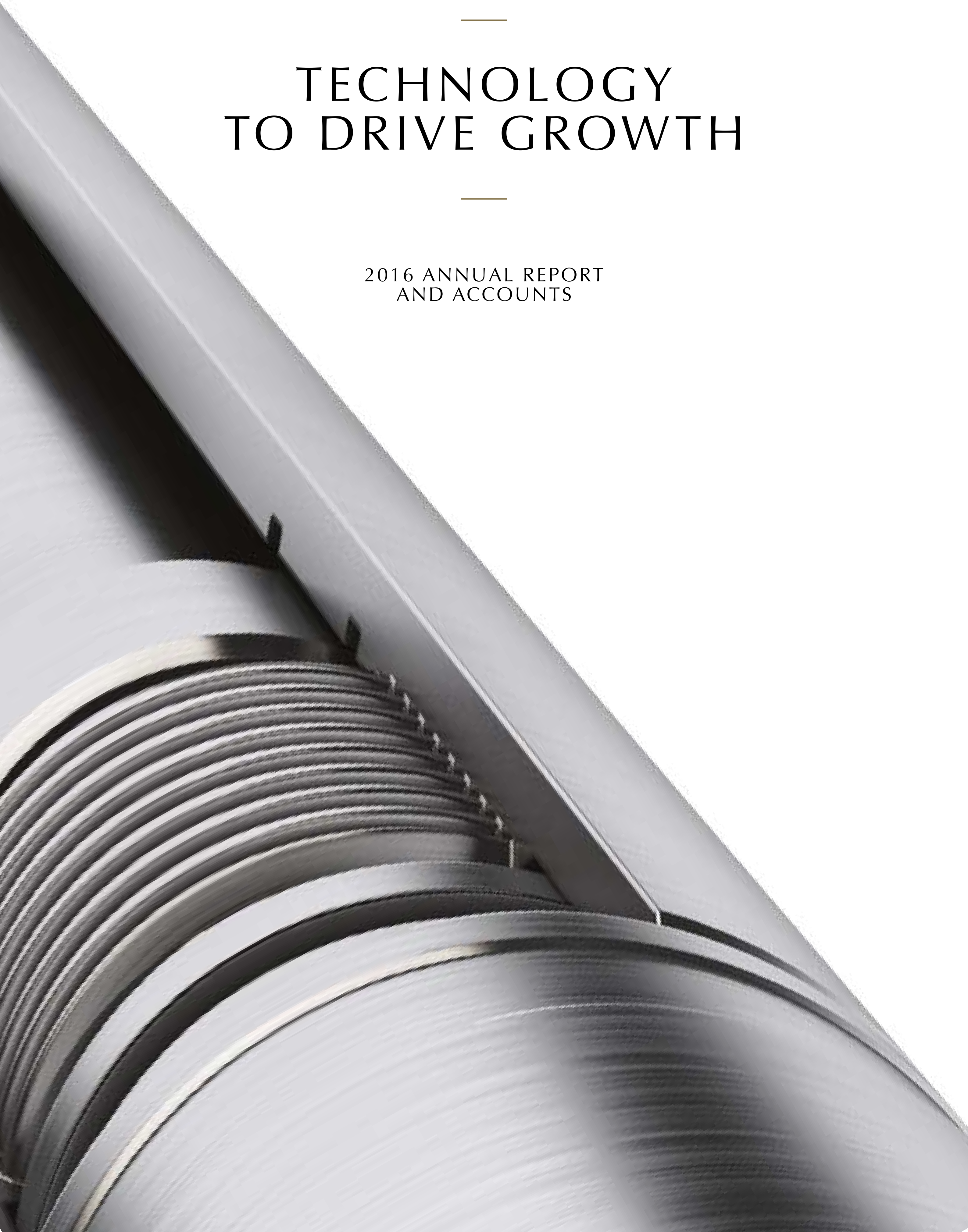
HUNTING

TECHNOLOGY TO DRIVE GROWTH

2016 ANNUAL REPORT AND ACCOUNTS



HUNTING IS A KEY SUPPLIER TO THE UPSTREAM OIL AND GAS INDUSTRY.

OUR STRATEGY IS TO MANUFACTURE PRODUCTS AND DELIVER SERVICES TO OUR CUSTOMERS WHEREVER IN THE WORLD THEY ARE OPERATING.

HUNTING'S PRODUCT OFFERING EXTENDS ACROSS THE LIFECYCLE OF AN OIL AND GAS WELL, AND THIS FOCUS ALLOWS US TO CREATE, DISTRIBUTE AND SUSTAIN VALUE FOR OUR SHAREHOLDERS.

HUNTING IS QUOTED ON THE LONDON STOCK EXCHANGE AND IS A CONSTITUENT OF THE FTSE 250 INDEX.

SEE OUR BUSINESS MODEL ON PAGES 12 TO 27.

40
OPERATING SITES

25
DISTRIBUTION CENTRES

13
COUNTRIES OF OPERATION

428
PATENTS

2,107
EMPLOYEES

0.6%
MANUFACTURING REJECT RATE

CONTENTS

HUNTING'S PERFORMANCE IN 2016 CONTINUED TO BE IMPACTED BY THE DOWNTURN IN THE GLOBAL ENERGY MARKET.

DESPITE THIS, HUNTING HAS MAINTAINED ITS CORE CAPABILITIES ACROSS ALL GEOGRAPHIC REGIONS TO BE READY FOR A MARKET RECOVERY.

HUNTING

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

OTHER INFORMATION

OPERATIONAL

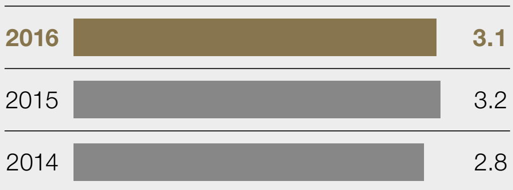
Facility expansion programme now completed:
- commissioning of Ameriport, US, facility in the year; and
- global operational footprint of 3.1m sq ft.

Cost cutting measures continued during the year and include:
- 24% reduction in headcount to 2,107 since 31 December 2015; and
- 3 manufacturing facilities and 10 distribution centres decommissioned during 2016.

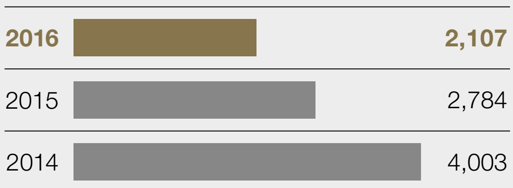
New product lines continue to be developed and rolled out to customers to lower their operational costs and increase project efficiencies including:
- further commercialisation of the H-1 Perforating System, which is now being used by major oil companies in the US;
- broadening of the WEDGE-LOCK™ premium connection family to include 14” and 16” variants for commercialisation in 2017; and
- introduction of EQUAfrac™ charge technology, providing uniform hole technology in the wellbore.

OPERATIONAL DATA

GLOBAL FACILITY FOOTPRINT
(sq ft m)

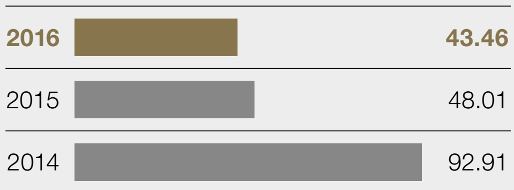


EMPLOYEES YEAR END



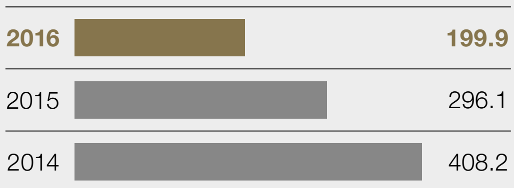
MARKET DATA

AVERAGE WTI CRUDE OIL PRICE
($ per barrel)



Source: Bloomberg

GLOBAL DRILLING AND PRODUCTION EXPENDITURE ($bn)



Source: Spears & Associates

FINANCIAL

Focus on debt reduction with initiatives including:
- $61.7m reduction in inventories since 31 December 2015;
- $31.3m received in net tax refunds; and
- $17.2m capital investment made in year – limited to contracted or essential spend.

Borrowing facilities' terms revised:
- profit-based covenants for the committed bank facilities suspended up to and including 30 June 2018 bank covenant test date;
- committed facilities reduced from $350m to $200m;
- drawings under the bank facilities secured on assets;
- capping of annual capital investment; and
- no dividend payments until the end of the Suspension Period.

Placing of 14.6m new Ordinary shares raising $83.9m net of transaction expenses completed:
- proceeds used to reduce borrowings and increase financial flexibility; and
- placing price of 485.0 pence per share.

Net debt at year end reduced to $1.9m:
- achieved by working capital reduction and equity raise.

Revenue of $455.8m recorded in the year:
- declining in line with average US rig count data.

Loss from operations:
- underlying loss of $92.2m; and
- reported loss of $140.7m.

Diluted loss per share:
- underlying diluted loss per share of 45.3 cents; and
- reported diluted loss per share of 76.8 cents.

Underlying – results for the year as reported under IFRS adjusted for the amortisation of acquired intangible assets and exceptional items.

Reported – results for the year under IFRS.

FINANCIAL OVERVIEW

REVENUE

$455.8m

2015 – $810.5m

UNDERLYING LOSS FROM OPERATIONS*

$92.2m

2015 – $16.4m underlying profit

NET DEBT

$1.9m

2015 – $110.5m

NET PROCEEDS OF EQUITY PLACING

$83.9m

* Non-GAAP measure ("NGM") (see pages 141 to 145).

RICHARD HUNTING, C.B.E.
CHAIRMAN

"OUR STRATEGY OF RETAINING CORE OPERATING CAPABILITIES IN ANTICIPATION OF A RECOVERY WAS TESTED DURING THE YEAR, BUT WE INTEND TO SHOW THAT IT WAS THE RIGHT THING TO DO."

Market Backdrop

The year was one of the most difficult in Hunting's long history due to factors outside the control of management. Fortunately, these factors are now showing signs of reversing and the hydrocarbon glut, which caused the problem, is slowly being reined in.

Our strategy of retaining core operating capabilities in anticipation of a recovery was tested during the year, but we intend to show that it was the right thing to do.

Financial Performance

Financial performance on most metrics was, unsurprisingly, dismal. The Group's underlying loss before tax* was $93.2m (2015 – $9.4m profit), with the reported loss before tax being $144.2m (2015 – $289.2m), reflecting the severity of the energy downturn, driven by the low price of crude oil recorded throughout 2016.

However, we had decided early on that control of cash was crucial and our performance in this area was, we believe, creditable. Working capital has been tightly managed during the year, with inventories reducing significantly to generate cash.

Bank Facility Terms and Equity Placing

Although we had low borrowings at the beginning of the crisis, it became clear towards mid-year that we would not be able to comply with those bank covenants relating to earnings, so we entered negotiations with our bank lending group to ensure that sufficient lines of credit remained available to us. These negotiations completed in July, with more appropriate balance sheet based covenants and conditions put in place. One of the conditions of the revised bank facility was that no dividends should be paid to shareholders until we could reinstate an earnings covenant regime. This condition has caused grief to some of our loyal shareholders, and we will start paying dividends again as soon as we sensibly can.

In order to ensure that we weathered the storm in good shape, we sought further funding from shareholders in the form of an equity placing in October. This was well received and taken up in full, at a low discount to the prevailing share price. The resulting cash inflow has ensured a very low borrowings figure at the year end, allowing us to respond rapidly as working capital builds up during the recovery.

PRODUCT TESTING OF PERFORATING SYSTEMS IN PAMPA, TEXAS.

Governance

Our governance arrangements have continued in good order. The wise counsel of our compact Board, whose members are unchanged from last year, has continued to be willingly given.

Finally, I wish to thank all of our employees for their stalwart efforts in testing times. Thanks to them, we are in good shape to take advantage of the pending recovery.

RICHARD H. HUNTING, C.B.E.
CHAIRMAN

2 March 2017

* Non-GAAP measure ("NGM") (see pages 141 to 145).

DENNIS PROCTOR
CHIEF EXECUTIVE

"AS HUNTING REACHED THE END OF THE YEAR, SOME FRAGILE OPTIMISM RETURNED TO THE MARKET. A NUMBER OF MARKET COMMENTATORS ARE SPECULATING THAT THE 'BOTTOM OF THE CYCLE' HAS BEEN REACHED AND INVESTMENT LEVELS WILL GROW THROUGHOUT THE YEAR AHEAD."

Introduction

Hunting's financial performance during 2016 reflects the poor trading environment within the global oil and gas industry, driven by a sustained low oil price. 2016 will be remembered not only for the continued contraction in industry investment, which started in 2014, but also for the loss of many valuable employees, as companies across the oil and gas supply chain were forced to respond to low activity and investment levels by reducing headcount.

As Hunting reached the end of the year, some fragile optimism returned to the market. On the back of slowly rising oil prices, activity levels in the Permian basin, West Texas, US, steadily improved in the second half of 2016. Market sentiment was also supported by the production cuts announced by OPEC in September. A number of market commentators are speculating that the 'bottom of the cycle' has been reached and investment levels will grow throughout the year ahead.

For Hunting, operations continue to be aligned with the short to medium-term outlook for each business unit within the Group. Hunting's Perforating Systems business has reported increases in demand, as the price of crude oil climbed from its low point in February. This has led to increases in the number of shifts for certain product lines, as activity levels grow in the US. The Group's Premium Connection business also benefited from key customers who continued to drill in the Gulf of Mexico throughout the year. Outside of the US, activity remains subdued and therefore cost reduction measures continue to be enforced across the Group's operations.

The Board of Hunting continues to be cautious about the timing of a Group-wide return to growth. However, with an enhanced manufacturing footprint, the Company remains well equipped and positioned to respond to an improving trading environment.

Market Summary

The price of WTI crude oil started 2016 at $37.04 per barrel and ended the year at $53.72 per barrel, an increase of 45%. The low point in the oil price of $26.21 per barrel was recorded in February, which adversely impacted investment sentiment for the remainder of the first half of the year, with the price averaging $39.78 per barrel. During the second half of 2016, the average WTI oil price increased to $47.11 per barrel.

US rig counts reached a low of 404 units in May as a direct consequence of the decline in oil price. However, from this point the rig count trended upwards, with the improving oil price, to close the year at 658 units. From an international perspective, where drilling is biased towards offshore activity, rig counts declined 15% in the year to close at 929 active units.

Total industry investment declined from approximately $296.1 billion in 2015 to $199.9 billion in 2016, a reduction of 32%, which led to further decreases in equipment procurement by customers and the consequent losses reported by the Group.

Operational Development

Hunting ended 2016 with core capabilities generally unchanged from the start of the year, with 40 manufacturing facilities and 25 distribution centres, occupying 3.1m square feet (2015 – 3.2m square feet).

Hunting's high throughput premium connection facility at Ameriport, US, was commissioned early in the year, concluding Hunting's investment programme in more efficient and modern facilities. As the Group selectively rationalised its operations, three manufacturing facilities and 10 distribution centres were closed. Overall, this has led to only a marginal decrease in operational capacity.

Throughout the year, the Group has remained focused on developing new technologies and maintaining high-end services for its customer base, to ensure projects can be completed at lower cost or more efficiently, given the intense competitive environment the industry has been experiencing during the downturn. Hunting has successfully commercialised and secured increasing sales of its H-1 Perforating System, with 3,796 units used in the field during the year, including 3,030 systems being used in the Permian basin by leading operators. The family of WEDGE-LOCK™ connections has also been expanded, with three new sizes being tested and certified during 2016 to add to the existing connections in the product group. WEDGE-LOCK™ connections have become more attractive to customers throughout the year as the product reduces casing wear, which is an issue faced by operators when drilling highly deviated wells.

As the market downturn intensified during the early months of the year, the Group reduced its headcount to lower its cost base, with 2,107 employees at year end, a reduction of 24% since the start of 2016. Annualised savings from headcount reductions in the two years ending 31 December 2016 now exceed $100m.

Financial Summary

The key areas of focus for the management team during the year were:

- maintaining the financial strength of the Group's balance sheet, ensuring adequate levels of funding remain in place to manage through the downturn and provide flexibility to respond to a market recovery; and
- continue to manage the cost base while maintaining the capability to deliver finished product and respond to customer demands.

The Group's inventory levels have reduced during the year to assist in the generation of cash. At 31 December 2016, the Group recorded inventory of $259.7m (2015 – $331.2m), a reduction of 22%.

	Underlying		Reported	
	2016 $m	2015 $m	**2016 $m**	2015 $m
Continuing operations:				
Revenue	**455.8**	810.5	**455.8**	810.5
EBITDA[i] (loss)	**(48.9)**	61.9	**(60.7)**	54.8
(Loss) profit from operations	**(92.2)**	16.4	**(140.7)**	(282.2)
(Loss) profit before tax	**(93.2)**	9.4	**(144.2)**	(289.2)
(Loss) profit for the year	**(73.3)**	4.0	**(121.3)**	(231.4)
Discontinued operations:				
Profit for the year	**–**	–	**8.2**	4.2
Total (loss) profit for the year	**(73.3)**	4.0	**(113.1)**	(227.2)
Diluted EPS – continuing operations (cents)	**(45.3)**	3.1	**(76.8)**	(156.1)

i. Non-GAAP Measure

Capital investment during the year was $17.2m (2015 – $81.1m), reflecting the completion of Hunting's facility investment programme and to be compliant with the revised terms of the Group's revolving credit facility agreement, as noted below.

Following the trading losses recorded during the year, Hunting renegotiated the covenants attached to the Group's $350.0m revolving credit facility. Revised terms for the Group's bank facilities were agreed on 20 July 2016, which included suspending dividends, capping capital investment and reducing the quantum of committed bank facilities to $200.0m. The revised facility terms will be in place up to and including the 30 June 2018 bank covenant test date. As at 31 December 2016, all covenants were covered with adequate headroom for the Group's medium-term funding requirements.

To provide additional balance sheet flexibility and to improve the Group's ability to react to the upturn, the Board elected to raise equity capital from new and existing investors to increase financial flexibility and reduce borrowings. On 31 October 2016, the Company placed 14.6m new Ordinary shares, raising $83.9m net of expenses, the proceeds of which significantly improved the Group's net debt position. All of these proactive measures have contributed to a strong balance sheet at the year end, with net debt of $1.9m (2015 – $110.5m) and net assets of $1,117.4m (2015 – $1,168.1m).

Hunting's revenues reduced 44% year-on-year to $455.8m (2015 – $810.5m). This led to an underlying loss from continuing operations of $92.2m (2015 – $16.4m profit) and an underlying diluted loss per share of 45.3 cents (2015 – 3.1 cents earnings per share).

In light of the tough trading conditions experienced in 2016, the Group conducted impairment reviews as part of its preparation of both the interim and year end accounts. In both cases, our assessment of short to medium-term performance, based on internal projections and those forecasts published by leading market commentators, concluded that no impairments to goodwill, property, plant and equipment ("PPE") or intangible assets were required to be recorded. In the prior year, impairments to goodwill, PPE and intangible assets totalled $252.6m.

During the year, exceptional items impacting loss from continuing operations totalled $15.3m, incorporating $12.2m of costs of restructuring the Group's operations (2015 – $7.1m) and a $3.1m charge related to closure of the defined benefit pension section of Hunting's UK pension scheme (2015 – $nil).

Amortisation of acquired intangible assets for the year was $33.2m (2015 – $38.9m).

Total charges for amortisation and exceptional items impacting loss from continuing operations were $48.5m in the year (2015 – $298.6m).

The reported loss from continuing operations was therefore $140.7m (2015 – $282.2m) and the reported diluted loss per share was 76.8 cents (2015 – 156.1 cents).

Outlook

Does the 2016 recovery in oil prices signal a recovery for the oil service industry? The answer is simply yes – and no. More than half of all the rigs added back to the US onshore count since it troughed in May 2016, have gone to the Permian basin in West Texas. Conversely, no drilling permits have been issued in the Gulf of Mexico shelf for the past five months. Over 100 offshore rigs sit idle worldwide and will most likely be cannibalised, decommissioned or both. The global onshore rig count remains 50% below its 2014 peak.

Shale oil operators are bravely raising annual budgets to increase activity in Texas, New Mexico, Oklahoma and North Dakota. International oil companies such as ExxonMobil, Chevron, Shell and BP are cautiously holding back spending at levels up to 15% below 2016. At $50 per barrel of oil, both groups of E&P companies in North America will spend in excess of $43 billion ($101 billion in 2016) more than they expect to receive from operations. Each has a different perspective on the strength of OPEC's production commitment. Regardless, at current oil and gas prices, US production will increase thus impacting OPEC production decreases.

Offshore activity improvement will require more confidence in OPEC production policy and higher oil prices. However, after two years of declining offshore E&P budgets, a drastic decline in new discoveries and continual depletion, the offshore recovery may begin sooner than many anticipate.

Within the last 90 days, we have witnessed the following;

- our North Sea assets are now operating two shifts in Scotland – three shifts in the Netherlands for the remainder of the year. Much of the work is destined for US shale activity.
- the Hunting Electronics business has a current backlog which exceeds total revenue for 2016.
- in China, our OCTG facility is fully booked through to September of this year.
- the Marrero, Louisiana, threading facility has been and remains a three shift operation primarily for three deepwater projects in the Gulf of Mexico.
- Hunting Perforating Systems is faced with people and capacity constraints due to shale operators overwhelming acceptance of recently introduced technologies. The increased activity is global, but predominantly in the US and Canada. Price increases have been initiated.
- within the Advanced Manufacturing Group, order book positions are strengthening, with expectations of continued improvement throughout the year.

During the same period:

- Hunting Subsea is experiencing a slow erosion of their backlog.
- our Well Intervention group remains a witness to dismal competitor pricing and low volumes.
- south east Asia continues to experience low activity, large inventory surpluses and excess capacity throughout the region.
- margin pressure and surplus tools will challenge our Drilling Tools group for the remainder of the year.

The past two years have been trying on industry personnel. Once again, as with previous recoveries, manpower will become a serious constraint. Hunting's 20 person global management team, who have an average 30 years of experience (most with Hunting) will assist in the recovery of a decimated oil service industry.

With stable oil and gas prices, the rising North American onshore rig count drilling "super laterals" up to total measured depth of 30,000 feet and some opportunities for ultra-deep offshore wells, Hunting's prior capacity investment, technology development, cost containment and strong balance sheet will provide significant potential for improvement over 2016.

As 2017 progresses we will continue to keep the market informed with regular updates on activity levels and trading results. To predict the 2017 outturn at this stage remains difficult given the number of variable factors which could impact our markets.

GROWTH REMAINS PREDICATED ON GLOBAL PRODUCTION REDUCING TO BRING CRUDE OIL SUPPLY/DEMAND BACK INTO BALANCE, COUPLED WITH AN INCREASING OIL PRICE AND THE WORLD'S GEOPOLITICAL ENVIRONMENT REMAINING STABLE.

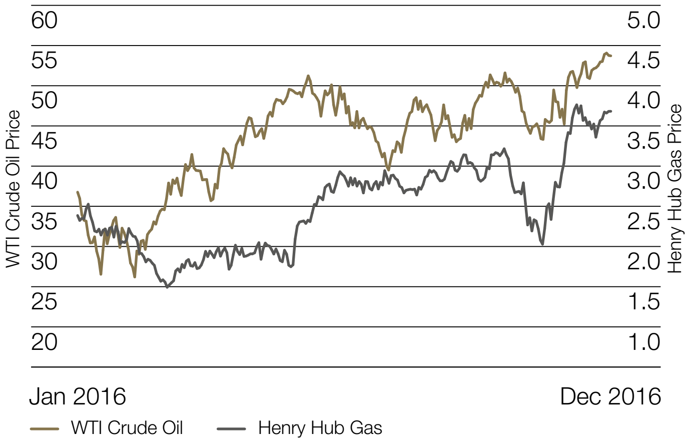
Conditions in the global oil and gas market during 2016 were a continuation of those reported in 2015, where low commodity prices drove further declines in capital investment across the energy industry, leading to low rig count and drilling activity. This continued decline in investment, particularly seen in North America where a significant number of Hunting's operations are located, resulted in lower volumes of products manufactured and the losses reported by the Group, as summarised in the Chief Executive's Review on pages 6 to 8 and the Group Performance and Development Summary on pages 42 to 47.

Throughout the second half of 2016, key market indicators showed signs of recovery, with specific regions of the US increasing activity levels. This improvement, driven by a more stable oil price particularly in the final quarter of 2016, has given rise to some optimism within the industry. Some market commentators suggest 2017 will see increased levels of global capital investment, however, the focus of this spend is likely to be on low cost onshore basins in the US or on well completion activities where the well construction cost has already been expensed.

Commodity Prices

The price of WTI crude oil started the year at $37.04 per barrel and closed 2016 at $53.72 per barrel an increase of 45% across 2016. The average price recorded was $43.46 per barrel across the year as a whole.

COMMODITY PRICES
($ per barrel/mmBtu)



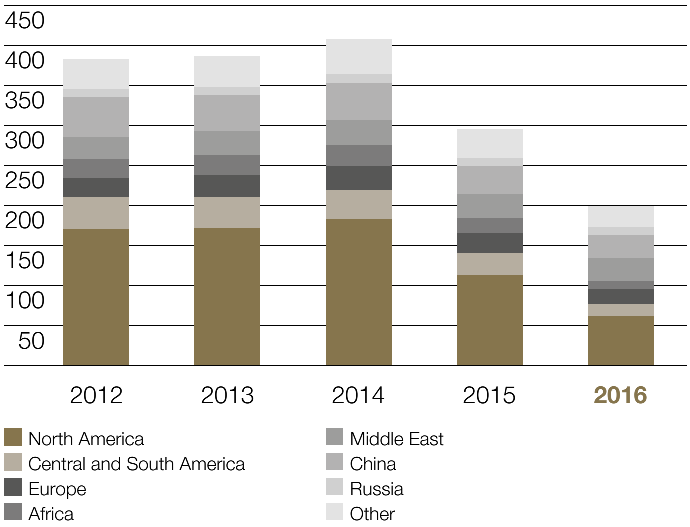
Source: Bloomberg

A 13 year low was recorded in February 2016 of $26.21 per barrel, which led to operators cutting further investment plans for the remainder of the year. The high for the year of $54.06 per barrel was recorded in December following the OPEC announcements regarding an agreement by its members to cut production during 2017. Average prices in H1 2016 were $39.78 per barrel, which led to record low US rig numbers being reported. The average price in H2 2016 was 18% higher at $47.11 per barrel, reflecting the more stable pricing environment noted above. Henry Hub natural gas prices in the US averaged $2.49 per mmBtu in the year, a 1% increase compared to 2015, which averaged at $2.48 per mmBtu.

Industry Spend

Given the low commodity price environment, the global oil and gas industry has focused on maximising cash flows by reducing capital investments by an estimated $208.3 billion since 2014, which recorded nearly $408.2 billion spent across the industry, declining to approximately $199.9 billion in 2016.

GLOBAL DRILLING AND PRODUCTION EXPENDITURE
($bn)



Source: Spears & Associates – Drilling and Production Outlook: December 2016

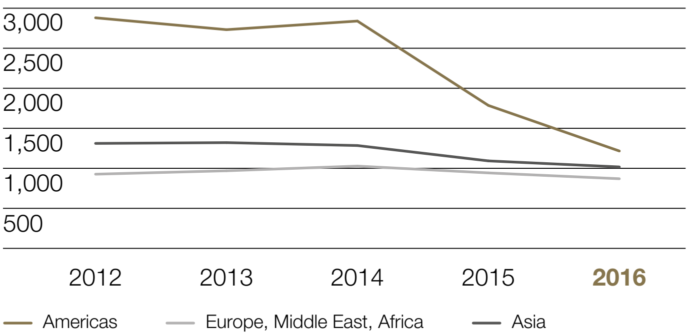
While the largest of the year-on-year cuts in capital investment was in North America, all regions are estimated to have declined between 6% (in the Middle East) and 46% (in the US), which impacted drilling activity and associated margins for all participants.

In the US, capital investment is estimated to have reduced in 2016 to $54.2 billion compared to over $101.1 billion committed in 2015, reflecting both offshore and onshore projects being deferred or cancelled. Expenditure on US offshore projects has declined by an estimated 66% since 2014 to $4.6 billion in 2016, while similar declines onshore have been estimated, with expenditures totalling $49.7 billion in 2016 compared to $144.3 billion in 2014.

Rig Counts
Global rig counts reflect a similar decline to that seen for capital investment, with large declines being reported throughout North and South America, with the average rig count reducing from 2,819 units in 2014 to 991 units in 2016, a decline of 65%.

In Europe and Africa rig counts declined approximately 42% between 2014 and 2016, while in the Middle East drilling rig activity remained relatively unchanged as new production from Iraq and Iran, coupled with strong production data from Saudi Arabia, led to only a 3% decline between 2014 and 2016. In Asia rig counts have declined 29% since 2014.

GLOBAL RIG COUNTS

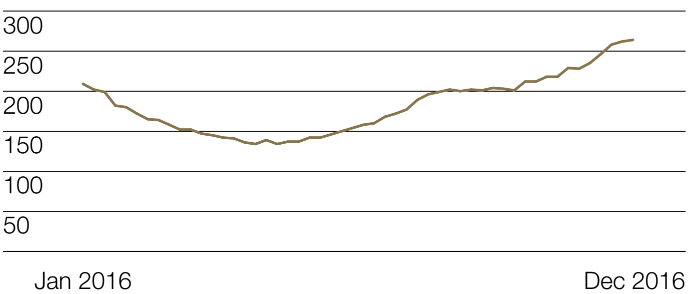


Source: Spears & Associates – Drilling and Production Outlook, December 2016

Despite the large reductions in the rig count across North America, in the second half of the year the stabilising crude oil price meant that activity within certain onshore basins in the US increased. This contributed to a partial recovery within some of Hunting's businesses, particularly the Group's Perforating Systems business.

In the Permian basin, West Texas, US, the total rig count started the year with 209 units, which declined to 134 in April, rising to 264 units by the close of the year, an overall increase of 26% in the year. Other low cost basins are now showing signs of improving activity.

PERMIAN BASIN RIG COUNTS



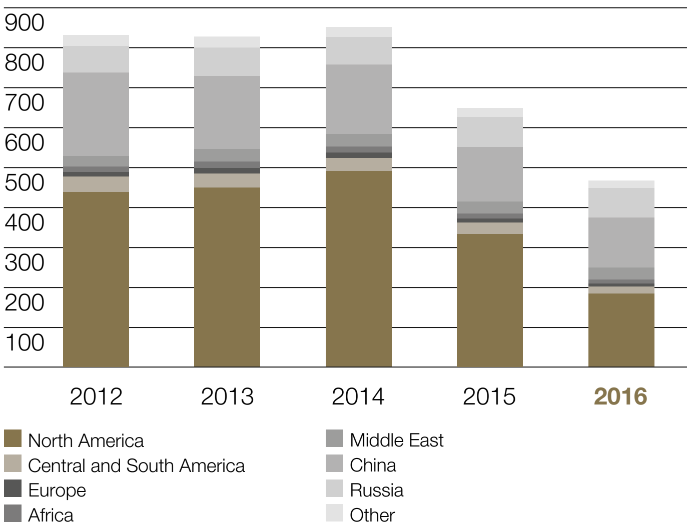
Source: Baker Hughes

Global Footage Drilled
In line with other key data indicators, the total footage drilled by the global oil and gas industry is estimated to have declined since 2014, albeit at a lower rate than other metrics due to improvements in drilling technology and lower operating costs being realised.

Total footage drilled was estimated to be 464.7 million feet in 2016 compared to 847.9 million feet in 2014. In the US, the total decline was 63% to approximately 150.9 million feet in 2016 compared to over 404.5 million feet in 2014.

