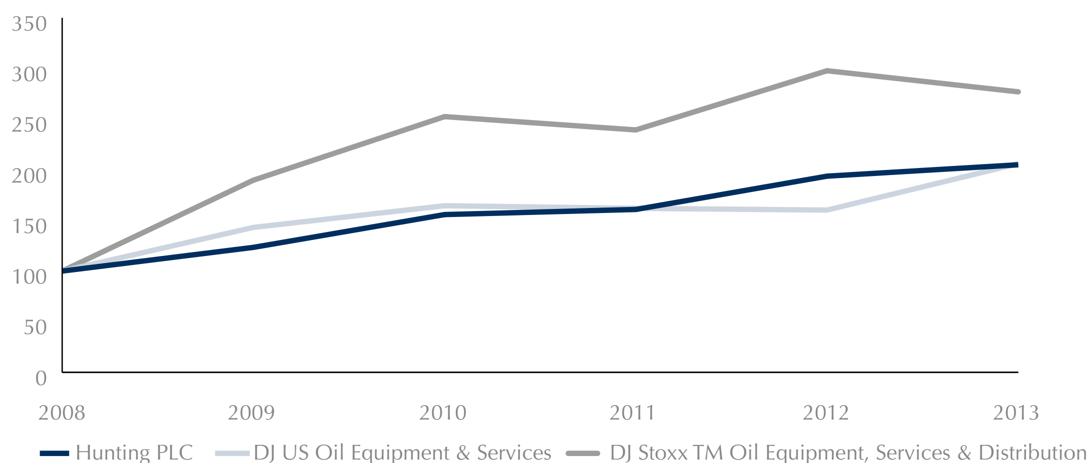
\+ Vested and currently exercisable.
^ Nil cost share awards which are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the PSP rules.
~ Nil cost share options which are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the PSP rules.

Annual Report on Remuneration *continued*

Executive Director Remuneration and Shareholder Returns

The following chart compares the TSR of Hunting PLC between 2008 and 2013 to the DJ Stoxx TM Oil Equipment, Services and Distribution and Dow Jones US Oil Equipment and Services indices.

In the opinion of the Directors, these indices are the most appropriate indices against which the shareholder return of the Company's shares should be compared because they comprise other companies in the oil and gas services sector, in addition to being the comparator group for the PSP.



Source: Datastream

The accompanying table details remuneration of the Chief Executive.

Summary Table of the Chief Executive's Remuneration

Year	Single figure remuneration[1] $'000	Annual Bonus %[2]	ESOP/PSP % vesting[3]	LTIP % award[4]
2013	4,442	42	nil	100
2012	5,497	75	66	100
2011	3,261	100	nil	31
2010	1,876	100	100	5
2009	2,363	17	100	62

1. Single figure remuneration reflects the aggregate remuneration paid to the Chief Executive as defined within the Policy on pages 56 to 69.
2. Annual cash bonus percentages reflect the bonus received by the Chief Executive each year expressed as a percentage of maximum bonus opportunity.
3. Percentage vesting reflects the % of the ESOP which vested in the financial year and the % of the PSP where a substantial portion of the performance period was completed at the financial year end.
4. LTIP award percentage reflects the award value expressed as a percentage of maximum award opportunity received each year measured at 31 December.

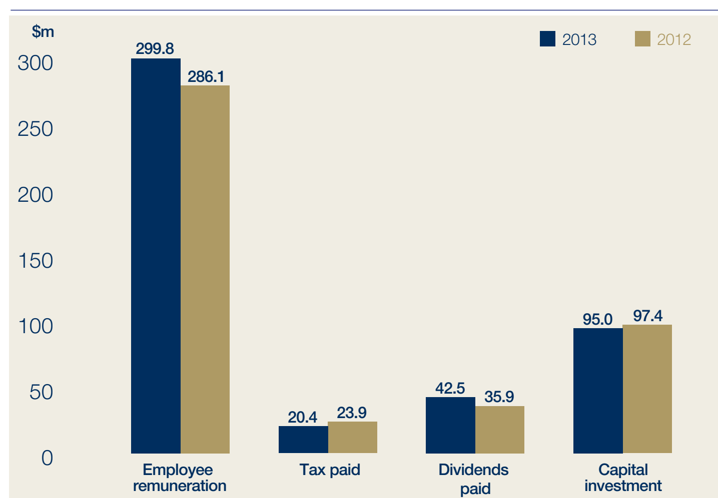
Executive Director Remuneration and the Wider Workforce

The changes to the remuneration of the Chief Executive in 2013 compared to 2012 and those of the total workforce are as follows:

	Chief Executive	Employee
Base salary	+3%	+1%
Bonus	–42%	–4%
Benefits	–6%	+1%

Employee Remuneration Changes Benchmarked to Operational Performance

In 2013 the Group paid $299.8m (2012 – $286.1m) in relation to employee remuneration; $20.4m (2012 – $23.9m) in relation to corporate taxation; $42.5m (2012 – $35.9m) in relation to dividends; and $95.0m (2012 – $97.4m) in relation to capital investments. The choice of performance metrics represents the material operating costs of the group and the use of generated cash in delivering long-term shareholder value.



Implementation of Policies in 2014

The remuneration policies for 2014 will be applied in line with those detailed on pages 56 to 69.

In December 2013, the Board reviewed benchmarked non-executive Director fee data, resulting in no changes being made to fees payable to the non-executive Directors for 2014.

In March 2014, the Committee met and approved increases of 2.8% and 2.8% respectively to the base salaries of the Chief Executive and Finance Director.

The annual performance-linked cash bonus for 2014 will be operated in line with the Policy detailed on page 59. The Committee is committed to disclosing retrospective performance against the pre-set financial and personal performance targets.

Subject to approval of shareholders at the Company's AGM of the Group in April 2014, the Committee plans to grant nil cost share awards or options to the Chief Executive, Finance Director and other senior executives of the Group under the Hunting PSP. The awards will be in line with the rules of the Hunting PSP and subject to performance conditions as follows:

Proportion of awards	Performance condition	Minimum performance target	Maximum performance target
33.33%	TSR	– 25% vests if median performance against a comparator group of companies is achieved.	– 100% vests if an upper quartile performance against a comparator group of companies is achieved.
33.33%	Underlying EPS	– 25% vests if absolute EPS growth across the three year vesting period averages 6%.	– 100% vests if absolute EPS growth across the three year vesting period averages 15%.
33.33%	Underlying ROCE	– 25% vests if average ROCE across the three year vesting period averages 12%.	– 100% vests if average ROCE across the three year vesting period averages 17%.

Andrew Szescila
Chairman of the Remuneration Committee
6 March 2014

Audit Committee Report

"Our work during 2013 was focused on the integrity of the Group's financial reporting, the independence and effectiveness of the external and internal audit activities, the Group's risk management processes and assessing the Group's internal controls. We have also considered whether to submit the Group audit contract to tender and concluded that the next rotation of audit partner is the appropriate time to do this."

John Nicholas, Audit Committee Chairman

Composition and Frequency of Meetings

The Committee comprises the independent non-executive Directors of the Company: John Nicholas (Committee chairman), John Hofmeister and Andrew Szescila. Mr Nicholas has a professional accounting qualification and is considered to have recent and relevant financial experience; further details can be found in his biographical summary set out on page 45.

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 March, April, August and December, and the attendance record of Committee members during the year is noted on page 52. The Chairman, Chief Executive, Finance Director, internal and external auditors are normally invited to attend meetings. During the year, the Committee reviewed its effectiveness and the Committee Chairman reported these findings to the Board.

Responsibilities

The responsibilities of the Audit Committee include:

- monitor and review reports from the executive Directors, including the Group's financial statements and Stock Exchange announcements;
- provide to the Board a recommendation about the Annual Report and Accounts and whether they are fair, balanced and understandable;
- monitor and review the Group's systems of internal control;
- review reports from the Group's external auditors;
- review reports from the Group's internal auditors, including details of the internal audit programme and its scope;
- monitor any corporate governance and accounting developments;
- monitor the Group's Bribery Act compliance procedures;
- consider and recommend to the Board the reappointment of the external auditor;
- agree the scope and fees of the external audit;
- monitor and approve engagements of the external auditor to provide non-audit services to the Group; and
- review the external auditor's independence and effectiveness of the audit process and assess the level and quality of service in relation to fees paid.

Training

During the year, the Committee received presentations on amendments to the Group's corporate reporting requirements in addition to accounting and governance developments relevant to the Company's listed status.

Review of the 2013 Financial Statements

The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major divisions is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board.

The principle significant issues reviewed by the Committee in connection with the 2013 Annual Report and Accounts were as follows:

Adoption of US dollars as the presentational currency of the Group

The Committee considered a report from the Finance Director recommending a change of presentation currency, it reviewed the changes in the composition of the Group following recent acquisitions and disposals and concluded that the proposed change was appropriate. During the year, the Committee monitored progress with the conversion and review of historic financial data into US dollars and the preparations for the publication of the 2013 Annual Report and Accounts using US dollars.

Goodwill Impairment Review

As part of its annual programme of work, the Committee formally reviewed the carrying value of goodwill held on the Group's balance sheet. The Group Financial Controller presented a report which included growth and future cash flow assumptions for each cash generating unit. These assumptions and sensitivities to changes in the assumptions were considered by the Committee which concluded the goodwill attributed to each business segment had not been impaired.

Taxation

In view of the international spread of operations the Committee monitors the incidence of tax risk, tax audits and provisions held for taxation. On 5 June 2013 the Committee received a presentation on tax strategy and risk from the Group Taxation Manager. The Finance Director briefs the Committee on developments during the year.

Exceptional Items Charged to the Consolidated Income Statement

The Group accounts have historically reported a middle column within the Consolidated Income Statement which includes amortisation and exceptional items.

The Committee considers the items included within this column to ensure consistency of treatment and adherence to accounting policy definitions of exceptional items. The Committee also reviews the calculation and composition of each exceptional item and has satisfied itself that they are reported appropriately.

In addition to receipt of detailed briefings and supporting reports from the central finance team on these principle significant issues, the Committee engages in discussion with the Group's external auditors.

The Committee has reviewed the financial statements together with commentary contained within the Strategic Report set out on pages 2 to 43 and believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. In arriving at this conclusion the Committee undertook the following:

- review of early drafts of the Annual Report and Accounts;
- regular review and discussion of the financial results during the year including briefings by Group finance and operational management; and
- receipt and review of reports from the external and internal auditors.

The Committee advised the Board of its conclusion that the 2013 Annual Report and Accounts, taken as a whole, were fair, balanced and understandable at a meeting of the Directors on 4 March 2014.

External Audit

The external auditors present reports at the March, April, August and December meetings for consideration by the Committee. In March, a full year report is considered ahead of publication of the Group's Annual Report and Accounts; in April an internal control report is presented, following the year-end audit and in August an interim report is presented which includes the proposed full year audit scope and fee. An update to the full year plan was presented at the December meeting. The Audit Committee considers the reappointment of the auditors annually at its March meeting and makes a recommendation to the Board. The Committee normally meets with the external auditors without executive Directors present at the end of each formal meeting.

The external auditors' full year report includes a statement on their independence, their ability to remain objective and their ability 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 effectiveness of the audit was assessed at the April meeting of the Committee and considered the following matters:

- the auditors' understanding of the Group's business and industry sector;
- the planning and execution of the audit plan approved by the Committee;
- the communication between the Group and audit engagement team;
- the auditors' response to questions from the Committee;
- responses to a formal questionnaire on conduct of the audit from the financial controllers of the major business;
- a report from the Finance Director and the Group Financial Controller; and
- finalisation of the audit work ahead of completion of the Annual Report and Accounts.

In addition, the Committee reviewed and took account of Financial Reporting Council reports on the audit firm. After considering these matters, the Committee was satisfied with the effectiveness of the year-end audit.

Audit Committee Report *continued*

PricewaterhouseCoopers LLP and its predecessor firms have been auditors to the Group for many years and since the Company's formation on 7 August 1989. The Committee has considered the requirement within the UK Corporate Governance Code (the "Code") to put the external audit contract out to tender at least every 10 years. Under audit engagement partner rotation rules the current audit partner will retire at the conclusion of the Annual General Meeting. In anticipation of this, a new partner from PricewaterhouseCoopers LLP has been selected by the Audit Committee and has shadowed the 2013 year-end work. Subject to shareholder approval, he will undertake the audit for the 2014 financial year. In order to prepare for a tender of the audit contract, the Company will offer small pieces of non-audit work to other firms in order to test the quality of each firm and its people. The Audit Committee plans to put the audit out to tender no later than 2018 when the new partner's five-year engagement cycle will be in its final year. In making this decision, the Committee took into account the statement of independence presented to the Committee by PricewaterhouseCoopers LLP, and the results of the internal assessment of the effectiveness of the audit process. The Committee notes recent developments within the EU with regards to audit tendering and rotation, which potentially conflicts with current requirements, therefore the Committee will monitor evolving guidance from the regulatory bodies and will respond in the best interests of the Company.

During the year, the Group engaged the services of Deloitte, KPMG and Ernst and Young to undertake specific non-audit assignments where the capability of these firms was considered to be most appropriate.

The Committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 8. In 2013, fees for non-audit services totalled $1.0m and included taxation services amounting to $0.8m and other services of $0.2m. 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.

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

Internal Audit

The Audit Committee receives reports from the Internal Audit department and reviews the internal audit process and effectiveness as part of the Group's internal control and risk assessment programme. An annual programme of internal audit assignments is reviewed by the Audit Committee.

Internal Controls

The Group has an established internal control environment, which was in operation throughout the year. The Audit Committee monitors these arrangements on behalf of the Board, this review includes a report submitted three times a year on the principal risks facing the Group and the mitigating controls against those identified key risks. The Group level report is based on submissions from all subsidiaries in the Group.

All subsidiaries undertake formal self-assessment risk reviews, a minimum of three times a year, on their internal control environment. These reviews are available to the Audit Committee and encompass the identification of the key business, financial, compliance and operational risks facing each unit, 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.

Bribery Act Compliance

In compliance with the UK Bribery Act, Hunting has procedures in place, including the publication of Bribery and Corruption policies and detailed guidelines on interacting with customers, suppliers and agents, including specific policies for gifts, entertainment and hospitality. Senior managers across the Group are required to report their compliance activities, including an evaluation of risk areas. The Group has completed a screening exercise to identify relevant employees who face a heightened risk of bribery with all relevant personnel completing a formal training and compliance course, in line with the Group's procedures. The Audit Committee reviews the compliance procedures relating to the Bribery Act at its April and December meetings, which incorporate risk assessments completed by each business unit and gifts and entertainment disclosures made during the reporting period. The Group's internal audit function reviews local compliance with the Bribery Act and reports control improvements and recommendations to the Audit Committee where appropriate.

Code of Conduct

The Group's Code of Conduct contains policies and procedures covering how the Group conducts business and maintains its relationships with business partners. The Code of Conduct is available on the Group's website.

Whistleblowing

The Company's Senior Independent Director, John Hofmeister, is the primary point of contact for staff of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise.

In addition, the Group has engaged the services of Safecall Limited, to provide an independent and confidential whistleblowing service available to staff across all of Hunting's operations.

All employees have been notified of these arrangements through the corporate magazine, Group notice boards and the Group's website.

John Nicholas
Chairman of the Audit Committee
6 March 2014

Independent Auditors' Report to the Members of Hunting PLC

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by Hunting PLC, comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2013;
- the Consolidated Income Statement and Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Changes in Equity and Statements of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 2013 Annual Report and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be USD 7.5 million. In arriving at this judgement we have had regard to Group continuing profit before tax, adjusted for the impairment of oil and gas assets shown as exceptional items because, in our view, this is an appropriate measure of performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD 0.3 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group financial statements are a consolidation of reporting units covering non-trading legal entities, centralised functions and 31 operating businesses.

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

Accordingly, we concluded that 18 operating businesses required an audit of the financial information submitted by local management to be included in the consolidation, due to their size and/or risk characteristics. The procedures described above brought operating businesses into the scope of our audit which, together with our audit work on centralised functions covered over 85% of Group revenue and Group continuing profit before tax. This, together with other procedures performed at the Group level over the consolidation and non-trading entities, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the

Independent Auditors' Report to the Members of Hunting PLC *continued*

directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 79.

Area of focus	How the scope of our audit addressed the area of focus
Provision for Gibson Energy Inc tax indemnities The Group has previously recognised provisions for tax warranty exposures as a result of the Gibson Energy Inc disposal in 2008. We considered this to an area of focus because of the inherently judgemental nature of the estimates involved.	We read the latest correspondence, including the detail of settlement agreements during the financial year, between the Group, the business disposed of and the overseas tax authorities to assess the judgement adopted in the determination of the year-end provision balance and movements within the year. We also discussed the potential tax exposure and related warranty with senior Group management, and the basis for their estimate with the Group's in-house and external tax specialists.
Taxation The Group is subject to a number of underlying tax exposures and carries provisions accordingly. We considered this an area of focus because of the judgement required by the directors to assess matters arising from overseas tax compliance assessments and disputes.	We read the latest correspondence between the Group and the overseas tax authorities. We discussed the potential tax exposure with senior Group management, and the basis for their positions with the Group's in-house tax specialists. We utilised our experience of similar challenges elsewhere to independently assess the evidence described above.
Change in presentational currency During the year the Group changed its presentational currency from sterling to US dollar. As such the financial statements have been re-presented, including comparative information. We considered this change an area of focus due to the manual nature of the re-presentation calculation and complexity of the re-presentation across a number of historical financial periods.	We assessed the methodology applied for the change in accounting policy and the adequacy of disclosure in the financial statements on the restatement of prior period financial information. We tested the accuracy of the detailed calculation to re-present historical financial information from Sterling to US dollar, by checking the exchange rates used for items re-presented in the respective period or date, based on the nature of those items, and re-performing the calculation for individual items on a sample basis.
Goodwill impairment The current economic climate heightens the risk of impairment triggers. Impairment is an inherently judgemental area as it involves significant judgements by the directors about the future results of the individual business operations, being the Group's cash-generating units ("CGUs"), and therefore there is an increased risk of material misstatement.	We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged: – the directors' key assumptions for nominal long-term growth rates and terminal growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; and – the discount rate by assessing the cost of capital assumption for each CGUs and comparable organisations. We also performed sensitivity analysis around the key drivers, including revenue growth and profit margin, of the cash flow forecasts for each CGU. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve expected results.	We evaluated the relevant IT systems and tested certain internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also tested a sample of sales recorded in the period by checking relevant third party documentation and cash receipts as well as testing journal entries posted to revenue accounts to identify unusual or irregular items.

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on pages 48 and 49, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

– we have not received all the information and explanations we require for our audit; or
– adequate accounting records have not been kept by the 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 Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the "Code"). We have nothing to report having performed our review.

On page 49 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 79, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

– the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
– the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
– is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors Responsibilities set out on page 49, the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & 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.

Charles van den Arend
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2014

Consolidated Income Statement
For the Year ended 31 December 2013

	Notes	2013 Before amortisation and exceptional items $m	2013 Amortisation and exceptional items (note 7) $m	2013 Total $m	Restated 2012 Before amortisation and exceptional items $m	Restated 2012 Amortisation and exceptional items (note 7) $m	Restated 2012 Total $m
Revenue	4	1,334.0	–	1,334.0	1,309.0	–	1,309.0
Cost of sales		(898.9)	(14.8)	(913.7)	(886.5)	(23.4)	(909.9)
Gross profit		435.1	(14.8)	420.3	422.5	(23.4)	399.1
Other operating income	5	7.6	–	7.6	6.3	1.8	8.1
Operating expenses	6	(244.2)	(46.3)	(290.5)	(226.3)	(46.3)	(272.6)
Profit from continuing operations	8	198.5	(61.1)	137.4	202.5	(67.9)	134.6
Finance income		12.0	–	12.0	3.8	–	3.8
Finance expense		(14.8)	–	(14.8)	(12.5)	–	(12.5)
Share of associates' post-tax profits		0.4	–	0.4	1.5	–	1.5
Profit before tax from continuing operations		196.1	(61.1)	135.0	195.3	(67.9)	127.4
Taxation	12	(52.1)	23.3	(28.8)	(54.7)	26.5	(28.2)
Profit for the year:							
From continuing operations		144.0	(37.8)	106.2	140.6	(41.4)	99.2
From discontinued operations	13	–	15.4	15.4	–	108.0	108.0
Profit for the year		144.0	(22.4)	121.6	140.6	66.6	207.2
Profit attributable to:							
Owners of the parent		140.3	(22.4)	117.9	135.7	66.6	202.3
Non-controlling interests		3.7	–	3.7	4.9	–	4.9
		144.0	(22.4)	121.6	140.6	66.6	207.2
Earnings per share							
Basic – from continuing operations	14	95.8c		70.0c	93.0c		64.6c
– from discontinued operations	14	–		10.5c	–		74.1c
Group total		95.8c		80.5c	93.0c		138.7c
Diluted – from continuing operations	14	93.5c		68.3c	90.8c		63.1c
– from discontinued operations	14	–		10.3c	–		72.2c
Group total		93.5c		78.6c	90.8c		135.3c

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2013

	Notes	2013 $m	Restated 2012 $m
Comprehensive income			
Profit for the year		121.6	207.2
Components of other comprehensive income after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		(0.9)	12.7
Fair value gains and losses:			
– gain on available for sale investment arising during the year	33	0.2	–
– gains originating on cash flow hedges arising during the year	33	1.5	0.7
		0.8	13.4
Items that have been reclassified to profit or loss:			
Fair value gains and losses:			
– gains transferred to income statement on disposal of cash flow hedges	33	(0.2)	(0.1)
Release of foreign exchange adjustments on disposal of subsidiary	33	–	(2.2)
		(0.2)	(2.3)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes		2.8	(0.7)
Other comprehensive expense after tax		3.4	10.4
Total comprehensive income for the year		125.0	217.6
Total comprehensive income attributable to:			
Owners of the parent		120.5	211.6
Non-controlling interests		4.5	6.0
		125.0	217.6

Consolidated Balance Sheet
At 31 December 2013

	Notes	2013 $m	Restated 2012 $m	Restated 2011 $m
ASSETS				
Non-current assets				
Property, plant and equipment	15	431.8	403.8	359.4
Goodwill	16	495.2	495.0	494.0
Other intangible assets	17	263.0	301.1	343.2
Investments in associates		9.9	11.0	9.2
Investments	18	9.0	6.4	0.4
Retirement benefit assets	31	29.6	22.8	19.9
Trade and other receivables	20	7.5	6.1	3.4
Deferred tax assets	21	3.1	8.7	4.6
		1,249.1	1,254.9	1,234.1
Current assets				
Inventories	22	386.3	391.1	359.0
Trade and other receivables	20	264.8	278.0	270.7
Current tax assets		3.9	10.6	10.0
Investments	18	2.0	5.1	3.7
Cash and cash equivalents		167.4	165.3	106.9
Assets classified as held for sale		–	–	21.1
		824.4	850.1	771.4
LIABILITIES				
Current liabilities				
Trade and other payables	23	176.5	215.7	228.1
Current tax liabilities		21.0	17.6	39.4
Borrowings	24	135.9	132.1	67.1
Provisions	26	8.0	20.3	65.8
Liabilities classified as held for sale		–	–	13.1
		341.4	385.7	413.5
Net current assets		483.0	464.4	357.9
Non-current liabilities				
Borrowings	24	239.3	304.7	385.9
Deferred tax liabilities	21	34.7	41.8	30.8
Provisions	26	25.4	27.7	28.2
Other payables	23	17.9	12.4	0.2
		317.3	386.6	445.1
Net assets		1,414.8	1,332.7	1,146.9
Equity attributable to owners of the parent				
Share capital	32	61.3	61.0	60.7
Share premium	32	150.6	149.1	146.9
Other components of equity	33	41.6	42.0	30.8
Retained earnings	34	1,130.4	1,050.9	882.4
		1,383.9	1,303.0	1,120.8
Non-controlling interests		30.9	29.7	26.1
Total equity		1,414.8	1,332.7	1,146.9

The notes on pages 92 to 149 are an integral part of these consolidated financial statements. The financial statements on pages 84 to 149 were approved by the Board of Directors on 6 March 2014 and were signed on its behalf by:

Dennis Proctor
Director

Peter Rose
Director

Registered number: 974568

Consolidated Statement of Changes in Equity

	Notes	Year ended 31 December 2013						
		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 restated (note 1)		61.0	149.1	42.0	1,050.9	1,303.0	29.7	1,332.7
Profit for the year		–	–	–	117.9	117.9	3.7	121.6
Other comprehensive (expense) income		–	–	(0.2)	2.8	2.6	0.8	3.4
Total comprehensive (expense) income		–	–	(0.2)	120.7	120.5	4.5	125.0
Dividends		–	–	–	(42.5)	(42.5)	(3.3)	(45.8)
Shares issued								
– share option schemes and awards	32	0.3	1.5	–	–	1.8	–	1.8
Treasury shares								
– purchase of treasury shares	34	–	–	–	(6.7)	(6.7)	–	(6.7)
Share options and awards								
– value of employee services		–	–	3.4	–	3.4	–	3.4
– discharge		–	–	(3.6)	9.2	5.6	–	5.6
– taxation		–	–	–	(1.3)	(1.3)	–	(1.3)
Other		–	–	–	0.1	0.1	–	0.1
Total transactions with owners		0.3	1.5	(0.2)	(41.2)	(39.6)	(3.3)	(42.9)
At 31 December		61.3	150.6	41.6	1,130.4	1,383.9	30.9	1,414.8

	Notes	Restated Year ended 31 December 2012						
		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 restated (note 1)		60.7	146.9	30.8	882.4	1,120.8	26.1	1,146.9
Profit for the year		–	–	–	202.3	202.3	4.9	207.2
Other comprehensive income (expense)		–	–	10.0	(0.7)	9.3	1.1	10.4
Total comprehensive income		–	–	10.0	201.6	211.6	6.0	217.6
Dividends		–	–	–	(36.2)	(36.2)	(2.4)	(38.6)
Shares issued								
– share option schemes and awards	32	0.3	2.2	–	–	2.5	–	2.5
Treasury shares								
– purchase of treasury shares	34	–	–	–	(1.3)	(1.3)	–	(1.3)
Share options and awards								
– value of employee services		–	–	4.0	–	4.0	–	4.0
– discharge		–	–	(2.8)	4.6	1.8	–	1.8
– taxation		–	–	–	(0.4)	(0.4)	–	(0.4)
Other		–	–	–	0.2	0.2	–	0.2
Total transactions with owners		0.3	2.2	1.2	(33.1)	(29.4)	(2.4)	(31.8)
At 31 December		61.0	149.1	42.0	1,050.9	1,303.0	29.7	1,332.7

Consolidated Statement of Cash Flows

For the Year ended 31 December 2013

	Notes	2013 $m	Restated 2012 $m
Operating activities			
Profit from operations		137.4	134.6
Depreciation, amortisation and impairment		98.2	93.1
(Profit) loss on disposal of property, plant and equipment	8	(0.1)	4.7
Proceeds from disposal of property, plant and equipment held for rental		8.9	4.9
Purchase of property, plant and equipment held for rental		(26.1)	(26.8)
Decrease (increase) in inventories		11.0	(27.6)
(Increase) decrease in receivables		(0.8)	11.9
Decrease in payables		(26.2)	(2.2)
Decrease in provisions		(4.2)	(3.5)
Taxation paid		(20.4)	(23.9)
Other non-cash flow items		2.3	0.8
Net cash inflow from operating activities		180.0	166.0
Investing activities			
Interest received		2.6	1.9
Dividends received from associates		1.2	0.3
Purchase of subsidiaries	41	(10.7)	(3.5)
Proceeds from disposal of subsidiaries		–	5.0
Indemnity receipts in respect of disposed subsidiaries		17.7	27.2
Net movement on loans to and from associates		0.3	(1.1)
Proceeds from disposal of property, plant and equipment		5.4	0.3
Purchase of property, plant and equipment		(68.9)	(70.6)
Purchase of intangible assets		(5.1)	(2.2)
Decrease (increase) in bank deposit investments		3.0	(1.2)
Net cash outflow from investing activities		(54.5)	(43.9)
Financing activities			
Interest and bank fees paid		(8.9)	(10.3)
Equity dividends paid	36	(42.5)	(35.9)
Non-controlling interest dividend paid		(3.3)	(2.4)
Share capital issued		1.8	2.5
Purchase of treasury shares		(6.7)	(1.3)
Proceeds from new borrowings		11.3	7.2
Repayment of borrowings		(71.5)	(90.3)
Net cash outflow from financing activities		(119.8)	(130.5)
Net cash inflow (outflow) in cash and cash equivalents		5.7	(8.4)
Cash and cash equivalents at the beginning of the year		47.2	54.5
Effect of foreign exchange rates		(0.5)	1.1
Cash and cash equivalents at the end of the year		52.4	47.2
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		167.4	165.3
Bank overdrafts included in borrowings		(115.0)	(118.1)
		52.4	47.2

Company Balance Sheet
At 31 December 2013

	Notes	2013 $m	2012 $m	2011 $m
ASSETS				
Non-current assets				
Investments in subsidiaries	19	500.6	500.6	485.6
Other investments	18	0.6	0.4	–
Other receivables	20	18.0	19.3	41.4
		519.2	520.3	527.0
Current assets				
Other receivables	20	28.3	32.0	13.5
Current tax asset		1.6	8.0	11.4
Cash and cash equivalents		31.4	2.3	1.0
		61.3	42.3	25.9
LIABILITIES				
Current liabilities				
Other payables	23	10.8	12.0	14.5
Borrowings	24	9.9	4.9	0.1
Provisions		0.2	0.4	–
		20.9	17.3	14.6
Net current assets		40.4	25.0	11.3
Non-current liabilities				
Borrowings	24	85.6	87.2	111.2
Deferred tax liabilities	21	0.2	0.2	1.6
Provisions		0.3	0.6	–
Other payables	23	9.0	6.7	–
		95.1	94.7	112.8
Net assets		464.5	450.6	425.5
Equity attributable to owners of the parent				
Share capital	32	61.3	61.0	60.7
Share premium	32	150.6	149.1	146.9
Other components of equity	33	(6.5)	(6.5)	(27.7)
Retained earnings	34	259.1	247.0	245.6
Total equity		464.5	450.6	425.5

The notes on pages 92 to 149 are an integral part of these consolidated financial statements. The financial statements on pages 86 to 149 were approved by the Board of Directors on 6 March 2014 and were signed on its behalf by:

Dennis Proctor
Director

Peter Rose
Director

Registered number: 974568

Company Statement of Changes in Equity

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2013				
At 1 January		61.0	149.1	(6.5)	247.0	450.6
Profit for the year		–	–	–	52.1	52.1
Other comprehensive income		–	–	0.2	–	0.2
Total comprehensive income		–	–	0.2	52.1	52.3
Dividends	34	–	–	–	(42.5)	(42.5)
Shares issued						
– share option schemes and awards	32	0.3	1.5	–	–	1.8
Treasury shares						
– purchase of treasury shares	34	–	–	–	(6.7)	(6.7)
Share options and awards						
– value of employee services		–	–	3.4	–	3.4
– discharge		–	–	(3.6)	9.2	5.6
Total transactions with owners		0.3	1.5	(0.2)	(40.0)	(38.4)
At 31 December		61.3	150.6	(6.5)	259.1	464.5

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2012				
At 1 January		60.7	146.9	(27.7)	245.6	425.5
Profit for the year		–	–	–	34.3	34.3
Other comprehensive income		–	–	20.0	–	20.0
Total comprehensive income		–	–	20.0	34.3	54.3
Dividends		–	–	–	(36.2)	(36.2)
Shares issued						
– share option schemes and awards	34	0.3	2.2	–	–	2.5
Treasury shares						
– purchase of treasury shares	32	–	–	–	(1.3)	(1.3)
Share options and awards						
– value of employee services		–	–	4.0	–	4.0
– discharge		–	–	(2.8)	4.6	1.8
Total transactions with owners		0.3	2.2	1.2	(32.9)	(29.2)
At 31 December		61.0	149.1	(6.5)	247.0	450.6

Company Statement of Cash Flows
For the Year ended 31 December 2013

	Notes	2013 $m	2012 $m
Operating activities			
Profit from operations		8.9	11.3
Depreciation, amortisation and impairment		–	6.0
Loss (profit) on disposal of subsidiaries		0.2	(5.6)
Decrease (increase) in receivables		3.8	(17.9)
Increase in payables		6.0	4.4
(Decrease) increase in provisions		(0.4)	1.0
Taxation received (paid)		4.2	(0.4)
Other non-cash flow items		4.0	4.2
Net cash inflow from operating activities		26.7	3.0
Investing activities			
Interest received		1.2	0.9
Dividends received from subsidiaries		46.1	26.5
Proceeds from disposal of subsidiaries		–	5.0
Net cash inflow from investing activities		47.3	32.4
Financing activities			
Interest and bank fees paid		(1.9)	(1.8)
Equity dividends paid	36	(42.5)	(35.9)
Share capital issued		1.8	2.5
Purchase of treasury shares		(6.7)	(1.3)
Loan issued		(15.5)	–
Loan issued repaid		15.5	26.0
Proceeds from new borrowings		39.5	–
Repayment of borrowings		(35.5)	(26.0)
Net cash outflow from financing activities		(45.3)	(36.5)
Net cash inflow (outflow) in cash and cash equivalents		28.7	(1.1)
Cash and cash equivalents at the beginning of the year		(0.2)	0.9
Effect of foreign exchange rates		(0.4)	–
Cash and cash equivalents at the end of the year		28.1	(0.2)
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		31.4	2.3
Bank overdrafts included in borrowings		(3.3)	(2.5)
		28.1	(0.2)

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") and IFRIC Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of available for sale financial assets and those financial assets and financial liabilities held at fair value through profit or loss.

Where a change in the presentational format between the prior year and current year financial statements has been made during the period, comparative figures have been restated accordingly.

The principal accounting policies applied in the preparation of these financial statements are set out in note 43. These policies have been consistently applied to all the years presented.

Change in Functional Currency

IAS 21 The Effects of Changes in Foreign Exchange Rates describes functional currency as "the currency of the primary economic environment in which an entity operates". A change in functional currency reflects the accumulation over time of those factors which are the main determinants of functional currency. Having considered the aggregate effect of all relevant factors, the Directors concluded that the functional currency of Hunting PLC had changed from Sterling to US dollars in the first quarter of 2013. Accordingly, the change in functional currency of Hunting PLC is effective from 1 January 2013.

In accordance with IAS 21 this change has been accounted for prospectively from this date.

Change in Presentational Currency

Following the acquisition programme undertaken in recent years that focused on US domiciled businesses, the Hunting Group's US operations have expanded and become the most significant operations of the Group. The dominant functional currency of the operating subsidiaries is the US dollar. This is not only driven by US domiciled businesses but also by businesses outside the US, which have a US dollar functional currency. The Group's revenues, cash flows and economic returns are now principally denominated in US dollars. Hunting PLC has changed the currency in which it presents its consolidated and parent Company Financial Statements from Sterling to US dollars, as this will give a more meaningful view of the Group's and Company's financial performance and position.

A change in presentational currency is a change in accounting policy which is accounted for retrospectively. Financial information reported in Sterling in the Group's 2012 Annual Report has been restated into US dollars using the procedures outlined below:

a) assets and liabilities denominated in non-US dollar currencies were translated into US dollars at closing rates of exchange. Non-US dollar trading results were translated into US dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to the translation reserve;

b) the cumulative translation reserve was set to nil at 1 January 2004 (i.e. the transition date to IFRS). All subsequent movements comprising differences on the retranslation of the opening net assets of non-US dollar subsidiaries have been charged to the translation reserve; and

c) share capital, share premium and capital redemption reserves were translated at the historic rates prevailing at the dates of transactions.

The average exchange rates used to translate the Group's results into US dollars and the closing rates for each reporting period included in this report are as follows:

Exchange rates	2012	2011	2010	2009
US$/£ – average	0.6309	0.6233	0.6452	0.6369
US$/£ – period end	0.6152	0.6435	0.6369	0.6211

Reclassification of Costs

Within the consolidated income statement for the year ended 31 December 2012, certain costs within cost of sales and operating expenses have been reclassified to correctly present these in line with the Group's accounting policies.

1. Basis of Preparation *continued*

Adoption of New Standards, Amendments and Interpretations

IAS 19 (revised) Employee Benefits

IAS 19 (revised) Employee Benefits has been adopted from 1 January 2013. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. Under IAS 19 (revised), scheme expenses are now recognised as incurred rather than charged against a reserve within the defined benefit obligation. This has increased operating expenses by $1.7m for the year ended 31 December 2012. The cost reserve is consequently no longer required and its derecognition has increased the retirement benefit net asset by $13.0m at 31 December 2012 and $12.4m at 31 December 2011. The combination of the expected return on assets and interest cost on the defined benefit obligation is replaced by the net interest on the defined benefit asset. This change, combined with the effect of removing the scheme expenses reserve, results in a credit to the total expense recognised in profit or loss of $1.1m in the year ended 31 December 2012.