Europe, Africa and Asia all recorded declines, while the Middle East and Russia are estimated to be in line with those recorded in 2015.

GLOBAL FOOTAGE DRILLED
(m ft)



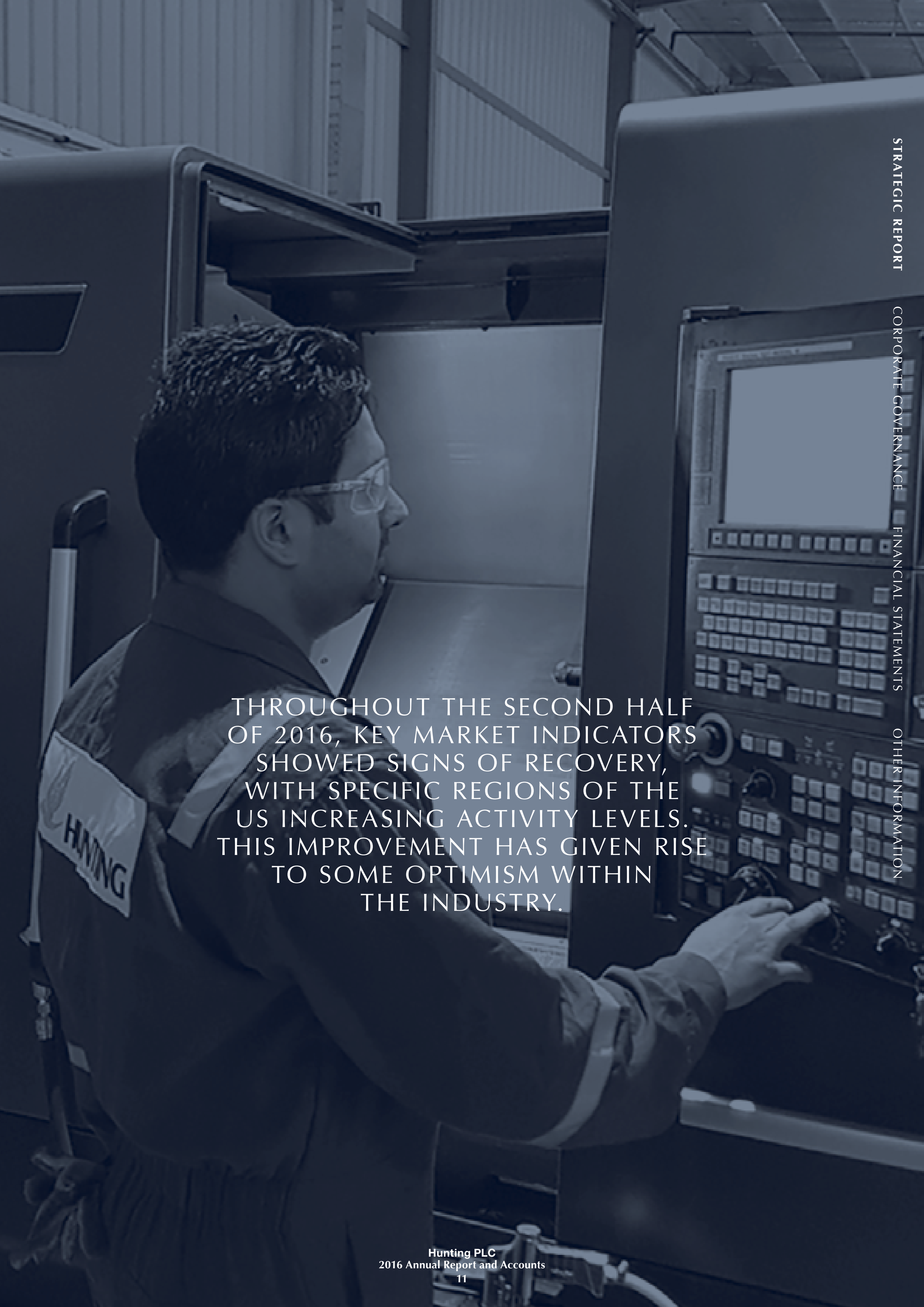
Source: Spears & Associates – Drilling and Production Outlook, December 2016; Baker Hughes

Market Outlook
Looking ahead, market commentators are currently forecasting 2017 to be a year of growth for the global energy industry, with some projecting double digit increases.

While there is fragile optimism across the industry, this forecast growth remains predicated on global production reducing to bring crude oil supply/demand back into balance, coupled with an increasing oil price and the world's geopolitical environment remaining stable, with continued investment by exploration and production companies.

Activity is likely to remain focused on lower cost onshore projects, given that many offshore projects require an oil price in excess of $60 per barrel to be sanctioned.

North America is likely to be the focus for much of this new activity, with other regions returning to growth, if and when the oil price continues to increase past its current $50-55 per barrel trading range.



THROUGHOUT THE SECOND HALF OF 2016, KEY MARKET INDICATORS SHOWED SIGNS OF RECOVERY, WITH SPECIFIC REGIONS OF THE US INCREASING ACTIVITY LEVELS. THIS IMPROVEMENT HAS GIVEN RISE TO SOME OPTIMISM WITHIN THE INDUSTRY.

AN OVERVIEW

HOW WE CREATE, DISTRIBUTE AND SUSTAIN VALUE

OIL AND GAS EXTRACTION CYCLE

STRATEGIC FOCUS ON THE WELLBORE (SEE PAGE 14)

1 RESOURCES WE USE

- FINANCIAL
- INTELLECTUAL
- OPERATIONAL
- EMPLOYEES
- RELATIONSHIPS

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2 OUR BUSINESS ACTIVITIES

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

- MANUFACTURING
- EQUIPMENT RENTAL
- TRADING

QUALITY AND OPERATIONAL EXCELLENCE

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3 OUR PRODUCTS AND SERVICES

- OIL COUNTRY TUBULAR GOODS ("OCTG")
- PERFORATING SYSTEMS
- ADVANCED MANUFACTURING GROUP ("AMG")

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DRILLING TOOLS

INTERVENTION TOOLS

SUBSEA

4
OUR CUSTOMERS AND CHANNELS TO MARKET

OPERATORS

SERVICE COMPANIES

STEEL MILLS & OTHER

PAGE 26.

5
SUSTAINABLE VALUE CREATION FOR OUR:

SHAREHOLDERS

EMPLOYEES

CUSTOMERS AND SUPPLIERS

COMMUNITIES

GOVERNMENTS

PAGE 27.

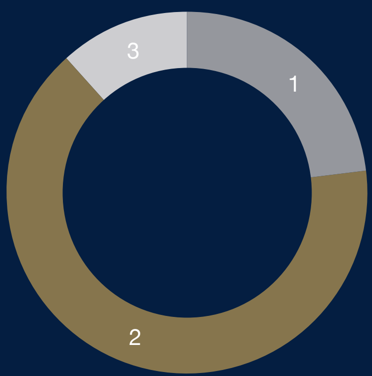
OIL AND GAS EXTRACTION
STRATEGIC FOCUS ON THE WELLBORE

WELL CONSTRUCTION
The well construction phase includes all activities related to setting up the infrastructure of the wellbore. Hunting supplies OCTG, AMG and Drilling Tool products from this segment.

WELL COMPLETION
Well completion is the process of initiating the flow of hydrocarbons to the surface. Hunting supplies OCTG and Perforating Systems and accessories from this segment.

WELL INTERVENTION
Well intervention occurs while a well is in production to enable the flow to be maintained and to operate efficiently. In this segment Hunting supplies intervention tools to be used downhole and provides hydraulic subsea equipment.

REVENUE

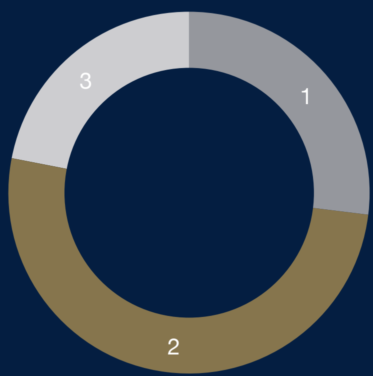


1. WELL CONSTRUCTION
$105.5m
2015 – $211.4m

2. WELL COMPLETION
$295.1m
2015 – $488.6m

3. WELL INTERVENTION
$52.2m
2015 – $106.3m

UNDERLYING LOSS FROM OPERATIONS

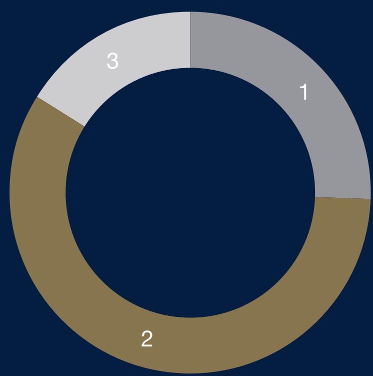


1. WELL CONSTRUCTION
$24.2m loss
2015 – $1.9m profit

2. WELL COMPLETION
$45.9m loss
2015 – $14.2m profit

3. WELL INTERVENTION
$19.5m loss
2015 – $4.6m profit

AVERAGE NUMBER OF EMPLOYEES



1. WELL CONSTRUCTION
568
2015 – 866

2. WELL COMPLETION
1,291
2015 – 1,877

3. WELL INTERVENTION
356
2015 – 499

1

RESOURCES WE USE

FINANCIAL

Financial capital is provided to the Group through equity invested by shareholders and debt facilities, principally provided by the Group's banking syndicate. The balance of debt and equity is managed with due regard to the respective cost of funds and their availability.

Hunting PLC is quoted on the London Stock Exchange and has a premium listed status. As such, the Company has to meet the highest standards of regulation and corporate governance as published by the Financial Conduct Authority. Equity shareholders receive returns in the form of dividends and through capital appreciation, which can be measured as total shareholder return.

The Group has $219.2m of debt facilities available of which $200m are committed. The committed facilities include a $179.5m mutli-currency revolving credit facility, which expires in 2020, and a multi-currency overnight money market line. The committed facilities were amended during 2016 with total committed facility limits reduced from $350m to $200m and security provided over selected trade receivables, inventories and principal properties. Profit-based covenants have been suspended up to and including the 30 June 2018 covenant test date and have been replaced by asset-based covenants, minimum cash flow requirements, limitations on capital investment and a suspension of dividends.

NET DEBT
$1.9m

ANNUALISED 5 YEAR TSR
-1.5%

MARKET CAPITALISATION (AT 31.12.16)
$1.27 billion

NET BANK FEES AND INTEREST PAID
$4.3m

INTELLECTUAL

With low oil prices likely to impact the market for some time, there is a strong focus in the industry on technological improvement and process innovation, which can help deliver cost efficiencies for customers whilst maintaining or improving margins for suppliers. The use of technology in our business illustrates the different ways we partner with participants in the supply chain:

Hunting proprietary technology
Developing our own proprietary technologies has been a strategic focus for the Group. Through developing our own technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio is a significant barrier to entry for competitors and allows us to enjoy better margins and more operational flexibility. In 2016 we registered one patent on the H-1 Perforating System and made a further 10 patent applications, bringing the number of pending patents for the H-1 Perforating System to 23. In 2016 we also developed three additional sizes for the WEDGE-LOCK™ premium connection range.

Jointly developed technology
Some innovations involve collaborating with other industry partners. For example, Hunting is working with ExxonMobil to create an autonomous perforating gun system with on-board navigation thereby eliminating the need for a wireline crew. This represents potential cost savings for the operator and improves efficiency of the operation.

Third party technology
In some cases, we make use of third party proprietary technologies in our operations. For certain product lines we are engaged as a specialist manufacturer using our customers' IP. In other areas we license technologies from third parties, such as non-Hunting thread forms for OCTG.

PATENTS
428

NEW PATENTS IN THE YEAR
31

PATENTS PENDING
166

1

RESOURCES WE USE
CONTINUED

OPERATIONAL

OPERATING SITES
40

DISTRIBUTION CENTRES
25

MANUFACTURING FOOTPRINT (SQ FT)
3.1m

MACHINES
1,228

NET BOOK VALUE OF PPE
$419.0m

Operating footprint
We have an established global network of operating sites and distribution centres located close to our customers and near the main oil and gas producing regions (see pages 20 and 21).

Business activities and development of know-how
Over many years we have refined our operating processes, building considerable know-how as our business evolves to meet changing customer needs.

Our operating sites are used for the manufacture, rental or trading of products. The manufacture of goods and the provision of related services is, by far, the main source of income for the Group. The bulk of our manufacturing occurs in high-end specialist facilities utilising sophisticated CNC machines.

In Hunting's rental businesses it is critical that an appropriate range of equipment is stored and maintained. Generally this must be configured to meet specific customer requirements.

In certain product lines, particularly OCTG, Hunting holds goods for trading to support customer service and to take advantage of particular market opportunities.

Our distribution centres are primarily used in the Perforating Systems and Drilling Tools businesses where close proximity to drilling operations is important.

Management approach

DEVELOP OUR PEOPLE

People are at the heart of our business. Our broad product portfolio demands experienced engineering and production staff across many manufacturing disciplines.

EMPOWER OUR BUSINESS UNITS

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

APPLY UNIFIED OPERATING STANDARDS AND PROCEDURES

Demanding health, safety and quality policies are developed centrally and then applied locally. We continually monitor and raise our operating standards.

MAINTAIN A STRONG GOVERNANCE FRAMEWORK

The Group's leaders and their teams operate within a tight framework of controls, monitored and directed at both a regional and central level but ultimately under the direction of the Board.

EMPLOYEES

Hunting's employees are a key driver in fulfilling the Group's strategic objectives. Hunting's reputation is underpinned by our highly skilled workforce, which has been built over many years.

At 31 December 2016, the Group had 2,107 employees (2015 – 2,784) across its global operations. The reduction in the Group's workforce has been necessitated by the global downturn in the oil and gas market, however, efforts have been made to retain employees across all disciplines, in readiness for the anticipated industry recovery. The chart opposite illustrates the geographic split of our workforce.

Responsibility for our employees lies with local management, to enable local cultural differences to be taken into account, with all businesses complying with the Group's ethical employment and human rights policies as published in the Hunting PLC Code of Conduct (located at www.huntingplc.com). The Group is committed to training and developing all employees, which includes health and safety training, professional development and general career development initiatives. In 2017, Hunting will be rolling out a Group-wide Code of Conduct training programme for employees, to ensure our workforce is trained in our published ethics-focused policies.

Hunting complies with all relevant regional laws covering employment and minimum wage legislation. As a responsible employer, full and fair consideration is given to applications for positions from disabled persons. The Group's ethics policies support equal employment opportunities across all of Hunting's operations. The Group's diversity profile for 2016 is shown below. Employees are offered benefits on joining the Group, including healthcare cover, post-retirement benefits and, in certain instances when Group outperformance in terms of operational or financial targets has been delivered, participation in bonus arrangements.

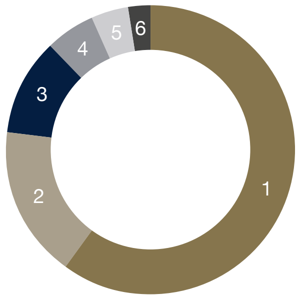
Employees are encouraged to further their development and network of contacts within the global energy industry by membership of industry groups. In 2016, the following organisations were supported by Hunting's employees: American Petroleum Institute, Society of Petroleum Engineers, International Coiled Tubing Association and the American Society for Quality.

The Board of Hunting has established procedures in place whereby employees can raise concerns in confidence, including contacting the Chairman or Senior Independent Director. The Group also uses an independent whistleblowing reporting service operated by SafeCall. Contact information for both these lines of reporting are published on staff noticeboards across the Group's facilities.

EMPLOYEES

2,107

YEAR END EMPLOYEES



1. US	1,265
2. Asia Pacific	359
3. UK	229
4. Canada	117
5. Other	86
6. Rest of Europe	51

TOTAL REMUNERATION

$157.2m

EMPLOYEE DIVERSITY

	Total	Male	Female
Board	7	86% (6)	14% (1)
Senior Management	132	93% (123)	7% (9)
Total Employees	2,107	79% (1,674)	21% (433)

Male Female

1

RESOURCES WE USE
CONTINUED

RELATIONSHIPS

Relationships developed with stakeholders are critical to the Group's business success and to ensure future growth. Hunting constantly evaluates ways to strengthen links with investors, employees, customers, suppliers, governments and the communities in which its businesses operate.

Ethical behaviour
The Group's Code of Conduct is the basis of its commitment to stakeholders. Hunting's policies on anti-bribery and corruption, ethical employment, responsible business partnerships and proportionate client entertaining are key to its success. The Code of Conduct is sent to the Group's major customers and suppliers to promote our values within Hunting's known supply chain. Hunting's policies on human rights and its approach to the issues of modern slavery and trafficking continue to be enhanced, to ensure our stance on responsible corporate behaviour is shared with our business partners.

Shareholders
Communication with investors is a key activity of the Board. Our strategy and plans for future growth are discussed with shareholders throughout the year, primarily following our half and full year results announcements with its supporting webcasts.

The executive Directors undertake an annual investor relations programme where presentations are given to existing shareholders or potential investors. The Chairman and Senior Independent Director also meet investors annually to discuss strategy and governance, with feedback being provided to the Board.

All shareholders are invited to the Company's Annual General Meeting, which provides an opportunity for the Board to answer questions from our investor base.

Customers and suppliers
Hunting's approach to all its customers and suppliers is based on honesty and transparency, to provide best in class products and services delivered through a rigorous quality assurance programme.

The Group's policies support a strong culture of building close client relationships, based on our reputation of industry-leading service and delivery and our drive to understand the needs of each customer and supplier to ensure absolute client satisfaction is achieved. For more information on our customers and channels to market see page 26. Our entertainment and hospitality policies ensure our business decisions are completed on an arms length basis, with client entertaining closely monitored and proportionate.

Governments
Hunting is committed to developing good relationships with the governments of the countries in which we operate. Certain customers and suppliers of the Group are subject to state ownership, therefore monitoring procedures for interaction with Public Officials are in place to ensure compliance with the UK Bribery Act.

Where appropriate, Hunting's business units participate in government supported groups and "think-tanks". Hunting's Perforating Systems business regularly supports or has membership of groups which develop regulations on products used for hydraulic fracturing. In line with Group policy, Hunting does not allow any form of political donations to be made. In 2016, the Group issued its "Payments to Governments" statement in compliance with new legislation enacted in the UK. Further, Hunting is a signatory to the UK's Prompt Payment Code.

Communities
Hunting operates in 13 countries and is committed to being a responsible corporate citizen. Each business unit across the Group is encouraged to promote good community relations and, where appropriate, to support causes including local sponsorships and communal events.

Environment
Hunting is committed to the protection of the environment, by developing manufacturing procedures which minimise the Group's impact on the landscape and communities in which we operate.

All new facilities take into account environmental considerations including storm and flooding protection while utilising energy efficient materials. Hunting's environment policy is located at www.huntingplc.com.

To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collects greenhouse gas data in accordance with the principles of the Kyoto Protocol. Hunting's 2016 Scope 1 and 2 emissions, as designated by international reporting guidelines, are detailed in the accompanying chart, with the emissions factors applied based on those published by DEFRA in the UK and the International Energy Agency.

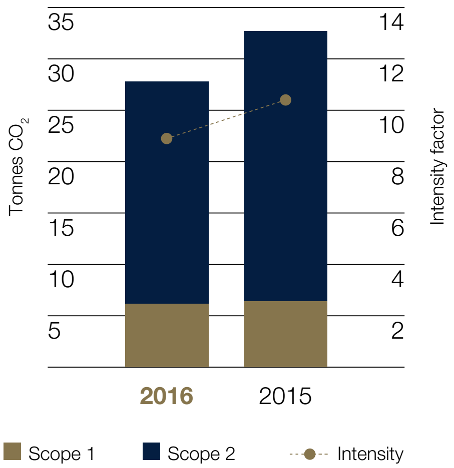
NUMBER OF SHAREHOLDERS

1,749

CO_2 EQUIVALENT EMISSIONS

27,659 tonnes

CARBON DIOXIDE EQUIVALENT EMISSIONS



Scope 1 and 2 emissions in 2016 totalled 27,659 tonnes (2015 – 32,710 tonnes) of carbon dioxide equivalent. The reduction in the Group's emissions between 2015 and 2016 is due to the reduced levels of activity, with Scope 2 electricity usage declining as the number of shifts reduced by each operating unit and some facilities were decommissioned.

The Group's Intensity Factor, based on total carbon dioxide emissions divided by total operational square footage, in 2016 was 8.8 kg/sq ft, compared to 10.4 kg/sq ft in 2015.

At 31 December 2016, the Group's facilities totalled 3.1m square feet (2015 – 3.2m square feet).

Water usage in the year was 230k cubic metres compared to 223k cubic metres in 2015.

INTENSITY FACTOR

8.8kg/sq ft

HEALTH, SAFETY & ENVIRONMENT ("HSE")

The Group operates across the globe and is committed to achieving and maintaining the highest standards of safety for its employees, customers, suppliers and the public.

Hunting has a proven culture of aiming for best practice and employs rigorous health and safety practices.

Health and safety policies include:

- Regular audit and maintenance reviews of facilities;
- Appropriate training and education of all staff;
- Regular reporting to Board level;
- Seeking accreditation and aligning long-standing internal programmes with internationally recognised standards; and
- Publication of the Group policy on health, safety and environmental matters on the Company's website at 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 employees throughout the Group.

During the year, there were no fatalities across the Group's operations with 25 recordable incidents (2015 – 36). The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA") in the US, was 1.15 compared to 1.13 in 2015. The increase in the incident rate reflects a 31% year-on-year decline, with the number of hours worked declining by 32% to 4.4m hours (2015 – 6.4m hours). The industry average incident rate in 2016 was 4.3 (2015 – 4.3).

INCIDENT RATE (OSHA)

1.15

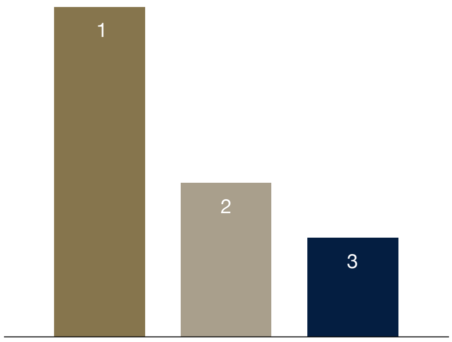
QUALITY AND OPERATIONAL EXCELLENCE

The Group is committed to enhancing its production and operational quality with a number of facilities being certified ISO 9001 (quality), 14001 (environment) and 18001 (health and safety) compliant, indicating that globally recognised standards and systems are in place. The manufacturing reject rate in 2016 was 0.6% (2015 – 0.8%).

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

Operational and production excellence is a key component of our relationship with customers. Quality assurance for each component manufactured is a key differentiator in our drive to be an industry leading provider of critical components and measurement tools. In 2016, 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.

PERCENTAGE OF ISO CERTIFIED FACILITIES



1. ISO 9001	60%
2. ISO 14001	28%
3. ISO 18001	18%

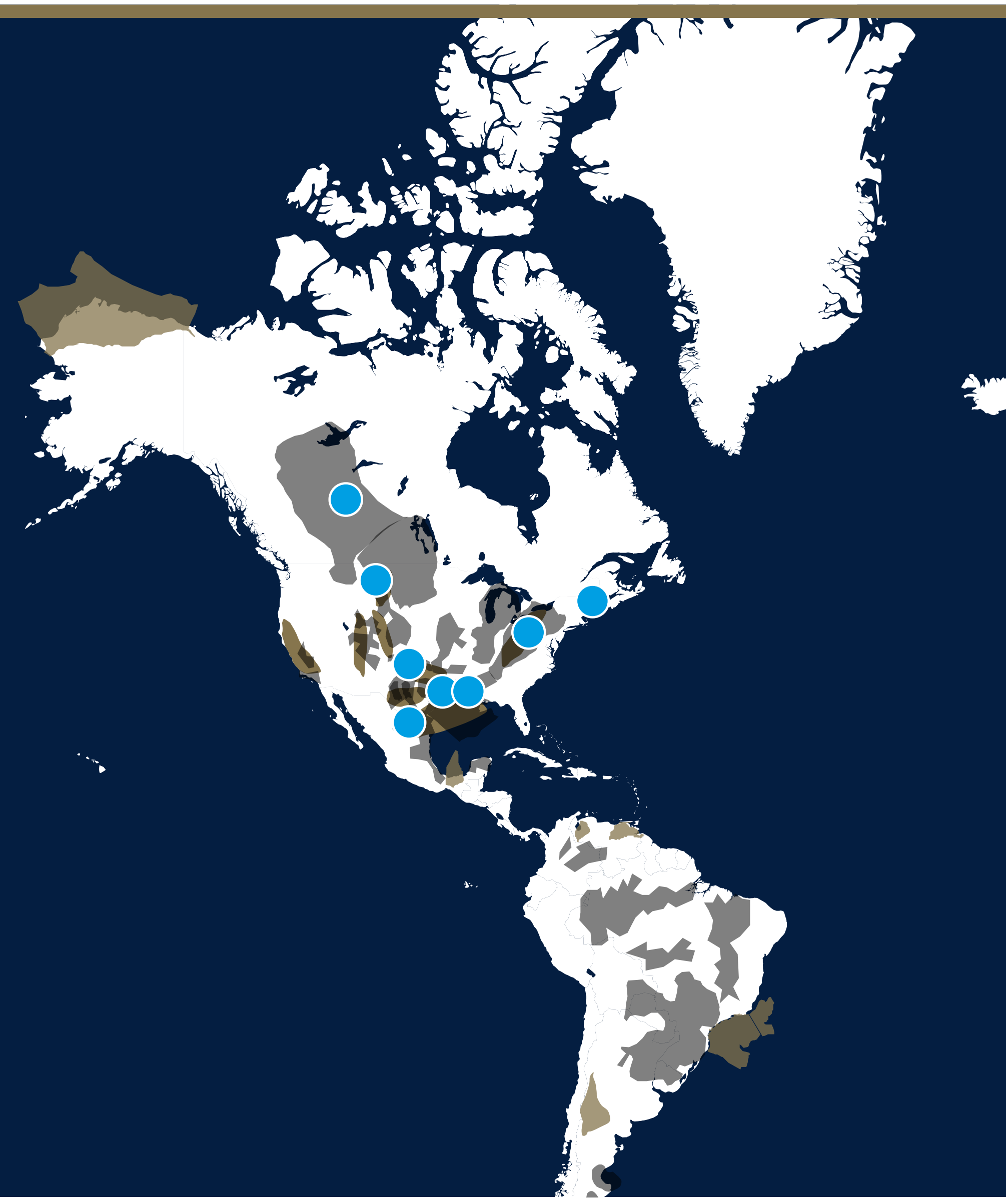
REJECT RATE

0.6%

2

OUR BUSINESS ACTIVITIES

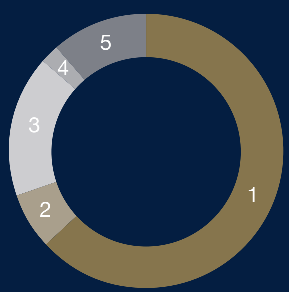
OUR BUSINESSES NEED TO BE CLOSE TO OUR CUSTOMERS AND ARE THEREFORE BASED IN OR NEAR THE MAIN OIL AND GAS PRODUCING REGIONS.



REVENUE

$455.8m

1. US
2. Canada
3. Europe
4. Middle East, Africa and other
5. Asia Pacific



GROUP OVERVIEW

$455.8m REVENUE	2,308 AVERAGE EMPLOYEES
40 OPERATING SITES	2,814k SQUARE FEET
25 DISTRIBUTION CENTRES	321k SQUARE FEET

The Group operates across five geographic regions spread across the globe, with locations close to major centres of oil and gas activity. Hunting generally has a conservative risk appetite for developing operations in countries with significant geopolitical risks and transparency concerns.

US

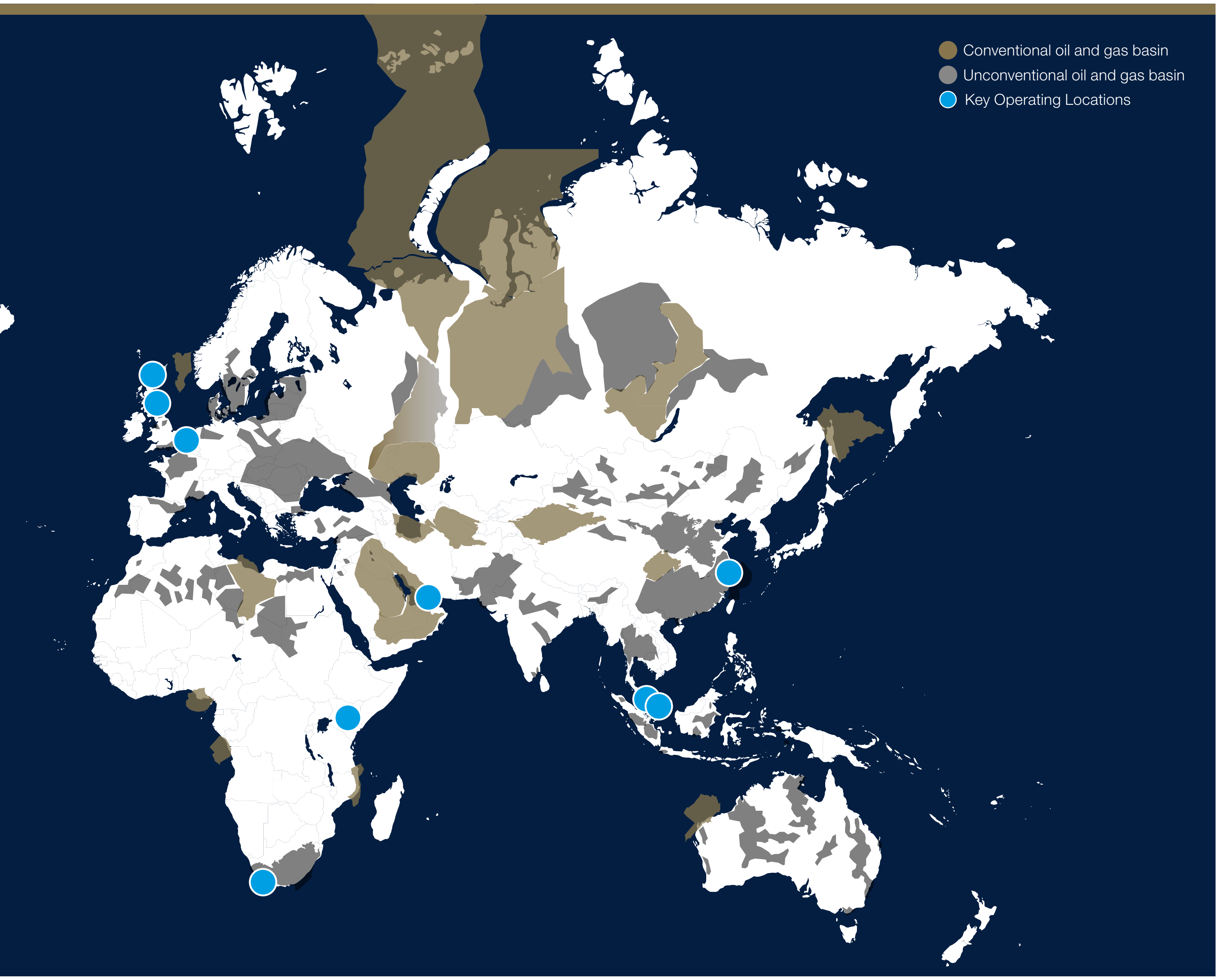
$293.5m REVENUE	1,379 AVERAGE EMPLOYEES
20 OPERATING SITES	1,756k SQUARE FEET
16 DISTRIBUTION CENTRES	230k SQUARE FEET

The US is our primary market and has the broadest product portfolio. Our products are used both onshore and offshore in the Gulf of Mexico. The US has the largest manufacturing footprint and benefits from economies of scale and the impact of Hunting's Perforating Systems product lines and a higher use of proprietary technologies. The Group also has a broad distribution network available across the region, giving Hunting a closer proximity to its customer base.

CANADA

$38.8m REVENUE	115 AVERAGE EMPLOYEES
1 OPERATING SITE	96k SQUARE FEET
7 DISTRIBUTION CENTRES	56k SQUARE FEET

The Canadian market is seasonal and can be impacted by prevailing weather conditions. Many oil and gas projects in the region are based on tar sands/heavy oil and have high break-even costs, therefore making the market sensitive to changes in global commodity prices.



EUROPE

$70.2m REVENUE	**325** AVERAGE EMPLOYEES
8 OPERATING SITES	**223k** SQUARE FEET
1 DISTRIBUTION CENTRE	**30k** SQUARE FEET

Our European operations principally service the North Sea and are located in the UK, the Netherlands and Norway. OCTG are the major products for the region and margins are influenced by the high usage of third-party licensed threading technology in this market. This region has been at the forefront of developing our well intervention products.

MIDDLE EAST, AFRICA AND OTHER

$9.6m REVENUE	**88** AVERAGE EMPLOYEES
5 OPERATING SITES	**154k** SQUARE FEET
- DISTRIBUTION CENTRE	**-** SQUARE FEET

We have an established operation in Dubai supplying well intervention tools and OCTG. We have expanded our operations in the Middle East through a joint venture in Saudi Arabia. We are also building a presence in Africa with operations recently set up in South Africa and Kenya.

ASIA PACIFIC

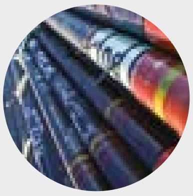
$43.7m REVENUE	**401** AVERAGE EMPLOYEES
6 OPERATING SITES	**585k** SQUARE FEET
1 DISTRIBUTION CENTRE	**5k** SQUARE FEET

Asia Pacific is one of our largest regions and we have operations in Singapore, China and Indonesia. The region is expanding from its OCTG base and is developing perforating system product sales.

3

OUR PRODUCTS AND SERVICES

CASING
API and premium threaded casing and Oil Country Tubular Goods.



CONNECTION TECHNOLOGY
Proprietary range of SEAL-LOCK™ premium connections for threaded pipe and couplings.

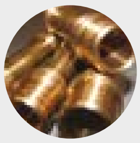
WEDGE-LOCK™
New proprietary premium threading products, research, development and testing.

APRS
Proprietary Annular Pressure Relief System.

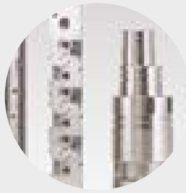
ELECTRONICS
MWD/LWD components and downhole power supply units, printed circuit boards and manufacturing services.

DRILLING TOOLS
Mud motors, vibration dampeners, stabilisers and reamers.

DOWNHOLE SUPPLY
Screens, MWD/LWD electrical and running gear components, float valve assemblies and handling equipment.



MANUFACTURING
Completion accessories, premium threading services.



PRECISION MACHINING

Deep bore machining for directional drilling and geo-steering tools, inserts and collars for MWD/LWD tools.

PERFORATING SYSTEMS

Perforating guns and setting tools, energetics, wireline and Tubular Conveyed Perforating hardware.

LOGGING SYSTEMS

Production logging tools and instruments.

SUBSEA

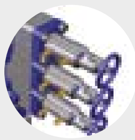
Hydraulic valves, couplings and chemical injection systems.

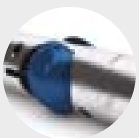
SWITCH GEAR

Wireline selective firing systems, EBFire™ switches, radio frequency safe ControlFire™ and shooting power software.

WELL INTERVENTION

Pressure control equipment, Bottom Hole Assembly services, slickline and wireline tools.





VARIBALL

Proprietary rolling system for the delivery of tools in highly deviated wellbores.

THRU-TUBING

Advanced, tailored solutions for a wide range of work-over and coiled tubing interventions.

3

OUR PRODUCTS AND SERVICES
CONTINUED

HUNTING'S SIX MAJOR PRODUCT GROUPS	OIL COUNTRY TUBULAR GOODS ("OCTG")	PERFORATING SYSTEMS
OPERATING ACTIVITIES	Manufacturing, Trading	Manufacturing
OVERVIEW	OCTG are steel alloy products and comprise casing and tubing used in the construction and completion of the wellbore. Hunting machines threads to connect OCTG using flush or semi-flush joints and can manufacture premium connections and accessories using our own technologies such as SEAL-LOCK™ and WEDGE-LOCK™. We are licensed to apply a variety of competitor thread forms and generic API threads. We source OCTG products from a significant number of major global steel producers and have strong, long-term relationships in the US, Europe and Asia. Hunting trades pipe, which is a lower margin activity, to help support customer relationships.	Hunting's Perforating Systems business manufactures perforating guns, energetics, firing systems and logging tools. Products are mainly used in the completion phase of a well. The production, storage and distribution of energetics is highly regulated and there are significant barriers for new entrants to the market. The business mainly "manufactures to stock" and hence uses a wide distribution network. Some manufacturing is done to order, sourced from international telesales.
DIFFERENTIATORS	Hunting is one of the largest independent providers of OCTG connection technology, including premium connections.	Market leading position in the US. Strong portfolio of patented and unpatented technology.
GLOBAL OPERATING PRESENCE OUR BUSINESS ACTIVITIES PAGES 20 AND 21.	Hunting has extensive machining capacity in the US, Canada, Europe, Asia and Africa.	Manufacturing centres in the US, Canada, Mexico and China. Distribution centres in the US, Canada, UK and Asia.
RELATED STRATEGIC FOCUS AREAS OUR BUSINESS STRATEGY PAGES 28 AND 29.	**New products –** broadened the WEDGE-LOCK™ premium connection range. **Enhance existing capacity, lean manufacturing –** completed the new threading facility at Ameriport, US. **Develop global presence –** established presence in Kenya.	**Cost control –** one operating site and seven distribution centres closed. **Develop global presence –** developing sales locations in Europe, Africa and Asia. **New products –** commercialised EQUAfrac™ shaped charges and continued development of autonomous perforating technology.
RELATED PRINCIPAL RISKS MORE INFORMATION ON RISK MANAGEMENT PAGES 30 TO 38.	Commodity prices, Shale drilling, Competition, Product quality.	Commodity prices, Shale drilling.

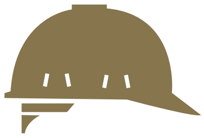
ADVANCED MANUFACTURING GROUP ("AMG")	DRILLING TOOLS	INTERVENTION TOOLS	SUBSEA
Manufacturing	Equipment Rental, Trading	Manufacturing, Equipment Rental and Trading	Manufacturing
This division includes the Hunting Dearborn business, which carries out deephole drilling and precision machining of complex MWD/LWD and formation evaluation tool components, and the Hunting Electronics business, which produces printed circuit boards capable of operating in extreme conditions. These businesses work collaboratively with customers implementing their designs to their specifications.	Rental of a large portfolio of downhole tools including mud motors, non-magnetic drill collars, vibration dampeners, reamers and hole openers. Tools are configured to the customers' specifications. This business is capital intensive and results are dependent on fleet utilisation and rental rates. In limited instances rental equipment is sold outright.	A range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment. This business is capital intensive and results are dependent on asset utilisation and rental rates.	Produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, specialty valves and weldment services.
Hunting Dearborn is a world leader in the deep drilling of high grade, non-magnetic components. As a Group, Hunting has the ability to produce fully integrated advanced downhole tools and equipment, manufactured, assembled and tested to the customer's specifications using its proprietary know-how.	Leaders in progressive cavity, positive displacement mud motors.	Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.	For more than 30 years, a provider of high quality metal-to-metal sealing hydraulic coupling solutions to operate in the harshest environments with a strong, long-term patent base.
US.	US.	US, Canada, Europe, Asia, Middle East.	US.
Growth – Non-oil and gas business opportunities developed. **Enhance existing capacity –** Dearborn campus expansion completed at Fryeburg, US.	**Growth –** Opened shared facility in Odessa with Hunting Perforating Systems business, to take advantage of West Texas opportunities. **Cost control –** closed European Drilling Tools operations.	**Develop global presence –** developing operating presence in Kenya. **New products –** introduction of lightweight pressure control equipment systems.	**New products –** Continued to develop new metal seals and couplings.
Commodity prices, Product quality.	Commodity prices, Shale drilling, Competition.	Commodity prices, Competition.	Commodity prices, Product quality.

4

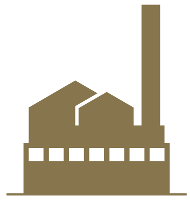
OUR CUSTOMERS AND CHANNELS TO MARKET

HUNTING HAS A BROAD RANGE OF CUSTOMERS AND CHANNELS TO MARKET.

OPERATORS



SERVICE COMPANIES



STEEL MILLS & OTHER

OPERATORS

Operators are the end consumers of our products and related services. These include National Oil Companies ("NOCs"), International Oil Companies ("IOCs") and Independents. Approximately 30% of our sales are made directly to operators. Key direct customers include Chevron, Apache and Enquest.

c.30%

of our revenue

SERVICE COMPANIES

Our primary route to market is via other service providers, which generate c.60% of our revenue. These include "1st tier" service companies who can provide project management services to the operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.

c.60%

of our revenue

STEEL MILLS & OTHER

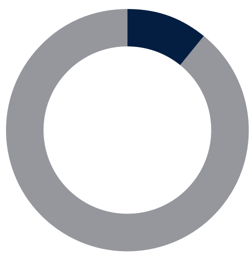
Steel mills are key suppliers to our business, however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas related sales through agents or intermediaries, together with non-oil and gas sector sales made by our Trenchless, Dearborn and Electronics operations.

c.10%

of our revenue

OUR TOP TEN CUSTOMERS REPRESENT c.36% OF REVENUE

OUR LARGEST CUSTOMER REPRESENTS c.9% OF REVENUE



5

WE CREATE, DISTRIBUTE AND SUSTAIN VALUE BY:

CLEAR STRATEGIC FOCUS ON THE WELLBORE

STRONG TECHNOLOGY BASE

DIVERSE RANGE OF PRODUCTS AND SERVICES

EXPERIENCED MANAGEMENT TEAM AND EMPOWERED WORKFORCE

ATTENTION TO QUALITY

TRUSTED LONG-TERM RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

UTILISATION OF OUR GLOBAL MANUFACTURING FOOTPRINT

BEING WHERE OUR CUSTOMERS NEED US TO BE

ACTING WITH INTEGRITY

HUNTING'S STRATEGIC PRIORITIES ARE BASED ON A BUSINESS MODEL DESIGNED TO DELIVER SUSTAINABLE LONG-TERM SHAREHOLDER VALUE WHILE RECOGNISING OUR CORPORATE RESPONSIBILITIES.

STRATEGIC PRIORITY	STRATEGIC FOCUS AREAS	2016 PROGRESS
GROWTH **Our aim is to continue to develop our global presence and supply a comprehensive range of products for use in the wellbore. We will grow through capital investment in existing businesses and through acquisitions.**	• Extend global presence. • Acquire complementary businesses. • Enhance existing capacity. • Develop new products.	• New facility in Ameriport, US, fully operational. • Kenyan joint venture operations relocated to an enhanced facility. • Non oil and gas business opportunities developed by a number of business units.
OPERATIONAL EXCELLENCE **We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver high quality and reliable products and services cost effectively.**	• Leverage strong brand. • Enhance quality control. • Maintain operational flexibility. • Leverage lean manufacturing. • Strengthen relationships with customers and suppliers.	• Lean manufacturing initiatives contributed to reduced operating costs. • New WEDGE-LOCK™ premium connections developed and commercialised. • H-1 Perforating System now fully commercialised in the market.
STRONG RETURNS **In normal phases of the oil and gas cycle our business has the capability to produce high levels of profitability, strong cash generation, growing dividends for shareholders and good returns on capital.**	• Introduce new and proprietary products. • Develop sales synergies. • Increase market share. • Maintain close cost control.	• Underlying gross margin of 11% achieved. • Free cash flow of $36.6m generated with a significant release of working capital. • Annualised cost savings from headcount reductions in the two years ending 31 December 2016 now exceed $100m.
CORPORATE RESPONSIBILITY **We are committed to act with high standards of integrity and to create positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.**	• Retain experienced senior management team. • Skilled workforce. • Safe operations. • Protect the environment. • Compliance.	• Implementation of new ethics compliance procedures and policies. • Improved environmental capabilities in new facilities. • Supply chain risk analysis completed to comply with UK Modern Slavery Act.

RELATED KPIs				RELATED RISKS
REVENUE $455.8m 2015 – $810.5m	COUNTRIES WITH OPERATIONS 13 2015 – 15	CAPITAL INVESTMENT $17.2m 2015 – $81.1m	OPERATING FOOTPRINT 3.1m sq ft 2015 – 3.2m sq ft	• Geopolitics • Investment • Competition • Product quality • Commodity prices • Shale drilling
ISO 9001 (QUALITY) ACCREDITED OPERATING SITES 60% 2015 – 50%	INTERNAL MANUFACTURING REJECT RATE 0.6% 2015 – 0.8%			• Product quality • Key executives • Competition
UNDERLYING GROSS MARGIN 11% 2015 – 24%	FREE CASH FLOW $36.6m 2015 – $118.0m	RETURN ON AVERAGE CAPITAL EMPLOYED (8)% 2015 – 1%		• Commodity prices • Competition
INCIDENT RATE 1.15 2015 – 1.13	CO_2 EMISSIONS INTENSITY FACTOR 8.8kg/sq ft 2015 – 10.4kg/sq ft			• Key executives • Health, safety and environment

FURTHER KPI INFORMATION, INCLUDING PERFORMANCE TRENDS SEE PAGES 40 AND 41.

FURTHER INFORMATION ON THE PRINCIPAL RISKS SEE PAGES 33 TO 37.

RISK MANAGEMENT ROLES & RESPONSIBILITIES

THE BOARD HAS DEFINED RISK MANAGEMENT ROLES AND RESPONSIBILITIES AS ILLUSTRATED BELOW.

BOARD
- Determines the Group's risk appetite and culture
- Sets the risk management framework
- Ensures the risk management processes and internal controls are effective

AUDIT COMMITTEE
- Controls the Group's risk management processes
- Reviews business risks
- Gains assurance that the risk management processes and controls are effective

CENTRAL & REGIONAL MANAGEMENT
- Establishes detailed Group policies and procedures
- Manages centrally controlled risks
- Reviews local business risks

LOCAL MANAGEMENT
- Ensures Group policies and procedures are applied
- Manages locally controlled risks

ASSURANCE – INTERNAL AUDIT DEPARTMENT

Reviews internal controls and risk management processes for their existence, relevance and effectiveness. Actions are recommended and graded in terms of importance and timeliness for change.

Introduction

The oil and gas industry is tightly regulated and demands high specification products, which meet stringent quality criteria, given the challenging environments in which these products are used. Hunting's risk management and internal control processes are therefore designed to appropriately mitigate the risks inherent by operating in this sector while allowing the Group to achieve its strategic objectives and deliver value to shareholders.

The Board

The Board of Hunting has responsibility for developing and maintaining a robust risk management framework and for monitoring the Group's system of internal control to ensure it remains effective and fit for purpose. The Board is also responsible for developing the Group's strategic objectives. The balance between the Board's desire to meet these strategic objectives and its appetite for risk creates the risk culture within the Group.

The Board's appetite for risk is key to establishing effective systems of internal control and risk management processes. By reviewing and debating the relevant evidence, the Board develops an appreciation of the contributory factors that generate a particular risk. Subsequently, through delegation, the Board establishes the extent to which the risk should be mitigated and at what cost to the Group. The Board, for example, has little appetite for high levels of exposure to geopolitical risk and consequently the Group's expansion strategy has avoided countries that are considered to be significantly unstable or too high risk to maintain a physical presence, notwithstanding the potential benefits that may be generated.

Advice on risk management is sought by the Board from both internal and external sources. The risk management processes are further supported by:

- understanding the current and evolving market environment;
- challenging executive management on new growth opportunities;
- reviewing proposed new product developments and capital investment projects.

Audit Committee

Local management establishes and undertakes risk management processes that are relevant to the distinct risk profile of each business unit. These are reported to central management three times a year from which a Group Risk Register is maintained covering the key risks to the Group, including all financial, operational and compliance matters. On behalf of the Board, the Audit Committee seeks to ensure that risk management processes are established within the framework set out by the Board and, as part of this assessment, it conducts a formal review of the Group's Risk Register three times a year. The Group's Principal Risks are disclosed on pages 33 to 37. In addition, once a year, the Audit Committee seeks assurance with regard to the effectiveness of the internal financial controls based on a self-assessment exercise carried out by local management. The appropriateness of the self assessments is checked by Internal Audit, on a sample basis, following its programme of work.

The Internal Audit department reports directly to the Audit Committee. The relationship with external audit is also controlled by the Audit Committee, including the annual review of effectiveness.

(Refer also to the Audit Committee Report on pages 57 to 60)

Central and Regional Management

Hunting requires that all Group business units operate in accordance with the Hunting Group Manual, which sets out Group policies and procedures, together with related authority levels, and identifies matters requiring approval or notification to central management or to the Board. Included within the Group Manual are policies covering a range of areas including general finance requirements, taxation responsibilities, information on Hunting's internal control and risk management framework and governance. Compliance is also monitored and subject to scrutiny by the Internal Audit function.

Central and regional management are responsible for ensuring the risk management processes established by the Audit Committee are implemented across the Group. Central management is also responsible for managing group-wide treasury related risks such as currency and interest rate exposures and managing the global insurance programme.

Local Management

The management of each business unit has the responsibility of establishing an effective system of controls and processes for their business which, at a minimum, meets the requirements set out in the Group Manual and complies with any additional local requirements. Local management is empowered under Hunting's de-centralised philosophy to manage the risks in their market.

Assurance

The Board use a number of functions and reporting procedures to provide assurance that the risks identified by management are appropriate and proportionate for the Group as a whole. Hunting's Internal Audit function covers the Group's businesses addressing the following operational areas, raising control improvement recommendations where necessary:

- inventory management;
- purchasing supply chain;
- large project risk;
- IT controls;
- customer credit risk; and
- ethics compliance, including bribery and corruption.

The Group's risk management processes are further supported by an internal Quality Assurance department that is headed by a HSE and Quality Assurance Director who reports directly to the Chief Executive. This department also undertakes periodic audits that monitor quality control within the Group's product lines.

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's principal insurance broker, which arranges worldwide credit insurance for the Group, has been implemented throughout the business units with respect to, for example, vetting new customers and maintaining appropriate creditworthiness data that further strengthens the Group's credit management processes. Hunting's external auditors provide assurance to the Board of the accuracy and probity of Hunting's financial statements. The auditor also reads all of Hunting's non-financial statements, including governance disclosures included in the Annual Report, and provides recommendations on the financial controls in operation across the Group, based on the external audit.

Hunting's legal advisers assist in ensuring that Hunting is compliant with the UKLA's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and UK Company Law, and that there is an understanding across the Group of its obligations under current sanctions legislation. Additionally, Hunting relies on market and investor advice from its corporate brokers and financial advisers.

The Board is satisfied that the above sources of assurance have sufficient authority, independence and expertise to enable them to provide objective advice and information to the Board and also takes this into account when assessing the robustness of the risk management and control process.

RISK MANAGEMENT PROCEDURES

THE BOARD HAS REVIEWED ITS RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES AND CONFIRMS THAT THE PROCEDURES IN PLACE ARE ROBUST AND PROPORTIONATE TO HUNTING'S GLOBAL OPERATIONS AND POSITION IN ITS CHOSEN MARKET.

Hunting's internal control system, which has been in place throughout 2016 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.

This system of internal control is designed to manage rather than eliminate risks, therefore it can 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 and have taken into account feedback from the Audit Committee for the period covered by the financial statements. No significant failings or weaknesses were identified in the review process.

The key elements to understanding, establishing and assessing Hunting's internal control system are as follows:

Business Risk Reporting

Three times a year, local management formally reviews the specific risks faced by their businesses, based on current trading, future prospects and the local market environment. The review is a qualitative assessment of the likelihood of a risk materialising and the probable financial impact if such an event were to arise. All assessments are performed on a pre- and post-controls basis, which allows management to continually assess the effectiveness of its internal controls with separate regard to mitigating the likelihood of occurrence and the probable financial impact. The risks are reported to central management. The local risks that have the greatest potential impact on the Group are identified from these assessments and incorporated into the Group Risk Register, which is also reviewed by the Audit Committee three times a year. An appropriate Director, together with local management, is allocated responsibility for managing each separate risk identified in the Group Risk Register.

Financial Controls Self-assessment

Local management completes an annual self-assessment of the financial controls in place at their business units. The assessment is qualitative and is undertaken in context with the recommended controls identified within the Group Manual. Gaps between the recommended controls and those in place are assessed and improvements are actioned within a targeted time frame when these are identified as a necessary requirement. Results of the assessments are summarised and presented to the Audit Committee.

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, annual budgets, monthly management accounts, periodic extended forecasts giving a medium term view, together with half-year and annual statutory reporting.

The Group's consolidation process is maintained and regularly updated, including distribution of a Group Manual to all reporting units. All data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets. The Group monitors and reviews new UK Listing Rules, the Disclosure Guidance and Transparency Rules sourcebook, accounting standards, interpretations and amendments, legislation and other statutory requirements.

Strategic Planning and Budgeting

Strategic plans, annual budgets and long-term viability financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance. These are supported by regularly updated forecasts that project for a 12-month period beyond the date of preparation.

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. The Board monitors compliance by receiving Quality Assurance reports at each meeting from the Director of Quality of Assurance who also reports directly to the Chief Executive. The Group has received accreditations from many organisations including the American Petroleum Institute (for example API Spec 5CT and API Spec Q1 certifications), the International Organisation for Standardisation (for example ISO 9001 and ISO 14001 certifications) and the Occupational Health and Safety Assessment Series (for example OHSAS 18001 certification).

Health, Safety and Environment ("HSE")

All facilities have designated HSE personnel appointed to ensure the Group's policies and procedures are adopted and adhered to. All local HSE personnel report to the Group's HSE and Quality Assurance Director, who in turn reports to the Chief Executive. All facilities arrange regular training and review sessions to ensure day-to-day risks are managed and shared with the wider workforce.

Expenditure Assessment and Approval Limits

All significant capital investment (business acquisitions and asset purchases) and capital divestments must be approved by the Chief Executive. Major capital expenditures or divestments require approval by the Board. Detailed compliance and assurance procedures are completed during a capital investment programme and project reviews and appraisals are completed to ensure each capital investment has delivered the forecast value for the Group.

Updates to the Group's policies and procedures are communicated to the relevant personnel by way of periodic revisions to the Group Manual, which is issued to all business units.

CURRENT STATUS OF THE GROUP'S PRINCIPAL RISKS

The status of Hunting's exposure to each of its principal risks, the movement in these risks (post-controls) during the year and the effectiveness of the Group's internal controls in mitigating risks are summarised in the accompanying two graphs.

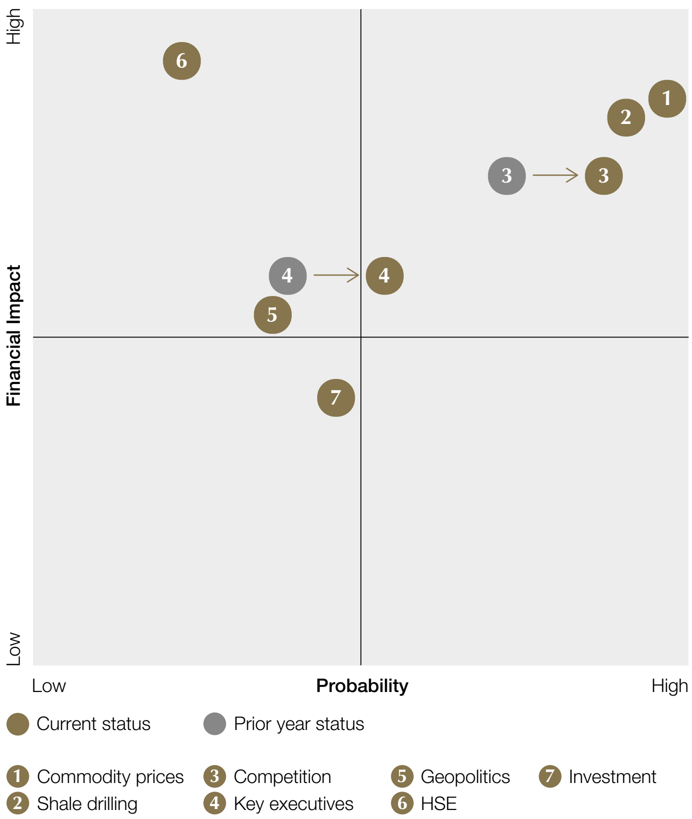
The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the extent of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

Detailed descriptions of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

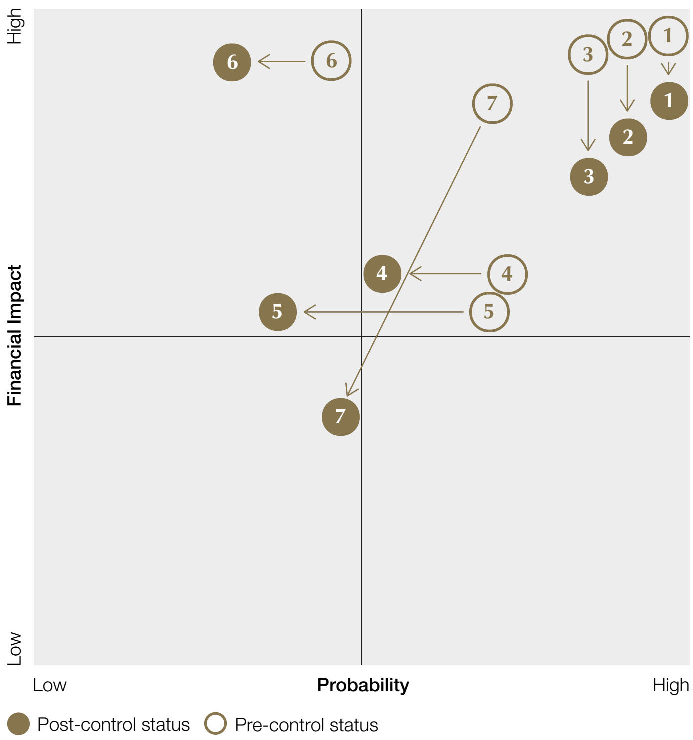
Investment Spend
At 31 December 2015, the Group's principal risks included an investment risk associated with company acquisitions and organic capital investment. Given the significant reduction in investment spend by the Group, largely associated with the industry downturn, this is no longer considered to be a principal risk.

UK leaving the European Union
The Board has considered the consequences to the Group of the United Kingdom's decision to withdraw from the European Union and has concluded that, given its limited exposure to this market, Brexit will not have a material impact on the business. Consequently, this is not a principal risk to the Group.

MOVEMENT IN RISKS (POST-CONTROLS) DURING THE YEAR



EFFECTIVENESS OF INTERNAL CONTROLS



PRINCIPAL RISKS

THE GROUP'S PRINCIPAL RISKS ARE IDENTIFIED BELOW. WHILE WE HAVE PRESENTED THESE AS SEPARATELY IDENTIFIED RISKS, DISCRETE EVENTS WILL OFTEN AFFECT MULTIPLE RISKS AND THIS IS CONSIDERED BY THE BOARD WHEN ASSESSING THE IMPACT ON THE GROUP.

No movement in risk | Increase in risk | Decrease in risk

1. COMMODITY PRICES

Nature of the risk
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.

Adverse movements in commodity prices may also heighten the Group's exposure to the risks associated with shale drilling (see the risks associated with shale drilling).

Movement in the year
Hunting's exposure to this risk remains as high as last year due to the low activity levels as a result of low commodity prices.

Controls and actions
Working capital, and in particular inventory levels, are closely managed to ensure the Group remains sufficiently adaptable 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.

The sustained decline in oil and gas prices has impacted the industry worldwide. Hunting's management has mitigated the impact by introducing a number of cost reduction programmes throughout the Group and continues to adapt the business to meet new challenges generated by the current trading environment, for example by developing new product lines as described within the Business Model and Strategy.

FURTHER INFORMATION ON THE MOVEMENT IN COMMODITY PRICES DURING THE YEAR IS DETAILED ON PAGE 9.

2. SHALE DRILLING

Nature of the risk
The Group provides products to the oil and gas shale drilling industry. Although shale drilling is now an established activity in the US, significant sections of the public continue to view it as high risk. Any consequent moratorium or new laws may unfavourably impact shale drilling activity levels and subsequently reduce demand for the Group's products that service the operators in this industry.

In addition, oil and gas produced from shale is a relatively expensive source of hydrocarbons. Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources so it is more likely to be curtailed and therefore negatively impact what has become a steadily increasing revenue stream for the Group (see the risks associated with commodity prices).

Movement in the year
Hunting's exposure to this risk remains unchanged from last year due to the impact of continuing low commodity prices affecting the shale drilling activity particularly in the US and the public's appetite for shale drilling has remained unchanged.

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 products 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 a change in the pattern of demand.

THE GROUP'S OPERATING ACTIVITIES ARE DESCRIBED IN DETAIL ON PAGES 20 TO 25.

3. COMPETITION

Nature of the risk
The provision of goods and services to oil and gas drilling companies is highly competitive. In current market conditions there are considerable pressures to reduce prices. Competitors may also be customers and/or suppliers which can increase the risk of any potential impact.

Technological advancements in the oil and gas industry continue at pace and failure to keep ahead will result in lost revenues and market share.

Looking further ahead, advancements in alternative energy sources are considered a possible risk to the oil and gas market in the long term.

Movement in the year
During the year, the competitive environment within the markets that Hunting serves remained strong. Continued downward pressure on prices, combined with reduced activity levels, particularly in offshore markets, has consequently heightened competition risk.

Controls and actions
Hunting has a number of high specification proprietary products that offer operational advantages to its customers. The Group continually invests in research and development that enables it to provide technological advancement and a strong, ever widening, product offering. Hunting continues to maintain its standards of delivering high quality products which has gone some way in sheltering the pricing pressure impact on margins.

Hunting's operations are established close to their markets, which enables the Group to offer reduced lead times and a focused product range appropriate to each region. Local management maintains an awareness of competitor pricing and product offering. In addition, 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 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.

Alternative energy sources have been considered but are not believed to be a threat within the short to medium term.

THE GROUP'S OPERATING ACTIVITIES ARE DESCRIBED IN DETAIL ON PAGES 20 TO 25.

4. KEY EXECUTIVES

Nature of the risk
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.

Movement in the year
Although the turnover of Hunting's key personnel is small, current trading conditions, recent cuts in the workforce and freezing of remuneration packages have increased pressure on the remaining personnel and the Board recognises that the risk of losing key executives has heightened as a result of these changes.

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 reviews the availability of the necessary skills within the Group and seek to engage suitable staff where they feel there is vulnerability.

DETAILS OF EXECUTIVE DIRECTOR REMUNERATION ARE PROVIDED IN THE REMUNERATION COMMITTEE REPORT ON PAGES 73 AND 74.

PRINCIPAL RISKS

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No movement in risk | Increase in risk | Decrease in risk

5. GEOPOLITICS

Nature of the risk

The locations of the Group's markets are determined by the location of Hunting's customers' drill sites – Hunting's products must go where the drilling companies choose to operate. To compete effectively, Hunting often establishes a local operation in those regions, however, significantly volatile environments are avoided.