The impact on the financial statements for the year ended 31 December 2012 has been set out in the tables on pages 94 and 95. The impact on the Balance Sheet as at 31 December 2011 was to increase the retirement benefit asset by $12.4m to $19.9m, decrease deferred tax assets by $3.1m to $4.6m, decrease other components of equity by $1.3m to $30.8m and increase retained earnings by $10.6m to $882.4m.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement, which is to be applied prospectively as of 1 January 2013, describes how fair value is to be measured for all IFRS reporting standards and extends the disclosures to be made on fair value measurement, but does not stipulate in which cases fair value is to be used. For the disclosures resulting from the first-time application of IFRS 13, see note 28, Financial instruments: Fair Values.

Amendment to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has adopted early the amendment to IAS 36, which removes the requirement to disclose the recoverable amount of CGUs with significant carrying amounts of goodwill.

There are no other new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2013 that have a material impact on the Group's financial performance or position.

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
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions*
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Annual Improvements to IFRSs 2010–2012*
- Annual Improvements to IFRSs 2011–2013*

* Not yet endorsed by the European Union.

New requirements contained within International Financial Reporting Standards, referred to above, are currently being assessed to determine whether there is a significant impact on the Group's results or financial position.

Notes to the Financial Statements *continued*

1. Basis of Preparation *continued*

Amendments to Previously Reported Results

	Year ended 31 December 2012 (previously reported)* $m	IAS 19 (revised) change in accounting policy $m	Amend classification of costs $m	Restated Year ended 31 December 2012 $m
Consolidated Income Statement				
Revenue	1,309.0	–	–	1,309.0
Cost of sales	(914.5)	–	4.6	(909.9)
Gross profit	394.5	–	4.6	399.1
Other operating income	8.1	–	–	8.1
Operating expenses	(266.3)	(1.7)	(4.6)	(272.6)
Profit from continuing operations	136.3	(1.7)	–	134.6
Finance income	2.7	1.1	–	3.8
Finance expense	(12.5)	–	–	(12.5)
Share of associates' post-tax profits	1.5	–	–	1.5
Profit before tax from continuing operations	128.0	(0.6)	–	127.4
Taxation	(28.3)	0.1	–	(28.2)
Profit for the year:				
From continuing operations	99.7	(0.5)	–	99.2
From discontinued operations	108.0	–	–	108.0
Profit for the year	207.7	(0.5)	–	207.2
Earnings per share				
Basic – from continuing operations	64.9c	(0.3)c	–	64.6c
– from discontinued operations	74.1c	–	–	74.1c
Group total	139.0c	(0.3)c	–	138.7c
Diluted – from continuing operations	63.4c	(0.3)c	–	63.1c
– from discontinued operations	72.2c	–	–	72.2c
Group total	135.6c	(0.3)c	–	135.3c
Consolidated Statement of Comprehensive Income				
Comprehensive income				
Profit for the year	207.7	(0.5)	–	207.2
Other comprehensive income after tax				
Exchange adjustments	12.3	0.4	–	12.7
Remeasurement of defined benefit pension schemes	(1.4)	0.7	–	(0.7)
Other comprehensive income items	(1.6)	–	–	(1.6)
Other comprehensive income after tax	9.3	1.1	–	10.4
Total comprehensive income for the year	217.0	0.6	–	217.6

* These amounts were previously reported in Sterling.

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1. Basis of Preparation *continued*

	Year ended 31 December 2012 (previously reported)* $m	IAS 19 (revised) change in accounting policy $m	Amend classification of costs $m	Restated Year ended 31 December 2012 $m
Consolidated Balance Sheet				
Retirement benefit assets	9.8	13.0	–	22.8
Deferred tax assets	11.7	(3.0)	–	8.7
Other non-current assets	1,223.4	–	–	1,223.4
Current assets	850.1	–	–	850.1
Current liabilities	(385.7)	–	–	(385.7)
Non-current liabilities	(386.6)	–	–	(386.6)
Net assets	1,322.7	10.0	–	1,332.7
Retained earnings	1,040.1	10.8	–	1,050.9
Cumulative translation reserve	30.0	(0.8)	–	29.2
Other equity reserves	252.6	–	–	252.6
Total equity	1,322.7	10.0	–	1,332.7
Consolidated Statement of Cash Flows				
Operating activities				
Profit from operations	136.3	(1.7)	–	134.6
Other non-cash flow items	(0.9)	1.7	–	0.8
Other cash flows from operating activities	30.6	–	–	30.6
Net cash inflow from operating activities	166.0	–	–	166.0
Net cash outflow from investing activities	(43.9)	–	–	(43.9)
Net cash outflow from financing activities	(130.5)	–	–	(130.5)
Net cash outflow in cash and cash equivalents	(8.4)	–	–	(8.4)

* These amounts were previously reported in Sterling.

Notes to the Financial Statements *continued*

2. Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements and assumptions about the future, resulting in the use of accounting estimates. These will, by definition, seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated, based on experience, consultation with experts and reasonable expectations of future events.

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

Asset/liability	Nature of estimates
Goodwill Carrying value at 31 December 2013 $495.2m (2012 – $495.0m)	– The Group comprises a number of cash generating units ("CGUs") with each one having independent business profiles and cash flows. When goodwill is initially recognised upon a business combination, it is allocated to the CGUs that are expected to benefit from the combination. – The goodwill of each CGU is subsequently reviewed for impairment at least annually by comparing its carrying value with the present value of the estimated future gross cash flows that are expected to be generated by the CGU. – The estimated future gross cash flows are based on the Directors' view of their future trading prospects and are discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. – Any shortfall in the present value of the cash flows is charged to the income statement immediately. – Details of goodwill are disclosed in note 16.
Property, plant and equipment and other intangible assets Combined carrying value at 31 December 2013 $694.8m (2012 – $704.9m)	– The Group's property, plant and equipment and intangible assets (except goodwill) are depreciated at rates that are intended to spread the irrecoverable cost of the assets over their useful lives. The Directors must therefore estimate the useful lives of the assets, their residual values and the pattern of consumption of their carrying values. Each asset is also regularly reviewed to ensure it remains consistent with the Directors' assumptions and, when required, adjustments are made prospectively. – The depreciation rates currently in use are disclosed in note 43. Further details of the Group's property, plant and equipment and the other intangible assets are disclosed in notes 15 and 17 respectively.
Provisions Carrying value at 31 December 2013 $33.4m (2012 – $48.0m)	– The measurement of provisions is predominantly based on the Directors' estimate of the present value of the Group's onerous net cash outflows that are expected to be paid after the balance sheet date but to which the Group is committed at the balance sheet date. – The provisions at 31 December 2013 are principally in respect of onerous property leases for which the Directors have estimated the period of time each property is expected to remain onerous, the cash flows expected to arise during that period and the risk-free discount rate required to measure the present value of the cash flows. – Details of the Group's provisions are disclosed in note 26.
Taxation Carrying value of net tax liability at 31 December 2013 $48.7m (2012 – $40.1m)	– The deferred tax balances at 31 December 2013 represent an estimate of the amounts that are expected to be paid or recovered from the tax authorities in future periods if assets and liabilities in the balance sheet were recovered at their carrying values based on tax laws and rates that have been substantively enacted by the balance sheet date. – Measurement of deferred tax balances therefore requires management to assess the substantively enacted tax laws and rates, the timing of the reversal of existing taxable and deductible temporary differences and the nature, timing and amount of taxable income which would potentially be available to support the recognition of deferred tax assets. – Details of the Group's deferred tax are disclosed in note 21. – In determining current tax estimates, management has to consider the likelihood of tax authority challenges and estimates tax payable accordingly.

3. Segmental Reporting

Group

The Group reports on seven operating segments, two 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, undertake exploration and production activities and provide broking services to the shipping sector. The discontinued operations comprise Field Aviation, which was sold on 27 April 2012, and Gibson Energy, which was sold in 2008. Gibson Energy and Field Aviation 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. The Board of Hunting will not be making any new capital investment, beyond where the division has contractual commitments and so the division will in future focus on producing out its remaining reserves, with a view to winding down the operation.

Gibson Shipbrokers is a global energy shipping broker headquartered in London. Crude oil, fuel oil and bio fuels are 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").

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 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.

There has been no change in the basis of measurement of segment profit or loss since the year ended 31 December 2012. The information for the year ended 31 December 2012 has been represented to take into account the change in accounting policy following the adoption of IAS 19 (revised) on 1 January 2013.

Notes to the Financial Statements *continued*

3. Segmental Reporting *continued*
Results from Operations

	Year ended 31 December 2013					
	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	387.9	(7.0)	380.9	58.6	(7.4)	51.2
Well Completion	805.6	(9.5)	796.1	124.5	(42.3)	82.2
Well Intervention	108.6	–	108.6	15.7	(0.9)	14.8
	1,302.1	(16.5)	1,285.6	198.8	(50.6)	148.2
Other Activities						
Exploration and Production	8.0	–	8.0	1.2	(10.5)	(9.3)
Gibson Shipbrokers	40.4	–	40.4	(1.5)	–	(1.5)
Total from continuing operations	1,350.5	(16.5)	1,334.0	198.5	(61.1)	137.4
Net finance expense				(2.8)	–	(2.8)
Share of associates' post-tax profits				0.4	–	0.4
Profit before tax from continuing operations				196.1	(61.1)	135.0
Discontinued operations:						
Gibson Energy	–	–	–	–	15.7	15.7
Field Aviation	–	–	–	–	(0.2)	(0.2)
Total from discontinued operations	–	–	–	–	15.5	15.5
Taxation				–	(0.1)	(0.1)
Profit from discontinued operations				–	15.4	15.4

3. Segmental Reporting *continued*

	Restated Year ended 31 December 2012					
	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	450.3	(7.6)	442.7	72.5	(8.1)	64.4
Well Completion	742.8	(17.7)	725.1	116.6	(47.5)	69.1
Well Intervention	89.9	(0.1)	89.8	10.8	(0.9)	9.9
	1,283.0	(25.4)	1,257.6	199.9	(56.5)	143.4
Other Activities						
Exploration and Production	7.8	–	7.8	0.9	(11.4)	(10.5)
Gibson Shipbrokers	43.6	–	43.6	1.7	–	1.7
Total from continuing operations	1,334.4	(25.4)	1,309.0	202.5	(67.9)	134.6
Net finance expense				(8.7)	–	(8.7)
Share of associates' post-tax profits				1.5	–	1.5
Profit before tax from continuing operations				195.3	(67.9)	127.4
Discontinued operations:						
Gibson Energy	–	–	–	–	90.1	90.1
Field Aviation	16.0	–	16.0	–	0.2	0.2
Total from discontinued operations	16.0	–	16.0	–	90.3	90.3
Taxation				–	17.7	17.7
Profit from discontinued operations				–	108.0	108.0

Other Segment Items

	2013			2012		
	Depreciation $m	Amortisation of intangible assets $m	Impairment $m	Depreciation $m	Amortisation of intangible assets $m	Impairment $m
Hunting Energy Services						
Well Construction	19.3	7.4	–	17.3	8.6	–
Well Completion	16.6	35.1	–	15.5	35.0	–
Well Intervention	6.1	0.9	–	4.9	0.9	–
	42.0	43.4	–	37.7	44.5	–
Other Activities						
Exploration and Production	2.0	–	10.5	2.4	–	8.2
Gibson Shipbrokers	0.3	–	–	0.3	–	–
Continuing operations	44.3	43.4	10.5	40.4	44.5	8.2

Notes to the Financial Statements *continued*

3. Segmental Reporting *continued*

Geographical Information

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

	External revenue		Profit from operations before amortisation and exceptional items		Non-current assets	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Hunting Energy Services						
USA	798.8	785.0	155.8	155.9	1,007.4	1,014.8
Canada	75.3	96.7	(2.4)	8.3	38.9	37.4
North America	874.1	881.7	153.4	164.2	1,046.3	1,052.2
UK	148.6	185.5	11.3	13.8	88.6	85.3
Rest of Europe	27.4	28.1	3.0	2.7	5.0	4.5
Europe	176.0	213.6	14.3	16.5	93.6	89.8
Singapore	144.7	126.1	28.1	16.4	12.7	14.9
Rest of Asia Pacific	72.2	19.2	2.3	1.8	23.7	27.3
Asia Pacific	216.9	145.3	30.4	18.2	36.4	42.2
Middle East, Africa and Other	18.6	17.0	0.7	1.0	10.5	7.6
	1,285.6	1,257.6	198.8	199.9	1,186.8	1,191.8
Other Activities						
UK	35.4	39.3	(0.8)	1.5	2.9	2.9
USA	8.0	7.8	1.2	0.9	26.5	28.5
Other	5.0	4.3	(0.7)	0.2	0.2	0.2
Continuing operations	1,334.0	1,309.0	198.5	202.5	1,216.4	1,223.4
Unallocated assets:						
Deferred tax assets					3.1	8.7
Retirement benefit assets					29.6	22.8
Total non-current assets					1,249.1	1,254.9

Major Customer Information

The Group had no customers (2012 – nil) who accounted for more than 10% of the Group's external revenue during the year.

4. Revenue

Group

	2013 $m	2012 $m
Sale of goods	1,076.4	1,061.2
Revenue from services	135.3	129.8
Revenue from rental equipment	122.3	118.0
Continuing operations	1,334.0	1,309.0

Revenue from services includes revenue from shipbroking activities of $40.4m (2012 – $43.6m).

Revenue in 2012 has been reclassified between the different categories of revenue to correctly present these in line with the Group's accounting policies.

5. Other Operating Income
Group

	2013 $m	2012 $m
Royalty income	1.5	3.1
Operating lease rental income	1.4	1.2
Gain on disposal of property, plant and equipment	2.7	0.6
Foreign exchange gains	1.5	0.8
Other income	0.5	0.6
Other operating income before exceptional items	7.6	6.3
Exceptional items included in other income (note 7)	–	1.8
Continuing operations	7.6	8.1

6. Operating Expenses
Group

	2013 $m	Restated 2012 $m
Administration expenses before amortisation and exceptional items	168.5	167.5
Distribution costs and selling costs	75.7	58.8
Operating expenses before amortisation and exceptional items	244.2	226.3
Amortisation and exceptional items (note 7)	46.3	46.3
Continuing operations	290.5	272.6

Administration expenses include a fair value loss on non-hedging derivatives of $0.3m (2012 – $0.3m) and foreign exchange losses of $2.3m (2012 – $2.0m).

The Directors have decided to separate selling costs of $35.5m in 2012 from administration expenses and aggregate these with distribution costs as they are more closely related to each other.

7. Amortisation and Exceptional Items
Group

	2013 $m	2012 $m
Fair value uplift to inventories charge	4.3	12.0
Impairment of property, plant and equipment	7.9	8.2
Dry hole costs	2.6	3.2
Charged to cost of sales	14.8	23.4
Amortisation of intangible assets (note 17)	43.4	44.5
Retention bonuses for management of acquired businesses	–	1.8
Settlement of litigation and associated legal expenses	2.9	–
Charged to operating expenses	46.3	46.3
Release of contingent consideration liability – credited to operating income	–	(1.8)
Amortisation and exceptional items	61.1	67.9
Taxation on amortisation and exceptional items (note 12)	(23.3)	(26.5)
Continuing operations	37.8	41.4

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 uplift is charged to the income statement as the inventory is sold, thereby reducing reported operating profits. In 2013, the charge was $4.3m (2012 – $12.0m) relating to the four acquisitions completed in the second half of 2011.

Notes to the Financial Statements *continued*

7. Amortisation and Exceptional Items *continued*

The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted cash flow projections based on estimated oil and gas reserves, future production and the income and costs in generating this production. Cash flows are based on productive lives between one and fifteen years and are discounted using a nominal pre-tax rate of 13% (2012 – 12%). An impairment charge of $7.9m (2012 – $8.2m) was incurred in the year. This resulted from a number of factors, including reductions in reserve estimates, higher retirement obligation cost estimates and a higher discount rate.

Dry hole costs of $2.6m (2012 – $3.2m) have been incurred and paid during the year from our Exploration and Production activities.

The $1.8m charge for bonuses for key employee retention in 2012 relates to the 2011 acquisitions. During 2012, bonuses of $4.4m were paid to relevant employees and the liability was discharged.

During 2013, the Group settled a pre-acquisition litigation case brought against one of its subsidiaries. The settlement cost and associated legal expenses amounted to $2.9m. Cash paid during 2013 was $2.9m (2012 – $nil).

A credit of $1.8m was recognised in the income statement in 2012 for the Doffing contingent consideration arrangement, as the future payments were not likely to be required.

8. Profit from Continuing Operations

Group

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

	2013 $m	2012 $m
Staff costs (note 10)	291.1	279.5
Depreciation of property, plant and equipment (note 15)	44.3	40.4
Amortisation of other intangible assets (included in operating expenses) (note 17)	43.4	44.5
Impairment of property, plant and equipment (included in cost of sales) (note 15)	10.5	8.2
Impairment of trade and other receivables (note 20)	0.5	1.2
Cost of inventories recognised as expense (included in cost of sales)*	795.9	789.6
Write down in inventories	3.2	3.6
Net (profit) loss on disposal of property, plant and equipment	(0.1)	4.7
Operating lease payments	15.1	10.9
Research and development expenditure	0.6	2.7

* The cost of inventories recognised as an expense includes the release of the fair value uplift to inventories of $4.3m (2012 – $12.0m) included in exceptional items (note 7).

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

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Fees payable to the Company's auditor and its associates:				
Audit of the parent Company and consolidated financial statements	2.2	2.1	0.6	0.6
Audit of the Company's subsidiaries	0.2	0.2	–	–
Total audit	2.4	2.3	0.6	0.6
Audit-related assurance services	0.1	0.1	–	–
Tax compliance services	0.3	1.0	0.1	0.1
Tax advisory services	0.5	0.5	0.1	0.2
Total services relating to taxation	0.8	1.5	0.2	0.3
Services relating to corporate finance transactions entered into by the Group	0.1	0.1	–	–
Other services	0.1	0.1	–	0.1
Total other non-audit services	0.2	0.2	–	0.1
Total fees	3.5	4.1	0.8	1.0

9. EBITDA

Group

	2013 $m	Restated 2012 $m
Reported profit from continuing operations (page 84)	137.4	134.6
Add: amortisation and exceptional items (note 7)	61.1	67.9
Add: depreciation	44.3	40.4
Underlying EBITDA	242.8	242.9
Less: exceptional items impacting EBITDA	(7.2)	(15.2)
Reported EBITDA	235.6	227.7

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

EBITDA includes a $0.7m (2012 – $1.3m) charge in respect of acquisition related costs incurred during the year.