The Board has a strategy to develop its global presence and diversify geographically.

Operations have been established in Asia Pacific, the Middle East and Africa, recognising the high growth potential these regions offer. The Group carefully selects which countries in these regions to operate from, however, these operations will face a higher economic and geopolitical risk than the established businesses in North America and Europe.

Movement in the year

Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. Notwithstanding the recent developments in the global political environment, including the UK's Brexit vote, the potential policy changes following the US presidential elections, and the continuation of quantitative easing by the European Central Bank, among other events, the Board does not consider these to have a material adverse impact on the Group's trading activities. Consequently, the Board has concluded that there has been no reportable movement in the Group's geopolitical risk.

Controls and actions

Areas exposed to high political risk are noted by the Board and are strategically avoided. Management and the Board closely monitors projected economic trends in order to match capacity to regional demand.

THE DIVERSITY OF THE GROUP'S EXPOSURE TO DIFFERENT GEOGRAPHIC REGIONS IS DESCRIBED ON PAGES 20 AND 21.

6. HEALTH, SAFETY AND THE ENVIRONMENT ("HSE")

Nature of the risk

Due to the wide nature of the Group's activities, it is subject to a relatively high number of HSE 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 HSE regulations, and the risk of unexpected compliance expenditure whenever a law or regulation is renewed or enhanced.

Movement in the year

The Group's manufacturing and other operating processes have not materially changed during the year notwithstanding the scaling down in activity levels. Consequently, the Group's potential exposure to HSE incidents remains materially unchanged. The Group experienced a small number of minor HSE incidents in the year, which is significantly below the industry average and is similar to the Group's record in prior years.

Controls and actions

The Board targets to achieve a record of nil incidents and 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 compliance with current and newly issued HSE standards.

The Board receives a Group HSE compliance report at every Board meeting.

THE GROUP'S HSE PERFORMANCE IS DETAILED ON PAGE 41. FURTHER COMMENT ON HSE IS PROVIDED ON PAGES 18 AND 19.

7. PRODUCT QUALITY

Nature of the risk
The Group has an established reputation for producing high quality products capable of withstanding the hostile and corrosive environments encountered in the wellbore.

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

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

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.

THE GROUP'S COMMITMENT TO PRODUCT QUALITY IS DETAILED ON PAGE 41. FURTHER COMMENT ON THE GROUP'S COMMITMENT TO PRODUCT QUALITY IS PROVIDED ON PAGE 19.

VIABILITY ASSESSMENT AND GOING CONCERN BASIS

Viability Assessment

Hunting has a wide global customer base underpinned by strong, long-term relationships. The Group provides a large range of products and services through its manufacturing and distribution facilities, which are located in a number of countries across the globe.

In considering the Group's long-term viability, the Board regularly assesses the risks to its business model, strategy, future performance, solvency and liquidity. These assessments are supported by the risk management processes described on page 32 and include a review of the Group's exposure to the oil and gas industry, competitor action, customer plans and the robustness of the supply chain.

Assessment Period

The Group's customers are principally involved in the exploration for and production of oil and gas. Given the nature of the industry and the planning cycles involved, these activities can cover periods of no more than several weeks up to several years from start to end. Hunting's management works closely with its customers over this period, discussing their operational plans and reviewing their longer-term capital expenditure programmes.

The outlook for the Group beyond this period is generated from management's assessment of industrial data and projections published by industry commentators and analysts, including statistics on exploration and production expenditure, footage drilled and rig activity. The Board believes that a three-year forward looking period, commencing on the date the annual accounts are approved by the Board, is the appropriate length of time to reasonably assess the Group's viability. The Group's annual budget process and mid-term projections cover this period and help to support the Board's assessment.

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 33 to 37. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 30 to 32. The Board has further considered their potential impact within the context of the Group's viability.

Assumptions

In assessing the long-term viability of the Group, the Board made the following assumptions:

- The raw material pricing environment within the energy industry remains weak in the short-term and becomes positive in the medium to long-term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services which enable the extraction of oil and gas.
- Actions taken over the past two years to reduce the Group's cost base enable the business to endure the period of weak commodity prices and reduced shale drilling activity.
- The development of the global shale drilling industry remains focused in the US where government support remains positive.
- The Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits derived from politically stable regions such as North America, Europe and South East Asia.

In addition, the three-year financial projections were stress tested to simulate a further deterioration in market conditions.

Conclusion

Despite the current downturn within the oil and gas industry, the Board believes that the Group's strategy for growth, its diverse customer and product base, and the positive outlook for the oil and gas industry in the medium-term provide Hunting with a strong platform on which to continue its business. The Directors therefore have a reasonable expectation that Hunting will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going Concern Basis

The Group's principal cash outflows include capital investment, labour costs and inventory purchases. The timing and extent of these cash flows are controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on the variety of its products and ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 31 December 2016, covered the majority of its trade receivables, subject to certain limits. Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer-term funding needs through effective cash management programmes.

Due to the losses made during 2016, the Group's $350m revolving credit facility was re-negotiated on 20 July 2016. Consequently, total committed facilities were reduced to $200m and the EBITDA and interest cover measures were temporarily suspended and replaced with balance sheet based covenants. Further details of the amendment are provided in note 27. In addition, the Board undertook an equity placing, raising a net consideration of $83.9m which completed on 31 October 2016, further strengthening the balance sheet.

The Group continues to have access to sufficient financial resources, including $200m of secured committed facilities of which $179.5m was undrawn at 31 December 2016. At 31 December 2016, the Group had sufficient headroom over all the covenants and the Group's internal financial projections indicate that this will remain the case over the next 12 months and beyond.

Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts, and took account of reasonably predictable changes in future trading performance. The Board also considered 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.

Conclusion

The Board is satisfied that it has conducted a robust review of the Group's going concern and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due. Consequently, the Board considered it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.

THE BOARD IS SATISFIED THAT IT HAS CONDUCTED A ROBUST REVIEW OF THE GROUP'S GOING CONCERN AND HAS A HIGH LEVEL OF CONFIDENCE THAT THE GROUP HAS THE NECESSARY LIQUID RESOURCES TO MEET ITS LIABILITIES AS THEY FALL DUE.

KEY PERFORMANCE INDICATORS

A NUMBER OF KEY PERFORMANCE INDICATORS ARE USED TO COMPARE THE DEVELOPMENT, BUSINESS PERFORMANCE AND POSITION OF THE GROUP. THESE ARE REGULARLY REVIEWED TO ENSURE THEY REMAIN APPROPRIATE MEASURES OF THE GROUP'S PERFORMANCE. FOR DETAILS ON THE MOVEMENTS OF THESE METRICS PLEASE REFER TO THE GROUP PERFORMANCE AND DEVELOPMENT SECTION OF THE ANNUAL REPORT.

FINANCIAL

REVENUE ($m)

2016	**455.8**
2015	810.5
2014	1,386.5

Revenue is earned from products and services sold to customers from the Group's principal activities for continuing operations (see notes 3 and 4).

UNDERLYING EBITDA* (LOSS) ($m)

2016	**(48.9)**
2015	61.9
2014	269.8

Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation for continuing operations (see NGM A).

UNDERLYING (LOSS) PROFIT FROM OPERATIONS* ($m)

2016	**(92.2)**
2015	16.4
2014	217.8

Underlying (loss) profit from operations before net finance costs and tax (see consolidated income statement and note 3).

UNDERLYING OPERATING MARGIN* (%)

2016	**(20)**
2015	2
2014	16

Underlying (loss) profit from operations as a percentage of revenue.

UNDERLYING DILUTED (LOSS) EARNINGS PER SHARE* (cents)

2016	**(45.3)**
2015	3.1
2014	100.0

Underlying (loss) earnings 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 (see note 13).

DIVIDEND PER SHARE DECLARED* (cents)

2016	**0**
2015	8.0
2014	31.0

Dividends per share declared in respect of the financial year including the interim dividend, paid during the year, and the final dividend, neither paid nor accrued at year end (see NGM M).

* Non-GAAP measure ("NGM") (see pages 141 to 145).

OPERATIONAL

COUNTRIES WITH ACTIVE OPERATIONS

13

2015 – 15

Countries in which Hunting has an active operating site or distribution centre. This does not include countries that only have a sales presence.

OPERATING FOOTPRINT (MILLION SQ FT)

3.1

2015 – 3.2

Operation and distribution site square footage at year end. This closely corresponds to "roofline" and includes administrative space within operating units.

YEAR END EMPLOYEES

2,107

2015 – 2,784

The December headcount for Hunting employees, including part-time staff (see note 9).

ISO 9001 (QUALITY) ACCREDITED OPERATING SITES

60%

2015 – 50%

Percentage of operating sites with ISO 9001 accreditation.

FINANCIAL PERFORMANCE IS MEASURED ON AN UNDERLYING BASIS FROM CONTINUING OPERATIONS AND, OTHER THAN REVENUE, ARE NON-GAAP MEASURES (FURTHER INFORMATION ON FINANCIAL NON-GAAP MEASURES ("NGM") CAN BE FOUND ON PAGES 141 TO 145).

CAPITAL INVESTMENT* ($m)

2016	**17.2**
2015	81.1
2014	123.5

Cash spend on tangible non-current assets (see NGM J).

FREE CASH FLOW* ($m)

2016	**36.6**
2015	118.0
2014	182.3

Underlying (loss) profit from continuing operations adjusted for working capital, tax, replacement capital investment and interest (see NGM L).

INVENTORY DAYS*

2016	**225.0**
2015	241.0
2014	138.0

Inventory at the year end divided by underlying cost of sales for the last three months of the year multiplied by 92 days (see NGM D).

NET DEBT ($m)

2016	**1.9**
2015	110.5
2014	131.0

Net debt comprises bank overdrafts, current and non-current borrowings less cash and cash equivalents and investments (see note 23).

GEARING RATIO* (%)

2016	**0**
2015	9
2014	9

Gearing is calculated as net debt as a percentage of total equity (see NGM H).

RETURN ON AVERAGE CAPITAL EMPLOYED* (%)

2016	**(8)**
2015	1
2014	13

Underlying (loss) profit before interest and tax from continuing operations, adjusted for the share of associates post-tax results, as a percentage of average gross capital employed (see NGM O).

* Non-GAAP measure ("NGM") (see pages 141 to 145).

NO. OF RECORDABLE INCIDENTS

25

2015 – 36

An incident is recordable if it results in death, days away from work or transfer to another job, medical treatment beyond first aid or loss of consciousness, or if significant injuries or illnesses are diagnosed by relevant medical authorities.

INCIDENT RATE (OSHA METHOD)

1.15

2015 – 1.13

The US Occupational Safety and Health Administration ("OSHA") incident rate is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.

CO_2 INTENSITY FACTOR

8.8kg/sq ft

2015 – 10.4kg/sq ft

Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per square foot of operating footprint.

INTERNAL MANUFACTURING REJECT RATE

0.6%

2015 – 0.8%

Percentage of parts rejected during manufacturing processes.

PETER ROSE
FINANCE DIRECTOR

"THE PRIMARY FOCUS FOR THE GROUP DURING THE YEAR HAS BEEN TO SECURE FINANCIAL FLEXIBILITY AND STRENGTHEN THE BALANCE SHEET AS THE SEVERE MARKET DOWNTURN PERSISTED THROUGHOUT THE YEAR."

Results from Continuing Operations

The dramatic decrease in volumes across the oil and gas industry in 2016, as a consequence of the low oil price, coupled with the reduced capital expenditures recorded by all market participants, has led Hunting to report a revenue decline of 44% in the year to $455.8m. Revenue in H1 2016 was $228.4m (2015 – $463.6m) compared to $227.4m in the second half (2015 – $346.9m).

In the year, underlying gross profit was $52.1m (2015 – $195.2m). Gross profit margin in the first half of 2016 was 10%, which improved to 12% in the second half, reflecting the lower cost base and improving volumes in certain areas. Gross profit margin for the year was 11% (2015 – 24%).

The Group has continued to reduce its cost base during the year, particularly through the reduction in workforce programmes by each business unit. However, management has also targeted to maintain core operational capabilities in the year in anticipation of an eventual market recovery, resulting in an additional layer of overhead being borne by the Group. This has partly contributed to Hunting reporting an underlying EBITDA loss of $48.9m (2015 – $61.9m profit).

The underlying loss from continuing operations was $92.2m in the year (2015 – $16.4m profit) and the underlying margin correspondingly was -20% in 2016 (2015 – +2%).

The charge in the year for the amortisation of acquired intangible assets held by the Group totalled $33.2m (2015 – $38.9m). At the half and full year, management carried out balance sheet impairment reviews, which included the assessment of medium term growth forecasts. These exercises did not result in any charges being recorded. In 2015, a $252.6m impairment charge was recorded. Further details of the impairment assessments can be found in note 15. During the year, management continued to implement cost controls, giving rise to restructuring costs of $12.2m (2015 – $7.1m). Other exceptional items, impacting loss from operations, totalled $3.1m (2015 – $nil).

Hunting's reported loss from continuing operations was therefore $140.7m in the year (2015 – $282.2m).

The underlying net finance expense during the year was $0.7m (2015 – $6.8m), principally reflecting reduced interest costs and fees on the lower level of borrowings and an increase in net foreign exchange gains. The reported net finance expense was $3.2m, after the exceptional charge of $2.5m for the write off of capitalised loan facility fees.

In total, amortisation and exceptional items charged to the Group's income statement were $51.0m in the year (2015 – $298.6m).

The underlying loss before tax was $93.2m (2015 – $9.4m profit). Following the charges for acquired intangible asset amortisation and other exceptional items, the reported loss before tax was $144.2m (2015 – $289.2m).

In 2016, a tax credit of $19.9m (2015 – $5.4m charge) was recorded following the losses incurred by the Group, to give an underlying tax rate of 21% (2015 – 57%). The Group's effective tax rate for 2017 is difficult to predict but is currently expected to be around 20%, however, this will depend on the regional mix of profits, and the ability to utilise currently unrecognised tax losses. Further guidance will be provided on the anticipated tax rate in the course of 2017.

The underlying diluted loss per share was 45.3 cents in 2016 (2015 – 3.1 cents earnings per share) and the reported diluted loss per share was 76.8 cents (2015 – 156.1 cents).

Results from Discontinued Operations

In the year, the Group received $7.9m from the Canadian tax authorities, following settlement of matters relating to its former Canadian subsidiary Gibson Energy Inc, which was disposed of in 2008. All historic tax matters relating to Gibson Energy have now been resolved.

In 2015, the Group recorded a $3.8m gain on the sale of Gibson Shipbrokers and $0.4m relating to Gibson Energy. $3.0m of the proceeds from the Gibson Shipbrokers disposal were recognised as deferred. $0.7m was received during the year with a balance of $1.8m remaining at 31 December 2016.

Segmental Trading Review

A summary of the financial performance of each operating segment is detailed below:

	2016			2015		
Business unit	**Underlying (loss) from continuing operations $m**	**Amortisation[i] and Exceptional Items $m**	**Reported loss from continuing operations $m**	Underlying (loss) profit from continuing operations $m	Amortisation[i] and Exceptional Items $m	Reported loss from continuing operations $m
Well Construction	**(24.2)**	**(8.9)**	**(33.1)**	1.9	(113.8)	(111.9)
Well Completion	**(45.9)**	**(34.6)**	**(80.5)**	14.2	(146.8)	(132.6)
Well Intervention	**(19.5)**	**(1.9)**	**(21.4)**	4.6	(31.6)	(27.0)
Total HES	**(89.6)**	**(45.4)**	**(135.0)**	20.7	(292.2)	(271.5)
Exploration and Production	**(2.6)**	**–**	**(2.6)**	(4.3)	(6.4)	(10.7)
Group segmental total	**(92.2)**	**(45.4)**	**(137.6)**	16.4	(298.6)	(282.2)

i. Relates to amortisation of acquired intangible assets.

Hunting Energy Services

Hunting Energy Services comprises the Well Construction, Well Completion and Well Intervention segments.

In 2016, Hunting Energy Services reported revenue of $452.8m (2015 – $806.3m). As a consequence of the significant decline in revenue, Hunting Energy Services recorded an underlying loss from continuing operations in the year of $89.6m (2015 – $20.7m profit). Charges for amortisation of acquired intangible assets and exceptional items recorded in the year totalled $45.4m (2015 – $292.2m), leading to a reported loss from continuing operations of $135.0m (2015 – $271.5m).

NEW TEST CHAMBER AT AMERIPORT, TEXAS, US

A summary of the financial performance of each operating segment is detailed below:

Well Construction

		2016	2015
Revenue	$m	**105.5**	211.4
Underlying (loss) profit from operations	$m	**(24.2)**	1.9
Underlying operating margin	%	**(23)**	1
Reported loss from operations	$m	**(33.1)**	(111.9)
Capital investment	$m	**11.0**	49.4
Average employees		**568**	866
Year end employees		**524**	717

The Well Construction segment includes Hunting's Premium Connections, Drilling Tools, Construction OCTG, AMG (comprising Hunting Dearborn and Hunting Electronics), Hunting Specialty and Hunting Trenchless business units.

The segment reported a 50% decline in revenue in 2016 to $105.5m (2015 – $211.4m). With the exception of the Premium Connections unit, all businesses within the segment recorded a loss from operations in the year. This led to an underlying loss from continuing operations of $24.2m in the year (2015 – $1.9m profit). No impairments were recorded against goodwill in the year, following the $66.1m charge in 2015. Similarly, there were no charges for the impairment of customer relationships or property plant and equipment, which in 2015 totalled $38.0m. Charges for the amortisation of acquired intangible assets and restructuring were $8.9m (2015 – $9.7m). This led to a reported loss from continuing operations for the segment of $33.1m (2015 – $111.9m).

Capital investment within the segment totalled $11.0m, mainly associated with the completion of the expansion at Hunting Dearborn and on its facility at Ameriport, US. With the reduction in workforce programme completed within the year, the year end number of employees reduced to 524 (2015 – 717).

Premium Connections

Hunting's Premium Connections business reported a profit in the year as customer activity, mainly focused on activities in the Gulf of Mexico, continued throughout the year. Hunting's Marrero facility in Louisiana, US, remained busy throughout 2016, as large diameter threading orders were completed for clients, which contributed to the positive performance of the business unit in the year. During the second half of 2016, and as reported elsewhere in this report, increasing activity in the Permian basin contributed to new sales opportunities as onshore drilling increased.

The business has increased sales of its WEDGE-LOCK™ premium connection as key clients utilised the threadform in deepwater drilling programmes. Hunting introduced this connection in 2015, which has been further commercialised during 2016. A primary advantage of Hunting's WEDGE-LOCK™ connection is that casing wear issues are reduced, particularly in highly deviated well environments. During 2016, Hunting's engineering team developed and introduced a wider range of 16 inch connections and commenced testing and certification of 14 inch connection variants for commercialisation in 2017.

Drilling Tools

The US Drilling Tools business continued its restructuring throughout the early months of the year, with further reductions in headcount being recorded to align with market demand.

Following the price of WTI crude oil bottoming out in Q1 2016, drilling in the more profitable onshore basins continued to improve, particularly in the Permian basin, where smaller operators slowly recommenced drilling. The business opened a shared facility with Hunting's Perforating Systems business in Odessa during 2016 to capitalise on the higher activity levels in West Texas. Towards the end of the year, new gas-focused drilling programmes also supported activity at the Group's Latrobe facility in Pennsylvania, US.

Construction OCTG

Activity in South Africa and Kenya, where Hunting has recently opened a facility and established a joint venture respectively, has been subdued, driven by the lower levels of drilling across sub-Sahara Africa. Despite this, the Group has marketed extensively across the region and, in 2016, Hunting's manufacturing facility in Cape Town was audited by the American Petroleum Institute, which certified its quality assurance and manufacturing procedures, a further milestone in securing customer acceptance. A number of small orders have been completed in the year, including a number of inspection services for customers across the region, which led to revenues being booked, to offset ongoing costs.

Advanced Manufacturing Group

The Group's Advanced Manufacturing Group comprises the Hunting Dearborn and Hunting Electronics business units. During 2016, both units focused on diversifying revenue streams outside of the oil and gas sector and by year end had successfully increased order backlogs to supply to the medical, space and aviation sectors. Headcounts were also reduced in the year, with a 16% reduction being recorded by the year end. The business group has reviewed its presence in Singapore and during Q3 2016 suspended its Asia Pacific operations, given the outlook for MWD/LWD purchasing in the region for the medium term.

Hunting Specialty

Hunting Specialty was impacted by clients bringing manufacturing in-house as volumes across the industry declined. However, as the Permian basin rig count improved throughout the year, business levels improved as customers recommenced purchasing key products.

Hunting Trenchless

Hunting Trenchless has signed new international distribution agreements in the year to further the reach of its drill-stem product lines. The unit has reduced inventory and headcount in the year to contain losses.

Well Completion

		2016	2015
Revenue	$m	**295.1**	488.6
Underlying (loss) profit from operations	$m	**(45.9)**	14.2
Underlying operating margin	%	**(16)**	3
Reported loss from operations	$m	**(80.5)**	(132.6)
Capital investment	$m	**4.1**	20.0
Average employees		**1,291**	1,877
Year end employees		**1,115**	1,574

The Well Completion segment comprises Hunting Perforating Systems, Manufacturing and Accessories and Hunting's International Completion businesses.

Revenue in the segment declined 40% in the year to $295.1m (2015 – $488.6m), with an underlying loss from continuing operations of $45.9m (2015 – $14.2m profit) being recorded. No impairments to the carrying value of goodwill were recorded in the year compared to a total of $112.2m in 2015. Other charges, comprising amortisation of acquired intangible assets, and restructuring costs, including costs associated with the closure of the Group's European Drilling Tools business, totalled $34.6m (2015 – $34.6m), which led to a reported loss from continuing operations of $80.5m (2015 – $132.6m).

Capital investment within the segment totalled $4.1m. Following the reduction in the workforce, the year end number of employees reduced to 1,115 (2015 – 1,574).

Hunting Perforating Systems

Hunting Perforating Systems' performance during the year has tracked the US rig count, with activity declining throughout H1 2016 and then steadily improving throughout H2 2016. New activity has focused almost wholly on the onshore US market, in particular as rig counts in the Permian basin increased from 134 at the low point of the year to close 2016 at 264 active units.

The business reduced inventory during the year, in line with cost cutting initiatives across the rest of the Group, and decommissioned its Tyler manufacturing facility as the market decline accelerated in the first quarter of the year. In addition, seven distribution centres were also closed. As part of the wider reduction in workforce programme, 161 employees were released, however, as the end of year approached, new appointments were made to meet rising demand levels.

The business unit has introduced new technology during the year to meet customer expectations of providing more efficient or lower cost well completion solutions. The H-1 Perforating System increased commercial sales throughout the year, with major operators utilising the technology, which allows for quicker perforating times and safer operating conditions. The business has also introduced its new EQUAfrac™ shaped charge technology, which has been used by clients across the US. This charge ensures uniform hole perforations along the wellbore, providing enhanced production and recovery from the reservoir. The business continues to manufacture perforating guns in Canada, China and Mexico, where cost efficiencies and lower material cost benefits can be captured.

Sales increased 24% in the second half of 2016 compared to the first half of the year, with this increase in momentum continuing to date. In particular, the unit's shared facility with US Drilling Tools at Odessa, Texas, US, located in the Permian basin, reported strong increases in sales as the year progressed. To meet growing demand, additional production shifts have been added in Q4 2016 to satisfy supply.

Manufacturing and Accessories

The Group's Manufacturing and Accessories business has been particularly hit by the market downturn. During the year, the business reduced headcount by 31%, as activity levels reduced as a consequence of the low oil prices recorded earlier in the year. To address the reduction in activity, the business closed one facility in Houston, US, to reduce its fixed cost base, relocating production assets to other facilities within the business unit.

International Completion

Hunting's Canadian business has been adversely impacted by the declining North American rig count and the reduction in the number of wells being drilled in the country. To address the market downturn, the business has reduced its operations to a four day week to minimise losses. Despite this contraction in activity, the business has retained key clients, with ongoing demand seen for a number of product lines, including Hunting's "Vacuum Insulated Tubing" lines. As the oil price stabilised in the second half of the year, marginal improvements in activity levels were reported.

The Group's European operations have reduced headcount in the year as activity in the North Sea declined to an average of eight drilling rigs operating throughout the year. The business has, however, been successful in retaining key pipe supply contracts with major customers, despite the intense competition across the industry. During the year, activity in Italy was also wound down.

In the Middle East, Hunting has continued to build its regional presence following the formation of its joint venture with SG Petroleum in Saudi Arabia. The business had broadened its licences in the Kingdom to enable a wider number of product lines to be distributed. Towards the end of the year, activity levels also increased in Northern Iraq, as the security situation improved.

Hunting's Asia Pacific business has reduced its headcount by 19% as demand declined across the region. The business has suspended its AMG-related business at its Tuas facility and has put on hold its plans to consolidate facilities, given the need to reduce capital expenditure. Further, the Group's facility in Thailand was closed as part of the reorganisation of the Group's regional presence. Cross training of staff has been an area of focus, to allow remaining employees to assist with the manufacture and sale of a wider range of product lines, as and when the market returns to growth.

Well Intervention

		2016	2015
Revenue	$m	**52.2**	106.3
Underlying (loss) profit from operations	$m	**(19.5)**	4.6
Underlying operating margin	%	**(37)**	4
Reported loss from operations	$m	**(21.4)**	(27.0)
Capital investment	$m	**1.6**	8.6
Average employees		**356**	499
Year end employees		**353**	428

The Well Intervention segment comprises the Hunting Subsea and well intervention businesses.

Revenue in the segment declined 51% in the year to $52.2m (2015 – $106.3m), with an underlying loss from continuing operations of $19.5m being recorded (2015 – $4.6m profit). There were no impairments to the carrying value of goodwill (2015 – $29.9m). Other charges, comprising amortisation of acquired intangible assets and restructuring costs totalled $1.9m (2015 – $1.7m), leading to a reported loss from continuing operations of $21.4m (2015 – $27.0m).

Capital investment within the segment totalled $1.6m. With the programme to reduce the workforce completed, the year end number of employees was 353 (2015 – 428).

Hunting Subsea
Hunting Subsea has been adversely impacted by the slowing offshore drilling environment as the oil price continued to decrease in the early part of the year, leading to customers deferring or cancelling deepwater projects. To reduce losses, the business reduced its headcount by 28% in the year.

The business has continued to develop new products in the year, including metal seals and couplings for use in deepwater applications.

SUB-SAHARA REGIONAL HQ
IN CAPE TOWN

Well Intervention
Hunting's well intervention business has been particularly impacted by competitor actions in the year, as intervention tools and services were used across the industry as a loss leader for other product lines. The business has introduced new valve and blow-out preventer product lines in the year, which have seen reasonable market acceptance. Hunting has also progressed its entry into the Norwegian market, gaining regulatory approval for a number of products.

Exploration and Production
Hunting's exploration and production business has oil and natural gas well investments mainly in the Southern US and offshore shallow waters in the Gulf of Mexico, holding equity interests in 34 producing properties.

During 2016, the unit did not participate in any drilling.

On a Barrel of Oil Equivalent basis ("BOE"), production in the year was 96,000 BOE (2015 – 118,000 BOE), with reserves at 31 December 2016 being 0.6m BOE (2015 – 0.6m BOE).

In 2016, the business reported an underlying loss from operations of $2.6m (2015 – $4.3m).

Following a year end valuation of reserves, no impairments have been recorded (2015 – $6.4m).

The reported loss from operations for 2016 was therefore $2.6m (2015 – $10.7m).

Cash Flow

The underlying EBITDA loss in the year was $48.9m (2015 – $61.9m profit), reflecting the severe market downturn, which persisted throughout the year across the oil and gas industry.

Working capital movements generated $58.4m of cash inflows (2015 – $96.0m), reflecting the Group's focus on working capital management, in particular the Group-wide drive to reduce inventory across all business units.

Net interest paid and bank fees reduced in the year to $4.6m from $7.4m in 2015, reflecting lower levels of borrowings within the Group's revolving credit facility.

Tax received in the year was $31.3m, largely reflecting tax refunds from the carry-back of losses.

Restructuring costs gave rise to cash outflows of $5.9m (2015 – $5.9m) mainly as a result of workforce reduction programmes.

Replacement capital investment decreased to $4.2m in 2016 (2015 – $22.0m), as the Group cut non-essential expenditures and curtailed new equipment purchases. In the year, the key components included $1.8m on drilling tools and $1.9m on machinery and equipment. Exploration and production capital investment totalled $0.5m during the year.

As a result of the above, free cash inflow was $36.6m in the year (2015 – $118.0m).

Expansion capital investment during 2016 fell to $13.0m (2015 – $59.1m) as the Group's facility expansion programme concluded. The Group incurred $3.6m on its facility at Ameriport, US, $4.4m at Hunting Dearborn, $1.8m at Velsen-Noord in the Netherlands, $0.5m on drilling tools and rental equipment and $1.4m on machinery and equipment. Other expansion capital investments totalled $1.3m.

Total dividends paid in the year to PLC equity shareholders were $5.9m being the final dividend for 2015 of 4.0 cents per share, which was approved at the Company's Annual General Meeting in April 2016 and paid to shareholders on 6 July 2016.

During the year, a $7.9m tax indemnity receipt from Canada, relating to the disposal of Gibson Energy, was received. All historic tax matters in relation to Gibson Energy have now been concluded.

On 31 October 2016, the Group placed 14.6m new Ordinary shares raising $83.9m net of transaction expenses.

With the proceeds of the placing and other cash management initiatives outlined above, borrowings have been virtually eliminated with a net debt position of $1.9m at 31 December 2016 (2015 – $110.5m).

Summary Group Cash Flow

	2016 $m	2015 $m
Underlying EBITDA (loss) (NGM A)	**(48.9)**	61.9
Working capital movements (NGM I)	**58.4**	96.0
Net interest paid and bank fees	**(4.6)**	(7.4)
Tax received (paid)	**31.3**	(10.5)
Restructuring costs (note 7)	**(5.9)**	(5.9)
Replacement capital investment (NGM J)	**(4.2)**	(22.0)
Other operating cash and non-cash movements (NGM K)	**10.5**	5.9
Free cash flow (NGM L)	**36.6**	118.0
Expansion capital investment (NGM J)	**(13.0)**	(59.1)
Dividends to PLC equity holders (note 33)	**(5.9)**	(39.8)
Tax indemnity receipt	**7.9**	–
Cash received from equity placing to shareholders (note 31)	**83.9**	–
Other	**(0.9)**	1.4
Net cash inflow	**108.6**	20.5

GROUP FUNDING AND POSITION AT YEAR END

THE GROUP'S FUNDING POSITION REMAINS ROBUST, WITH COMMITTED BANK FACILITIES OF $200M IN PLACE.

The primary focus for the Group during the year has been to secure financial flexibility and strengthen the balance sheet as the severe market downturn persisted throughout the year.

In the first half of 2016, the loss making position of the Group necessitated the renegotiation of the terms of the borrowing facilities that were available, resulting in a reduction in the overall quantum of facilities available to the Group from approximately $415m to $219m.

A series of amendments to the Group's borrowing facilities became effective on 20 July 2016, including suspension of the covenant package that was agreed as part of the October 2015 refinancing. The revised terms will be in place during the period up to and including the 30 June 2018 covenant test date (the "Suspension Period"). The net debt to EBITDA and interest cover measures were replaced with balance sheet based covenants. Minimum cash flow requirements and restrictions on capital investment and dividends were also implemented. In addition to the amended financial covenants, first priority security in favour of the Group's lending banks was created over certain inventory, trade receivables and accrued revenue of US, Canadian and UK subsidiaries and certain freehold properties in the US and UK.

The amended terms and conditions can be summarised as follows:

- Tangible net worth (defined as total equity less non-controlling interests, goodwill and other intangible assets) – must be greater than $450.0m;
- Asset cover – drawings under the Group's committed bank facilities are required to be covered by the discounted value of the secured assets;
- Discounted asset cover – the balance of discounted trade receivables and accrued revenue values shall not be less than 40% of the utilisation of the committed facilities; and
- Cash flow – targets measured semi-annually.

In addition to the amended financial covenants, capital investment was restricted to $20.0m or less in the 12 months to 31 December 2016 and must not exceed $30.0m annually at any point during the remainder of the suspension period. Finally, the declaration and payment of dividends throughout the suspension period is prohibited.

As the onshore market showed signs of recovery throughout H2 2016, enquiry levels and sales within Hunting's Perforating Systems business increased. The Board therefore elected in October to raise new equity capital through a placing with new and existing investors to increase financial flexibility and reduce borrowings. The equity placing, which completed on 31 October 2016, raised $83.9m net of transaction expenses, through the issue of 14.6m new Ordinary shares or 9.8% of the issued share capital. The proceeds of the placing allowed the Group to reduce borrowings and at 31 December 2016, net debt was $1.9m (31 December 2015 – $110.5m).

Financial Capital Management

Capital employed is managed in order to ensure an appropriate level of financing is available for the Group's activities. The balance of debt and equity is managed having due regard to the respective cost of funds and their availability.

The Group operates a centralised treasury function, with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency and interest rate exposures and cash management, together with the investment of surplus cash.

The Group operates in a number of geographic territories and results are generated in a number of different currencies. The US dollar is the most significant functional currency, 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.

	2016 $m	2015 $m
Total equity	**1,117.4**	1,168.1
Net debt	**1.9**	110.5
Capital employed	**1,119.3**	1,278.6
Gearing	**0%**	9%

The Group's net debt position is monitored by the central treasury function on a daily basis and a variety of cash forecasts, looking at different time horizons, are prepared on a periodic basis.

The Group's funding position remains robust, with total credit facilities of $219.2m in place (2015 – $414.6m) of which $200.0m (2015 – $350.0m) is committed. The lending group, who provide the committed facilities, comprises of five banks: Lloyds, Barclays, HSBC, Wells Fargo and DBS. Further details of the facility, including the terms and conditions, are in note 27.

Management's judgement is that the level of headroom available under the Group's total credit facilities provides ongoing flexibility and continues to support the business as outlined in this Strategic Report.

Further detail on financial risks is provided within note 27.

Balance Sheet

	2016 $m	2015 $m
Property, plant and equipment	**419.0**	460.8
Goodwill	**229.8**	230.6
Other intangible assets	**150.7**	180.4
Working capital (NGM C)	**300.2**	365.8
Taxation (current and deferred)	**(3.4)**	10.7
Provisions	**(15.7)**	(18.0)
Other net assets	**38.7**	48.3
Capital employed	**1,119.3**	1,278.6
Net debt (note 23)	**(1.9)**	(110.5)
Net assets	**1,117.4**	1,168.1
Non-controlling interests	**(19.3)**	(26.2)
Equity attributable to owners of the parent	**1,098.1**	1,141.9

Property, plant and equipment has decreased by $41.8m. Additions of $15.4m were offset by depreciation of $41.2m, impairment of assets of $3.5m, $1.6m transferred to held for sale assets and $0.1m transferred to inventories. The net book value on disposals amounted to $3.3m and adverse foreign exchange adjustments totalled $7.5m.

Given the continued downturn across the energy industry during 2016, management undertook an impairment review exercise ahead of the Group's half and full-year results. Both exercises analysed the carrying value of goodwill for each relevant cash generating unit across the Group, based on future cash projections, while adopting appropriate discount rates. As a result of these exercises, no impairments were recorded in the year. Further details of the impairment reviews are detailed in note 15.

THE NEW EZI-SHEAR SEAL VALVE

Other intangible assets have reduced by $29.7m, the main movements being an amortisation charge for the year of $35.3m, disposals of $0.3m and foreign exchange of $0.5m, offset by the capitalisation of technology and software development costs of $6.4m.

SUBSEA VALVE ASSEMBLY CELLS

Working capital has decreased by $65.6m. The reduction in activity levels, together with management's focus on working capital, led to cash inflows of $58.4m. Foreign exchange had a $9.1m favourable impact on working capital, but this was offset by $1.9m of non-cash adjustments.

Tax balances show net liabilities of $3.4m at 31 December 2016 (2015 – $10.7m net assets) reflecting the absence of taxable profits generated in 2016.

Provisions have reduced by $2.3m principally due to the further reduction of vacant leasehold property obligations.

As a result of the above changes, capital employed in the Group has reduced by $159.3m to $1,119.3m.

Cash generation has been a primary focus during the year, resulting in an overall cash inflow in 2016 which, including the proceeds from the equity placing, reduced net debt to $1.9m at 31 December 2016.

Net assets at 31 December 2016 were $1,117.4m, which, after non-controlling interests of $19.3m, result in equity shareholders' funds of $1,098.1m (2015 – $1,141.9m). This is a decrease of $43.8m over 31 December 2015, which reflects the loss for the year attributable to equity shareholders of $107.5m, $5.9m of dividend payments and foreign exchange losses of $18.3m, offset by the net proceeds from the equity placing of $83.9m and other items of $4.0m.

DENNIS PROCTOR
CHIEF EXECUTIVE

PETER ROSE
FINANCE DIRECTOR

2 March 2017

John Nicholas | **John Hofmeister** | **Peter Rose** | **Richard Hunting C.B.E.** | **Dennis Proctor** | **Annell Bay** | **John Glick**

RICHARD HUNTING C.B.E.
NON-EXECUTIVE CHAIRMAN

Nationality
British

Length of service
44 years; 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, Richard moved from an executive to a non-executive role.

Skills and experience
Prior to his appointment as Chairman, Richard held a variety of management positions around the Hunting Group.

External appointments
None.

Committee membership
Nomination Committee (Chairman) and by invitation.

JOHN HOFMEISTER
SENIOR INDEPENDENT DIRECTOR AND NON-EXECUTIVE DIRECTOR

Nationality
American

Length of service
8 years; appointed to the Board as a non-executive Director in 2009.

Skills and experience
John is the former president of Shell Oil Company and a former group director of Royal Dutch Shell PLC in The Hague, Netherlands.

External appointments
John is the founder and chief executive officer of the not-for-profit organisation Citizens for Affordable Energy Inc, non-executive chairman of Erin Energy Corporation and a non-executive director of Applus Services SA.

Committee membership
Audit Committee.
Nomination Committee.
Remuneration Committee (Chairman).

JOHN GLICK
NON-EXECUTIVE DIRECTOR

Nationality
American

Length of service
2 years; appointed to the Board as a non-executive Director in 2015.

Skills and experience
John ("Jay") was formerly the president and chief executive officer of Lufkin Industries Inc and, prior to that, held several senior management roles within Cameron International Corporation.

External appointments
Jay is currently a non-executive director of TETRA Technologies Inc.

Committee membership
Audit Committee.
Nomination Committee.
Remuneration Committee.

DENNIS PROCTOR
CHIEF EXECUTIVE

Nationality
American

Length of service
24 years; appointed to the Board as a Director in 2000 and Chief Executive in 2001. Dennis was appointed chief executive of Hunting Energy Services from March 2000 after joining the Group in 1993.

Skills and experience
Dennis has held senior positions in the oil services industry in Europe, the Middle East and North America.

External appointments
None.

Committee membership
Nomination Committee and by invitation.

ANNELL BAY
NON-EXECUTIVE DIRECTOR

Nationality
American

Length of service
2 years; appointed to the Board as a non-executive Director in 2015.

Skills and experience
Annell was formerly a vice-president of global exploration at Marathon Oil Corporation and, prior to that, vice-president of Americas Exploration at Shell Exploration and Production Company.

External appointments
Annell is currently a non-executive director of Apache Corporation and Verisk Analytics Inc.

Committee membership
Audit Committee.
Nomination Committee.
Remuneration Committee.

JOHN NICHOLAS
NON-EXECUTIVE DIRECTOR

Nationality
British

Length of service
8 years; appointed to the Board as a non-executive Director in 2009.

Skills and experience
John is a Fellow of the Association of Chartered Certified Accountants. He was formerly the group finance director of Tate & Lyle PLC and, prior to that, the group finance director of Kidde PLC.

External appointments
John is currently the non-executive chairman of Diploma PLC and a non-executive director of Mondi plc.

Committee membership
Audit Committee (Chairman).
Nomination Committee.
Remuneration Committee.

PETER ROSE
FINANCE DIRECTOR

Nationality
British

Length of service
20 years; appointed to the Board as Finance Director in 2008.

Skills and experience
Peter is a Chartered Accountant and prior to joining Hunting held senior financial positions with Babcock International.

External appointments
None.

Committee membership
By invitation.

"HUNTING CONTINUED TO APPLY THE PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE DURING 2016. WHILE THE COMPOSITION OF THE BOARD REMAINED UNCHANGED THROUGHOUT THE YEAR, IMPROVEMENTS TO INFORMATION FLOWS WERE INTRODUCED, TO ALLOW THE DIRECTORS TO UNDERSTAND THE IMPACT OF THE PROLONGED ENERGY MARKET DOWNTURN AND THE ACTIONS TAKEN BY MANAGEMENT TO ADDRESS THE SUBDUED MARKET ENVIRONMENT.

"THE BOARD ALSO UNDERTOOK AN INTERNALLY FACILITATED EVALUATION DURING THE FINAL MONTHS OF THE YEAR, WHICH CONFIRMED IT STILL OPERATED EFFECTIVELY, WITH A CLEAR STRATEGY IN PLACE TO WEATHER THE SEVERE MARKET ENVIRONMENT SEEN SINCE 2014."

RICHARD HUNTING C.B.E.
CHAIRMAN

Compliance

The Board of Hunting PLC has adopted governance principles aligned with the 2014 UK Corporate Governance Code (the "Code" which can be found at www.frc.org.uk). The Company is reporting its corporate governance compliance against this Code. In April 2016, the Financial Reporting Council issued an update to the Code. Hunting will report its governance compliance against the revised Code in its 2017 Annual Report and Accounts.

During the year, Hunting was compliant with the provisions of the Code, with the exception of the following:

Provision A.3.1 requires the Chairman, on appointment, to be independent. For information regarding non-compliance with this provision see below. Provision C.3.7 requires the Company to put the external audit contract out to tender at least once every 10 years. For information regarding non-compliance with this provision refer to page 60 of the Audit Committee report.

Governance Framework

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 Hunting PLC Board. The Board is responsible for the management and strategic direction of the Company, with three committees to which it delegates key governance and compliance procedures: the Nomination Committee, whose activities are incorporated into this report; the Audit Committee, whose report can be found on pages 57 to 60 and the Remuneration Committee, whose report can be found on pages 61 to 79.

Board Composition

The Board comprises the Chairman, Chief Executive, Finance Director and four independent non-executive Directors, which includes the Senior Independent Director.

There is a clear division of responsibilities between the Chairman and Chief Executive. The Chairman is responsible for leading the Board, including setting its agendas and ensuring that materials are distributed in a timely manner. He also facilitates the discussion of key matters between all the Directors. The Chief Executive's responsibilities include managing the day-to-day running of the Company and recommending the strategic direction of Hunting's activities, while ensuring internal controls and operating and financial reporting procedures are implemented and remain appropriate.

The independent non-executive Directors are a key source of expertise and contribute to the delivery of the Company's strategic goals. Non-executive Directors are chosen from the oil and gas industry and regulatory sectors in which Hunting operates. Three non-executive Directors have a strong track record within the US energy industry, where the majority of Hunting's operations are based and where a high proportion of the Company's results are derived.

All non-executive Directors of the Company are believed to be independent, with the exception of the Chairman, who was an executive Director of the Company from the formation of Hunting PLC in 1989 until 2011. As at 31 December 2016, and excluding the Chairman, the Board was comprised of 67% independent non-executive Directors. All the non-executive Directors have access to professional advisers, at the Company's expense, to fulfil their various Board and Committee duties.

The Directors, together with brief biographical details, are identified on pages 50 and 51. All independent non-executive Directors are appointed to all Board committees.

The Company Secretary is appointed by the Board and supports the Chairman in providing all board materials and information flows between the executive and non-executive Directors, specifically in matters of governance and regulatory compliance. The Company Secretary is also available to the Board and all its Committees for advice and ensures that all procedures are followed.

Directors' and Officers' Liability Insurance

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

Work Undertaken by the Board During 2016

The Board met seven times in 2016, on six occasions as regularly timetabled, and on one further occasion, on 20 October 2016 to approve plans for an equity placing, which was completed on 31 October 2016.

All Directors attended the regularly scheduled Board meetings. Mr Glick was absent from the additional Board meeting that discussed the equity placing, due to an unavoidable prior commitment. Mr Glick was fully briefed on the equity placing, reviewing copies of all meeting papers and subsequent minutes of the meeting.

The attendance of the Directors at Board and Committee meetings during 2016 is detailed in the table below:

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings held	7	5	4	6
Number of meetings attended actual/ possible:				
Richard Hunting	7/7	5/5	–	–
Dennis Proctor	7/7	5/5	–	–
Peter Rose	7/7	–	–	–
Annell Bay	7/7	5/5	4/4	6/6
Jay Glick	6/7	5/5	4/4	6/6
John Hofmeister	7/7	5/5	4/4	6/6
John Nicholas	7/7	5/5	4/4	6/6

At each Board meeting, the Chief Executive updates the Board on key operational developments, provides an overview of the market, reports on health and safety, and highlights important milestones reached towards the delivery of Hunting's strategic objectives.

The Finance Director provides an update on the Group's financial performance and position, banking arrangements, legal issues, analyst discussions and statutory reporting developments relevant to Hunting. These topics lead to discussion, debate and challenge amongst the Directors.

During 2016, the standing items and other items for regular Board meetings included the following business:

	Mar	Apr	Jun	Sep	Oct	Dec
Standing items						
Chief Executive Update	✓	✓	✓	✓	✓	✓
Finance Director Report	✓		✓	✓	✓	✓
Operational Reports	✓		✓	✓		✓
Quality, HSE Reports	✓		✓	✓		✓
Shareholder Report	✓	✓	✓	✓	✓	✓
Other items						
Annual Report and Accounts	✓					
Board Evaluation	✓					✓
Risk Review	✓					
AGM Preparation		✓				
Trading Statement		✓			✓	
Strategy			✓			
Financial Personnel Succession			✓			
Half Year Report				✓		
Annual Budget						✓
Non-executive Director Remuneration						✓
Chairman/Senior Independent Director Investor Feedback						✓

Board Appointments and Nomination Committee

Hunting's Nomination Committee comprises the Company's non-executive Chairman (Committee Chairman), Chief Executive and the independent non-executive Directors. The terms of reference of the Nomination Committee can be found on the Company's website at www.huntingplc.com. At 31 December 2016, 67% of the Committee comprised of independent non-executive Directors.

During 2016, the Nomination Committee met five times to consider senior management development and general succession matters, as recommended by the Code.

The Committee met in June to consider the reappointment of Richard Hunting for a further three-year term from 1 August 2016. The Committee, led by the Senior Independent Director, undertook a formal performance evaluation of Mr Hunting as part of the process, concluding that he remained an effective and able Chairman of the Company.

All appointments to the Board are in accordance with the Company's Articles of Association and the Code.

The Chairman has also met with the non-executive Directors throughout the year to discuss and agree, among other matters, training and development.

On appointment, each non-executive Director is provided with a letter of appointment, outlining the time commitments, responsibilities and fiduciary duties required under Company Law and, following Company policy, are appointed for a three-year term. All appointment letters are available for inspection at the Company's AGM or at Hunting's registered office.

As prescribed by the Code, all the Directors submit themselves for annual re-election at the Company's AGM and at the 2016 AGM all Directors were re-elected by shareholders.

During the year, management succession was a regular discussion topic of the Board and Nomination Committee, with key positions and succession plans being considered.

In 2012, the Company issued its gender diversity policy for new Director appointments. 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 provide 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 best practice recommendations.

Following the appointment of Annell Bay in 2015, Hunting has met its stated diversity target and is more aligned with current recommendations.

Board Evaluation
The Directors undertake an annual evaluation of the Board and its Committees, which includes completion of a detailed questionnaire on the operation and governance responsibilities in relation to the Company's governance framework. Both the executive and non-executive Directors are appraised collectively and individually, with the results of the process reported to the Board through the Chairman. This process was undertaken in December 2016, with the Board concluding that each Director, the Committees of the Board and the Board itself remained effective.

Furthermore, the Chairman's performance was evaluated in a separate exercise by the non-executive Directors led by John Hofmeister, the Company's Senior Independent Director. The non-executive Directors concluded that Mr Hunting had been an effective and able Chairman of the Company throughout the year.

In 2015, the Company completed an externally facilitated evaluation which was managed by IDDAS. This process will be repeated in 2018.

Board Accountability
The Board has procedures in place to review all shareholder communications, including the financial statements and Stock Exchange announcements issued by the Company. Hunting's business model and strategy is detailed on pages 12 to 29. The Board has delegated the responsibility of assessing whether the financial statements are fair, balanced and understandable to the Audit Committee. Further details of the responsibilities of the Audit Committee can be found within its report.

Going Concern Basis and Viability Statement
The Audit Committee and Board review the Going Concern Basis twice a year and the Group's Viability Statement annually, in parallel to supporting reports from the executive Directors and Hunting's central finance function.

On 2 March 2017, the Board approved the Going Concern Basis and Viability Statement for the 2016 year end, which is detailed on page 38.

Risk Management Procedures
The Board acknowledges its responsibility for monitoring the Group's principal risks and system of internal control and for reviewing its effectiveness as required by the Code, with key authorities being delegated to the Audit Committee.

Hunting's principal risks, risk management framework and systems of internal control are reviewed by the Board annually and are detailed in the Strategic Report on pages 30 to 37.

Annual General Meeting ("AGM")
The AGM of the Company will take place on Wednesday, 12 April 2017 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS, commencing at 10.30 a.m. to which all shareholders are invited. Shareholder voting procedures follow the provisions of the Articles of Association and the Code, including a separate resolution on each material item of business, the availability of voting via proxy and the offer of a "vote withheld". At the 2017 AGM, all resolutions will be voted on by way of a poll.

Further details of the resolutions and voting procedures are set out in the Notice of AGM. 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.

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 AGM. During the financial year ended 31 December 2016, 289,407 Ordinary shares were issued pursuant to the Company's various share plans. Further, on 31 October 2016, the Company issued 14,608,771 Ordinary shares as part of an equity placing, raising $86.0m before expenses, which was undertaken to reduce net debt and increase financial flexibility.

The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 22,311,342 shares. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. During 2016, no Ordinary shares were purchased by the Company, under this authority.

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 2017 AGM.

Employee Share Trust
The Group operates an Employee Share Trust (the "Trust") as a vehicle to satisfy share options and awards granted to employees who participate in the Company's share-based incentive schemes. At 31 December 2016, the Trust held 791,852 Ordinary shares in the Company (2015 – 914,225). The Trust has a policy to purchase shares in the market or subscribe for new shares to partially meet the future requirements of these incentive schemes. During the year, the Trust subscribed for 289,407 Ordinary shares at the nominal value of 25 pence per share.

In accordance with Listing Rule 9.8.4C, the Trust has waived all dividends payable by the Company and voting rights in respect of the Ordinary shares held by it. Total dividends waived by the Trust in the financial year to 31 December 2016 were $33,490.

Shareholders

The Company uses a number of processes for communicating with shareholders, including Stock Exchange announcements, the annual and half-year reports, webcasts, trading statements and the AGM to which all shareholders are invited. In addition, the Chief Executive and Finance Director meet on a one-to-one basis with principal shareholders at least twice a year, following the Group's annual and half-year results, or when requested to update them on Group performance and strategy. The Board is in turn briefed by the Chief Executive, when appropriate, on matters raised by shareholders. During the year, the Chairman and Senior Independent Director 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, as at 31 December 2016, are listed below:

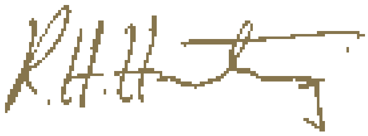
	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
BlackRock	(7)	20,705,121	12.6
AXA group of companies		17,729,582	10.8
Wellington Management	(8)	12,735,152	7.8
Hunting Investments Limited	(1/4/5)	11,073,487	6.8
Franklin Templeton group of companies		9,157,367	5.6
Slaley Investments Limited	(5)	6,411,679	3.9
J Trafford – as trustee	(2/5)	6,025,864	3.7
Nordea Asset Management	(6)	4,926,622	3.0
David RL Hunting	(5)	199,910	0.1
– as trustee	(2/5)	2,549,117	1.6
– other beneficial	(3/5)	2,484,583	1.5

Notes:
1. 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.
2. After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 6,025,864 Ordinary shares.
3. 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.
4. Richard H Hunting (Chairman of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.
5. In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests") entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 2 March 2017, the Hunting Family Interests party to the agreement totalled 25,513,715 Ordinary shares in the Company, representing 15.6% of the total voting rights.
6. On 10 January 2017, the Company was notified by Nordea that its holding had reduced to 4,669,815 Ordinary shares, representing 2.9% of the issued share capital.
7. On 13 January 2017, the Company was notified by BlackRock that its holding had increased to 21,355,252 Ordinary shares, representing 13.0% of the issued share capital. On 31 January 2017, the Company was notified that BlackRock's holding had increased to 22,324,087 Ordinary shares, representing 13.6% of the issued share capital. On 6 February 2017, the Company was notified that BlackRock's holding had increased to 23,005,671 Ordinary shares representing 14.1% of the issued share capital. On 7 February 2017, the Company was notified that BlackRock's holding had increased to 23,130,009 Ordinary shares representing 14.1% of the issued share capital. On 21 February 2017, the Company was notified that BlackRock's holding had increased to 24,052,917 Ordinary shares representing 14.7% of the issued share capital. On 24 February 2017, the Company was notified that BlackRock's holding had increased to 24,780,548 Ordinary shares representing 15.1% of the issued share capital.
8. On 10 February 2017, Wellington Management Group LLP notified the Company that its holding was 8,027,808 Ordinary shares, representing 4.9% of the issued share capital.
9. On 27 January 2017, Norges Bank notified the Company that it had increased its holding to 4,993,506 Ordinary shares, representing 3.0% of the issued share capital.

Share Capital

As at 31 December 2016, the Company's issued share capital totalled 163,739,686 Ordinary shares of 25 pence each (31 December 2015 – 148,841,508). For further information please refer to the Shareholder and Statutory Information on pages 147 to 149.

By Order of the Board



RICHARD HUNTING C.B.E.
CHAIRMAN

2 March 2017

For the purpose of section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2016.

The Strategic Report, incorporating the Chairman's Statement, Chief Executive's Review and Outlook, Business Model and Strategy, Key Performance Indicators, Risk and Management, Group Performance and Development, Group Funding and Position, is located on pages 2 to 49.

As permitted by legislation, the Board has chosen to set out within the Strategic Report some of the matters required to be disclosed in the Directors' Report which it considers to be complementary to communicating Hunting's performance and position, as follows:

- changes in the Group and its interests (pages 7 and 8);
- future developments (page 8);
- risk management, objectives and policies (pages 30 to 37);
- inclusion and diversity (page 17); and
- greenhouse gas emissions (pages 18 and 19).

Up to the date of this report, there have been no events after the reporting period that require disclosure.

In addition, information relating to the Directors' indemnity provisions, substantial shareholder interests and dividend waivers, as required by legislation, are disclosed within the Corporate Governance report on pages 53 to 55.

Investor-related information and further disclosures incorporated into the Directors' Report, such as information relating to the AGM, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholders' Information section located on pages 147 to 149.

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 results of the Group for the year.

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 a 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, 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 Guidance and Transparency Rules sourcebook and the UK Corporate Governance Code, each of the Directors, whose names and responsibilities are listed on pages 50 and 51, 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 loss of the Group and profit of the Company;
- the Strategic Report on pages 2 to 49 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; and
- 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 and position, business model and strategy.

By Order of the Board

Ben Willey

BEN WILLEY
COMPANY SECRETARY

2 March 2017

"DURING 2016, THE AUDIT COMMITTEE CONTINUED ITS PROGRAMME OF WORK, WHICH INCLUDED REVIEWING AND MONITORING KEY ASPECTS OF FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL, IN LINE WITH RECOMMENDATIONS PUBLISHED BY THE FINANCIAL REPORTING COUNCIL.

"AS PART OF THE PREPARATION OF THE HALF YEAR AND FULL YEAR RESULTS, THE COMMITTEE REVIEWED REPORTS ON GOODWILL IMPAIRMENT AND GOING CONCERN, FOLLOWING THE LOSSES REPORTED IN THE YEAR, WITH THE COMMITTEE BEING SATISFIED THAT THE DISCLOSURES AND PREPARATION OF THE ACCOUNTS WERE APPROPRIATE, GIVEN THE FINANCIAL PERFORMANCE AND POSITION OF THE GROUP."

JOHN NICHOLAS
CHAIRMAN OF THE AUDIT COMMITTEE

Composition and Frequency of Meetings

The Committee currently comprises all of the independent non-executive Directors of the Company and is chaired by John Nicholas.

Mr Nicholas has a professional accounting qualification and is considered to have recent and relevant financial experience. Messrs Glick and Hofmeister and Ms Bay have extensive experience of the global energy industry, with particular expertise in the US oil and gas market. Further details of the Committee's experience can be found in the biographical summaries set out on page 51.

The Committee meets four times a year and operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com.

The Committee met in March, April, September and December, and the attendance record of Committee members during the year is noted on page 53. 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 principal responsibilities of the Audit Committee are to:

- 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, including whether they are fair, balanced and understandable;
- review the Company's and Group's Going Concern Basis and Viability Statement;
- monitor and review the Group's systems of risk management and internal control;
- assess the effectiveness of the Group's systems of risk management and 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;
- consider and recommend to the Board the appointment or reappointment of the external auditors as applicable;
- agree the scope and fees of the external audit;
- monitor and approve engagements of the external auditors to provide non-audit services to the Group;
- review the external auditors' independence, effectiveness of the audit process, and assess the level and quality of service in relation to fees paid;
- monitor corporate governance and accounting developments;
- monitor the Group's Bribery Act compliance procedures; and
- review the work to comply with the UK Modern Slavery Act.

Work Undertaken by the Committee During 2016

The Committee discussed, reviewed and made a number of decisions on key areas throughout 2016 which are set out below:

	Mar	Apr	Sep	Dec
Financial Reporting				
Annual Report and Full Year Results announcement	✓			
Going Concern Basis	✓		✓	
Viability Statement	✓			
Dividend Proposals	✓		✓	
Interim Report and Interim Results announcement			✓	
Draft Annual Report				✓
Review Accounting Policies				✓
Internal Control and Risk Management				
Risk management and internal control report	✓		✓	✓
Key risks and mitigating controls	✓			
Effectiveness of internal controls and internal audit function	✓			
Internal Audit Report	✓		✓	✓
Procedures for preventing bribery and corruption		✓		✓
Procedures for complying with the Modern Slavery Act				✓
Bribery policy review		✓		
Internal audit programme and resourcing				✓
External Auditors				
Auditor objectivity, independence and re-appointment	✓			
Full year report to the Audit Committee	✓			
Final Management Letter on internal controls		✓		
Auditor performance and effectiveness		✓		
Proposed year end audit plan including scope, fees and engagement letter			✓	
Interim review report to the Audit Committee			✓	
Risk of auditor leaving the market				✓
Other Business				
Whistleblowing policy review		✓		
Committee effectiveness				✓
Terms of Reference				✓

Review of the 2016 Financial Statements

The Committee reviews final drafts of the Group's Annual 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.

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

Significant issues reviewed by the Committee in connection with the 2016 Annual Report and Accounts were as follows:

Impairment Reviews

During 2016, the Group reported significant underlying and reported losses from continuing operations, given the prolonged downturn in Hunting's core markets. Given this trading environment, management completed impairment reviews on the carrying values of assets held on the Group's balance sheet at the half and full year reporting dates.

Property, Plant and Equipment ("PPE")

The year end balance sheet includes PPE of $419.0m (2015 – $460.8m). This represents approximately 37% of the Group's net assets (2015 – 39%). With the market slowdown impacting Hunting's Asia Pacific operations, certain regional assets were impaired with a $0.6m charge recognised. In Europe, the closure of the Group's European Drilling Tools business led to a $2.9m impairment of assets. The Committee reviewed the PPE impairment tests and, following discussion, was satisfied that the assumptions and the disclosures in the year end accounts were appropriate.

Goodwill

The year end balance sheet includes goodwill of $229.8m (2015 – $230.6m). This represents approximately 21% of the Group's net assets (2015 – 20%). Detailed reviews on the carrying values of goodwill held by Hunting's relevant businesses were undertaken at the half and full year, which confirmed that Hunting's projections supported no further impairments beyond those recorded in 2015. The Committee considered the appropriateness of the assumptions and challenged the discount rates and the factors used in the review process. After discussion, it was satisfied that the assumptions and the disclosures in the year end accounts were appropriate.

Other Intangible Assets

The carrying value of the Group's intangible assets was also reviewed resulting in no impairments (2015 – $11.2m) being recorded in the year. The amortisation charge recorded in the income statement was $35.3m (2015 – $40.8m). As with the goodwill impairment review, the Committee considered the appropriateness of the assumptions, discount rates and factors used in the review process.

Inventory

At the year end, the Group recorded $259.7m of inventory (2015 – $331.2m). Due to the prolonged energy market downturn, the carrying values have been closely monitored, with management regularly reviewing the position to ensure slower moving stock was booked appropriately. In 2016, a $10.3m net impairment against the Group's inventory carrying values was booked, which is recorded within cost of sales (2015 – $9.3m). The Committee reviewed the impairment calculations and following discussion was satisfied that the assumptions and the disclosures in the year end accounts were appropriate.

Taxation

In view of the international spread of operations, the Committee monitors tax risk, tax audits and provisions held for taxation. The Finance Director briefed the Committee on developments during the year.

Exceptional Items Charged to the Consolidated Income Statement

The Group reports a middle column within the consolidated income statement, which includes amortisation and exceptional items. The Committee considered the accounting policy definition of exceptional items and the items included within this column to ensure consistency of treatment and adherence to policy. The Committee also reviewed the calculation and composition of each exceptional item and has satisfied itself that they are reported appropriately.

Going Concern Basis and Viability Statement
Given the trading losses reported by the Group during the year, combined with the need to renegotiate banking covenants in the summer months, the Committee closely monitored assumptions around going concern at the half and full year, as well as those around the Group's Viability Statement for the full year. The assumptions considered by the Committee included reviews of the regular forecast updates provided by management and reviewing bank covenant compliance reports on the renegotiated revolving credit facility. The Committee also took into account in their assessment the equity placing by the Company which completed on Monday 31 October 2016 raising a net $83.9m.

Further information on the going concern assumption can be found on page 38.

On 27 February 2017, the Audit Committee approved the Viability Statement, detailed on page 38 of the Strategic Report, noting that it presented a reasonable outlook for the Group for the next three years.

Fair, Balanced and Understandable Assessment
The Committee has reviewed the financial statements together with the narrative contained within the Strategic Report set out on pages 2 to 49 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, providing relevant feedback to the executive Directors;
- 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 2016 Annual Report and Accounts, taken as a whole, were fair, balanced and understandable at a Meeting of the Directors on 28 February 2017.

Internal Audit
The 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 Committee. The Committee met with the head of Internal Audit without the presence of the executive Directors on three occasions during the year. The effectiveness of the Internal Audit function was also considered by the Committee at its March meeting.