10. Employees

Group

	2013	2012		
	Continuing operations $m	Continuing operations $m	Discontinued operations $m	Total $m
Staff costs during the year comprised:				
Wages and salaries	248.1	239.4	5.9	245.3
Social security costs	19.5	18.0	0.8	18.8
Share-based payments (note 37)	10.0	11.1	–	11.1
Pension costs				
– defined contribution schemes (note 31)	9.4	6.8	0.3	7.1
– defined benefit scheme (note 31)	4.4	4.2	–	4.2
Staff costs for the year	291.4	279.5	7.0	286.5
Less: staff costs capitalised as R&D	(0.3)	–	–	–
Staff costs charged to profit from operations	291.1	279.5	7.0	286.5

	2013	2012		
	Continuing operations	Continuing operations	Discontinued operations	Total
The average monthly number of employees (including executive Directors) comprised:				
UK	573	552	–	552
Rest of Europe	72	65	–	65
Canada	258	232	73	305
USA	2,281	2,224	1	2,225
Singapore	211	177	–	177
Rest of Asia Pacific	527	476	–	476
Middle East, Africa and Other	34	23	–	23
	3,956	3,749	74	3,823

Notes to the Financial Statements *continued*

10. Employees *continued*

	2013	2012		
	Continuing operations	Continuing operations	Discontinued operations	Total
The average monthly number of employees (including executive Directors) comprised:				
Well Construction	1,186	1,219	–	1,219
Well Completion	2,102	1,954	–	1,954
Well Intervention	432	359	–	359
Exploration and Production	4	4	–	4
Field Aviation	–	–	74	74
Gibson Shipbrokers	167	155	–	155
Central	65	58	–	58
	3,956	3,749	74	3,823

	2013	2012
	Continuing operations	Continuing operations
Actual number of employees at year end:		
Male	3,296	3,138
Female	694	728
	3,990	3,866

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

	2013 $m	2012 $m
Salaries and short-term employee benefits	2.7	3.4
Social security costs	0.4	0.3
Post-employment benefits	0.5	0.5
Share-based payments	3.6	3.8
	7.2	8.0

Salaries and short-term benefits are included within the Director Remuneration table on page 71 of the Annual Report on Remuneration. Post employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the income statement. Details of share options and awards are disclosed on page 75 of the Annual Report on Remuneration.

Company

The Company has no employees.

11. Net Finance Costs

Group

	2013 $m	Restated 2012 $m
Finance income:		
Bank balances and deposits	2.3	1.6
Pension interest income	1.1	1.1
Foreign exchange gains	6.2	–
Other finance income	2.4	1.1
	12.0	3.8
Finance expense:		
Bank overdrafts	(2.3)	(1.5)
Bank borrowings	(4.4)	(6.6)
Bank fees and commissions	(3.6)	(3.3)
Foreign exchange losses	(3.8)	(0.2)
Other finance expense	(0.7)	(0.9)
	(14.8)	(12.5)
Net finance expense – continuing operations	(2.8)	(8.7)

12. Taxation

Group

	2013			Restated 2012		
	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	63.8	(22.2)	41.6	53.2	(25.2)	28.0
– adjustment in respect of prior years	(8.0)	–	(8.0)	(9.3)	–	(9.3)
	55.8	(22.2)	33.6	43.9	(25.2)	18.7
Deferred tax						
– origination and reversal of temporary differences	(2.0)	(1.4)	(3.4)	10.5	(1.3)	9.2
– change in tax rate	(0.1)	–	(0.1)	0.5	–	0.5
– adjustment in respect of prior years	(1.6)	0.3	(1.3)	(0.2)	–	(0.2)
	(3.7)	(1.1)	(4.8)	10.8	(1.3)	9.5
Total tax charged to the income statement – continuing operations	52.1	(23.3)	28.8	54.7	(26.5)	28.2

The weighted average applicable tax rate for continuing operations before amortisation and exceptional items is 27% (2012 – 28%).

The tax credit in the income statement for amortisation and exceptional items principally comprises $16.5m (2012 – $17.0m) for amortisation, $3.1m (2012 – $3.0m) for the impairment of oil and gas development expenditure, $1.0m (2012 – $1.1m) for dry hole costs, $nil (2012 – $0.7m) for retention bonuses, $1.1m (2012 – $nil) for settlement of litigation and associated costs and $1.6m (2012 – $4.7m) for the fair value uplift to inventories charge.

Notes to the Financial Statements *continued*

12. Taxation *continued*

The total tax charge for the year is lower (2012 – lower) than the standard rate of UK corporation tax of 23.25% (2012 – 24.5%) for the following reasons:

	2013 $m	Restated 2012 $m
Profit before tax from continuing operations	135.0	127.4
Tax at 23.25% (2012 – 24.5%)	31.4	31.2
Permanent differences	(0.2)	2.8
Recognition of previously unrecognised deferred taxes	(0.2)	(1.0)
Non-tax deductible (untaxed) exceptional items	0.1	(0.3)
Higher rate of tax on overseas profits	7.1	4.5
Change in tax rates	(0.1)	0.5
Adjustments in respect of prior years	(9.3)	(9.5)
Tax charge for the year – continuing operations	28.8	28.2

Tax effects relating to each component of other comprehensive income:

	2013			Restated 2012		
	Before tax $m	Tax (charged) credited $m	After tax $m	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	(1.7)	0.8	(0.9)	9.8	2.9	12.7
Release of foreign exchange adjustments on disposal of subsidiary	–	–	–	(2.0)	(0.2)	(2.2)
Fair value gains and losses:						
– gain on available for sale investment arising during the year	0.2	–	0.2	–	–	–
– gains originating on cash flow hedges arising during the year	1.8	(0.3)	1.5	0.8	(0.1)	0.7
– gains transferred to income statement on disposal of cash flow hedges	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Remeasurement of defined benefit pension schemes	2.3	0.5	2.8	(1.3)	0.6	(0.7)
	2.4	1.0	3.4	7.2	3.2	10.4

In respect of the tax on the remeasurement of defined benefit pension schemes, a $0.2m charge (2012 – $0.3m credit) arises on the current year's movement and a $0.7m credit (2012 – $0.2m credit) is due to a change in tax rates.

A number of changes to the UK corporation tax system were announced in the March 2013 Budget Statement. From 1 April 2013 the main rate of corporation tax was reduced to 23% and the impact of this change has been recognised in calculating the effective rate of tax for the year ended 31 December 2013. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was included in the Finance Act 2013, which received Royal Assent on 17 July 2013 and, accordingly, have been used in the calculation of deferred tax balances. The changes have not had a material impact on the Group's deferred tax balances.

13. Discontinued Operations

Group

The results from discontinued operations comprise the following:

	2013			2012		
	Field Aviation $m	Gibson Energy $m	Total $m	Field Aviation $m	Gibson Energy $m	Total $m
Trading results:						
Revenue	–	–	–	16.0	–	16.0
Cost of sales	–	–	–	(15.2)	–	(15.2)
Gross profit	–	–	–	0.8	–	0.8
Other operating income	–	–	–	1.3	–	1.3
Operating expenses	–	–	–	(2.1)	–	(2.1)
Profit from operations	–	–	–	–	–	–
Finance income	–	–	–	–	–	–
Profit before tax	–	–	–	–	–	–
Taxation	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–
Gain on disposal:						
(Loss) gain on sale before tax	(0.2)	15.7	15.5	0.2	90.1	90.3
Taxation	–	(0.1)	(0.1)	0.3	17.4	17.7
(Loss) gain on sale after tax	(0.2)	15.6	15.4	0.5	107.5	108.0
Total profit from discontinued operations	(0.2)	15.6	15.4	0.5	107.5	108.0

Field Aviation

On 27 April 2012, the Group sold its aviation engineering services business, Hunting Canadian Airport Holdings Ltd and its subsidiaries, including Field Aviation Company Inc. (together referred to as "Field Aviation").

Gibson Energy

The sale of Gibson Energy Inc., Hunting's midstream services operation, was completed on 12 December 2008.

Following the sale of Gibson Energy, Hunting established provisions for tax indemnities given in respect of two tax disputes with the Canadian Revenue Agency ("CRA"). The CRA ended their enquiry into the larger of the two tax disputes and dropped their challenge in 2012. The enquiry into the second tax dispute has now partially ended, resulting in a release of provisions and refund of cash from the tax authorities. The resulting gain to the income statement of $15.7m comprises $11.5m release of provisions, $4.0m refund of tax payments previously made and other movements of $0.2m.

Notes to the Financial Statements *continued*

14. Earnings per Share

Group

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:

	2013 $m	2012 $m
Basic and diluted earnings attributable to Ordinary shareholders:		
From continuing operations	102.5	94.3
From discontinued operations	15.4	108.0
Total	117.9	202.3
Basic and diluted earnings attributable to Ordinary shareholders before amortisation and exceptional items:		
From continuing operations	102.5	94.3
Add: amortisation and exceptional items after taxation (note 7)	37.8	41.4
Total	140.3	135.7
From discontinued operations	15.4	108.0
Add: exceptional items after taxation	(15.4)	(108.0)
Total	–	–

	millions	millions
Basic weighted average number of Ordinary shares	146.5	145.9
Dilutive outstanding share options	1.1	1.2
Long-term incentive plans	2.4	2.4
Adjusted weighted average number of Ordinary shares	150.0	149.5

	cents	cents
Basic EPS:		
From continuing operations	70.0	64.6
From discontinued operations	10.5	74.1
	80.5	138.7
Diluted EPS:		
From continuing operations	68.3	63.1
From discontinued operations	10.3	72.2
	78.6	135.3
Earnings per share before amortisation and exceptional items		
Basic EPS:		
From continuing operations	95.8	93.0
From discontinued operations	–	–
	95.8	93.0
Diluted EPS:		
From continuing operations	93.5	90.8
From discontinued operations	–	–
	93.5	90.8

15. Property, Plant and Equipment

Group

	2013				
	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development $m	Total $m
Cost:					
At 1 January	172.7	250.6	124.0	162.3	709.6
Exchange adjustments	0.9	(0.7)	0.1	–	0.3
Additions	20.3	37.5	26.4	10.8	95.0
Acquisitions	–	1.7	–	–	1.7
Disposals	(4.5)	(4.6)	(15.3)	–	(24.4)
Reclassification to other intangible assets	2.7	(3.0)	–	–	(0.3)
Reclassification to other receivables	–	–	–	(1.8)	(1.8)
At 31 December	192.1	281.5	135.2	171.3	780.1
Accumulated depreciation and impairment:					
At 1 January	18.4	114.0	36.1	137.3	305.8
Exchange adjustments	(0.1)	(0.6)	–	–	(0.7)
Charge for the year	4.6	26.2	11.5	2.0	44.3
Impairment of assets (note 3)	–	–	–	10.5	10.5
Disposals	(2.2)	(4.1)	(5.1)	–	(11.4)
Reclassification to other intangible assets	2.0	(2.2)	–	–	(0.2)
At 31 December	22.7	133.3	42.5	149.8	348.3
Net book amount	169.4	148.2	92.7	21.5	431.8

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 until production commences, or is impaired if the exploration of the mineral resources is not commercially viable. The amount recognised in cost at 31 December 2013 is $nil (2012 – $0.3m), including additions during the year of $2.6m (2012 – $0.3m), offset by reclassifications of $0.3m (2012 – $nil) and an impairment loss of $2.6m (2012 – $nil).

Included in the net book amount is expenditure relating to assets in the course of construction of $6.2m (2012 – $0.5m) for land and buildings, $5.0m (2012 – $3.4m) for oil and gas exploration and development, $10.7m (2012 – $10.3m) for plant and machinery and $0.6m (2012 – $nil) for rental tools.

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for in these financial statements amounted to $19.2m (2012 – $12.8m).

The net book amount of land and buildings of $169.4m (2012 – $154.3m) comprises freehold land and buildings of $165.3m (2012 – $152.5m) and short leasehold land and buildings of $4.1m (2012 – $1.8m).

Notes to the Financial Statements *continued*

15. Property, Plant and Equipment *continued*

	2012				
	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development $m	Total $m
Cost:					
At 1 January	141.4	214.8	110.0	152.6	618.8
Exchange adjustments	2.9	5.0	0.4	–	8.3
Additions	24.8	38.1	27.8	9.7	100.4
Disposals	(0.2)	(3.5)	(14.2)	–	(17.9)
Reclassification	3.8	(3.8)	–	–	–
At 31 December	172.7	250.6	124.0	162.3	709.6
Accumulated depreciation and impairment:					
At 1 January	11.6	91.5	29.6	126.7	259.4
Exchange adjustments	0.8	3.9	0.2	–	4.9
Charge for the year	3.5	24.4	10.1	2.4	40.4
Impairment of assets (note 3)	–	–	–	8.2	8.2
Disposals	(0.1)	(3.2)	(3.8)	–	(7.1)
Reclassification	2.6	(2.6)	–	–	–
At 31 December	18.4	114.0	36.1	137.3	305.8
Net book amount	154.3	136.6	87.9	25.0	403.8

The net book amount of property, plant and equipment at 1 January 2012 was $359.4m.

16. Goodwill

Group

	2013 $m	2012 $m
Cost:		
At 1 January	529.4	527.2
Exchange adjustments	(1.5)	2.2
Additions	1.3	–
At 31 December	529.2	529.4
Accumulated impairment:		
At 1 January	34.4	33.2
Exchange adjustments	(0.4)	1.2
At 31 December	34.0	34.4
Net book amount	495.2	495.0

The net book amount at 1 January 2012 was $494.0m.

16. Goodwill *continued*

Impairment Tests for Goodwill

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

	2013 $m	2012 $m
Innova	68.7	68.7
Dearborn	25.5	25.5
Titan	288.4	287.1
Welltonic	19.1	18.7
Hunting Stafford (formerly National Coupling Company)	32.7	32.7
Other cash generating units	60.8	62.3
At 31 December	495.2	495.0

The recoverable amount of a CGU is determined based on value in use calculations. The key assumptions for the value in use calculations are long-term growth rates and pre-tax discount rates. The calculations use discounted pre-tax cash flow projections based on the most recent financial budgets approved by management covering a two year period and are based on past experience and order books. Cash flows beyond the two year period are extrapolated using estimated nominal long-term growth rates of approximately 5.0% and 6.8% and terminal growth rates of approximately 3.0% and 2.7% for 2013 and 2012 respectively. The growth rate reflects the products, industries and countries in which the relevant CGU operates and will incorporate, where relevant, projected rig counts and the expected profile of drilling.

Cash flows are discounted using nominal pre-tax rates between 9% and 15% (2012 – 10% and 15%). The cash flows for the Titan CGU have been discounted using a nominal pre-tax rate of 11% (2012 – 11%). The discount rate best reflects current market assessments of the time value of money, the risks associated with the cash flows and the likely external rate of borrowing of the CGU. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

Sensitivities

Having performed a sensitivity analysis on the value in use calculations, management believes that no reasonably possible change in any of the key assumptions would cause the recoverable amount of any CGU to be materially below its carrying value.

17. Other Intangible Assets

Group

	2013				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January	247.7	53.4	50.4	19.9	371.4
Exchange adjustments	–	–	–	0.1	0.1
Additions	–	–	2.8	2.2	5.0
Acquisitions	0.1	–	–	0.2	0.3
Reclassification from PPE	–	–	–	0.3	0.3
At 31 December	247.8	53.4	53.2	22.7	377.1
Accumulated amortisation:					
At 1 January	40.1	6.9	13.6	9.7	70.3
Exchange adjustments	0.1	–	–	0.1	0.2
Charge for the year	26.1	5.3	7.5	4.5	43.4
Reclassification from PPE	–	–	–	0.2	0.2
At 31 December	66.3	12.2	21.1	14.5	114.1
Net book amount	181.5	41.2	32.1	8.2	263.0

Notes to the Financial Statements *continued*

17. Other Intangible Assets *continued*

	2012				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January	247.5	53.4	50.4	17.5	368.8
Exchange adjustments	0.2	–	–	0.2	0.4
Additions	–	–	–	2.2	2.2
At 31 December	247.7	53.4	50.4	19.9	371.4
Accumulated amortisation:					
At 1 January	13.8	1.5	5.2	5.1	25.6
Exchange adjustments	0.2	–	–	–	0.2
Charge for the year	26.1	5.4	8.4	4.6	44.5
At 31 December	40.1	6.9	13.6	9.7	70.3
Net book amount	207.6	46.5	36.8	10.2	301.1

The net book amount of total other intangible assets at 1 January 2012 was $343.2m.

Other intangible assets include non-compete agreements of $3.1m (2012 – $6.8m) and software of $4.1m (2012 – $2.7m).

Internally generated intangible assets have been included within Patents and Trademarks, with additions during the year of $2.7m (2012 – $nil) and the carrying value at the end of the year $2.7m (2012 – $nil).

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.

Individual Material Intangible Assets

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

	2013	
	Customer relationships – Innova $m	Customer relationships – Titan $m
Cost:		
At 1 January and 31 December	27.0	190.1
Accumulated amortisation:		
At 1 January	7.9	24.6
Charge for the year	3.4	19.0
At 31 December	11.3	43.6
Net book amount	15.7	146.5
Remaining amortisation period at 31 December – years	4.7	7.8

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18. Investments

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Non-current:				
Unlisted equity investments	0.4	0.3	–	–
Listed equity investments and mutual funds	8.0	5.7	–	–
Environmental escrow	0.6	0.4	0.6	0.4
	9.0	6.4	0.6	0.4

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Current:				
Bank deposits maturing after more than three months	2.0	5.1	–	–

The maximum exposure to credit risk at 31 December 2013 is the fair value of the financial assets of $11.0m (2012 – $11.5m), see note 28.

19. Investments in Subsidiaries

Company

	2013 $m	2012 $m
Cost:		
At 1 January	509.9	488.6
Exchange adjustments	–	22.4
Disposals	–	(1.1)
At 31 December	509.9	509.9
Impairment:		
At 1 January	9.3	3.0
Exchange adjustments	–	0.3
Charge for the year	–	6.0
At 31 December	9.3	9.3
Net book amount	500.6	500.6

The principal subsidiaries are detailed in note 42.

The impairment charge of $6.0m in 2012 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.