External Audit
The external auditors presented reports at the March, April, September and December meetings for consideration by the Committee. In March, a full year report was considered ahead of publication of the Group's Annual Report and Accounts; in April an internal control report was presented, following the year end audit and in September an interim report was presented, which includes the proposed full year audit scope and fees. An update to the full year plan was presented at the December meeting. The 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.

Audit Scope
The Audit Committee also considered the audit scope and materiality threshold. The audit scope was planned to cover Group-wide risks and local statutory reporting, enhanced by desk top reviews for smaller, low risk entities. Approximately 94% of the Group's reported revenue and over 90% of the absolute result before tax from continuing operations, adjusted for the impairment of goodwill and other non-current assets, was audited, covering 22 reporting units across seven countries.

Materiality
The Committee has discussed materiality with the auditors both as regards accounting errors that will be brought to the Audit Committee's attention and as regards amounts that would need to be adjusted so that the financial statements give a true and fair view. Overall audit materiality was set at $5.0m (2015 – $5.0m). This equates to approximately 5% of the Group's average reported absolute result before tax from continuing operations, adjusted for the impairment of goodwill and other non-current assets, for the past three years. This is within the range that audit opinions are considered to be reliable. Furthermore, the auditors agreed to draw to the Audit Committee's attention all identified uncorrected misstatements greater than $0.3m.

Audit Effectiveness
The external auditor's 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 process is considered throughout the year with a formal review undertaken at the April meeting of the Committee. The assessment considers the following matters:

- the auditor's 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 auditor's response to questions from the Committee, including during private meetings without management present;
- the independence, objectivity and scepticism of the auditor;
- responses to a formal questionnaire on conduct of the audit from the senior financial managers of the Group;
- 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 the reports from the Financial Reporting Council on PricewaterhouseCoopers LLP. After considering these matters, the Committee was satisfied with the effectiveness of the year end audit process.

Audit Tender

The Committee values the importance of maintaining high standards in the external audit process. During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the CMA Audit Order) throughout the year.

PricewaterhouseCoopers LLP have been auditors to the Group since the Company's formation on 7 August 1989 and under the firm's audit partner rotation rules, the current Senior Statutory Auditor will rotate off the audit following completion of the 2018 statutory audit. The Committee has considered the EU Audit Directive implemented in the UK during the year relating to external auditor's rotation and will complete a tender process during 2017. PricewaterhouseCoopers LLP will not be eligible to participate in the tender. The new firm of auditors selected will assume audit responsibilities from 1 January 2019.

Non-Audit Services

The Committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 8. In 2016, fees for non-audit services were $nil. The scope and extent of non-audit work undertaken by the external auditors 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.

In line with the EU's Audit Directive, the Audit Committee reviewed and approved a new policy in December 2016 for the provision of non-audit services by the external auditor, in line with the Directive's requirements.

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

Internal Controls

The Group has an established risk management and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board, which are detailed in the Risk Management section of the Strategic Report on pages 30 to 37.

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 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 Committee where appropriate.

Modern Slavery Act

The Modern Slavery Act 2015 was enacted during 2016 and requires companies to evaluate internal and external risks related to human trafficking and modern slavery. Procedures were introduced during the second half of 2016, whereby each business unit across the Hunting group completed due diligence on its workforce to highlight employment risks in relation to trafficking and slavery. All businesses within the Group also completed a risk-mapping exercise of their known supply chain to evaluate those customers and suppliers to the Group who operate in those jurisdictions where trafficking and slavery is more prevalent.

A summary report on compliance with the Modern Slavery Act, which encompassed a roadmap for the further evolution of Hunting's due diligence and compliance procedures in this area, was reviewed by the Audit Committee at its December 2016 meeting.

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 engages the services of Safecall Limited to provide an independent and anonymous 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

2 March 2017

"THE REMUNERATION OF THE EXECUTIVE DIRECTORS IN 2016 REFLECTS THE CHALLENGING CONDITIONS WITHIN HUNTING'S CORE MARKETS, WITH SALARIES REMAINING FROZEN AND NO BONUSES PAYABLE. EACH COMPONENT OF REMUNERATION HAS OPERATED IN LINE WITH THE SHAREHOLDER APPROVED DIRECTORS' REMUNERATION POLICY.

"DURING THE SECOND HALF OF THE YEAR THE COMMITTEE REVIEWED THE DIRECTORS' REMUNERATION POLICY AHEAD OF SUBMITTING A REVISED POLICY FOR SHAREHOLDER APPROVAL IN APRIL 2017. THE REVIEW PROCESS CONCLUDED THAT THE OVERALL REMUNERATION STRUCTURE REMAINED SOUND FOR THE CURRENT EXECUTIVE DIRECTORS AND NO MATERIAL CHANGES ARE PROPOSED."

JOHN HOFMEISTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

Letter From The Remuneration Committee Chairman

Introduction

The Directors' Remuneration Policy and 2016 Annual Report on Remuneration that follow reflect the Remuneration Committee's (the "Committee") reporting requirements under the amended Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors' Remuneration Policy, to be tabled to shareholders for approval at the Company's Annual General Meeting ("AGM") on 12 April 2017, has not materially changed from the approved 2014 Policy, but does reflect a review exercise undertaken by the Committee.

The Annual Report on Remuneration, which includes this letter, details how the approved Directors' Remuneration Policy was applied during 2016 and will also be tabled for shareholder approval at the AGM.

Major decisions made by the Committee in 2016:

- Policy review: The Committee completed a review of the Directors' Remuneration Policy in the final months of 2016, which included a review of the appropriateness of the fixed and variable incentive structures in place for the executive Directors. No major amendments were recommended by the Committee following this process, with the proposed 2017 Policy remaining materially unchanged from the approved 2014 Policy. Disclosures relating to Committee discretion have, however, been enhanced compared with the 2014 Policy.
- Salary review: The Committee considered the challenging environment in which the Company operated during the year, including the reduction in workforce programme completed, and concluded that it was inappropriate to award base salary increases to the executive Directors in the year. Any movements reported in the remuneration tables that follow are attributable to fluctuations in the exchange rates of the currency in which the executive Director is paid.
- Fee review: The responsibility of the annual fees of the non-executive Directors is a Board decision. No changes were made to the annual fees paid to the independent non-executive Directors in the year. As noted in the 2015 Annual Report on Remuneration, the Chairman's annual fee was reduced to $135,540 (£100,000) from 1 April 2016.
- Pension arrangements for Hunting's Finance Director: On 30 June 2016, the Group ceased contributions to the Defined Benefit section of the Hunting Pension Scheme operated in the UK. Given that the Group's Finance Director is a participant of this Scheme, the Committee agreed in 2016 to compensate Peter Rose for this loss of benefit, by agreeing a cash sum in lieu of a pension contribution, totalling 25% of annual base salary. This arrangement was effective from 1 July 2016.
- Annual Bonus: The Committee noted the trading performance of the Company in the year, which resulted in no bonus awards to the executive Directors.
- Hunting Performance Share Plan: On 11 March 2016, share awards were made to the executive Directors in line with the rules of the Hunting Performance Share Plan (the "HPSP"). Subject to the achievement of the performance conditions, these awards will vest on 11 March 2019.
- Vesting of HPSP awards: On 27 February 2017, the Committee reviewed the vesting report for the 2014 share awards granted under the HPSP. Given the financial performance of the Group during the vesting period, a nil vesting has been recorded for the Earnings Per Share ("EPS") and Return on Capital Employed ("ROCE") performance conditions. The Total Shareholder Return ("TSR") performance condition was measured by Kepler Associates, the

Committee's appointed advisers. The terms of the awards as granted, require the TSR performance condition to be measured in UK Sterling, unless the Committee determines otherwise. With TSR measured in UK Sterling the calculation resulted in nil vesting. This basis of comparison was new to this plan; prior plans were measured on a domestic currency basis. The Committee noted this change in methodology and other operational factors to the determination of TSR including Hunting's US$ based operations and reporting currency, the percentage of employees domiciled in the US and that the majority of the HPSP comparator group are located in North America and concluded that a domestic currency basis would be more appropriate for the TSR performance condition. The Committee therefore decided to consult major shareholders on changing the method of measurement for TSR in February 2017 and a resolution is being submitted to shareholders for approval at the Company's April 2017 AGM to seek confirmation of this change for future and subsisting awards. Conditional on shareholder approval, the Committee is proposing to use domestic currencies in comparing TSRs for all HPSP awards, including the maiden HPSP award which vests on 1 May 2017, providing consistency for management and shareholders, rather than introducing a fundamental change to the way the TSR is calibrated. The remeasurement using domestic currencies gave an above median position and would result in a 49.9% vesting of the TSR portion of the award, equivalent to 16.63% vesting of the total award. On this basis, and conditional on shareholder approval, Dennis Proctor would receive 42,423 Ordinary shares and Peter Rose would receive 12,016 Ordinary shares on 1 May 2017. The balance of the awards granted to the executive Directors will lapse on the vesting date. In line with the rules of the HPSP, dividends paid during the performance period, totalling 60.8 cents per vested share will be added to the award. Although the exercise of this discretion to produce this result is fully within the scope of the Directors' Remuneration Policy and the terms of the awards, the Committee has decided that it is appropriate to table a resolution at the AGM on this point. Accordingly a resolution is being put forward at the AGM on 12 April 2017 to obtain formal shareholder approval for this decision affecting HPSP awards which vest on 1 May 2017, and awards which have been granted under the HPSP but which are due to vest between 2018-2020 and future awards to be granted under the HPSP.

At the AGM on 13 April 2016, 90.71% of the votes cast by shareholders were in favour of the Annual Report on Remuneration for 2015.

Performance and Context of Remuneration Awarded in 2016
The Group has reported in 2016 an underlying loss before tax of \$93.2m (2015 – \$9.4m profit) and a return on capital employed of 7.7% negative (2015 – 1.1% positive). As both measures failed to meet the threshold targets contained within the Annual Budget as approved by the Board in December 2015, no bonus awards were payable to the executive Directors.

On 31 December 2016, the three-year performance period of the 2014 awards under the HPSP ended. The performance conditions of the awards are detailed in the Directors' Remuneration Policy on page 65. As noted above, 16.63% of the awards granted to the executive Directors will vest on 1 May 2017. Further details of this result can be found in the Annual Report on Remuneration. Further details of the emoluments of the executive Directors can be found within the Annual Report on Remuneration on pages 72 to 79.

Principal Activities Undertaken by the Remuneration Committee During 2016
The Committee's principal activities and matters addressed during 2016 are as follows:

	Mar	Apr	Sep	Dec
Overall Remuneration				
Annual Base Salary review	✓			
Review senior management emoluments	✓			
Review total remuneration against benchmarked data				✓
Items specific to Annual Bonus				
Approve Annual Bonus	✓			
Review Annual Bonus Plan Rules			✓	
Interim review of Annual Bonus calculations				✓
Review personal performance targets and approve bonus adjustor to be applied				✓
Agree personal performance targets for year ahead				✓
Items specific to Long-Term Incentives				
Approve HPSP vesting	✓			
Review outstanding Long-Term Incentives	✓			
Approve HPSP grants	✓			
Review HPSP performance conditions			✓	
Interim review of HPSP vesting report				✓
Review HPSP grant performance targets				✓
Governance and other matters				
Approve Annual Report on Remuneration	✓			
Review and Approve Remuneration Policy (as required)	✓			
Review governance voting reports		✓		
Review AGM proxy votes received for Annual Statement of Remuneration and Policy (as required)		✓		
Review Committee Effectiveness				✓
Review Committee Terms of Reference				✓
Review draft Annual Report on Remuneration including Letter from Committee Chairman				✓
Review Stock Ownership Schedules				✓

JOHN HOFMEISTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

2 March 2017

DIRECTORS' REMUNERATION POLICY

Policy Overview

This report outlines the Directors' Remuneration Policy (the "Policy") which will be applied by the Hunting Board for the executive and non-executive Directors of the Company, subject to approval at the AGM. Minor revisions have been made to the Policy approved by shareholders in 2014. In line with recommendations made by various regulatory and investor groups, including the Financial Reporting Council and GC100 advisory group, disclosures on Remuneration Committee discretion have been enhanced for both the operation of the executive Director Annual Bonus Plan and the HPSP. This revised Policy is to be tabled for approval by shareholders at the Company's Annual General Meeting on 12 April 2017.

The Policy for executive Director remuneration is designed to comply with the principles of the UK Corporate Governance Code and 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. The Chief Executive's remuneration is benchmarked to the global energy industry, while the Finance Director is benchmarked to the UK listed market.

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. The non-executive Directors do not receive cash bonuses or other variable emoluments. The fees are benchmarked to other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors. The Chairman's fee is set by the Remuneration Committee.

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 appropriate to the geographic location of the executive. Base salaries are aimed at the market mid-point.

Variable Emoluments

Variable emoluments comprise of an Annual Cash Bonus and participation in a single long-term performance-based share plan.

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. The bonus award is subject to possible adjustment through the application of a personal performance adjustor, which recognises the delivery of individual targets set by the Committee. The preset Budget performance targets are retrospectively disclosed annually, along with supporting narrative on the personal performance adjustor and its impact on the bonuses paid to each executive Director.

The Company operates a single long-term performance-based share plan, the Hunting Performance Share Plan (the "HPSP"), whereby the executive Directors receive awards over Hunting shares that vest after three years, subject to performance conditions. Awards under the HPSP for the executive Directors are equally divided into three categories with each category subject to a performance condition: (i) relative total shareholder return ("TSR"), (ii) absolute earnings per share ("EPS") and (iii) return on capital employed ("ROCE"). The Committee believes that the HPSP is a demanding and stretching long-term incentive, encourages strong performance from the executive Directors. As part of each annual award, the Committee has discretion to set different performance targets if, in the opinion of the Committee, the new targets are not materially less challenging. These targets take into account the outlook for the Group over the long-term, with the Committee committed to ensuring these targets remain demanding.

Executive Director Remuneration Policy Table

Fixed Emoluments

Remuneration Component – Base Salary

Purpose and Link to Strategy	Operation and Award Basis	Maximum
• Attract, 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.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Remuneration Component – Pension Arrangements and Benefits

Purpose and Link to Strategy	Operation and Award Basis	Maximum
• Provide normal pension and benefit schemes appropriate to the country of residence. • Each executive Director is provided with healthcare insurance and a company car with fuel benefits.	• The Group contributes on behalf of the Chief Executive (currently resident in the US), to a US 401K deferred savings plan and an additional deferred compensation scheme. • The Group provides an annual cash sum to the Finance Director (currently resident in the UK) in lieu of contributions to a company pension scheme. • Additional benefits may be provided to ensure the Group remains competitive within the relevant local market.	• N/A

Variable Emoluments

Remuneration Component – Annual Performance-Linked Cash Bonus Plan

Purpose and Link to Strategy	Operation and Award Basis	Maximum
• To incentivise annual delivery of financial and operational targets. • High reward potential for exceeding demanding targets.	• Awards are subject to the Annual Bonus Plan rules adopted by the Board in 2010. • Awards are subject 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. The Annual Bonus is not pensionable. • The Committee operates a personal performance adjustor to the annual bonus arrangements. The Committee has the discretion to adjust the annual bonus using the performance adjustor. The adjustor range is from 0 to 1.25 times the annual bonus figure, however this adjustment, if implemented, will not exceed the stated maximum. • The personal performance targets linked to the performance adjustor will be disclosed on award of the bonus. • The Committee reserves the discretion to adjust the amount of any Bonus to reflect any fact or circumstance which the Committee considers to be relevant (including for the avoidance of doubt, adjustment to zero). • Clawback provisions are incorporated into the annual bonus plan rules and allow for the bonus to be adjusted to zero.	• Chief Executive 200% of base salary. • Finance Director 150% of base salary.

Remuneration Component – HPSP

Purpose and Link to Strategy	Operation and Award Basis	Maximum
• Recognition and reward to executive Directors for the creation of shareholder value over the longer term. This element provides full alignment with shareholder interests.	• Annual grant of shares or nil cost options. • Vesting levels determined by Company performance over a three year period against (i) TSR of a bespoke peer group; (ii) EPS; and (iii) 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. • The Committee has the ability to exercise discretion to override the HPSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. Any upward discretion would be subject to prior shareholder consultation.	• Chief Executive 550% of base salary. • Finance Director 450% of base salary.

Remuneration Component – Stock Ownership Requirement

Purpose and Link to Strategy	Operation and Award Basis	Maximum
• 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 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 from 1 January 2014 or from the date of their appointment to the Board. • The Board has discretion to extend this time period if warranted by individual circumstances.	• N/A

DIRECTORS' REMUNERATION POLICY (CONTINUED)

Non-executive Director Remuneration Policy Table

The remuneration of the non-executive Directors 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 fee for the Chairman is currently $135,540 (£100,000). • Fees are set in UK Sterling and 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 $677,750 (£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 Directors who chair the Board's subcommittees 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 a cash bonus or any other benefits.	• The basic Board fee is currently $81,324 (£60,000) with an additional fee of $13,554 (£10,000) for chairing the Audit and Remuneration Committees, and for the role of Senior Independent Director. • Fees are set in UK Sterling and reviewed annually in December.	
Stock Ownership Requirements.	• To align the non-executive Directors' interests with 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 from 1 January 2014, or from the date of their appointment to the Board.	• N/A	• N/A

Amendments to the Policy

The oil and gas industry has historically been a competitive marketplace, therefore recruiting and retaining the right individuals to deliver long-term shareholder growth is a key management focus and that of the Remuneration Committee.

As the industry recovers from the current market conditions, it is anticipated that recruitment and retention will continue to be a challenge for the Group and, therefore, the Committee intends to keep the approved Policy under review, and will make any necessary revisions after appropriate consultation and approval from shareholders has been received.

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 total remuneration driven by market comparatives and the individual responsibilities of each role.

Choice of Performance Metrics
The corporate strategy includes promoting the long-term success of the Group by investing in its existing products and services portfolio through capital investment or by acquisition and growing the business in a way that is aligned with 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/ HPSP	• 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.	HPSP	• To achieve sustained levels of shareholder return over the long-term.
Underlying Earnings Per Share.	HPSP	• To achieve sustained levels of earnings growth over the long-term.

The HPSP performance conditions and growth targets can be amended by the Remuneration Committee, with the targets set annually when each award is granted, following an assessment of the growth prospects of the Group.

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

Remuneration Committee Discretion
The Committee has defined areas of discretion within the Directors' Policy framework. Where discretion is applied, the Committee will disclose the rationale for the application of discretion.

The Committee will operate the annual performance-linked cash bonus plan and HPSP in accordance with the relevant plan rules and this Policy. The Committee retains discretion as to the operation and administration of these plans as follows:

Annual Performance-Linked Cash Bonus Plan
- Determination of the personal performance adjustor to the financial performance outcome, which reflects the delivery against personal and strategic performance targets by each executive Director and has the potential to be applied to increase the bonus by up to 25% or decrease it to zero.
- The assessment of part-year performance in the event of the exit of a Director, including but not limited to, reviewing forecast financial performance of the Group and the outlook of the business in the context of wider market conditions. Bonus awards for good-leavers will generally be pro-rated for the period of service completed.
- The Committee may settle an award in cash or shares.

HPSP
- Selection of the TSR comparator group for the HPSP. The Committee reviews the comparator group annually ahead of each grant made to the executive Directors under the HPSP. The Committee also retains the discretion to make adjustments to the comparator group for subsisting awards if it believes that a constituent of the comparator group has distorted the vesting outcome if, for example, a constituent company has been subject to a material corporate action.
- The Committee may amend the performance conditions applying to an award in exceptional circumstances if the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance conditions when set. The oil and gas industry is a highly cyclical industry, where sentiment is driven by oil and gas commodity prices and activity levels across the industry. Given that these market conditions are outside of management's control, the Committee retains the discretion to partially adjust the performance targets of the performance conditions adopted for the HPSP, to align with the general market outlook, while continuing to be a demanding and stretching incentive. Any upward discretion would be subject to prior shareholder consultation.

Other
The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy outlined above where the terms of the payment were agreed either:
- before the Policy came into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

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.

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

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.

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 deferred savings plan. In addition, the Group contributes to a deferred compensation scheme. In practice, this compensation scheme is operated on a money purchase basis.

Peter Rose is a member of the Defined Benefit ("DB Section") section of the Hunting Pension Scheme (the "Scheme"). On 30 June 2016, the DB Section was closed to future accrual, with all members' benefits fixed at that date. To compensate Peter Rose for this loss of benefit, a cash sum in lieu of a company contribution to an alternative pension scheme has been agreed by the Remuneration Committee, to a value of 25% of his annual base salary. Richard Hunting, as a beneficiary of the Scheme, is not impacted by the closure of the Scheme to future accrual. Under the terms of the DB Section, the normal retirement age for Directors in the Scheme is 60. Mr Rose is able to draw his pension on an unreduced basis with the consent of the Company. 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 contributed a similar proportion of his salary up until 30 June 2016. Scheme members are also provided with a lump sum death in service benefit of four times base salary and a spouse's pension of broadly two thirds of the member's pension on the member's death. Bonuses and benefits do not qualify as pensionable salary.

Annual Performance-Linked Cash Bonus

An annual performance-linked cash bonus plan is in place for the executive Directors, which was adopted by the Board in 2010. 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.

The bonus plan allows the Committee to incorporate a personal performance adjustor to the bonus, ranging from 0 to 1.25 times 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 maximum payable under the plan rules.

Long-term Performance Related Incentives

Between 2001 and 2013 the Group granted awards to the executive Directors under three long-term incentive plans, including an Executive Share Option Plan ("ESOP") between 2001 and 2008; a Performance Share Plan ("PSP") between 2009 and 2013; and a Long-Term Incentive Plan ("LTIP") between 2004 and 2013. The executive Directors still hold vested share options under the ESOP, as detailed in the table on page 77, while the vesting of the final awards under the PSP and LTIP occurred in 2016. As such, the current Policy does not include information on the operation of these legacy plans, and stakeholders should refer to the 2014 Directors' Remuneration Policy which can be found at www.huntingplc.com.

The PSP and LTIP were replaced by the HPSP in 2014, with the first awards under the new plan due to vest on 1 May 2017.

Hunting Performance Share Plan ("HPSP")

The HPSP was approved by shareholders in April 2014. Share awards granted to the executive Directors under the HPSP are divided equally into three tranches. Each tranche is subject to a three-year vesting period, and is also subject to the performance conditions listed below:

- Total Shareholder Return.
- Earnings Per Share.
- Return on Capital Employed.

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

Proportion of award	Performance condition	Detail
One-third	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.
One-third	Underlying EPS	• The Group's EPS performance will be measured across the three-year vesting period. • 25% of the award will vest if a minimum growth target set by the Committee is achieved, increasing on a straight-line basis to 100% if a stretch target set by the Committee is achieved.
One-third	Underlying ROCE	• The Group's ROCE will be measured across the three-year vesting period. • 25% of the award will vest if 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 to the Chief Executive is 450% of base salary and 210% of base salary for the Finance Director. A cash sum equivalent to dividends paid by the Company during the vesting period is added to the awards once the final vesting levels have been determined.

Stock Ownership Policy
The Company operates a stock ownership policy whereby the Directors and senior managers are required to build and maintain a minimum shareholding in the Company's Ordinary shares. For executive Directors and senior managers, the primary mechanism of building the required shareholding is by retaining those vested shares received from the long-term incentive schemes operated by Hunting. Those subject to this requirement have a period of five years from 1 January 2014 or, for new employees, from the date of employment by Hunting, to comply.

The Chief Executive is required to maintain a minimum holding of shares 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. Certain executives of the Group are required to build and maintain a minimum holding of shares in the Company equal to a market value of between 100% and 200% of base salary.

The value of holding in shares reported in the Annual Report on Remuneration includes Ordinary shares held by the individual and also the post-tax value of vested, but unexercised, share awards and options.

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, US. 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 the 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 the payment of base salary up to a maximum of one year and a 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 his 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.

DIRECTORS' REMUNERATION POLICY (CONTINUED)

External Board Appointments

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 Nomination Committee, including chairing a Board subcommittee, 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 is subject to existing Service Contract agreements, which the Remuneration Committee will honour.

The policy 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, retirement, 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, taking account of local conditions, normally allows:

- payment in lieu of notice equal to twelve months' base salary, pension contributions, contractual benefits and any other legal entitlements;
- payment of a bonus for the period worked subject to the achievement of the relevant performance conditions; and
- 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 retains discretion to satisfy bonus payments to those executive Directors deemed to be bad leavers.

New Director Policies

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

Hunting needs to be able to attract and retain the best executive 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 total emoluments will target the market mid-point, subject to geographic considerations of the candidate and the specific labour market conditions. The Service Contracts will be rolling one-year agreements with standard provisions. The fixed component of the emoluments will comprise base salary, including any appropriate relocation or tax equalisation agreements, benefits including healthcare insurance, pension contributions, car benefits and any other components deemed necessary to secure an appointment. The variable component 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 a new Finance Director and Chief Executive respectively. The maximum awards under the HPSP will be up to 450% and 550% of base salary for a 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 the 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.

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

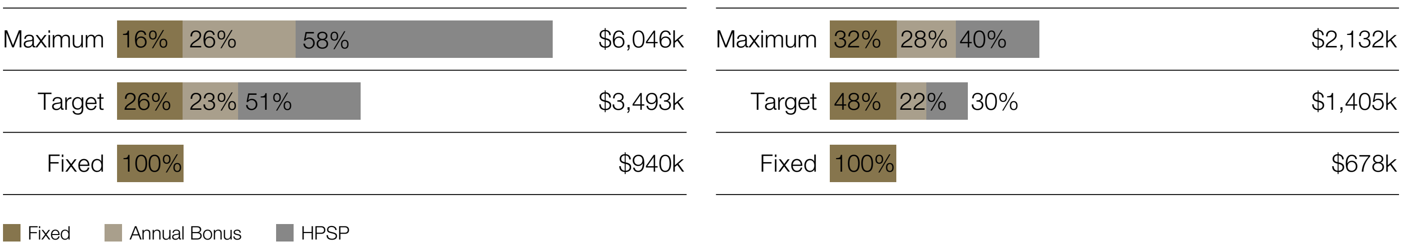
When determining remuneration, the Committee takes into account views of leading shareholders and best practice guidelines issued by institutional shareholder bodies.

The Committee is always open to feedback from shareholders on remuneration policy and arrangements, and commits to undergoing consultation with leading shareholders in advance of any significant changes to remuneration policy. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Remuneration Scenarios for Executive Directors

The remuneration scenarios of the executive Directors for a fixed, target and maximum performance are presented in the charts below. The charts are based on 2016 remuneration data.

CHIEF EXECUTIVE | **FINANCE DIRECTOR**



Note:
These charts 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 normal pension contributions or payments in lieu of pension contributions.
- Target: fixed remuneration plus half of maximum annual cash bonus opportunity plus 50% vesting of awards under the HPSP.
- 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 follows – fixed £500k; target £1,037k and maximum £1,573k.

JOHN HOFMEISTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

2 March 2017

ANNUAL REPORT ON REMUNERATION

Introduction

The principles noted within the Directors' Remuneration Policy (the "Policy") detailed on pages 63 to 71 have been in operation throughout 2016 and are detailed in the following report. The Policy can also be viewed on the Group's website at www.huntingplc.com.

The Remuneration Committee (the "Committee") will continue to implement these policies throughout 2017, subject to reapproval by shareholders.

Role, Membership and Attendance

The Committee is responsible for setting the remuneration of the executive Directors. The Chairman and Chief Executive are consulted on proposals relating to the remuneration of the Finance Director and designated senior management and, where appropriate, are invited by the Committee to attend meetings, but are not present when their own remuneration is considered. Remuneration of the non-executive Directors is agreed by the Board as a whole.

The full scope of 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 at www.huntingplc.com.

The Committee consists entirely of independent non-executive Directors. The Committee met 6 times during the year and attendance details are shown in the table on page 53.

During the year, and to the date of signature of the accounts, the members of the Committee and their unexpired term of office were:

Director	Latest appointment date	Unexpired term as at 2 March 2017
John Hofmeister (Committee Chairman)	29 August 2015	18 months
Annell Bay	2 February 2015	11 months
Jay Glick	2 February 2015	11 months
John Nicholas	29 August 2015	18 months

External Advisers

During the year, Kepler Associates, 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. All firms were subject to a formal tender process prior to appointment and are regarded as independent having been appointed by and acting under direction of the Committee. The total cost of advice to the Committee over the year to 31 December 2016 was $49,073 (2015 – $164,913) and reflects fees paid in respect of the review of remuneration, share plans and the remuneration reporting disclosure requirements. These fees were charged on a time incurred basis for the provision of these services.

Shareholder Voting at the 2016 Annual General Meeting ("AGM")

At the AGM of the Company held in April 2016, the resolution to approve the Annual Report on Remuneration received the following votes from shareholders:

	Number of votes	% of votes cast
For	97,591,261	90.7
Against	9,990,406	9.3
Votes withheld[i]	6,719	–
Total votes cast	107,588,386	100.0

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

The current Directors' Remuneration Policy was approved by shareholders at the Company's 2014 AGM, following the receipt of 91.5% votes for the resolution.

Development of a new Directors' Remuneration Policy

During the latter part of 2016, the Committee reviewed the shareholder approved Directors' Remuneration Policy and concluded that no material amendments were required. Certain minor amendments were incorporated to the revised Policy, which reflect guidance issued by the Financial Reporting Council and GC100 group and other parties since 2014. The amendments focus on the area of Committee discretion and the likely operation of discretion for the period of the next policy. As no major amendments were proposed following this review, shareholders were not consulted on the new 2017 Directors' Remuneration Policy. The revised Policy will be tabled for shareholder approval on 12 April 2017.

Director Remuneration (audited)

	Fixed remuneration				Variable remuneration				
2016	**Base salary/ fees[i] $'000**	**Benefits[ii] $'000**	**Pension[iii] $'000**	**Sub total $'000**	**Annual cash bonus[iv] $'000**	**HPSP awards[vi] $'000**	**Sub total $'000**	**Other remuneration[ix] $'000**	**Total remuneration 2016 $'000**
Executives									
Dennis Proctor	**786**	**73**	**82**	**941**	**–**	**309**	**309**	**–**	**1,250**
Peter Rose	**404**	**30**	**244**	**678**	**–**	**87**	**87**	**–**	**765**
Non-executives									
Annell Bay[x]	**81**	**–**	**–**	**81**	**–**	**–**	**–**	**–**	**81**
Jay Glick[x]	**81**	**–**	**–**	**81**	**–**	**–**	**–**	**–**	**81**
John Hofmeister[xi]	**108**	**–**	**–**	**108**	**–**	**–**	**–**	**–**	**108**
Richard Hunting[xii]	**167**	**–**	**–**	**167**	**–**	**–**	**–**	**–**	**167**
John Nicholas[xi]	**95**	**–**	**–**	**95**	**–**	**–**	**–**	**–**	**95**
Total	**1,722**	**103**	**326**	**2,151**	**–**	**396**	**396**	**–**	**2,547**

	Fixed remuneration				Variable remuneration				
2015	Base salary/ fees[i] $'000	Benefits[ii] $'000	Pension[iii] $'000	Sub total $'000	Annual cash bonus[v] $'000	PSP/ LTIP awards[vii/viii] $'000	Sub total $'000	Other remuneration[ix] $'000	Total remuneration 2015 $'000
Executives									
Dennis Proctor	786	71	174	1,031	–	–	–	–	1,031
Peter Rose	456	44	60	560	–	–	–	–	560
Non-executives									
Annell Bay[x]	84	–	–	84	–	–	–	–	84
Jay Glick[x]	84	–	–	84	–	–	–	–	84
John Hofmeister[xi]	122	–	–	122	–	–	–	–	122
Richard Hunting[xii]	296	–	–	296	–	–	–	–	296
John Nicholas[xi]	107	–	–	107	–	–	–	–	107
Total	1,935	115	234	2,284	–	–	–	–	2,284

Notes:

i. Executive Directors' salaries and non-executive Director fees were frozen during 2016. The movement in the £:$ exchange rate in the year has the effect of showing a year-on-year decrease for the majority of Board members with the exception of Dennis Proctor whose base salary is determined and paid in US dollars. Average £:$ exchange rate in the year was 1.3554 (2015 – 1.5286).

ii. Benefits include the provision of healthcare insurance, a company car and fuel benefits.

iii. Dennis Proctor's single figure pension remuneration represents the total Company contributions paid to his US pension arrangements. Up to 30 June 2016, Peter Rose contributed to the Defined Benefit section of the Hunting Pension Scheme operated in the UK. From 1 July 2016, Mr Rose received a cash sum in lieu of a pension contribution. Mr Rose's 2016 single figure pension remuneration has therefore been calculated in a consistent way in accordance with the regulations and represents 20 times the increase in his accrued pension over 2015 after allowing for CPI inflation and deducting his own pension contributions for the first six months of the year (totalling $193,822), with his pro-rated cash sum added to this figure for the last six months of 2016 (totalling $50,489).

iv. As noted in the Letter from the Chairman of the Remuneration Committee, there were no annual bonus awards made to the executive Directors during 2016.

v. There were no annual bonus awards made to the executive Directors during 2015.

vi. The 2014 awards under the HPSP had a three-year performance period to 31 December 2016. The performance conditions, as noted in the Letter from the Remuneration Committee Chairman on pages 61 and 62, were measured in Sterling at the end of the performance period by Kepler Associates resulting in a nil vesting. Subject to shareholder approval at the AGM on 12 April 2017, the Remuneration Committee is proposing exercising discretion to remeasure the TSR performance condition using the domestic currencies of each member of the comparator group to approve a 49.9% vesting of the TSR portion of the 2014 HPSP award, being equivalent to 16.63% vesting of the total award value. On this basis, and conditional on shareholder approval at the AGM of the Remuneration Committee exercising its discretion to remeasure the TSR using domestic currencies of each member of the comparator group of the TSR, 42,423 Ordinary shares would be awarded to Dennis Proctor and 12,016 Ordinary shares would be awarded to Peter Rose on 1 May 2017. For the purposes of the single figure noted above, the average share price across the final quarter of 2016 was adopted, being 539.4 pence and a foreign exchange rate of 1.2357 being the £:$ exchange rate as at 31 December 2016 was applied to the value of this award. Dividends paid in the period, totalling 60.8 cents per vested share were added to the value of the award, in line with the rules of the HPSP. Final award values will be recorded in the 2017 Annual Report on Remuneration.

vii. The 2013 awards under the PSP had a three-year performance period to 20 March 2016. The awards were measured on this date against the performance conditions, with a nil vesting recorded. No payments were therefore made to the executive Directors.

viii. In accordance with the rules under the 2004 Long-Term Incentive Plan ("LTIP") and the three-year cycle ending 31 December 2015, the incentive pool was $nil, resulting in no payments to either Dennis Proctor or Peter Rose.

ix. Other remuneration represents additional UK tax payable under a tax equalisation agreement, where applicable.

x. Annell Bay and Jay Glick were appointed as Directors on 2 February 2015.

xi. John Hofmeister receives additional fees as Senior Independent Director and as Chairman of the Remuneration Committee. John Nicholas receives an additional fee as Chairman of the Audit Committee.

xii. Richard Hunting's annual fee was reduced to $135,540 (£100,000), effective from 1 April 2016.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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

	Fixed remuneration				Variable remuneration			
2016	**Base salary/ fees £'000**	**Benefits £'000**	**Pension £'000**	**Sub total £'000**	**Annual cash bonus £'000**	**HPSP awards £'000**	**Sub total £'000**	**Total remuneration 2016 £'000**
Executives								
Peter Rose	**298**	**22**	**180**	**500**	**–**	**70**	**70**	**570**
Non-executives								
Annell Bay[i]	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**60**
Jay Glick[i]	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**60**
John Hofmeister[ii]	**80**	**–**	**–**	**80**	**–**	**–**	**–**	**80**
Richard Hunting[iii]	**123**	**–**	**–**	**123**	**–**	**–**	**–**	**123**
John Nicholas[ii]	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**

	Fixed remuneration				Variable remuneration			
2015	Base salary/ fees £'000	Benefits £'000	Pension £'000	Sub total £'000	Annual cash bonus £'000	PSP/ LTIP awards £'000	Sub total £'000	Total remuneration 2015 £'000
Executives								
Peter Rose	298	29	39	366	–	–	–	366
Non-executives								
Annell Bay[i]	55	–	–	55	–	–	–	55
Jay Glick[i]	55	–	–	55	–	–	–	55
John Hofmeister[ii]	80	–	–	80	–	–	–	80
Richard Hunting[iii]	194	–	–	194	–	–	–	194
John Nicholas[ii]	70	–	–	70	–	–	–	70

Notes:
i. Annell Bay and Jay Glick were appointed as Directors on 2 February 2015.
ii. John Hofmeister receives additional fees as Senior Independent Director and as Chairman of the Remuneration Committee and John Nicholas receives an additional fee as Chairman of the Audit Committee.
iii. Richard Hunting's fee was reduced to £100,000 with effect from 1 April 2016.

Salary and Fees

In December 2015, the executive Directors reviewed the independent non-executive Directors' fees, which resulted in no changes being made for 2016.

Further, in March 2016, the Committee met to discuss adjustments to the base salaries of the executive Directors. Following discussion, and recognising the prevailing market conditions that Hunting operates within, the Committee decided again to freeze base salaries for 2016.

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 2016, the Group contributed $65,802 (2015 – $158,589) to that arrangement. There are no additional benefits provided on early retirement from this arrangement. The Group also contributed $15,900 in 2016 (2015 – $15,900) to his US 401K deferred savings plan.

During 2016, Peter Rose's pension arrangements were amended following the decision by the Group to cease contributions to the defined benefit section of the Hunting Pension Scheme (the "Scheme") operated in the UK. As a member of the Scheme, Mr Rose contributed to the Pension Scheme up to 30 June 2016, the date on which all Group contributions ceased. Following consultation with the Committee's independent remuneration advisors, Mr Rose has been compensated for this loss of benefit by a cash sum in lieu of a company pension contribution to the value of 25% of his annual base salary. This arrangement was effective from 1 July 2016. Mr Rose's single figure pension contribution noted on page 73 reflects the Group's net increase to the accruals of the Scheme, multiplied by the HMRC multiple of 20, totalling $193,822, with his cash lump sum of $50,489 added to this figure, reflecting contributions received in lieu of a pension contribution. Mr Rose's accrued pension as at 31 December 2016 amounted to $167,000 p.a. (2015 – $177,000 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 without any actuarial reduction for early retirement applied to his accrued pension.

Annual Performance-Linked Cash Bonus Plan (audited)

The annual performance-linked cash bonus plan entitles the executive Directors to cash bonus payments when the actual financial results of the Group achieve pre-set financial targets based on the Group's Annual Budget. The bonus has the potential to be adjusted to reflect the delivery of personal performance targets.

The approved Annual Budget reflected the prevailing market conditions across the energy sector, with the 2016 budgeted underlying PBT and ROCE being set at $29.8m and 2.4% respectively. Underlying PBT and ROCE reported in 2016 were a loss of $93.2m and -7.7% respectively. Due to the 2016 outturn, no annual bonus was payable to either executive Director. In January 2016, the Committee set personal performance targets for each executive Director. The targets and outcome, including the personal performance adjustor applied to the bonus, of each executive Director are summarised below:

Description of target	Assessment and outcome
• Strategic Planning • Dynamic Leadership in a Volatile Period • Succession (Chief Executive only) • Organisational Effectiveness (Finance Director only)	The Committee reviewed the delivery of the 2016 personal performance objectives by the executive Directors and agreed that each Target had been delivered. In particular the Committee noted the leadership by the executive Directors during the current subdued trading environment. However, given that the threshold vesting performance conditions had not been met, no bonuses were paid to the executive Directors.

The 2015 actual results also failed to meet the annual budgeted underlying PBT and ROCE targets, resulting in no bonus payments to the executive Directors.

2014 HPSP Vesting (audited)

On 31 December 2016, the 2014 awards under the HPSP were measured against the performance conditions following completion of the three-year performance period. The performance conditions are noted on page 65 and include: underlying diluted EPS; underlying ROCE; and relative TSR against a comparator group of 38 companies. A summary of the three-year EPS and ROCE performance is detailed below:

	2013 (Base year)	2014	2015	2016	Reported three-year performance	Required threshold vesting target	% Vesting outcome
Underlying diluted EPS	94.5c	100.0c	3.1c	-45.3c	Negative	6.0%	Nil
Underlying ROCE	12.3%	13.1%	1.1%	-7.7%	Average = 2.2%	12.0%	Nil

The Total Shareholder Return performance condition as set out in the award was measured by Kepler Associates and resulted in a nil vesting. The performance condition, as set out in the award, required the TSR performance condition to be measured in UK Sterling, unless the Remuneration Committee determines otherwise. This basis of comparison was new to this plan; prior plans were measured on a domestic currency basis. The Committee noted this change in methodology and other operational factors to the determination of TSR, including Hunting's US$ based operations and reporting currency, the percentage of employees domiciled in the US and that the majority of the HPSP comparator group are located in North America and concluded that a domestic currency basis would be more appropriate for the TSR performance condition. Other considerations to this proposal included the currency volatility, particularly between the US$ and Sterling during the 2014-2016 performance period which also affects other subsisting awards and also the Committee's belief that the industry environment is improving and that retention of key management is imperative (as noted in the Group's Principal Risks) in the short to medium term. The Committee therefore decided to consult shareholders on changing the method of measurement for TSR in February 2017 and a resolution is being submitted to shareholders for approval at the Company's April 2017 AGM to seek confirmation of this change for future and subsisting awards. Conditional on shareholder approval, the Committee is proposing to use domestic currencies in comparing TSRs for all HPSP awards, including the maiden HPSP award which vests on 1 May 2017, providing consistency for management and shareholders, rather than introducing a fundamental change to the way the TSR is calibrated. The Committee intends to continue using this basis for all future cycles.
The remeasurement resulted in a 49.9% vesting of this segment of the award, given an above median performance against the comparator group, which corresponds to a vesting of 16.63% of the total awards granted to the executive Directors in 2014, subject to shareholder approval being received. This partial vesting would lead to 42,423 Ordinary shares being awarded to Dennis Proctor and 12,016 Ordinary shares being awarded to Peter Rose on 1 May 2017, the vesting date of the awards. For the purposes of the single figure table on page 73, the value of the awards corresponds with the number of vested shares, multiplied by the average share price of Hunting PLC across the final quarter of 2016 of 539.4 pence, applying a £:$ exchange rate of 1.2357, being the £:$ exchange rate as at 31 December 2016. Dividends paid during the performance period totalling 60.8 cents per share were added to the value of the award. The total award value to Dennis Proctor was determined to be $308,558 and the award to Peter Rose was determined to be $87,397. The final value of the awards to both executive Directors following vesting, will be recorded in the 2017 Annual Report on Remuneration.

2013 PSP Vesting (audited)

The 2013 awards granted under the PSP were measured by New Bridge Street on 20 March 2016 and resulted in a zero vesting. The 2013 awards to the Chief Executive and Finance Director duly lapsed with no shares vesting for either executive Director.

2013 LTIP Vesting (audited)

On 31 December 2015, the 2013 award under the LTIP for the three-year period commencing 1 January 2013 was measured in accordance with the plan rules and resulted in an incentive pool of $nil. As a result of this, no payments were made to either executive Director.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

2016 HPSP Grant (audited)

On 11 March 2016, 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 HPSP. Awards will vest on 11 March 2019, subject to the achievement of the performance conditions detailed on page 65 of the Policy. Details of the grant are as follows:

Director	Award as % of base salary	Number of shares awarded	Face value of award at threshold vesting of 25% $	Face value of maximum award vesting at 100% $
Dennis Proctor	450%	589,593	794,426	3,177,703
Peter Rose	210%	166,991	225,006	900,024

The targets for each performance condition are as follows:

Performance condition	Threshold vesting target	Maximum vesting target
TSR	Median	Upper Quartile
EPS[i]	4%	15%
ROCE[i]	10%	17%

i. Averaged over the three-year performance period

The following quoted businesses comprise the TSR comparator group for the 2016 award:

Aker Solutions
Dril-Quip
Flotek Industries
FMC Technologies
Forum Energy Technologies
Frank's International
National Oilwell Varco
Oil States International
Schoeller-Bleckmann
Superior Energy Services
Tenaris
Vallourec
Weatherford International
Weir Group

The face value of the 2016 award is based on the closing mid-market share price on 11 March 2016, which was 374.75 pence. In 2016, the Committee incorporated a fourth performance condition to the HPSP, based on Hunting's Quality Assurance data, for senior managers of the Group. The awards to the executive Directors do not incorporate this additional performance condition.

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

No payments were made in the year to past Directors or in respect of loss of office.

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

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

Director[i]	**At 31 December 2016**	At 31 December 2015
Non-executive Chairman		
Richard Hunting	**466,583**	463,306
– as trustee	**979,049**	979,049
– as Director of Hunting Investments Limited	**11,073,487**	11,073,487
Executives		
Dennis Proctor	**1,748,544**	1,748,544
Peter Rose	**87,923**	86,864
Non-executives		
Annell Bay	**8,000**	3,500
Jay Glick	**13,500**	13,500
John Hofmeister	**25,000**	25,000
John Nicholas	**11,000**	11,000

i. Beneficial share interests are those Ordinary shares owned by the Director or spouse which the Director is free to dispose of.

There have been no further changes to the Directors' share interests in the period 31 December 2016 to 2 March 2017.

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

The required shareholding of each Director and the current shareholding as a multiple of base salary as at 31 December 2016 is presented below:

Director	Required holding expressed as a multiple of base salary or fee	Value of holding in shares including the post-tax value of vested but unexercised share awards and options expressed as a multiple of base salary or fee as at 31 December 2016
Dennis Proctor	5	17.3
Peter Rose	2	1.9
Annell Bay	1	0.8
Jay Glick	1	1.4
Richard Hunting	1	29.3
John Hofmeister	1	2.0
John Nicholas	1	1.0

Directors have five years from 1 January 2014 (or from the date of appointment to the Board) in which to satisfy the shareholding requirement.

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

The vesting of options and awards are subject to performance conditions set out within the Policy on pages 68 and 69.

Director	Interests at 1 January 2016	Options/ awards granted in year	Options/ awards exercised in year	Options/ awards lapsed in year	Interests at 31 December 2016	Exercise price p	Grant date	Date from which exercisable	Expiry date	Scheme
Dennis Proctor	104,178	–	(104,178)	–	–	383.0	08.03.06	08.03.09	07.03.16	ESOP
	64,688	–	–	–	64,688+	640.0	06.03.07	06.03.10	05.03.17	ESOP
	55,449	–	–	–	55,449+	784.5	04.03.08	04.03.11	03.03.18	ESOP
Sub total	224,315	–	(104,178)	–	120,137					
	52,516	–	–	(52,516)	–	nil	20.03.13	20.03.16	–	PSP
Sub total	52,516	–	–	(52,516)	–					
	255,050	–	–	–	255,050^	nil	01.05.14	01.05.17	–	HPSP
	372,534	–	–	–	372,534^	nil	28.04.15	28.04.18	–	HPSP
	–	589,593	–	–	589,593^	nil	11.03.16	11.03.19	–	HPSP
Sub total	627,584	589,593	–	–	1,217,177					
Total	**904,415**	**589,593**	**(104,178)**	**(52,516)**	**1,337,314**					
Peter Rose	18,277	–	(18,277)	–	–	383.0	08.03.06	08.03.09	07.03.16	ESOP
	15,000	–	–	–	15,000+	640.0	06.03.07	06.03.10	05.03.17	ESOP
	21,670	–	–	–	21,670+	784.5	04.03.08	04.03.11	03.03.18	ESOP
Sub total	54,947	–	(18,277)	–	36,670					
	21,119	–	–	(21,119)	–	nil	20.03.13	20.03.16	19.03.23	PSP
Sub total	21,119	–	–	(21,119)	–					
	72,238	–	–	–	72,238~	nil	01.05.14	01.05.17	30.04.24	HPSP
	105,513	–	–	–	105,513~	nil	28.04.15	28.04.18	27.04.25	HPSP
	–	166,991	–	–	166,991~	nil	11.03.16	11.03.19	11.03.26	HPSP
Sub total	177,751	166,991	–	–	344,742					
Total	**253,817**	**166,991**	**(18,277)**	**(21,119)**	**381,412**					

+ 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 HPSP 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 HPSP rules.

On 4 March 2016, under the rules of the Hunting PLC Executive Share Option Plan, Mr Proctor exercised 104,178 share options at a price of 383.0 pence per share and subsequently sold them at 430.0 pence per share. On the same day, Mr Rose exercised 18,277 share options at a price of 383.0 pence per share. Mr Rose subsequently sold 17,218 Ordinary shares in order to cover tax and exercise costs at a price of 430.0 pence per Ordinary share and retained 1,059 Ordinary shares.

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Executive Director Remuneration and the Wider Workforce

The changes to the remuneration of the Chief Executive in 2016 compared to 2015 and those of the total workforce are as follows:

	Chief Executive	Average employee
Base salary	Nil	+3.6%
Bonus	Nil	-100.0%
Benefits	+2.8%	+12.8%

Relative Importance of Spend on Pay

The table below shows the relative importance of spend on employee remuneration in relation to corporate taxation, dividends and capital investment. The choice of performance metrics represents certain operating costs of the Group and the use of operating cash flows in delivering long-term shareholder value.

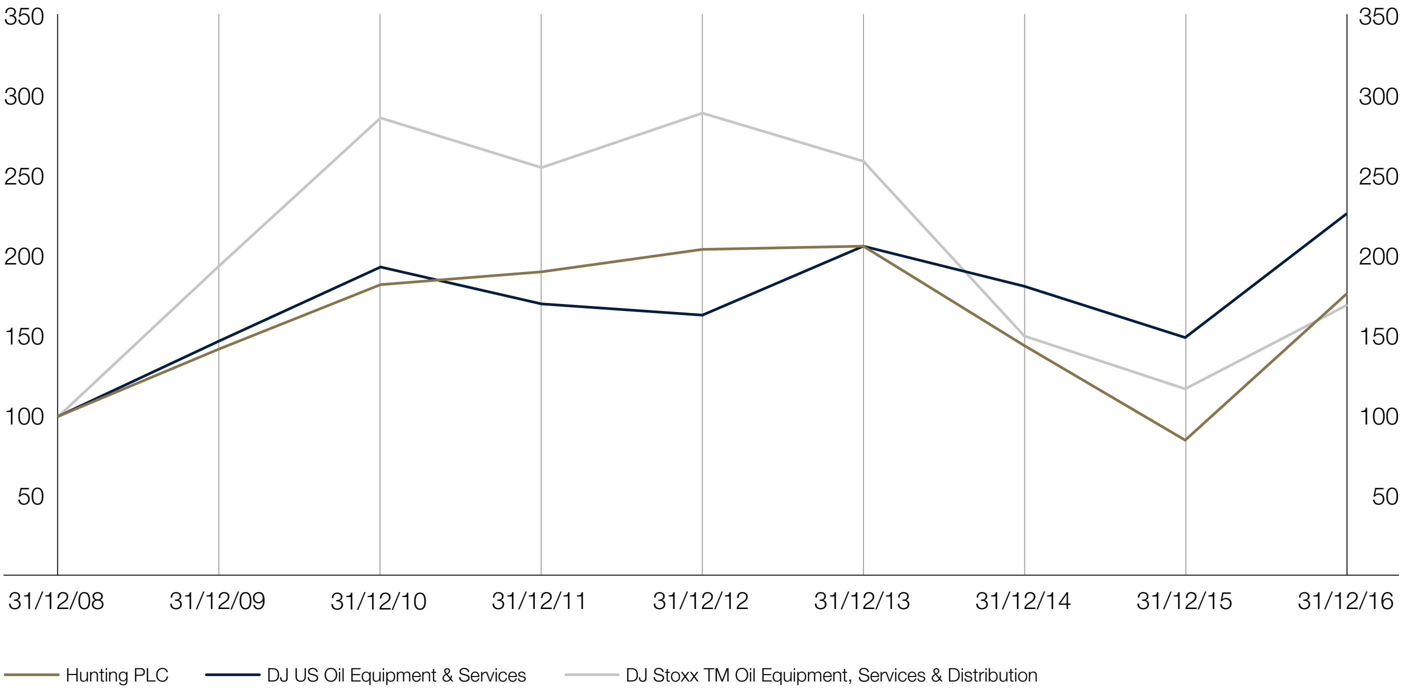
	2016 $m	2015 $m	Change
Employee remuneration[i]	**187.7**	247.5	-24.2%
Corporate tax (received) paid[ii]	**(31.3)**	10.5	n/a
Dividends paid[ii]	**5.9**	39.8	-85.2%
Capital investment[ii]	**17.2**	81.1	-78.8%

i. Includes staff costs for the year (note 9) plus benefits in kind of $30.5m (2015 – $39.9m) which primarily comprises US medical insurance costs.
ii. Please refer to the Consolidated Statement of Cash Flows on page 91.

Executive Director Remuneration and Shareholder Returns

The following chart compares the TSR of Hunting PLC between 2008 and 2016 to the DJ Stoxx TM Oil Equipment, Services and Distribution and DJ 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.

TOTAL SHAREHOLDER RETURN
(REBASED TO 100 AT 31 DECEMBER 2008)



Summary Table of Chief Executive's Remuneration

The accompanying table details remuneration of the Chief Executive:

	Single figure remuneration[i] $'000	Annual cash bonus %[ii]	ESOP/PSP/ HPSP % vesting[iii]	LTIP % award[iv]
2016	1,250	Nil	17	n/a
2015	1,031	Nil	Nil	Nil
2014	4,808	57	Nil	100
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

i. Single figure remuneration reflects the aggregate remuneration paid to the Chief Executive as defined within the Directors' Remuneration Policy located at www.huntingplc.com.
ii. Annual cash bonus percentages reflect the bonus received by the Chief Executive each year expressed as a percentage of maximum bonus opportunity.
iii. Percentage vesting reflects the % of the ESOP that vested in the financial year and the % of the PSP and HPSP where a substantial portion of the performance period was completed at the financial year end.
iv. LTIP award percentage reflects the award value expressed as a percentage of maximum award opportunity received each year measured at 31 December. The LTIP expired in 2015, with no further awards outstanding.

Implementation of Policies in 2017

The remuneration policies for 2017 will be applied in line with those detailed on pages 63 to 71. The revised Directors' Remuneration Policy to be tabled at the Company's Annual General Meeting on 12 April 2017 can be found on pages 63 to 71 or on the Company's website at www.huntingplc.com.

In December 2016, the Board concluded that in the current trading environment there would be no changes made to fees payable to the non-executive Directors for 2017.

In February 2017, the Committee met to discuss base salary changes for the executive Directors, and concluded that due to the poor market environment in which the Company operated in during the year, including the reduction in workforce programme, that there would be no change to the base salaries payable to the executive Directors for 2017.

The annual performance-linked cash bonus for 2017 will be operated in line with the Policy detailed on page 64. The Committee will disclose details of the retrospective performance against the pre-set financial and personal performance targets, as the Board believes that forward disclosure of these targets is commercially sensitive.

The Committee plans to grant nil-cost share awards or options to the Chief Executive and Finance Director under the HPSP in March 2017. The awards will be in line with the rules of the HPSP and subject to the following performance conditions:

Proportion of awards	Performance conditions	Minimum performance target	Maximum performance target
One-third	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.
One-third	Underlying EPS	25% vests if the EPS in 2019 is 40 cents per share.	100% vests if the EPS in 2019 is 60 cents per share.
One-third	Underlying ROCE	25% vests if ROCE in 2019 is 8%.	100% vests if ROCE in 2019 is 15%.

JOHN HOFMEISTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

2 March 2017

Report on the Financial Statements

Our opinion

In our opinion:

- Hunting PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's loss and the Group's and the 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 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 December 2016;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the Group and Company financial statements, which include a summary of principal accounting policies and other explanatory information.

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

Our audit approach

Overview

Materiality	• Overall Group materiality was set at $5.0 million which represents approximately 5% of three year average absolute profit or loss before tax from continuing operations adjusted for the impairment of goodwill and other non-current assets.
Audit scope	• We conducted audit work in seven countries covering 22 reporting units and visited a number of audit locations, including the one financially significant component, Hunting Perforating Systems. • Components where we performed audit work accounted for approximately 94% of Group revenues and over 90% of Group absolute adjusted profit or loss before tax from continuing operations.
Areas of focus	• Goodwill and non-current asset impairment assessment. • Inventory valuation. • Direct tax exposures and recognition of deferred tax assets. • Refinancing and equity raising.

The scope of our audit and our areas of focus

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Goodwill and non-current asset impairment assessment *Refer to page 58 (Audit Committee report), Note 2 (critical accounting estimates and judgements), Note 37 (principal accounting policies) and Notes 14, 15 and 16.* The Group holds $229.8 million of goodwill on the balance sheet which is tested at least annually for impairment. Additional intangible assets held by the Group, including customer relationships, unpatented technology and patents & trademarks, total $150.7 million and the Group has property, plant and equipment of $419.0 million. Other non-current assets are tested for impairment if impairment triggers are identified. Determining the recoverable amount of non-current assets for impairment purposes is a judgemental and complex area as it depends on the future financial performance of the cash generating unit ("CGU") and future market performance. While there have been signs of improvement in the oil and gas market towards the end of 2016, there remains uncertainty as a result of the impact of the relatively low oil prices. As such, the key area of focus is the carrying value of assets, with our focus on judgemental areas being the forecast revenue and margin growth rate, terminal growth rates and discount rates. Management's calculated recoverable amounts exceed the carrying value of all CGUs. As a result, there have been no impairment charges recognised in the current year. Several CGUs remain sensitive to reasonably possible changes in key assumptions and, as such, sensitivity analysis has been included in notes 14 and 15.	We tested management's identification of the CGUs, considering business changes that would prompt a change to the classification of CGUs. In order to test the impairment models, we challenged whether the future cash flow forecasts and the timing of the forecast recovery in performance of these forecasts for the identified CGUs were appropriate. More specifically, we challenged the key assumptions as follows: • Forecast revenue and margin growth rate assumptions and how management has incorporated the impact of the decline in oil prices, by comparing them to historical results, comparing the short and medium term growth rates to independent specialist third party published reports and considering the impact already observed within the market; • Terminal growth rates by comparing them to economic and industry forecasts; and • Discount rates by comparing the cost of capital assumption for each CGU against comparable organisations and our independently calculated discount rates. We found the above assumptions to be in line with our expectations and that management has followed a clear process for drawing up the future cash flow forecasts, which was subject to oversight and challenge by the Directors and which was consistent with Board approved budgets and mid-term forecasts. In addition to evaluating management's assessments, a "sum of the parts" valuation exercise was undertaken by comparing the Group's net book value and recoverable amount valuation to the Group's market capitalisation. We compared the results with observable implied premiums for similar groups within the industry, noting that the Group's result was within that range. In respect of all CGUs, we sensitised each key driver of the cash flow forecasts, including the underlying assumptions listed above, by determining what we considered to be a reasonably possible change in the assumptions, based on current market data and historical and current business performance. In addition we calculated the degree to which the key assumptions would need to change before an impairment was triggered. Having satisfied ourselves on the key assumptions, sensitivities and "sum of the parts" valuation, we assessed the likelihood of movements in key assumptions required to trigger an impairment and by comparison to sensitised forecasts and possible change in discount rates and concluded that it was unlikely.
Inventory valuation *Refer to page 58 (Audit Committee Report), Note 2 (critical accounting estimates and judgements), Note 37 (principal accounting policies) and Note 20.* The Group holds inventory of $259.7 million. This inventory is subject to the changing industry demands of the oil and gas market. As a result of the decline experienced in the market over the last two years, pricing pressure has increased the risk of inventory being carried at an amount greater than its net realisable value. Consideration as to inventory obsolescence is additionally required following the slowdown in the oil and gas market. Key to these judgements is management's expectations for future sales and inventory utilisation plans.	For all categories of inventory, we have critically reviewed the basis for the provisions recorded to reduce the carrying value of inventory below cost, the consistency of provisioning in line with the Group's accounting policy and the rationale for the recording of provisions. We assessed the nature of the Group's inventory and the durability thereof through discussion with management, inspection of inventory and review of the utilisation of aged inventory products. We agreed with management that the evidence obtained demonstrated that the nature of the Group's inventory is not perishable and the risk of technical obsolescence by age is low. Specifically, we have: • Considered the available support, including current sales transactions, used to determine an appropriate net realisable value; • Understood the ageing profile of the Group's inventory and management's assessment for obsolescence; and • Confirmed that where the cost of inventory is higher than its net realisable value, an appropriate provision has been made. From the procedures performed, we obtained evidence that the inventory was not carried at amounts higher than net realisable value and concluded that it was unlikely that additional inventory provisions were required.

Area of focus	How our audit addressed the area of focus
Direct tax exposures and recognition of deferred tax assets *Refer to page 58 (Audit Committee Report), Note 2 (critical accounting estimates and judgements), Note 37 (principal accounting policies) and Notes 11 and 19.* The Group operates in a number of different countries and is therefore subject to many tax regimes around the world. Provisions are estimated for uncertain tax positions and disputes with tax authorities, including transactions between Group companies. In addition, following taxable losses incurred in the current and prior year, there are estimates made in relation to the recoverability and recognition of deferred tax assets arising from such losses. The Group has recognised deferred tax assets of $5.6 million in relation to tax losses, with related unrecognised deferred tax assets of $30.9 million. We considered this an area of focus because of the judgement required by management to assess matters across multiple jurisdictions and to determine the recoverability of assets into the future.	We discussed potential direct tax exposures with senior Group management, and the basis for their positions with the Group's in-house tax specialists. We evaluated the calculations of the provisions, and considered: • The accuracy of the calculations and ensured that appropriate tax rates have been used; and • Key judgements made by management in determining the probability of potential outcomes. Our evaluation of these judgements included using our tax specialists, in the UK and overseas, and with experience in the oilfield services industry as well as our experience of similar challenges elsewhere. We evaluated the recognition of deferred tax assets in relation to tax losses and considered: • The accuracy of the calculations of total deferred tax assets available and ensured that appropriate tax rates have been used; • Key judgements made by management in determining the probability of future forecast taxable profits to utilise brought forward tax losses, consistent with the cash flow forecasts used for impairment assessments; and • Assessed the basis on which deferred tax assets have been recognised by comparison to forecast taxable profits. Through these procedures we evaluated the level of the provisions recognised, the recognition of deferred tax assets and the disclosures included in the financial statements, which we consider to be in line with the Group's policies and methodology and relevant accounting standards.
Refinancing and equity raising *Refer to page 59 (Audit Committee Report), Note 37 (principal accounting policies) and Notes 22, 23, 27 and 30.* As a result of the decline in financial performance of the Group during the previous financial year and the first half of the current year, there was significant pressure on the Group's revolving credit facility ("RCF") covenants. In order to address this and to increase the flexibility of the Group's balance sheet, management renegotiated the Group's RCF, resulting in a reduction in the size of the available facility, limits on capital expenditure and new asset-based debt and cash flow covenants. Additionally, the Group undertook an equity placing, raising net proceeds of $83.9 million in October 2016. These funds were used by the Group to pay down debt, providing additional headroom against the amended covenant requirements.	With regards to the renegotiation of the RCF, we tested the cash flows on refinancing to the terms of the renegotiated agreement. We considered covenant compliance under the terms of the RCF through management's extended forecast period, including downside sensitivities. With regards to the equity placement, we have validated the funds raised to the transaction documents and cash receipts to test the shares issued. We assessed the classification of amounts credited to equity by comparison to the terms of the transaction documents. Through these procedures we considered the accounting adopted for the refinancing and equity raising, and the related disclosures, to be in line with relevant accounting standards.