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

Notes to the Financial Statements *continued*

20. Trade and Other Receivables

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Non-current:				
Receivables from subsidiaries	–	–	15.5	16.6
Other receivables	4.3	2.7	2.5	2.7
Prepayments	3.2	3.4	–	–
	7.5	6.1	18.0	19.3
Current:				
Trade receivables	227.6	237.3	–	–
Less: provision for impairment of receivables	(3.9)	(3.7)	–	–
Net trade receivables	223.7	233.6	–	–
Receivables from subsidiaries	–	–	28.0	31.3
Receivable due from Canadian tax authority	–	14.2	–	–
Prepayments	9.9	10.8	0.1	0.2
Accrued revenue	10.9	6.0	–	–
Other receivables	20.3	13.4	0.2	0.5
	264.8	278.0	28.3	32.0

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 (2012 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

At 31 December 2013, trade receivables of $94.3m (2012 – $100.1m) were overdue but not impaired. The ageing of these receivables at the year end is as follows:

Number of days overdue:	2013 $m	2012 $m
1–30 days	53.7	55.1
31–60 days	23.7	25.3
61–90 days	9.9	10.2
91–120 days	7.0	7.5
more than 120 days	–	2.0
Receivables overdue not impaired	94.3	100.1
Receivables not overdue and not impaired	129.4	133.4
Receivables not overdue and impaired	1.8	1.9
Receivables overdue and impaired	2.1	1.9
Impairment	(3.9)	(3.7)
Net trade receivables	223.7	233.6

Receivables that are overdue but not impaired relate to customers for whom there is no recent history of default.

Impaired receivables mainly relate to debtors in financial difficulty where defaults in payments have occurred or concerns have been raised about the customer's liquidity. Trade receivables are impaired when there is evidence that the Group will not be able to collect all amounts due according to the original terms of sale.

During the year, a provision of $1.5m (2012 – $2.2m) for the impairment of receivables was recognised, $0.4m (2012 – $0.9m) receivables were written off and $1.0m (2012 – $1.0m) unused provisions were released. After recognising foreign exchange movements of $0.1m (2012 – $nil), the provision for the impairment of trade receivables at the year end was $3.9m (2012 – $3.7m).

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 28.

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20. Trade and Other Receivables *continued*

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 (2012 – 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 28. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

Non-current receivables due from subsidiaries have no fixed term for repayment and are unsecured. Interest charged is 1% above UK Base Rate on Sterling loans. Current receivables due from subsidiaries are unsecured, interest free and payable on demand.

21. 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	
	2013 $m	Restated 2012 $m	2013 $m	2012 $m
Deferred tax assets	3.1	8.7	–	–
Deferred tax liabilities	(34.7)	(41.8)	(0.2)	(0.2)
	(31.6)	(33.1)	(0.2)	(0.2)

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

	Group		Company	
	2013 $m	Restated 2012 $m	2013 $m	2012 $m
At 1 January restated	(33.1)	(26.2)	(0.2)	(1.6)
Exchange adjustments	–	0.2	–	–
(Charge) credit to income statement*	3.5	(6.3)	–	1.3
Taken direct to equity	(2.6)	(0.1)	–	–
Change in tax rate through the income statement**	–	(0.7)	–	0.1
Other movements	0.6	–	–	–
At 31 December	(31.6)	(33.1)	(0.2)	(0.2)

* Included in the credit to the income statement is a $1.2m charge (2012 – $2.7m credit) relating to discontinued operations.
** Included in the charge in tax rate is a $0.1m charge (2012 – $0.2m charge) relating to discontinued operations.

Deferred tax assets of $0.7m (2012 – $0.5m) have not been recognised as realisation of the tax benefit is not probable. The tax losses do not have an expiry date.

Previously unrecognised deferred tax assets of $0.2m (2012 – $3.2m) have been recognised as the Group has assessed that the realisation of the benefit is probable. Deferred tax assets of $3.1m (2012 – $8.7m) are expected to be recovered after more than twelve months. Deferred tax liabilities of $34.7m (2012 – $41.8m) are expected to be released after more than twelve months.

Notes to the Financial Statements *continued*

21. Deferred Tax *continued*

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdictions, are shown below:

Group

	Restated At 1 January 2013 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Taken direct to equity $m	Change in tax rates through the income statement $m	Other movements $m	At 31 December 2013 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	2.1	–	(1.2)	–	(0.1)	–	0.8	0.8	–
Inventory	4.8	0.1	0.4	–	–	0.1	5.4	–	5.4
Goodwill and intangibles	(12.0)	(0.1)	(3.6)	–	–	(1.2)	(16.9)	–	(16.9)
Post retirement benefits	(3.3)	(0.2)	(0.3)	–	0.1	(0.1)	(3.8)	(5.9)	2.1
Asset decommissioning provision	1.9	–	0.2	–	–	–	2.1	–	2.1
Accumulated tax depreciation	(37.5)	0.1	2.4	–	0.1	1.2	(33.7)	0.8	(34.5)
Share-based payments	10.5	–	(0.3)	(2.3)	(0.1)	–	7.8	7.8	–
Unremitted earnings	(0.2)	–	–	–	–	–	(0.2)	–	(0.2)
Other	0.6	0.1	5.9	(0.3)	–	0.6	6.9	(0.4)	7.3
	(33.1)	–	3.5	(2.6)	–	0.6	(31.6)	3.1	(34.7)

	Restated At 1 January 2012 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Taken direct to equity $m	Change in tax rates through the income statement $m	At 31 December 2012 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	6.0	0.1	(3.8)	–	(0.2)	2.1	2.1	–
Inventory	7.0	–	(2.3)	–	0.1	4.8	–	4.8
Goodwill and intangibles	(10.3)	–	(1.7)	–	–	(12.0)	–	(12.0)
Post retirement benefits	(4.1)	(0.2)	0.4	0.5	0.1	(3.3)	(5.2)	1.9
Asset decommissioning provision	1.5	–	0.4	–	–	1.9	–	1.9
Accumulated tax depreciation	(31.8)	(0.1)	(4.8)	–	(0.8)	(37.5)	1.3	(38.8)
Share-based payments	8.2	0.4	2.3	(0.4)	–	10.5	10.5	–
Unremitted earnings	(1.6)	–	1.3	–	0.1	(0.2)	–	(0.2)
Other	(1.1)	–	1.9	(0.2)	–	0.6	–	0.6
	(26.2)	0.2	(6.3)	(0.1)	(0.7)	(33.1)	8.7	(41.8)

Company

The Company had $0.2m (2012 – $0.2m) of deferred tax liabilities relating to unremitted earnings at the year end.

22. Inventories

Group

	2013 $m	2012 $m
Raw materials	103.2	109.4
Work in progress	62.6	69.7
Finished goods	232.1	223.1
Less: provisions for impairment	(11.6)	(11.1)
	386.3	391.1

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 $20.2m (2012 – $12.3m).

The Group reversed $0.4m (2012 – $2.0m) of a previous inventory impairment 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.

23. Trade and Other Payables

	Group		Company	
	2013 $m	Restated 2012 $m	2013 $m	2012 $m
Non-current:				
Accruals	9.5	6.7	9.0	6.7
Social security and other taxes	0.4	–	–	–
Other payables	8.0	5.7	–	–
	17.9	12.4	9.0	6.7
Current:				
Trade payables	75.1	100.5	–	–
Payables to subsidiaries	–	–	5.5	1.0
Social security and other taxes	11.9	8.3	–	–
Accruals	70.6	83.1	5.1	10.3
Other payables	18.9	23.8	0.2	0.7
	176.5	215.7	10.8	12.0

Company

Current payables due to subsidiaries are unsecured, interest free and payable on demand.

24. Borrowings

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Non-current:				
Unsecured bank loans	235.4	298.7	–	–
Other unsecured loans	3.9	6.0	–	–
Amounts due to subsidiaries	–	–	85.6	87.2
	239.3	304.7	85.6	87.2
Current:				
Bank overdrafts	115.0	118.1	3.3	2.5
Secured bank loans	–	0.3	–	–
Unsecured bank loans	18.8	11.7	–	–
Other unsecured loans	2.1	2.0	–	–
Amounts due to subsidiaries	–	–	6.6	2.4
	135.9	132.1	9.9	4.9
Total borrowings	375.2	436.8	95.5	92.1

Analysis of Borrowings by Currency

Group

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Sterling $m	US dollars $m	Euro $m	Total $m
Secured bank loans				
Unsecured bank loans	–	254.2	–	254.2
Other unsecured loans	–	6.0	–	6.0
Bank overdrafts	67.6	47.3	0.1	115.0
At 31 December 2013	67.6	307.5	0.1	375.2

Notes to the Financial Statements *continued*

24. Borrowings *continued*

	Sterling $m	US dollars $m	Euro $m	Total $m
Secured bank loans	–	0.3	–	0.3
Unsecured bank loans	–	310.4	–	310.4
Other unsecured loans	–	8.0	–	8.0
Bank overdrafts	107.1	10.6	0.4	118.1
At 31 December 2012	107.1	329.3	0.4	436.8

Company

The Company has borrowings of $95.5m (2012 – $92.1m) at the year end, of which $60.1m (2012 – $91.2m) are denominated in Sterling and $35.4m (2012 – $0.9m) are denominated in US dollars.

Non-current borrowings due to subsidiaries have no fixed term for repayment and are unsecured. Interest charged is 1% above UK Base Rate on Sterling loans. Current borrowings due to subsidiaries have no fixed term for repayment, are unsecured and interest free.

25. Changes in Net Debt

Group

Net debt is a non-GAAP measure. The analysis below is provided in order to reconcile the movement in borrowings (note 24) and cash and cash equivalents during the year.

	At 1 January 2013 $m	Cash flow $m	Exchange movements $m	Amortisation of loan facility fees $m	At 31 December 2013 $m
Cash and cash equivalents	165.3	2.9	(0.8)	–	167.4
Bank overdrafts	(118.1)	2.8	0.3	–	(115.0)
	47.2	5.7	(0.5)	–	52.4
Current investments	5.1	(3.0)	(0.1)	–	2.0
Non-current borrowings	(304.7)	67.1	–	(1.7)	(239.3)
Current borrowings	(14.0)	(6.9)	–	–	(20.9)
Total net debt	(266.4)	62.9	(0.6)	(1.7)	(205.8)

26. Provisions

Group

	Onerous contracts $m	Warranties and tax indemnities $m	Other $m	Total $m
At 1 January 2013	24.9	14.2	8.9	48.0
Exchange adjustments	0.3	(0.7)	–	(0.4)
Charged to income statement	0.6	0.6	–	1.2
Charged to property, plant and equipment	–	–	1.2	1.2
Provisions utilised	(3.0)	(0.5)	(0.7)	(4.2)
Unutilised amounts reversed	–	(11.5)	(0.5)	(12.0)
Unwinding of discount	0.1	–	0.1	0.2
Change in discount rate	(0.4)	–	–	(0.4)
Other	–	–	(0.2)	(0.2)
At 31 December 2013	22.5	2.1	8.8	33.4

26. Provisions *continued*

Provisions are due as follows:

	2013 $m	2012 $m
Current	8.0	20.3
Non-current	25.4	27.7
	33.4	48.0

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that $3.5m of the provision will be utilised in 2014, $3.2m in 2015 and the remaining balance of $15.8m utilised from 2016 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.29% and 2.86% p.a., for the net rental deficit on these properties to the end of the lease term.

Asset decommissioning and remediation obligations of $6.1m (2012 – $5.6m) relate to the Group's obligation to dismantle, remove and restore items of property, plant and equipment and have been included in other provisions. 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 and is expected to be utilised over a period of one to fourteen years.

Following the sale of Gibson Energy in 2008, Hunting established provisions for tax indemnities given in respect of two tax disputes with the Canadian Tax Authorities ("CRA"). The CRA have now ended their enquiry into the disputes and have dropped their challenge.

27. Derivatives and Hedging

Group

(a) Currency Derivatives

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

At 31 December 2013, the total notional amount of the Group's outstanding forward foreign exchange contracts is $22.5m (2012 – $5.9m).

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 $0.3m loss (2012 – $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 twelve months. Gains and losses recognised in the hedging reserve on forward foreign exchange contracts at 31 December 2013 will be recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

Gains of $1.8m (2012 – $0.8m gains) were recognised in the hedging reserve (note 33) during the year. Gains of $0.2m (2012 – $0.1m gains) were reclassified from equity during the year and included in revenue in the income statement. Ineffectiveness of $nil (2012 – $nil) arose on the cash flow hedges during the year.

Fair values of derivative financial instruments:

	2013		2012	
	Total assets $m	Total liabilities $m	Total assets $m	Total liabilities $m
Forward foreign exchange – in cash flow hedges	1.8	–	0.1	–
Forward foreign exchange – not in a hedge	–	(0.1)	–	(0.1)
	1.8	(0.1)	0.1	(0.1)

Notes to the Financial Statements *continued*

27. Derivatives and Hedging *continued*

(b) Hedge of Net Investments in Foreign Operations

During 2012, the Group had US dollar denominated borrowings, which it designated as a hedge of the net investment in its US subsidiaries. At 31 December 2012, the carrying amount of net US dollar borrowings was $350.6m. During 2012, foreign exchange gains of $16.0m on translation of borrowings into Sterling was recognised in the cumulative translation reserve. From 1 January 2013, the hedge of the net investment in US subsidiaries ceased and no further foreign exchange gains or losses have been recognised in the cumulative translation reserve for this hedge.

28. Financial Instruments: Fair Values

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 2013							
	Carrying amount							
	Loans and receivables $m	Available for sale financial assets $m	Financial asset at fair value through profit or loss $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								
Investments (note 18)	–	1.0	8.0	–	–	–	9.0	9.0
Trade and other receivables (note 20)	4.3	–	–	–	–	–	4.3	4.3
Current assets								
Trade and other receivables[1] (note 20)	240.1	–	–	–	–	1.8	241.9	241.9
Investments (note 18)	2.0	–	–	–	–	–	2.0	2.0
Cash at bank and in hand	167.4	–	–	–	–	–	167.4	167.4
Current liabilities								
Trade and other payables[2] (note 23)	–	–	–	(151.6)	(0.1)	–	(151.7)	(151.7)
Provisions[3]	–	–	–	(7.9)	–	–	(7.9)	(7.9)
Borrowings (note 24)	–	–	–	(135.9)	–	–	(135.9)	(135.9)
Non-current liabilities								
Borrowings (note 24)	–	–	–	(239.3)	–	–	(239.3)	(239.3)
Other payables[2] (note 23)	–	–	–	(17.5)	–	–	(17.5)	(17.5)
Provisions[3]	–	–	–	(19.4)	–	–	(19.4)	(19.4)
	413.8	1.0	8.0	(571.6)	(0.1)	1.8	(147.1)	(147.1)

Notes:
1. Prepayments and other non-financial assets are excluded from the trade and other receivables balance, as this analysis is required for financial instruments only.
2. Non-financial liabilities are excluded from the trade and other payables balance, as this analysis is required for financial instruments only.
3. Non-financial liabilities are excluded from the provisions balance, as this analysis is required for financial instruments only.

28. Financial Instruments: Fair Values *continued*

	Restated Year ended 31 December 2012							
	Carrying amount							
	Loans and receivables $m	Available for sale financial assets $m	Financial asset at fair value through profit or loss $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								
Investments (note 18)	–	0.7	5.7	–	–	–	6.4	6.4
Trade and other receivables (note 20)	2.7	–	–	–	–	–	2.7	2.6
Current assets								
Trade and other receivables[1] (note 20)	258.7	–	–	–	–	0.1	258.8	258.8
Investments (note 18)	5.1	–	–	–	–	–	5.1	5.1
Cash at bank and in hand	165.3	–	–	–	–	–	165.3	165.3
Current liabilities								
Trade and other payables[2] (note 23)	–	–	–	(193.2)	(0.1)	–	(193.3)	(193.3)
Provisions[3]	–	–	–	(20.3)	–	–	(20.3)	(20.3)
Borrowings (note 24)	–	–	–	(132.1)	–	–	(132.1)	(132.1)
Non-current liabilities								
Borrowings (note 24)	–	–	–	(304.7)	–	–	(304.7)	(304.7)
Other payables (note 23)	–	–	–	(12.4)	–	–	(12.4)	(12.4)
Provisions[3]	–	–	–	(22.1)	–	–	(22.1)	(22.1)
	431.8	0.7	5.7	(684.8)	(0.1)	0.1	(246.6)	(246.7)

Notes:
1. Prepayments and other non-financial assets are excluded from the trade and other receivables balance, as this analysis is required for financial instruments only.
2. Non-financial liabilities are excluded from the trade and other payables balance, as this analysis is required for financial instruments only.
3. Non-financial liabilities are excluded from the provisions balance, as this analysis is required for financial instruments only.

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 available for sale unlisted investments are carried at cost, which is the Directors' best estimate of fair value as there is no active market in which these are traded. The Directors do not intend to dispose of these unlisted investments. The fair value of listed equities and mutual funds is based on their current bid prices, which is considered to be the most representative of fair value, in an active market at the balance sheet date. The fair values of the environmental escrow and the promissory note, included in non-current investments, are determined by discounting the expected future cash flows. The fair value of the contingent consideration arrangements was estimated by applying the income approach and appropriate discount rates. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year-end exchange rate.

The carrying value of net trade receivables, accrued revenue, other receivables, deposits maturing after three months, cash and cash equivalents, trade payables, accruals, other payables, provisions, bank overdrafts, unsecured bank loans and other unsecured loans approximates their fair value.

Notes to the Financial Statements *continued*

28. Financial Instruments: Fair Values *continued*

The inputs used to determine the fair value of unlisted equity investments, the environmental escrow and the contingent consideration arrangements are not based on observable market data and therefore their fair value measurements can be categorised in Level 3 of the fair value hierarchy. The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement can be categorised in Level 2 of the fair value hierarchy. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement can be categorised in Level 1 of the fair value hierarchy.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December and shows the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

	Fair value 31 December 2013 $m	Level 1 $m	Level 2 $m	Level 3 $m
Non-current investments				
Unlisted equity investments	0.4	–	–	0.4
Listed equity investments and mutual funds	8.0	8.0	–	–
Environmental escrow	0.6	–	–	0.6
Derivatives held for trading				
Derivative financial liabilities	(0.1)	–	(0.1)	–
Derivatives at fair value through equity				
Derivative financial assets	1.8	–	1.8	–
Current liabilities				
Contingent consideration	(3.0)	–	–	(3.0)
Total	7.7	8.0	1.7	(2.0)

	Fair value 31 December 2012 $m	Level 1 $m	Level 2 $m	Level 3 $m
Non-current investments				
Unlisted equity investments	0.3	–	–	0.3
Listed equity investments and mutual funds	5.7	5.7	–	–
Environmental escrow	0.4	–	–	0.4
Derivatives held for trading				
Derivative financial liabilities	(0.1)	–	(0.1)	–
Derivatives at fair vaue through equity				
Derivative financial assets	0.1	–	0.1	–
Current liabilities				
Contingent consideration	(4.8)	–	–	(4.8)
Total	1.6	5.7	–	(4.1)

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

	Contingent consideration $m	Available for sale financial assets $m	Total $m
At 1 January 2013	(4.8)	0.7	(4.1)
Additions	–	0.3	0.3
Unwinding of discount	(0.2)	–	(0.2)
Cash paid	2.0	–	2.0
At 31 December 2013	(3.0)	1.0	(2.0)

28. Financial Instruments: Fair Values *continued*

There has been no impact on the income statement or other comprehensive income from the change in fair value of the unlisted equity investments. The change in the fair value of the environmental escrow of $0.2m (2012 – $nil) was taken through other comprehensive income.

	Contingent consideration $m	Available for sale financial assets $m	Total $m
At 1 January 2012	(6.6)	0.3	(6.3)
Additions	–	0.4	0.4
Release of contingent consideration liability – credited to operating income (note 5)	1.8	–	1.8
At 31 December 2012	(4.8)	0.7	(4.1)

The release of the contingent liability of $1.8m to the income statement in 2012 was in relation to the Doffing contingent consideration arrangement, as the future payments were not likely to be required. During 2013, $2.0m (2012 – $nil) was paid to the sellers of Specialty in respect of the contingent consideration arrangement. The remaining contingent consideration liability relates to the Specialty contingent consideration arrangement.

The fair value of the contingent consideration is based on cash flows discounted using a risk free rate of 11% (2012 – 11%). The fair value of the environmental escrow is based on cash flows discounted using a rate of 3% (2012 – 3%).

Having performed a sensitivity analysis on the contingent consideration and environmental escrow fair value calculations, management believes that no reasonably possible change in any of the key assumptions would cause the fair value to change materially.

Company

	Year ended 31 December 2013				
	Carrying amount				
	Loans and receivables $m	Available for sale financial assets $m	Financial liabilities measured at amortised cost $m	Total $m	Fair value total $m
Non-current assets					
Other investments (note 18)	–	0.6	–	0.6	0.6
Other receivables (note 20)	18.0	–	–	18.0	18.0
Current assets					
Other receivables[1] (note 20)	28.0	–	–	28.0	28.0
Cash at bank and in hand	31.4	–	–	31.4	31.4
Current liabilities					
Other payables (note 23)	–	–	(10.8)	(10.8)	(10.8)
Provisions	–	–	(0.2)	(0.2)	(0.2)
Borrowings (note 24)	–	–	(9.9)	(9.9)	(9.9)
Non-current liabilities					
Borrowings (note 24)	–	–	(85.6)	(85.6)	(85.6)
Other payables (note 23)	–	–	(9.0)	(9.0)	(9.0)
Provisions	–	–	(0.3)	(0.3)	(0.3)
	77.4	0.6	(115.8)	(37.8)	(37.8)

Notes to the Financial Statements *continued*

28. Financial Instruments: Fair Values *continued*

	Year ended 31 December 2012				
	Carrying amount				
	Loans and receivables $m	Available for sale financial assets $m	Financial liabilities measured at amortised cost $m	Total $m	Fair value total $m
Non-current assets					
Other investments (note 18)	–	0.4	–	0.4	0.4
Other receivables (note 20)	19.3	–	–	19.3	19.2
Current assets					
Other receivables[1] (note 20)	31.6	–	–	31.6	31.6
Cash at bank and in hand	2.3	–	–	2.3	2.3
Current liabilities					
Other payables (note 23)	–	–	(12.0)	(12.0)	(12.0)
Provisions	–	–	(0.4)	(0.4)	(0.4)
Borrowings (note 24)	–	–	(4.9)	(4.9)	(4.9)
Non-current liabilities					
Borrowings (note 24)	–	–	(87.2)	(87.2)	(87.2)
Other payables (note 23)	–	–	(6.7)	(6.7)	(6.7)
Provisions	–	–	(0.6)	(0.6)	(0.6)
	53.2	0.4	(111.8)	(58.2)	(58.3)

Notes:
1. Prepayments and other non-financial assets are excluded from the trade and other receivables balance, as this analysis is required for financial instruments only.

The fair values of the environmental escrow and the promissory note are determined by discounting the expected future cash flows. The inputs used to determine the fair value of the environmental escrow are not based on observable data and therefore the fair value measurement can be categorised in Level 3 of the fair value hierarchy.

The fair value of the environmental escrow is based on cash flows discounted using a rate of 3% (2012 – 3%). There has been no change in the fair value of the environmental escrow during 2013 and therefore there has been no impact on the income statement or other comprehensive income.

Having performed a sensitivity analysis on the environmental escrow fair value calculations, management believes that no reasonably possible change in any of the key assumptions would cause the fair value to change materially.

29. Financial Risk Management

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 certain risk exposures.

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

The Group’s treasury function is responsible for implementing the policies and providing a centralised service to the Group for funding, foreign exchange, 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.

29. Financial Risk Management *continued*

(a) Foreign Exchange Risk

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

The Group's material foreign exchange rates are:

	Sterling		Canadian dollar	
	2013	2012	2013	2012
Average exchange rate to US dollars	0.64	0.63	1.03	1.00
Year-end exchange rate to US dollars	0.60	0.62	1.06	1.00

(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 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 2013

	Currency of denomination							
	Sterling $m	US dollars $m	Canadian dollars $m	Singapore dollars $m	Euro $m	Chinese CNY $m	Other currencies $m	Total $m
Functional currency of Group's entities:								
Sterling	–	17.4	–	1.0	(1.1)	–	0.7	18.0
US dollars	(95.1)	–	6.8	(0.4)	0.7	4.8	(0.8)	(84.0)
Canadian dollars	–	(5.5)	–	–	–	–	–	(5.5)
Singapore dollars	–	1.6	–	–	–	–	–	1.6
Euro	(1.1)	1.3	–	–	–	–	–	0.2
Chinese CNY	–	(0.7)	–	–	–	–	–	(0.7)
Other currencies	–	0.4	–	–	–	0.2	–	0.6
	(96.2)	14.5	6.8	0.6	(0.4)	5.0	(0.1)	(69.8)

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

Notes to the Financial Statements *continued*

29. Financial Risk Management *continued*

At 31 December 2012

	Currency of denomination						
	Sterling $m	US dollars $m	Canadian dollars $m	Singapore dollars $m	Euro $m	Other currencies $m	Total $m
Functional currency of Group's entities:							
Sterling	–	51.9	5.8	(0.4)	0.9	(0.5)	57.7
US dollars	(0.4)	–	–	(0.9)	–	0.1	(1.2)
Canadian dollars	–	3.4	–	–	–	–	3.4
Singapore dollars	(0.2)	2.5	–	–	–	–	2.3
Euro	(0.8)	(0.4)	–	–	–	–	(1.2)
Chinese CNY	–	(12.0)	–	–	–	–	(12.0)
Other currencies	–	0.4	–	–	–	0.2	0.6
	(1.4)	45.8	5.8	(1.3)	0.9	(0.2)	49.6

The US dollar denominated financial instruments consist mainly of cash balances, trade receivables and intra-group loans. The Canadian dollar denominated financial instruments consist mainly of intra-group loans, warranty provisions, the refund due from the Canadian tax authority and the Field Aviation promissary note and environmental escrow.

(ii) Translational Risk

Foreign exchange risk also arises from the Group's investments in foreign operations. Average rate options are periodically used to reduce translation risk on the Group's consolidated profit before tax if the Group considers there to be a significant exposure.

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 Sterling 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 risk and fixed interest rates on loans and deposits expose the Group to fair value interest rate risk. The treasury function manages the Group's exposure to interest rate risk and uses interest rate swaps and caps, when considered appropriate.

(c) Credit Risk

The Group's credit risk arises from its 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.

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 $167.4m (2012 – $165.3m) at the year end, and current investments of $2.0m (2012 – $5.1m) have been deposited with banks with Fitch short-term ratings of F1 to F1+. All cash and cash equivalents and current 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.

The Company operates a pension scheme in the UK, which includes a funded defined benefit section with pension plan net assets of $29.6m (2012 – $22.8m). The majority of the Scheme's defined benefits are now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated. The pension buy-in has been effected by using two insurers, so as to spread its credit risk. The credit rating of these insurers is monitored.

29. Financial Risk Management *continued*

The Company also operates a defined benefit pension scheme in the US, which is unfunded. Contributions are paid into a separate investment vehicle and invested in a wide portfolio of US mutual funds that are recognised by the Company as non-current investments. Investments at the year end amounted to $8.0m (2012 – $5.7m) and are expected to be fully recovered.

(d) Liquidity Risk

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

The Group has sufficient credit facilities to meet both its long and short-term requirements.

The Group's credit facilities are provided by a variety of funding sources and total $688.8m (2012 – $676.5m) at the year end. The facilities comprise $621.1m (2012 – $609.6m) of committed facilities and $67.7m (2012 – $66.9m) of uncommitted facilities. Of the uncommitted facilities, $nil (2012 – $0.3m) is secured on the machinery that the loan was used to purchase and $67.7m (2012 – $66.6m) is unsecured.

The committed facilities comprise the Sterling denominated £375.0m ($621.1m) multi-currency loan facility from a syndicate of ten banks (2012 – £375.0m; $609.6m). This facility expires on 5 August 2016 and is unsecured. 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:

	2013 $m	2012 $m
Floating rate:		
Expiring between two and five years	378.0	305.3

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 the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts are the contractual, undiscounted cash flows. The carrying amounts in the balance sheet are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

Group

	2013			
	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	75.1	–	–	75.1
Accruals	70.6	9.5	–	80.1
Other payables	5.9	–	8.0	13.9
Provisions	7.8	22.5	4.2	34.5
Unsecured bank loans	24.2	248.6	–	272.8
Other unsecured loans	2.1	–	3.9	6.0
Bank overdrafts	115.0	–	–	115.0
	300.7	280.6	16.1	597.4

Notes to the Financial Statements *continued*

29. Financial Risk Management *continued*

	Restated 2012			
	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	100.5	–	–	100.5
Accruals	82.4	6.7	–	89.1
Other payables	10.3	5.7	–	16.0
Provisions	20.3	20.1	9.9	50.3
Secured bank loans	0.3	–	–	0.3
Unsecured bank loans	17.7	320.7	–	338.4
Other unsecured loans	2.0	6.0	–	8.0
Bank overdrafts	118.1	–	–	118.1
	351.6	359.2	9.9	720.7

The Group had no net-settled financial liabilities at the year end (2012 – none).

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

	On demand or within one year	
	2013 $m	2012 $m
Currency derivatives – held for trading		
– inflows	52.6	49.1
– outflows	(50.7)	(48.8)

Company

	2013		
	On demand or within one year $m	Between two and five years $m	Total $m
Non-derivative financial liabilities:			
Payables to subsidiaries	5.5	–	5.5
Loans from subsidiaries	6.6	85.6	92.2
Accruals	5.1	9.0	14.1
Other payables	0.2	–	0.2
Provisions	0.2	0.3	0.5
Bank overdrafts	3.3	–	3.3
	20.9	94.9	115.8

29. Financial Risk Management *continued*

	2012		
	On demand or within one year $m	Between two and five years $m	Total $m
Non-derivative financial liabilities:			
Payables to subsidiaries	1.0	–	1.0
Loans from subsidiaries	2.4	87.2	89.6
Accruals	10.3	6.7	17.0
Other payables	0.7	–	0.7
Provisions	0.4	0.6	1.0
Bank overdrafts	2.5	–	2.5
	17.3	94.5	111.8

The Company did not have any derivative financial liabilities.

30. Financial Instruments: 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 cash and cash equivalents, borrowings, deposits and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2013.

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 2013. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

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

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

Positive figures represent an increase in profit or equity.

(i) Interest Rate Sensitivity

The sensitivity rate of 0.25% (2012 – 0.25%) for US interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

Group

The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase of 0.25% (2012 – 0.25%) in US interest rates, is to reduce profits by $0.5m (2012 – $0.6m). If US interest rates were to decrease by 0.25% (2012 – 0.25%), then the post-tax impact on the income statement would be to increase profits by $0.5m (2012 – $0.6m). The movements arise on US dollar denominated borrowings. There is no impact on other comprehensive income ("OCI") for a change in interest rates.

Company

The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase of 0.25% (2012 – 0.25%) in the UK interest rate, is to reduce profits by $0.1m (2012 – $0.1m). If the UK interest rate were to decrease by 0.25% (2012 – 0.25%), then the post-tax impact would be to increase profits by $0.1m (2012 – $0.1m). The movements arise on Sterling loans from subsidiaries.

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

(ii) Foreign Exchange Rate Sensitivity

The sensitivity rate of 10% (2012 – 10%) for Sterling and Canadian dollar exchange rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates.

Notes to the Financial Statements *continued*

30. Financial Instruments: Sensitivity Analysis *continued*

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.

	2013		2012	
	Income statement $m	OCI $m	Income statement $m	OCI $m
Sterling exchange rates +10% (2012: +10%)	(12.6)	18.6	(1.4)	(17.3)
Sterling exchange rates –10% (2012: –10%)	2.1	(22.4)	1.7	21.2
Canadian dollar exchange rates +10% (2012: +10%)	(0.1)	(1.8)	(0.4)	(2.1)
Canadian dollar exchange rates –10% (2012: –10%)	0.1	2.2	0.5	2.6

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

The movements in OCI in 2012 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.

The movements in OCI in 2013 arise from Sterling 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 reasonably possible change in the Sterling and Canadian dollar exchange rate, with all other variables held constant, at 31 December.

	2013		2012
	Income statement $m	OCI $m	Income statement $m
Sterling exchange rates +10% (2012: +10%)	4.5	–	–
Sterling exchange rates –10% (2012: –10%)	(5.6)	–	–
Canadian dollar exchange rates +10% (2012: +10%)	(0.2)	–	(0.2)
Canadian dollar exchange rates –10% (2012: –10%)	0.3	0.1	0.2
US dollar exchange rates +10% (2012: +10%)	–	–	(1.7)
US dollar exchange rates –10% (2012: –10%)	–	–	2.0

The movement in the income statement arises from Sterling denominated receivables, cash, accrued expenses, intra-group balances and borrowings and Canadian dollar denominated receivables.

The movement in OCI relates to the environmental escrow.

31. Post-Employment Benefits

Group

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 dependent on future investment returns. The defined benefit section is 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 UK scheme is registered with HMRC for tax purposes, and is operated separately from the Group and managed by a set of trustees. The trustees are responsible for the payment of benefits and the management of the scheme's assets.

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

Risk Exposures and Investment Strategy

The weighted average duration to payment of the projected future cash flows from the defined benefit section of the UK scheme is about 16 years. The scheme is managed so that it is well funded and represents a low risk to the Group. In particular, the scheme's assets are invested in a range of deferred annuity and immediate annuity policies with two insurers, which largely match the benefits to be paid to members of the scheme. This strategy significantly reduces the Group's investment, inflation and demographic risks in relation to the scheme's liabilities. This is demonstrated by the relative stability of the Group's pension asset from year to year. The position would change materially if one of the insurers were no longer able to meet its obligations as the pension obligation ultimately rests with the Group.

Funding Strategy

The trustees and the Group together agree a funding strategy for the scheme every three years. Under this agreement, the Group expects to contribute $5.5m to the defined benefit section of the UK scheme in the next reporting period.

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

	2013 $m	Restated 2012 $m
Present value of funded obligations	(428.2)	(391.4)
Fair value of plan assets	457.8	414.2
Net asset	29.6	22.8

Changes in the net asset recognised in the balance sheet

	2013 $m	Restated 2012 $m
Opening balance sheet asset	22.8	19.9
Exchange adjustments	0.8	1.0
Expense charged to income statement	(4.1)	(3.8)
Amount recognised in other comprehensive income	4.2	(0.6)
Employer contributions paid	5.9	6.3
Closing balance sheet asset	29.6	22.8

The Group has concluded that it can recognise the full amount of this surplus on the grounds that it could gain sufficient economic benefit from a future reduction of its contributions to the scheme.

Notes to the Financial Statements *continued*

31. Post-Employment Benefits *continued*

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

	2013 $m	Restated 2012 $m
Opening defined benefit obligation	391.4	350.0
Exchange adjustments	9.0	16.8
Current service cost (employer)	5.2	4.9
Contributions by plan participants	0.5	0.6
Interest on benefit obligations	15.8	16.3
Remeasurements due to:		
Changes in financial assumptions	15.0	20.7
Changes in demographic assumptions	5.6	–
Experience on benefit obligations	2.4	(0.8)
Benefits paid	(16.7)	(17.1)
Present value of the obligation at the end of the year	428.2	391.4

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

	2013 $m	Restated 2012 $m
Opening fair value of plan assets	414.2	369.9
Exchange adjustments	9.8	17.8
Interest on plan assets	16.9	17.4
Actual returns over interest on plan assets	27.2	19.3
Contributions paid by employer	5.9	6.3
Contributions paid by plan participants	0.5	0.6
Benefits paid	(16.7)	(17.1)
Closing fair value of plan assets	457.8	414.2

The "Actual returns over interest on plan assets" shown in the table above principally includes the impact that the changes in financial assumptions and demographic assumptions, as well as membership experience, have had on the value of the insurance annuity policies. The gain due to these factors offsets the corresponding loss on the re-measurement of the defined benefit obligation, demonstrating that the pensions-related risks have been mitigated by the scheme's investment strategy. In particular, the gain on the assets is greater than the loss on the defined benefit obligation because the value of the insurance annuity policies exceeds the value of the defined benefit obligation.

The major asset categories for the defined benefit section of the UK scheme are:

	2013 $m	2012 $m
Insurance annuity policies	452.7	413.5
Cash/other	5.1	0.7
Fair value of plan assets	457.8	414.2

The scheme does not invest in property occupied by the Group or in financial securities issued by the Group.

31. Post-Employment Benefits *continued*

The amounts recognised in the income statement are:

	2013 $m	2012 $m
Current service cost – recognised within operating expenses	5.2	4.9
Net interest on the defined benefit asset – recognised within interest income	(1.1)	(1.1)
Total expense included within staff costs (note 10)	4.1	3.8

The current service cost includes $1.3m (2012 – $1.4m) of administration costs.

In addition, employer contributions of $9.4m (2012 – $7.1m) for various Group defined contribution arrangements (including the defined contribution section of the UK scheme) are recognised in the income statement.

Special Events

During 2013, a further tranche of benefits was secured with one of the insurers. The effect of this has been recognised in other comprehensive income.

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

	2013	2012
Discount rate	4.4% p.a.	4.3% p.a.
Future pension increases	3.6% p.a.	3.1% p.a.
Future salary increase	5.6% p.a.	5.1% p.a.

Mortality assumption – life expectancy

	2013	2012
Male aged 65 at the accounting date	24.8	24.5
Female aged 65 at the accounting date	27.0	25.9
Male aged 65 in 20 years	27.4	27.6
Female aged 65 in 20 years	29.4	27.8

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

Sensitivity Analysis

Apart from the assumption for salary increases, the change in the obligation arising as a result of changes in the above assumptions is broadly matched by a corresponding change in the value of the insurance policies, so that the impact on the net balance sheet asset is significantly dampened.

A 0.25% p.a. increase in the salary increase assumption would increase the defined benefit obligation by about $1.7m without having any impact on the value of the scheme's assets.

Notes to the Financial Statements *continued*

31. Post-Employment Benefits *continued*

Unfunded Defined Benefit Pension Scheme

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

Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme.

The amounts recognised in the income statement during the year were $0.2m (2012 – $0.2m) for the employer's current service cost (recognised in operating expenses) and $0.1m (2012 – $0.2m) interest cost (recognised in interest expense).

Movements in the present value of the obligation for the defined US Deferred Compensation Plan

	2013 $m	2012 $m
Present value of the obligation at the start of the year	5.7	4.5
Current service cost (equal to the notional contributions)	0.2	0.2
Contributions by plan participants	0.1	0.1
Interest on benefit obligations	0.1	0.2
Remeasurement – excess of notional investment returns over interest cost	1.9	0.7
Present value of the obligation at the end of the year	8.0	5.7

Company

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.

32. Share Capital and Share Premium

Group and Company

	2013		
	Number of Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January	147,049,241	61.0	149.1
Shares issued – share option schemes and awards	693,519	0.3	1.5
At 31 December	147,742,760	61.3	150.6

	2012		
	Number of Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January	146,316,186	60.7	146.9
Shares issued – share option schemes and awards	733,055	0.3	2.2
At 31 December	147,049,241	61.0	149.1

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 47. All of the Ordinary shares in issue are fully paid.

At 31 December 2013, 986,731 (2012 – 986,731) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 34.

33. Other Components of Equity

Group

Year ended 31 December 2013

	Other reserves $m	Cash flow hedge reserve $m	Foreign currency translation reserve $m	Total $m
At 1 January restated (note 1)	12.7	0.1	29.2	42.0
Exchange adjustments net of tax	–	–	(1.7)	(1.7)
Fair value gains and losses:				
– gain on available for sale investment arising during the year net of tax	0.2	–	–	0.2
– gains originating on cash flow hedges arising during the year net of tax	–	1.5	–	1.5
– gains transferred to income statement on disposal of cash flow hedges net of tax	–	(0.2)	–	(0.2)
Share options				
– value of employee services	3.4	–	–	3.4
– discharge	(3.6)	–	–	(3.6)
At 31 December	12.7	1.4	27.5	41.6

Year ended 31 December 2012 (Restated)

	Other reserves $m	Cash flow hedge reserve $m	Foreign currency translation reserve $m	Total $m
At 1 January restated (note 1)	11.0	(0.5)	20.3	30.8
Exchange adjustments net of tax	0.5	–	11.1	11.6
Release of foreign exchange adjustments on disposal of subsidiary net of tax	–	–	(2.2)	(2.2)
Fair value gains and losses:				
– gains originating on cash flow hedges arising during the year net of tax	–	0.7	–	0.7
– gains transferred to income statement on disposal of cash flow hedges net of tax	–	(0.1)	–	(0.1)
Share options				
– value of employee services	4.0	–	–	4.0
– discharge	(2.8)	–	–	(2.8)
At 31 December	12.7	0.1	29.2	42.0

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

Company

Year ended 31 December 2013

	Capital redemption reserve $m	Share option reserve $m	Foreign currency translation reserve $m	Other reserves $m	Total $m
At 1 January	0.2	12.5	(19.2)	–	(6.5)
Fair value gains and losses:					
– gain on available for sale financial investment arising during the year	–	–		0.2	0.2
Share options and awards					
– value of employee services	–	3.4	–	–	3.4
– discharge	–	(3.6)	–	–	(3.6)
At 31 December	0.2	12.3	(19.2)	0.2	(6.5)

Notes to the Financial Statements *continued*

33. Other Components of Equity *continued*

Year ended 31 December 2012

	Capital redemption reserve $m	Share option reserve $m	Foreign currency translation reserve $m	Total $m
At 1 January	0.2	10.8	(38.7)	(27.7)
Exchange adjustments	–	0.5	19.5	20.0
Share options and awards				
- value of employee services	–	4.0	–	4.0
- discharge	–	(2.8)	–	(2.8)
At 31 December	0.2	12.5	(19.2)	(6.5)

34. Retained Earnings

	Group		Company	
	2013 $m	Restated 2012 $m	2013 $m	2012 $m
At 1 January restated (note 1)	1,050.9	882.4	247.0	245.6
Profit for the year	117.9	202.3	52.1	34.3
Remeasurement of defined benefit pension schemes net of tax	2.8	(0.7)	–	–
Dividends paid	(42.5)	(36.2)	(42.5)	(36.2)
Treasury shares				
– purchase of Treasury shares	(6.7)	(1.3)	(6.7)	(1.3)
Share options and awards				
– discharge	9.2	4.6	9.2	4.6
– taxation	(1.3)	(0.4)	–	–
Other	0.1	0.2	–	–
At 31 December	1,130.4	1,050.9	259.1	247.0

The taxation charge taken directly to equity of $1.3m (2012 – $0.4m) comprises a current tax credit of $1.0m (2012 – $nil) and a deferred tax charge of $2.3m (2012 – $0.4m).

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

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Cost:				
At 1 January	(12.0)	(12.3)	(12.0)	(12.3)
Purchase of Treasury shares	(6.7)	(1.3)	(6.7)	(1.3)
Disposal of Treasury shares	4.9	1.6	4.9	1.6
At 31 December	(13.8)	(12.0)	(13.8)	(12.0)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was:

	Group		Company	
	2013 $m	2012 $m	2013 $m	2012 $m
Loss on disposal	(4.9)	(1.6)	(4.9)	(1.6)

34. Retained Earnings *continued*

Company

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the Company has not presented its own income statement and statement of comprehensive income. A profit of $52.1m (2012 – $34.3m) has been accounted for in the financial statements of the Company.

35. Capital Risk Management

The Group's capital employed (a non-GAAP measure) consists of equity and net debt.

	2013 $m	Restated 2012 $m
Total equity	1,414.8	1,332.7
Net debt	205.8	266.4
Capital employed	1,620.6	1,599.1
Gearing	15%	20%

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 15% at 31 December 2013 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. The main financial covenants attached to the £375m committed bank facility require EBITDA to cover net finance charges by a minimum of four times and net debt to be no more than three times adjusted EBITDA. For covenant testing purposes, the Group's EBITDA is adjusted to include the share of associates' post-tax results and exclude the fair value charge for share awards. EBITDA, for covenant test purposes, is based on the previous twelve month period, measured twice yearly at 30 June and 31 December. The covenants are monitored on a monthly basis and all external covenant requirements have been met during the year. Both key bank covenant metrics at year end were adequately 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 13% during 2012 to 12% in 2013 reflecting the ongoing capital investment programme on expansion projects, which do not provide an immediate financial return. Rates of capital return are expected to increase as these expansion projects become operational and contribute to the Group results.

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 29.

The Group has significant foreign operations and hence results originate in a number of currencies, particularly in Sterling and Singapore dollars. As a result, the Group's financial statements, which are reported in US dollars, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Currency options can be used to reduce currency risk movements on the Group's results. 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.

Notes to the Financial Statements *continued*

36. Dividends Paid
Group and Company

	2013		2012	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2013 interim paid	7.7	11.3	–	–
2012 final paid	21.3	31.2	–	–
2012 interim paid	–	–	7.1	10.5
2011 final paid	–	–	17.6	25.4
	29.0	42.5	24.7	35.9

Interim dividends per share have been converted from pence per share into cents per share using the exchange rate on the date they were paid and final dividends have been converted into cents per share using the exchange rate on the date they were approved.

A final dividend of 21.8c per share has been proposed by the Board, amounting to an estimated distribution of $32m. The dividend will be paid in Sterling on 27 May 2014 and the Sterling value of the dividend payable per share will be fixed and announced approximately two weeks prior to the payment date based on the average spot exchange rate over the three business days preceding the announcement date. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 16 April 2014 and has not been provided for in these financial statements.

37. Share-based Payments
Group and Company
(a) Executive Share Options

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

Share Option Movements During the Year

	2013		2012	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at beginning of the year	2,006,243	348	2,539,424	338
Exercised during the year	(348,096)	318	(524,918)	294
Lapsed during the year	–	–	(8,263)	785
Outstanding and exercisable at the year end	**1,658,147**	**354**	**2,006,243**	**348**

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

The weighted average share price at the date of exercise was 883.0p (2012 – 904.0p).

Share Options Outstanding at the Year End

	2013 Number of options	2012 Number of options	Exercise price range (p)	Exercise period
Executive Share Options 2003 – vested	–	58,850	79.0	14.03.06–13.03.13
Executive Share Options 2004 – vested	478,754	562,964	116.9	31.03.07–30.03.14
Executive Share Options 2005 – vested	409,536	493,820	220.7	09.03.08–08.03.15
Executive Share Options 2006 – vested	323,014	350,168	383.0	08.03.09–07.03.16
Executive Share Options 2007 – vested	229,659	273,602	640.0	06.03.10–05.03.17
Executive Share Options 2008 – vested	217,184	266,839	784.5	04.03.11–03.03.18
	1,658,147	**2,006,243**		

37. Share-based Payments *continued*

(b) 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 are granted at nil cost.

The PSP awards made in the year will vest subject to total shareholder return ("TSR") performance over a three year period from the 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:

	Number of awards 2013	Number of awards 2012
Outstanding at beginning of the year	712,056	635,571
Granted during the year	177,027	309,924
Vested during the year	(171,910)	–
Lapsed during the year	(148,509)	(233,439)
Outstanding at the end of the year	**568,664**	**712,056**

Details of PSP awards and options outstanding at 31 December 2013 are as follows:

Date of grant	Number of awards 2013	Number of awards 2012	Normal vesting date
26 February 2010	–	248,453	26.02.13
25 February 2011	174,020	202,214	25.02.14
17 April 2012	225,564	261,389	17.04.15
20 March 2013	169,080	–	20.03.16
Outstanding at the end of the year	**568,664**	**712,056**	

The weighted average share price at the date of exercise for the awards that vested during the year was 904.6p (2012 – nil).

The fair value of the PSP awards and options granted in 2013 was calculated using the Stochastic pricing model (also known as the "Monte Carlo" model), which incorporates the effect of the TSR performance condition.

The assumptions used in the model were as follows:

	2013	2012
Weighted average share price at grant	901.0p	906.0p
Exercise price	0p	0p
Expected volatility – Hunting PLC	34.8%	35.3%
Expected volatility – Comparator group (average)	42.8%	44.2%
Risk free rate	0.3%	0.5%
Expected life	3 years	3 years
Fair value	566.60p	604.97p

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.

Notes to the Financial Statements *continued*

37. Share-based Payments *continued*

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 2013 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 (2012 – $1.7m), which is recognised in operating expenses.

(c) Restricted Share Plan ("RSP")

The Company continues to operate and grant share awards and options under its restricted share plan. Under the RSP, annual conditional awards of shares and options may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached to these awards and options. The RSP are granted at nil cost.

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

	Number of awards 2013	Number of awards 2012
Outstanding at beginning of the year	603,701	618,570
Granted during the year	418,923	272,023
Vested during the year	(177,812)	(208,137)
Lapsed during the year	(97,646)	(78,755)
Outstanding at the end of the year	**747,166**	**603,701**

The weighted average share price at the date of exercise, for awards that vested during the year, was 906.0p (2012 – 951.0p).

Details of RSP awards and options outstanding at 31 December 2013 are as follows:

Date of grant	Number of awards 2013	Number of awards 2012	Normal vesting date
26 February 2010	–	171,470	26.02.13
25 February 2011	154,686	179,787	25.02.14
17 April 2012	219,572	252,444	17.04.15
20 March 2013	372,908	–	20.03.16
Outstanding at the end of the year	**747,166**	**603,701**	

The fair value of the RSP award granted in 2013 was calculated using the Black-Scholes pricing model. The assumptions used in the model were as follows:

	2013	2012
Weighted average share price at grant	901.0p	906.0p
Exercise price	0p	0p
Expected dividend yield	0%	0%
Expected volatility	34.8%	35.3%
Risk free rate	0.3%	0.5%
Expected life	3 years	3 years
Fair value	901.0p	906.0p

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.

37. Share-based Payments *continued*

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 2013 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 $2.6m (2012 – $2.3m), which is recognised in operating expenses.

(d) 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 65.

The fair value charge to the income statement attributable to the LTIP is $6.6m (2012 – $7.1m) and the liability in relation to the LTIP at the year end is $13.5m (2012 – $13.3m).

38. Operating Leases

The Group as Lessee

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

	2013			2012		
	Property $m	Others $m	Total $m	Property $m	Others $m	Total $m
Operating lease payments recognised in income statement:						
Lease and rental payments*	13.1	2.0	15.1	10.7	1.1	11.8

* Included in the charge for the year is $nil (2012 – $0.9m) for discontinued operations.

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

	2013			2012		
	Property $m	Others $m	Total $m	Property $m	Others $m	Total $m
Within one year	13.9	0.9	14.8	13.0	0.9	13.9
Between two and five years	36.6	1.3	37.9	32.7	1.5	34.2
After five years	21.1	–	21.1	11.7	–	11.7
Total lease payments	71.6	2.2	73.8	57.4	2.4	59.8

The Group as Lessor

Property rental earned during the year was $1.4m (2012 – $2.5m), of which $nil (2012 – $1.3m) 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:

	2013 Property $m	2012 Property $m
Within one year	1.0	1.1
Between two and five years	3.1	0.6
After five years	3.0	–
Total lease income receivable	7.1	1.7

Notes to the Financial Statements *continued*

39. 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 $1.0m assets (2012 – $1.4m) and $2.9m liabilities (2012 – $3.5m) relating to the exploration for and evaluation of oil and gas reserves.

During the year income earned on exploration and evaluation activities was $nil (2012 – $nil), expenses incurred for the year were $2.6m (2012 – $3.2m) and finance costs incurred of $0.3m (2012 – $nil), with tax relief of $1.0m (2012 – $1.1m). Expenses comprise $2.6m (2012 – $3.2m) for dry hole costs.

Cash inflows from operating activities were $0.8m (2012 – $3.2m outflows), cash outflows from investing activities were $2.6m (2012 – $nil) and cash inflows from financing activities were $1.8m (2012 – $nil).

The Group is committed to $nil (2012 – $3.1m) for expected drilling costs, but these have not been provided for in the financial statements.

40. Related Party Transactions

Group

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

	2013 $m	2012 $m
Transactions:		
Sales of goods and services	0.1	3.9
Purchase of goods and services	–	(0.2)
Royalties receivable	0.4	0.9
Dividends received from associates	1.2	0.3
Movement on loans to and from associates:		
Loans from associates repaid	(0.1)	(1.4)
Loans to associates	–	(0.2)
Loans to associates repaid	0.4	0.5
Year-end balances:		
Receivables from associates	0.6	0.9
Payables to 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 10. The Directors of the Company had no material transactions other than as a result of their service agreements.

40. 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:

	2013 $m	2012 $m
Transactions:		
Royalties receivable	17.7	17.7
Management fees payable	(5.1)	(1.0)
Recharges of share options and awards and administrative expenses	11.0	15.7
Loans received from subsidiaries	39.5	–
Loan from subsidiary repaid	(35.5)	(26.0)
Loan to subsidiary	(15.5)	–
Loan to subsidiary repaid	15.5	26.0
Interest payable on inter-company loans	(1.3)	(1.3)
Interest receivable on inter-company loans	0.2	0.3
Dividends received from subsidiaries	46.1	26.5
Year-end balances:		
Payables to subsidiaries	(5.5)	(1.0)
Receivables from subsidiaries	28.0	31.3
Loans owed to subsidiaries	(92.2)	(89.6)
Loans owed by subsidiaries	15.5	16.6

All balances between the Company and its subsidiaries have no fixed term for repayment and are unsecured.

The Company also serves as the Group's intermediary for the provision of UK group tax relief, VAT and certain group insurances. At the year end, the outstanding receivable for group tax was $4.0m (2012 – $11.1m).

41. Acquisitions

XL Perforating Partnership

On 29 May 2013, the Group acquired the trade and assets of XL Perforating Partnership ("XLPP"), for a consideration of $8.7m. XLPP is a Canadian based manufacturer and distributor of perforating gun systems, tubing conveyed systems, instrument hardware and explosive devices to the oil and gas industry. 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	1.7
Other intangible assets	0.3
Inventories	5.4
Net assets acquired	7.4
Goodwill	1.3
Consideration	8.7

Consideration comprised $8.7m cash paid on 29 May 2013.

Goodwill on the acquisition represents the value of the assembled workforce at the time of acquisition and the future economic benefits that are expected to accrue from opportunities to supply a complete perforating system in the Canadian market as well as other products and services from Hunting's portfolio. The provisional amount of goodwill that is expected to be deductible for tax purposes is $1.0m.

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 $0.7m have been included in operating expenses in the income statement.

Notes to the Financial Statements *continued*

41. Acquisitions *continued*

XLPP has contributed revenue of $10.3m, profit from operations of $1.1m, profit before tax of $1.1m and profit for the period of $0.8m to the Group's performance from the date of acquisition to 31 December 2013. If XLPP had been acquired on 1 January 2013, the Group's revenue would have been $1,340.1m, profit from operations $137.4m, profit before tax $135.0m and profit for the year $106.2m.

Hunting Specialty Supply LLP

On 12 March 2013, a payment of $2.0m was made to the sellers of Specialty in respect of the contingent consideration arrangement.

42. Principal Subsidiaries

The Directors consider that the number of undertakings in respect of which the Company is required to disclose under Section 409 of the Companies Act 2006 would result in information of excessive length being given in the notes to the Company's annual accounts. In accordance with Section 410(2) of the Companies Act 2006, the information below relates to those Group undertakings at the financial year end whose results of financial position, in the opinion of the Directors, principally affect the figures of the consolidated financial statements of Hunting PLC. Details of all the subsidiary undertakings will be annexed to the next Annual Return of Hunting PLC to be filed at Companies House.

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

Subsidiaries and associates	Country of incorporation and/or operations	Business
Oil and gas activities		
Hunting Energy Services (Canada) Ltd	Canada	Oilfield services
Hunting Energy Services (Drilling Tools) Ltd	Canada	Drilling equipment
Hunting Energy Services (Wuxi) Co. Ltd (70%)	China	Oilfield services
Hunting Energy Services (International) Limited	England and Scotland	Oilfield services
PT Hunting Energy Asia	Indonesia	Oilfield services
Hunting Energy Services Limited	Scotland	Oilfield services
Hunting Energy Services (UK) Limited (60%)	Scotland and Netherlands	Oilfield services
Hunting Energy Services (Well Intervention) Limited	Scotland, USA, Singapore and UAE	Oilfield services
Hunting Welltonic Limited	Scotland	Oilfield services
Hunting Energy Services (International) Pte. Ltd.	Singapore	Oilfield services
Hunting Energy Services Pte. Ltd.	Singapore	Oilfield services
Hunting Energy Services (China) Pte. Ltd. (70%)	Singapore	Oilfield services
National Coupling Company, Inc.	USA	Oilfield services
Hunting Dearborn, Inc.	USA	Oilfield services – precision engineering
Hunting Energy Services (Drilling Tools), Inc.	USA	Drilling equipment
Hunting Innova, Inc.	USA	Oilfield services electronic component manufacturer
Hunting Specialty Supply, L.P.	USA	Oilfield services
Hunting Titan, Inc.	USA	Oilfield services – perforating systems
Other activities		
E.A. Gibson Shipbrokers Limited	England, Hong Kong and Singapore	Shipbroking, LPG broking
Tenkay Resources, Inc.	USA	Oil and natural gas exploration and production
Corporate activities		
Hunting Energy Holdings Limited*	England	Holding company
Hunting Knightsbridge Holdings Limited*	England	Finance
Hunting Knightsbridge (US) Finance Limited	England	Finance
Huntaven Properties Limited	England	Group properties
Hunting U.S. Holdings, Inc.	USA	Holding company
Hunting Energy Corporation	USA	Holding company

Notes
1 Except where otherwise stated companies are wholly owned, being incorporated and operating in the countries indicated.
2 Interests in companies marked * are held directly by Hunting PLC.
3 All interests in subsidiaries and associates are in the equity shares of those companies.

43. Principal Accounting Policies

The Group's principal accounting policies are described below.

(1) Consolidation

- The Group accounts include the results of the Company and its subsidiaries, together with its share of associates.
- Uniform accounting policies have been adopted across the Group.

(2) Subsidiaries

- Subsidiaries are entities over which the Group has the power to govern the financial and operating policies irrespective of the percentage of voting rights owned.
- Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.
- The Group uses the acquisition method of accounting for business combinations. Consequently the consideration is determined as the fair value of the net assets transferred to the vendor and includes an estimate of any contingent consideration. The net assets acquired are also measured at their respective fair values for initial recognition purposes on the acquisition date.
- Acquisition-related costs are expensed to the income statement as incurred.

(3) 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 separately in the income statement and are shown net of tax.

(4) 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 from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products. Products include manufactured goods and OCTG supplies, including tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is re-sold as threaded pipe.
- Revenue from the sale of services is recognised when the services are rendered. The Group's service activities principally comprise lathing work on customer-owned plain-end pipe in order to apply a thread to each pipe end and commissions earned from shipbroking.
- Revenue from the rental of plant and equipment is recognised as the income is earned.

(5) Amortisation and Exceptional Items

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

- Acquisitions can give rise to a number of exceptional items. These would include acquisition costs written-off, and bonus arrangements which management view as a one-off arrangement. To the extent that acquisitions include contingent consideration, adjustments subsequent to the initial recognition of fair value, which are reflected in the income statement, are treated as exceptional. The unwinding of fair value uplifts to inventories recognised at acquisition are treated as exceptional such that gross profit can be shown based on the original cost of production or purchase as would be the case for normal trading transactions in existing companies and to avoid artificial profit increases in post-acquisition periods as the unwind diminishes.
- A gain or loss on the disposal of a business and any expense or income arising from indemnities in disposal agreements would be treated as exceptional.
- Property, plant and equipment held by the exploration and production division are subject to impairment or reversals of impairment based on value in use of or fair value less cost to sell calculations. This can lead to volatility and, furthermore, given the Board's decision to curtail future investment in this division except as contractually committed, such amounts are treated as exceptional. For this reason, dry hole costs are also treated as exceptional.
- Litigation settlements and associated legal costs.
- The tax effect of any transaction considered to be exceptional is also treated as exceptional.

Notes to the Financial Statements *continued*

43. Principal Accounting Policies *continued*
Details of items treated as exceptional in the year and relevant comparative information is detailed in note 7.

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

(6) Interest
- Interest income and expense is recognised in the income statement using the effective interest method.

(7) Foreign Currencies
(a) Individual Subsidiaries' and Associates' Accounts
- 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 the entity operates.
- Transactions denoted in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities, except borrowings designated as a hedging instrument in a net investment hedge, denoted in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken to the income statement.
- Borrowings designated as a hedging instrument in a net investment hedge are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken direct to equity.

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

(8) Taxation
- The taxation charge in the income statement comprises current tax and deferred tax arising on the current year's profit before tax and adjustments to tax arising on prior years' profits.
- Current tax is the expected tax payable arising in the current year on the current year's profit before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax payable in respect of prior years' profits.
- Deferred tax is the expected tax payable on the current year's profit before tax arising in a future year, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet and are reported as non-current assets in line with IAS 1.
- Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.
- When items of income and expense are recognised in other comprehensive income, the current and deferred tax relating to those items is also recognised in other comprehensive income.

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

43. Principal Accounting Policies *continued*

(10) Property, Plant and Equipment and Depreciation

(a) General

- Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.
- Land, pre-production oil and gas exploration costs and assets under construction are not depreciated.
- With the exception of drilling tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment (see 10(b) below), assets are depreciated using the straight-line method at the following rates:
  Freehold buildings – 2% to 10%
  Leasehold buildings – life of lease
  Plant, machinery and motor vehicles – 6% to 33⅓%
- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Exploration Expenditure

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

(11) Goodwill

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

(12) 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

(13) Impairments

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

(14) 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.

Notes to the Financial Statements *continued*

43. Principal Accounting Policies *continued*

(15) Cash and Cash Equivalents

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

(16) Loans and Receivables

- Loans and receivables are initially recognised at fair value at the trade date which is normally the consideration paid plus transaction costs.
- Loans and receivables are carried at amortised cost using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets.
- The Group assesses at each balance sheet date whether a loan or receivable is impaired and if necessary the carrying amount is reduced to the appropriate value. The loss is recognised immediately in the income statement.
- Loans and receivables cease to be recognised when the right to receive cash flows has expired or the Group has transferred substantially all the risks and rewards of ownership.

(17) Financial Liabilities

- Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade payables, at amortised cost.
- Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

(18) Provisions

- Provisions are liabilities for which 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 and it is probable that an outflow of resources will be required to settle the obligation.
- Whenever the time value of money is material, provisions are discounted to their present value.

(19) Post-employment Benefits

(a) Defined Contribution Retirement Schemes

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

(b) Defined Benefit Retirement Schemes

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

43. Principal Accounting Policies *continued*

(20) Share-based Payments

- The Group issues share-based payments (LTIP awards), which can be settled in either cash or equity, to certain employees as consideration for services received from the employees. A liability is recognised equal to the current fair value of the services received, determined at each balance sheet date. The fair value of the liability is remeasured at each subsequent reporting date and at the date of settlement, with any changes in fair value recognised in the income statement.
- The Group also issues equity-settled share-based payments (PSP and RSP awards) to certain employees as consideration for services received from the employees. The fair value of the employees' services is recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Group's estimate of awards that will ultimately vest.
- The fair value of employees' services is determined by an external valuer, using the Monte Carlo model for PSP awards and the Black-Scholes model for the RSP awards, with reference to the grant date fair value of the options granted. The fair value includes market performance conditions in respect of the performance based awards and excludes the impact of any service and non-market performance vesting conditions.
- No adjustment is made to the fair value after the vesting date.

(21) Share Capital

- The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.
- Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

(22) Dividend Distributions

- Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders and are dealt with in the statement of changes in equity.

Financial Record*
(Unaudited)

	2013 $m	Restated 2012 $m	2011 $m	2010 $m	2009 $m
Revenue	1,334.0	1,309.0	975.1	656.0	486.4
EBITDA	242.8	242.9	162.5	95.7	66.4
Depreciation and non-exceptional impairment	(44.3)	(40.4)	(34.4)	(27.3)	(21.6)
Profit from continuing operations	198.5	202.5	128.1	68.4	44.8
Finance (charges) income	(2.8)	(8.7)	(2.4)	2.4	4.0
Share of associates' post-tax profits	0.4	1.5	1.7	1.6	1.5
Profit before taxation from continuing operations	196.1	195.3	127.4	72.4	50.3
Taxation	(52.1)	(54.7)	(35.7)	(21.7)	(15.3)
Profit for the year from continuing operations	144.0	140.6	91.7	50.7	35.0
Profit for the year from discontinued operations	–	–	1.1	9.1	9.3
Profit for the year	144.0	140.6	92.8	59.8	44.3
Basic earnings per share:					
Continuing operations	95.8c	93.0c	63.1c	35.6c	23.1c
Continuing and discontinued operations	95.8c	93.0c	63.9c	42.6c	30.2c
Diluted earnings per share:					
Continuing operations	93.5c	90.8c	61.8c	34.9c	22.6c
Continuing and discontinued operations	93.5c	90.8c	62.6c	41.7c	29.6c
Dividend per share#	29.5c	28.4c	23.9c	19.5c	16.4c
Total assets					
Non-current assets	1,249.1	1,254.9	1,234.1	566.9	396.8
Net current assets	483.0	464.4	357.9	448.5	583.8
	1,732.1	1,719.3	1,592.0	1,015.4	980.6
Financed by:					
Shareholders' funds (including non-controlling interests)	1,414.8	1,332.7	1,146.9	942.6	914.9
Non-current liabilities	317.3	386.6	445.1	72.8	65.7
	1,732.1	1,719.3	1,592.0	1,015.4	980.6
Net assets per share	957.9c	906.6c	783.9c	711.4c	692.1c

* Information is stated before exceptional items and amortisation of intangible assets.
# Dividend per share is stated on a declared basis. Interim dividends per share have been converted from pence per share into cents per share using the exchange rate on the date they were paid and final dividends have been converted into cents per share using the exchange rate on the date they were approved.

Shareholder Information
(Unaudited)

Financial Calendar 2014

16 April	Annual General Meeting
27 May	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 2013, the Company had 2,037 Ordinary shareholders (2012 – 2,105) who held 147.7 million (2012 – 147.0 million) Ordinary shares analysed as follows:

	2013		2012	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
Size of holdings				
1–4,000	72.4	1.0	72.5	1.0
4,001–20,000	12.6	1.6	13.0	1.7
20,001–40,000	3.4	1.3	3.1	1.3
40,001–200,000	5.8	7.8	6.1	8.2
200,001–500,000	2.9	12.9	2.4	10.9
500,001 and over	2.9	75.4	2.9	76.9

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.

Glossary

AGM	Annual General Meeting.
AMG	Advanced Manufacturing Group – combines the precision engineering and manufacturing capabilities in the Well Construction segment for the Electronics division (Hunting Innova), Hunting Dearborn and Hunting Doffing product lines. Hunting is aiming to become a leading single source of MWD/LWD tools.
API	American Petroleum Institute.
Average gross capital employed*	The monthly average of the aggregate of capital employed.
Basic EPS	Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year.
bbl	Barrel of oil – one barrel of oil equals 159 litres or 42 US gallons.
boe	Barrels of oil equivalent.
Board	The Board of Directors of the Company.
Capital employed*	The amount of capital available to the Group to invest in its business and comprises the total equity plus net debt.
Capital expenditure – “Capex”	Cash spend on tangible non-current assets.
Can	Canada.
C$ or Can$	Canadian dollar.
CGU	Cash-generating unit.
CO_2	Carbon dioxide.
CO_2^e	Carbon dioxide equivalent.
CODM	Chief operating decision maker.
Company	Hunting PLC.
CPI	Consumer Price Index.
DPS*	Dividend per share – the amount in pence returned to Ordinary shareholders. Figures shown are calculated on an accruals basis.
Diluted EPS	Diluted earnings per share – 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.
Dividend cover*	An indication of the Company’s ability to maintain the level of its dividend and is calculated as earnings from continuing operations attributable to Ordinary shareholders divided by the cash dividend to be returned to Ordinary shareholders, on an accruals basis.
Downhole	Downhole refers to something that is located within the wellbore.
DTR	Disclosure and Transparency Rules.
EBITDA	EBITDA is a non-GAAP measure and is defined as pre-exceptional earnings before share of associates’ post-tax profits, interest, tax, depreciation, impairment and amortisation.
EPS	Earnings per share.
ESOP	Executive Share Option Plan.
EU	European Union.
Free cash flow*	Free cash flow is a non-GAAP measure and is defined as profit from continuing operations adjusted for working capital, tax, replacement capital expenditure and interest.
FSA	Financial Services Authority.
FTSE	Financial Times Stock Exchange.
FY	The twelve months ending 31 December of a given year.
GAAP	Generally Accepted Accounting Practice.
Gearing*	Net debt as a percentage of total equity.

GHG	Greenhouse gas.
GoM	Gulf of Mexico.
Group	The Company and its subsidiaries.
Growth capital expenditure	Capital expenditure to grow the business from current operating levels and enhance operating activity.
H1	The six months ended 30 June of a given financial year.
H2	The six months ended 31 December of a given financial year.
HEMS	Hunting Equipment Management Services – provide downhole tool rental equipment in the Well Construction segment.
HMRC	HM Revenue and Customs.
HS&E	Health, safety and environment.
Hunting	The Company and its subsidiaries.
IAS	International Accounting Standards.
IFRIC	International Financial Reporting Interpretations Committee interpretation.
IFRS	International Financial Reporting Standards.
Inventory and WIP days*	Inventory and WIP at the year end divided by revenue per day, adjusted for the impact of acquisitions.
ISO	International Standards Organisation.
KPI	Key performance indicator.
LEAN or Lean	A production practice that eliminates wasteful processes, thereby reducing production time and costs, and improving efficiency.
LHS	Left hand side.
LIBOR	London Inter-bank Offered Rate.
LLP	Limited Liability Partnership.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
LTIP	Long-Term Incentive Plan.
m	Million.
m^3	Cubic metre.
mcf	1,000 cubic feet.
MENA	Middle East and North Africa region.
mmBtu	Million British Thermal Units.
MWD/LWD	Measurement-while-drilling/Logging-while-drilling.
MWh	Megawatt hours.
NEB	Net equivalent barrels of oil.
Net debt*	Net debt comprises bank overdrafts, current and non-current borrowings and finance leases less cash and cash equivalents and investments.
OCI	Other comprehensive income.
OCTG	Oil Country Tubular Goods – pipe and tubular goods and products used in the oil and gas industry, such as drill pipe, pipe casings and production pipes.
p	UK pence.
PLC	Public Limited Company.
PSP	Performance Share Plan.
R&D	Research and Development.
RCF	Revolving Credit Facility.

Glossary *continued*

Replacement capital expenditure	Capital expenditure necessary to maintain existing levels of operating activity.
Reported	Results for the year as reported under IFRS.
RHS	Right hand side.
ROCE*	Return on average capital employed – measures profit before interest and tax before amortisation and exceptional items, as a percentage of average gross capital employed.
RPI	Retail Price Index.
RSP	Restricted Share Plan.
Scope 1	Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the entity. Scope 1 emissions include fossil fuels burned on site, emissions from vehicles and other direct sources.
Scope 2	Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling or steam generated off site but purchased by the entity.
£	Sterling.
Trade payable days*	The average number of days' credit taken by the Group, calculated as trade payables at the year end divided by cost of sales per day, adjusted for the impact of acquisitions.
Trade receivable days*	The average number of days' credit given to the Group's customers, calculated as trade receivables at the year end divided by revenue per day, adjusted for the impact of acquisitions.
TSR*	Total Shareholder Return – the net share price change plus the dividends paid during that period.
TSR %*	Total Shareholder Return % = Share price end of period – Share price start of period + Dividends paid ÷ Share price start of period.
TWh	Terawatt hours.
UAE	The Federation of the United Arab Emirates.
Underlying	Results for the year, as reported under IFRS, adjusted for amortisation and exceptional items, which is the basis used by the Directors in assessing performance.
US or USA	United States of America.
US$ or $	United States dollar.
UK	United Kingdom.
VAT	Value Added Tax.
Wellbore	The wellbore refers to the drilled hole.
Well completion	Well completion refers to the processes of preparing a well for production. This involves the assembly of downhole tubulars and equipment required to enable safe and efficient production from an oil or gas well.
Well construction	Well construction refers to the initial drilling and processes of constructing the wellbore in an oil and gas well. These processes typically include drilling and logging the hole; running, cementing and logging the casing; hydraulic fracturing or stimulating the well and monitoring well performance and integrity.
Well intervention	Well intervention refers to any operation carried out on an oil or gas well that maintains or enhances the production of the well or provides well diagnostics.
WIP	Work in progress.
Working capital*	Trade and other receivables, excluding receivables from associates, derivative financial assets, environmental escrow and promissory notes, plus inventories less trade and other payables, excluding payables due to associates, derivative financial liabilities, dividend liabilities and retirement plan obligations.
WTI	West Texas Intermediate – the price per barrel of Texas light sweet crude oil.

* Non-GAAP measure.

Notes

Notes

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CMS Cameron McKenna LLP

Auditors
PricewaterhouseCoopers LLP

Joint Corporate Brokers
Deutsche Bank and Barclays Bank

Financial Advisers
DC Advisory Partners Limited

Insurance Brokers
Willis Limited

Pension Advisers & Actuary
Lane Clark & Peacock LLP

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