How we tailored the audit scope

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK & Ireland)”).

The Group financial statements are a consolidation of entities covering non-trading legal entities, centralised functions and operating units, totalling 60 reporting units.

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.

The Group’s reporting units vary significantly in size and we identified 10 reporting units that, in our view, required an audit of their complete financial information, due to their size or risk characteristics. Specific audit procedures over certain balances and transactions were performed at a further 12 reporting units, to give appropriate coverage of all material balances at the Group level. In doing so we conducted work in seven countries and the Group audit team visited certain reporting locations in the US, including Hunting Perforating Systems, the one financially significant component. Together, the reporting units subject to audit procedures accounted for approximately 94% of Group revenues and over 90% of Group absolute adjusted profit or loss before tax from continuing operations. Further, specific audit procedures over central functions and areas of significant judgement, including taxation, treasury, pensions and impairment, were performed by the Group audit team centrally.

Materiality

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

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

Overall group materiality	$5.0 million (2015 – $5.0 million).
How we determined it	Approximately 5% of three year average absolute profit or loss before tax from continuing operations, adjusted for the impairment of goodwill and other non-current assets.
Rationale for benchmark applied	We applied this benchmark because, in our view, this is an appropriate metric against which the performance of the Group is measured and of the recurring Group performance. This is consistent with the prior year benchmark and reflects the fact that Hunting's 2016 result is significantly lower than more normalised levels due to the current downturn in the market.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $0.5 million and $4.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $0.3 million (2015 – $0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 56, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and 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 Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements
Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting
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 Company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• The statement given by the Directors on page 59, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), 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 and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• The section of the Annual Report on page 58, as required by provision C.3.8 of the Code, 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.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• The Directors' confirmation on page 38 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• The Directors' explanation on page 38 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

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

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

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 56, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

NICHOLAS CAMPBELL-LAMBERT
(SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2017

The maintenance and integrity of the Hunting PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

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

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2016

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

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

DENNIS PROCTOR
DIRECTOR

PETER ROSE
DIRECTOR

Registered number: 974568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2016						
At 1 January		**61.7**	**153.0**	**15.7**	**911.5**	**1,141.9**	**26.2**	**1,168.1**
Loss for the year		**–**	**–**	**–**	**(107.5)**	**(107.5)**	**(5.6)**	**(113.1)**
Other comprehensive expense		**–**	**–**	**(18.3)**	**(4.0)**	**(22.3)**	**(3.3)**	**(25.6)**
Total comprehensive expense		**–**	**–**	**(18.3)**	**(111.5)**	**(129.8)**	**(8.9)**	**(138.7)**
Dividends to equity shareholders	33	**–**	**–**	**–**	**(5.9)**	**(5.9)**	**–**	**(5.9)**
Shares issued								
– share option schemes and awards	30	**0.1**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
– share placing	30 & 31	**4.5**	**–**	**81.5**	**–**	**86.0**	**–**	**86.0**
– share placing costs	31	**–**	**–**	**(2.1)**	**–**	**(2.1)**	**–**	**(2.1)**
Treasury shares								
– purchase of Treasury shares	32	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**–**	**(1.8)**
Share options and awards								
– value of employee services	31	**–**	**–**	**8.0**	**–**	**8.0**	**–**	**8.0**
– discharge	31 & 32	**–**	**–**	**(6.0)**	**7.5**	**1.5**	**–**	**1.5**
– taxation	32	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Investment by non-controlling interest		**–**	**–**	**–**	**–**	**–**	**2.0**	**2.0**
Total transactions with owners		**4.6**	**–**	**81.4**	**–**	**86.0**	**2.0**	**88.0**
At 31 December		**66.3**	**153.0**	**78.8**	**800.0**	**1,098.1**	**19.3**	**1,117.4**

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2015						
At 1 January		61.6	151.9	30.7	1,163.9	1,408.1	30.2	1,438.3
Loss for the year		–	–	–	(226.6)	(226.6)	(0.6)	(227.2)
Other comprehensive (expense) income		–	–	(14.5)	9.2	(5.3)	(2.0)	(7.3)
Total comprehensive expense		–	–	(14.5)	(217.4)	(231.9)	(2.6)	(234.5)
Dividends to equity shareholders	33	–	–	–	(39.8)	(39.8)	–	(39.8)
Dividends to non-controlling interests		–	–	–	–	–	(2.0)	(2.0)
Shares issued								
– share option schemes and awards	30	0.1	1.1	–	–	1.2	–	1.2
Treasury shares								
– purchase of Treasury shares	32	–	–	–	(1.4)	(1.4)	–	(1.4)
Share options and awards								
– value of employee services	31	–	–	6.2	–	6.2	–	6.2
– discharge	31 & 32	–	–	(6.7)	6.5	(0.2)	–	(0.2)
– taxation	32	–	–	–	(0.3)	(0.3)	–	(0.3)
Investment by non-controlling interest		–	–	–	–	–	0.6	0.6
Total transactions with owners		0.1	1.1	(0.5)	(35.0)	(34.3)	(1.4)	(35.7)
At 31 December		61.7	153.0	15.7	911.5	1,141.9	26.2	1,168.1

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

1. Basis of Preparation

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

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

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

Adoption of New Standards, Amendments and Interpretations
The following standards, amendments and interpretations have been adopted and are effective for the Group’s accounting period beginning on or after 1 January 2016:

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

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

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

The following standards, amendments and interpretations are effective subsequent to the year end and are being assessed to determine whether there is a significant impact on the Group’s results or financial position:

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

i. Not yet endorsed by the European Union.

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

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

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

2. Critical Accounting Estimates and Judgements

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

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

2. Critical Accounting Estimates and Judgements continued

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

3. Segmental Reporting

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

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

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

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

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

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

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

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

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

3. Segmental Reporting continued

(c) Results from Operations

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

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

i. Relates to amortisation of acquired intangible assets.

3. Segmental Reporting continued

(d) Other Segment Items

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

(e) Geographical Information

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

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

i. Relates to amortisation of acquired intangible assets.

(f) Major Customer Information

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

4. Revenue

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

5. Other Operating Income

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

6. Operating Expenses

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

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

7. Amortisation and Exceptional Items

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

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

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

7. Amortisation and Exceptional Items continued

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

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

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

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

8. Loss from Continuing Operations

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

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

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

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

9. Employees

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

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

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

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

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

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

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

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

The actual number of employees at the year end was:

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

9. Employees continued

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

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

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

10. Net Finance Expense

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

11. Taxation

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

i. Relates to amortisation of acquired intangible assets.

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

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

11. Taxation continued

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

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

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

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

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

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

12. Discontinued Operations

The results from discontinued operations were as follows:

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

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

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

13. Earnings per Share

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

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

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

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

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

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

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

14. Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

14. Property, Plant and Equipment continued

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

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

15. Goodwill

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

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

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

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

15. Goodwill continued

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

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

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

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

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

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

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

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

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

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

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

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

16. Other Intangible Assets

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

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

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

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

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

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

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

16. Other Intangible Assets continued

Individual Material Intangible Assets

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

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

17. Investments

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

18. Trade and Other Receivables

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

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

18. Trade and Other Receivables continued

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

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

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

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

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

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

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

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

19. Deferred Tax

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

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

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

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

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

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

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

19. Deferred Tax continued

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

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

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

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

20. Inventories

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

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

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

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

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

21. Trade and Other Payables

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

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

22. Borrowings

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

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

Analysis of Borrowings by Currency

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

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

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

23. Changes in Net Debt

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

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

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

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

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

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

24. Provisions

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

Provisions are due as follows:

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

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

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

25. Derivatives and Hedging

(a) Currency Derivatives

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

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

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

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

Fair values of derivative financial instruments:

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

(b) Hedge of Net Investments in Foreign Operations

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

26. Financial Instruments: Fair Values

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

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

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

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

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

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

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

27. Financial Risk Management

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

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

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

(a) Foreign Exchange Risk

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

27. Financial Risk Management continued

The Group's material foreign exchange rates are:

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

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

No speculative positions are entered into by the Group.

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

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

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

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

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

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

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

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

27. Financial Risk Management continued

(c) Credit Risk

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

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

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

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

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

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

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

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

(d) Liquidity Risk

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

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

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

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

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

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

27. Financial Risk Management continued

The following tables analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts are the contractual, undiscounted cash flows. The carrying amounts in the balance sheet are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

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

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

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

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

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

(e) Capital Risk Management

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

28. Financial Instruments: Sensitivity Analysis

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

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

28. Financial Instruments: Sensitivity Analysis continued

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

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

Positive figures represent an increase in profit or equity.

(a) Interest Rate Sensitivity

The sensitivity rate of 0.5% (2015 – 0.5%) for US interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

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

(b) Foreign Exchange Rate Sensitivity

The sensitivity rate of 15% (2015 – 10%) for Sterling and 5% (2015 – 10%) Canadian dollar and Singapore dollar exchange rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates.

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

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

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

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

29. Post-Employment Benefits

(a) UK Pensions

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

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

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

29. Post-Employment Benefits continued

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

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

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

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

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

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

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

Changes in the net asset recognised in the balance sheet

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

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

29. Post-Employment Benefits continued

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

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

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

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

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

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

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

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

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

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

29. Post-Employment Benefits continued

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

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

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

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

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

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

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

Mortality assumption – life expectancy

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

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

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

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

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

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

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

29. Post-Employment Benefits continued

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

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

30. Share Capital and Share Premium

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

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

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

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

31. Other Components of Equity

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

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

31. Other Components of Equity continued

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

32. Retained Earnings

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

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

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

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

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

33. Dividends Paid to Equity Shareholders

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

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

34. Share-Based Payments

(a) 2001 Executive Share Option Plan

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

(i) Share Option Movements During the Year

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

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

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

(ii) Share Options Outstanding at the Year End

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

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

(i) Performance-Based Awards and Options

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

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

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

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

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

34. Share-Based Payments continued

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

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

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

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

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

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

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

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

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

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

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

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

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

34. Share-Based Payments continued

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

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

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

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

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

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

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

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

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

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

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

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

34. Share-Based Payments continued

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

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

The assumptions used in this model were as follows:

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

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

The assumptions used in this model were as follows:

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

The methods to calculate the assumptions for both models are:

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

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

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

35. Operating Leases

(a) The Group as Lessee

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

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

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

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

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

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

(b) The Group as Lessor

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

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

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

36. Related-Party Transactions

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

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

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

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

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

37. Principal Accounting Policies

The Group's principal accounting policies are described below:

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

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

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

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

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

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

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

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

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

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

37. Principal Accounting Policies continued

(f) Foreign Currencies

(i) Individual Subsidiaries' and Associates' Accounts

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

(ii) Group Consolidated Accounts

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

(g) Taxation

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

(h) Segmental Reporting

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

(i) Property, Plant and Equipment

(i) General

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

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

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

37. Principal Accounting Policies continued

(ii) Exploration Expenditure

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

(j) Goodwill

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

(k) Other Intangible Assets

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

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

(l) Impairments

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

(m) Inventories

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

(n) Cash and Cash Equivalents

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

(o) Loans and Receivables

- Loans and receivables are initially recognised at fair value at the trade date which is normally the consideration paid plus transaction costs.
- Loans and receivables are carried at amortised cost using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets.
- The Group assesses at each balance sheet date whether a loan or receivable is impaired and, if necessary, the carrying amount is reduced to the appropriate value. The loss is recognised immediately in the income statement.
- Loans and receivables cease to be recognised when the right to receive cash flows has expired or the Group has transferred substantially all the risks and rewards of ownership.

37. Principal Accounting Policies continued

(p) Financial Liabilities
- Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade payables, at amortised cost.
- Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

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

(r) Post-Employment Benefits
(i) Defined Contribution Retirement Schemes
- Payments to defined contribution retirement schemes are charged to the income statement when they fall due.

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

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

(t) Share Capital
- The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.
- Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

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

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

COMPANY BALANCE SHEET
AT 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	**436.8**	436.8
Other receivables	C5	**245.7**	171.3
Deferred tax asset		**0.4**	–
		682.9	608.1
Current assets			
Other receivables	C5	**1.2**	0.3
Current tax asset		**0.8**	–
Cash at bank and in hand		**4.5**	0.1
		6.5	0.4
LIABILITIES			
Current liabilities			
Other payables	C6	**1.5**	3.3
Borrowings		**–**	15.1
Provisions		**0.3**	0.3
		1.8	18.7
Net current assets (liabilities)		**4.7**	(18.3)
Non-current liabilities			
Provisions		**0.4**	0.4
		0.4	0.4
Net assets		**687.2**	589.4
Equity attributable to owners of the parent			
Share capital	C12	**66.3**	61.7
Share premium	C12	**153.0**	153.0
Other components of equity	C13	**76.8**	(4.6)
Retained earnings	C14	**391.1**	379.3
Total equity		**687.2**	589.4

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement and statement of comprehensive income. The profit for the year of $12.0m (2015 – $0.7m loss) has been accounted for in the financial statements of the Company.

The notes on pages 135 to 140 are an integral part of these financial statements. The financial statements on pages 132 to 140 were approved by the Board of Directors on 2 March 2017 and were signed on its behalf by:

DENNIS PROCTOR
DIRECTOR

PETER ROSE
DIRECTOR

Registered number: 974568

COMPANY STATEMENT OF CHANGES IN EQUITY

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

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m
		Year ended 31 December 2015				
At 1 January		61.6	151.9	(4.1)	414.7	624.1
Loss for the year		–	–	–	(0.7)	(0.7)
Total comprehensive expense		–	–	–	(0.7)	(0.7)
Dividends paid to equity shareholders	C15	–	–	–	(39.8)	(39.8)
Shares issued						
– share option schemes and awards	C12	0.1	1.1	–	–	1.2
Treasury shares						
– purchase of Treasury shares	C14	–	–	–	(1.4)	(1.4)
Share options and awards						
– value of employee services	C13	–	–	6.2	–	6.2
– discharge	C13 & C14	–	–	(6.7)	6.5	(0.2)
Total transactions with owners		0.1	1.1	(0.5)	(34.7)	(34.0)
At 31 December		61.7	153.0	(4.6)	379.3	589.4

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Operating activities			
Profit (loss) from operations		**7.3**	(3.0)
Share-based payments expense		**8.2**	6.2
(Increase) decrease in receivables		**(0.9)**	6.3
(Decrease) increase in payables		**(1.1)**	1.9
Decrease in provisions		**–**	(0.1)
Other non-cash flow items		**(0.9)**	(0.1)
Taxation (paid) received		**(0.1)**	1.7
Net cash inflow from operating activities		**12.5**	12.9
Investing activities			
Interest received		**3.2**	2.8
Net cash inflow from investing activities		**3.2**	2.8
Financing activities			
Interest and bank fees paid		**(0.9)**	(0.3)
Dividends paid to equity shareholders	C15	**(5.9)**	(39.8)
Share capital issued		**86.0**	1.2
Costs of share issue		**(2.1)**	–
Purchase of Treasury shares		**(1.8)**	(1.4)
Disposal of Treasury shares		**1.6**	–
Loan issued		**(90.0)**	–
Loan issued repaid		**15.6**	–
Net cash inflow (outflow) from financing activities		**2.5**	(40.3)
Net cash inflow (outflow) in cash and cash equivalents		**18.2**	(24.6)
Cash and cash equivalents at the beginning of the year		**(15.0)**	9.5
Effect of foreign exchange rates		**1.3**	0.1
Cash and cash equivalents at the end of the year		**4.5**	(15.0)
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		**4.5**	0.1
Bank overdrafts unsecured included in borrowings		**–**	(15.1)
		4.5	(15.0)

C1. Basis of Preparation

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

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 37 of the Group's financial statements, except as noted below. These policies have been consistently applied to all the years presented.

Investments in subsidiaries are stated at cost, which is the fair value of the consideration paid, less provision for impairment. The Company has changed the presentation of dividends received from subsidiaries in the cash flow statement from investing activities to operating activities as this better reflects the operations of the Company. There has been no impact on the income statement or the balance sheet from this change in presentation.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 33 to 37 and further detail on financial risks is provided within note C9.

C2. Employees

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

C3. Auditor's Remuneration

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

	2016 $m	2015 $m
Fees payable to the Company's auditors and its associates for:		
The audit of these accounts	**0.5**	0.5
Taxation compliance services	**–**	0.1
Total fees	**0.5**	0.6

C4. Investments in Subsidiaries

	2016 $m	2015 $m
Cost:		
At 1 January and 31 December	**436.8**	436.8
Impairment:		
At 1 January and 31 December	**–**	–
Net book amount	**436.8**	436.8

The Company's subsidiaries are detailed in note C18. Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C5. Other Receivables

	2016 $m	2015 $m
Non-current:		
Loans receivable from subsidiaries	**245.6**	171.2
Prepayments	**0.1**	0.1
	245.7	171.3
Current:		
Receivables from subsidiaries	**0.6**	0.1
Prepayments	**0.4**	0.1
Other receivables	**0.2**	0.1
	1.2	0.3

None of the Company's other receivables (2015 – none) were past due at the year end and the Company does not consider it necessary to provide for any impairments. The Company's maximum exposure to credit risk is the fair value of each class of receivable.

The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. Non-current receivables due from subsidiaries are unsecured and interest is charged based on a margin over bank lending rates. Current receivables due from subsidiaries are unsecured, interest free and repayable on demand.

C6. Other Payables

	2016 $m	2015 $m
Current:		
Payables to subsidiaries	**0.1**	2.2
Accruals	**0.6**	0.8
Other payables	**0.8**	0.3
	1.5	3.3

C7. Derivatives and Hedging

The Company has used forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. At 31 December 2016, the Company had no outstanding forward foreign exchange contracts (2015 – $nil).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement. Changes in the fair value of currency derivatives not designated in a hedge relationship amounting to a $0.7m loss (2015 – $nil) have been recognised in the income statement during the year.

C8. Financial Instruments: Fair Values

The carrying value of receivables, cash and cash equivalents, accruals, other payables, provisions, borrowings and bank overdrafts approximates their fair value.

C9. Financial Risk Management

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

(a) Foreign Exchange Risk

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

The Company's cash at bank and in hand of $4.5m (2015 – $0.1m) at 31 December comprises $4.2m denominated in US dollars and $0.3m (2015 – $0.1m) denominated in Sterling, on which exchange differences would be recognised in the income statement in the following year.

The carrying amount of the Company's financial liabilities included in accruals, other payables and provisions at 31 December, on which exchange differences would be recognised in the income statement in the following year, is $1.7m (2015 – $2.1m) for Sterling denominated financial liabilities and $nil (2015 – $0.1m) for Canadian dollar denominated financial liabilities.

In 2015, the Company's borrowings comprised $15.1m of unsecured bank overdrafts at the year end, of which $14.8m was denominated in US dollars and $0.3m was denominated in Sterling.

C9. Financial Risk Management continued

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

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

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

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

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

	2016 On demand or within one year $m	2015 On demand or within one year $m
Non-derivative financial liabilities:		
Payables to subsidiaries	**0.1**	2.2
Accruals	**0.6**	0.8
Other payables	**0.8**	0.3
Bank overdrafts unsecured	**–**	15.1
	1.5	18.4

The Company did not have any derivative financial liabilities.

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

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

	2016 $m	Restated 2015 $m
Total equity	**687.2**	589.4
Cash and cash equivalents	**(4.5)**	15.0
Loan receivable from subsidiaries (note C5)	**(245.6)**	(171.2)
Net cash	**(250.1)**	(156.2)
Capital employed	**437.1**	433.2

The increase in total equity during the year is mainly attributable to the equity placing which raised $83.9m after costs, together with the retained profit for the year of $12.0m and an increase in the share-based payments reserve of $8.0m, offset by dividend payments of $5.9m and other expenses of $0.2m. The Company was able to reduce its borrowings during the year as it received dividends from its subsidiaries of $15.3m. Following the share placing in October 2016, which raised $83.9m after costs, the Company increased its loan to the Hunting Group's treasury function. The net increase in the loan was $74.4m. The Company's net cash amount has been restated in 2015 to include the loans receivable from subsidiaries, as this better reflects the Company's net cash position. There have been no significant changes in the Company's funding policy during the year.

C10. Financial Instruments: Sensitivity Analysis
The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include non-current receivables from subsidiaries, cash and cash equivalents and borrowings. The sensitivity analysis relates to the position as at 31 December 2016.

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

C10. Financial Instruments: Sensitivity Analysis continued

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

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

(a) Interest Rate Sensitivity
The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase of 0.5% (2015 – 0.5%) in US interest rates, is to increase profits by $1.0m (2015 – $0.6m). If the US interest rates were to decrease by 0.5% (2015 – 0.5%), then the post-tax impact would be to reduce profits by $1.0m (2015 – $0.6m). The movements arise on US dollar denominated intra-group loans.

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

(b) Foreign Exchange Rate Sensitivity
The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase of 15% (2015 – 10%) in the Sterling foreign exchange rate, is to increase profits by $0.1m (2015 – $0.2m). If the Sterling foreign exchange rate was to decrease by 15% (2015 – 10%), then the post-tax impact would be to reduce profits by $0.2m (2015 – $0.2m).

The movement in the income statement arises from Sterling denominated accruals and other payables, offset by Sterling cash and cash equivalents.

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

C11. Post-Employment Benefits
The Company has no employees and therefore does not participate in any of the post-employment benefit schemes shown in note 29 of the Group's financial statements, although it does guarantee the contributions due by the participating employers.

C12. Share Capital and Share Premium
Please see note 30 of the Group's financial statements.

C13. Other Components of Equity

Year ended 31 December 2016	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January	0.2	14.4	(19.2)	–	(4.6)
Shares issued					
– share premium on share placing	–	–	–	81.5	81.5
– share placing costs	–	–	–	(2.1)	(2.1)
Share options and awards					
– value of employee services	–	8.0	–	–	8.0
– discharge	–	(6.0)	–	–	(6.0)
At 31 December	0.2	16.4	(19.2)	79.4	76.8

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

Year ended 31 December 2015	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January	0.2	14.9	(19.2)	–	(4.1)
Share options and awards					
– value of employee services	–	6.2	–	–	6.2
– discharge	–	(6.7)	–	–	(6.7)
At 31 December	0.2	14.4	(19.2)	–	(4.6)

C14. Retained Earnings

	2016 $m	2015 $m
At 1 January	**379.3**	414.7
Profit (loss) for the year	**12.0**	(0.7)
Dividends paid to equity shareholders (note C15)	**(5.9)**	(39.8)
Treasury shares		
– purchase of Treasury shares	**(1.8)**	(1.4)
Share options and awards		
– discharge	**7.5**	6.5
At 31 December	**391.1**	379.3

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

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

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

C15. Dividends Paid to Equity Shareholders

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

C16. Share-Based Payments

Please see note 34 of the Group's financial statements.

C17. Related Party Transactions

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

	2016 $m	2015 $m
Transactions:		
Royalties receivable	**6.5**	11.5
Management fees payable	**(13.1)**	(11.2)
Recharges of share options and awards and administrative expenses	**6.7**	9.8
Loan to subsidiary	**90.0**	–
Loans to subsidiary repaid	**(15.6)**	–
Interest receivable on inter-company loans	**3.1**	2.6
Dividends received from subsidiaries	**15.3**	–
Year end balances:		
Payables to subsidiaries	**(0.1)**	(2.2)
Receivables from subsidiaries	**0.6**	0.1
Loans owed by subsidiaries	**245.6**	171.2

All balances between the Company and its subsidiaries are unsecured.

The Company also serves as the Group's intermediary for the provision of UK group tax relief, VAT and certain group insurances. At the year end, the outstanding payable for group tax was $nil (2015 – $0.1m).

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

C18. Subsidiaries

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

Subsidiaries[i/iii]	Registered Address
Operating activities	
Hunting Energy Services (Australia) Pty Ltd	Level 40, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Titan (Australia) Pty Ltd	Level 40, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Energy Services (Canada) Ltd	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Drilling Tools) Ltd	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Canada) Holdings Ltd	5550/5551 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Wuxi) Co. Ltd (70%)	No. 48, West of Dong'an Road, North of Yu'an Road, Shuofang Industry Zone, New District Wuxi, China

C18. Subsidiaries continued

Subsidiaries[i/iii]	Registered Address
Hunting Energy Completion Equipment (Wuxi) Co., Ltd	No. 48, West of Dong'an Road, North of Yu'an Road, Shuofang Industry Zone, New District Wuxi, China
Hunting Energy Services (International) Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Overseas Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services (UK) Limited (60%)	5 Hanover Square, London, W1S 1HQ, England
PT Hunting Energy Asia	Complex Dragon Industrial Park, Block D, Jalan Pattimura, Kabil Batam, 29467, Indonesia
Hunting Energy Services Italy S.r.l.	Via Dante n21/B, Spolotre (PE). CAP 65010, Italy
Hunting Alpha (EPZ) Limited (60%)	P.O. Box – 83344-80100 Mombasa, Kenya
Hunting Energy Services Kenya Ltd	5th Floor, West Wing, ICEA Lion Centre, Riverside Park, Chiromo Road, Nairobi, Kenya
Hunting Energy de Mexico	Avenida Los Olmos #105, Parque Industrial El Sabinal, Apodaca, Nuevo Leon, Monterrey, Mexico
Hunting Energy Services BV (60%)	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Well Testing) BV	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Norway) AS	Koppholen 19, 4313 Sandnes, Norway
Hunting Energy Saudi Arabia LLC (60%)	Dhahran, Building No: 7612, P.O. Box: 3104, Zip Code: 34521, Saudi Arabia
Hunting Energy Services (Well Intervention) Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Welltonic Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Energy Services (International) Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services (China) Pte. Ltd. (70%)	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Welltonic Asia Pte. Ltd	22 Pioneer Crescent, #05-07, West Park BizCentral, 628556, Singapore
Hunting Energy Services (Well Intervention) Pte. Ltd	15 Scotts Road, #04-01/03, Thong Teck Building, 228218, Singapore
Hunting Energy Services (South Africa) Pty Ltd	18 London Circle, Brackengate Business Park, Brackenfell 7560, Cape Town, South Africa
Hunting Energy Services (Thailand) Limited (49%)	436/27, Moo 2, Thanadee-Klongwong Road, Tambol Phawong, Amphur Muong Songkhla, 90100, Thailand
Hunting Energy Services (Uganda) Ltd	4th Floor, Rwenzori Towers, Plot 6, Nakasero Road, Kampala, 24665, Uganda
National Coupling Company, Inc.	1316 Staffordshire Road, Staffordshire, Texas, 77477, USA
Hunting Energy Services, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Premium Finishes, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Hunting Dearborn, Inc.	6, Dearborn Drive, Fryeburg, Maine, USA
Hunting Energy Services (Drilling Tools), Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Innova, Inc.	8383 North Sam Houston Parkway West, Houston, Texas, 77064, USA
Hunting Specialty Supply, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Titan, Inc.	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Hunting Titan ULC	2 Northpoint Drive, Suite 400, Houston, Texas, 77060, USA
Tenkay Resources, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Corporate activities	
Hunting Energy Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Oil Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge (US) Finance Limited	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Pension Trust Limited[ii]	Corinthian House, 17 Lansdowne Road, Croydon, CR0 2BX, England
HG Management Services Ltd	5 Hanover Square, London, W1S 1HQ, England
Huntfield Trust Limited	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Field Insurance Limited	The Albany, South Esplanade, St Peter Port, Guernsey, GY1 4NF, Guernsey
Hunting U.S. Holdings, Inc.	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA
Hunting Energy Corporation	24 Waterway Avenue, Suite 700, The Woodlands, Texas, 77380, USA

Notes:
i. Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
ii. Interests in company is held directly by Hunting PLC.
iii. All interests in subsidiaries are in the equity shares of those companies.
iv. Dormant company and exempt from being audited.

C19. Associates

Associates[i]	Registered Address
Tianjin Huaxin Premium Connection Pipe Co Ltd (28.5%)	Jintang Road, Dongli District, Tianjin, 300301, China
Hunting Airtrust Tubulars Pte. Ltd (50%)	19, Keppel Road, 08-05 JIT Poh Building, 089058, Singapore
Tubular Resources Pte. Ltd (30%)	79 Anson Road, 07-03, 079906, Singapore

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

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

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

Income Statement Non-GAAP Measures

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

A. EBITDA

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

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

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

B. Underlying Tax Rate

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

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

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

Balance Sheet Non-GAAP Measures

C. Working Capital

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

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

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

D. Inventory Days

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

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

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

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

E. Trade Receivables Days

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

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

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

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

F. Other Net Assets

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

G. Capital Employed

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

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

The Group's capital comprised:

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

H. Gearing

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

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

	2016	2015
Gearing	**0%**	9%

Cash Flow Non-GAAP Measures

I. Cash Flow Working Capital Movements

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

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

J. Capital Investment

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

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

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

K. Other Operating Cash and Non-Cash Movements

Purpose: Reconciles other operating cash and non-cash movements in the Summary Group Cash Flow in the Strategic Report.

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

L. Free Cash Flow

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

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

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

Other Non-GAAP Measures

M. Dividend Per Share Declared

Purpose: Identifies the total amount of dividend declared in respect of a period. This is also used in the calculation of dividend cover (see NGM N).

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

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

N. Dividend Cover

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

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

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

O. Return on Average Capital Employed

Purpose: Measures the levels of return the Group is generating from its capital employed.

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

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

FINANCIAL RECORD[i]
(UNAUDITED)

	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m
Revenue	**455.8**	810.5	1,386.5	1,293.6	1,265.4
EBITDA	**(48.9)**	61.9	269.8	244.0	240.7
Depreciation and non-exceptional amortisation and impairment	**(43.3)**	(45.5)	(52.0)	(44.0)	(40.1)
(Loss) profit from continuing operations	**(92.2)**	16.4	217.8	200.0	200.6
Net finance expense	**(0.7)**	(6.8)	(4.9)	(2.9)	(8.7)
Share of associates' post-tax (losses) profits	**(0.3)**	(0.2)	(0.5)	0.4	1.5
(Loss) profit before tax from continuing operations	**(93.2)**	9.4	212.4	197.5	193.4
Taxation	**19.9**	(5.4)	(57.2)	(52.1)	(53.9)
(Loss) profit for the year from continuing operations	**(73.3)**	4.0	155.2	145.4	139.5
Profit (loss) for the year from discontinued operations	**–**	–	0.3	(1.4)	1.1
(Loss) profit for the year	**(73.3)**	4.0	155.5	144.0	140.6

	cents	cents	cents	cents	cents
Basic earnings per share					
Continuing operations	**(45.3)**	3.1	102.6	96.8	92.2
Continuing and discontinued operations	**(45.3)**	3.1	102.8	95.8	93.0
Diluted earnings per share					
Continuing operations	**(45.3)**	3.1	100.0	94.5	90.0
Continuing and discontinued operations	**(45.3)**	3.1	100.2	93.5	90.8
Dividend per share[ii]	**–**	8.0	31.0	29.5	28.4

	$m	$m	$m	$m	$m
Total assets					
Non-current assets	**841.3**	932.0	1,187.1	1,249.1	1,254.9
Net current assets	**323.6**	387.4	471.5	483.0	464.4
	1,164.9	1,319.4	1,658.6	1,732.1	1,719.3
Financed by:					
Shareholders' funds (including non-controlling interests)	**1,117.4**	1,168.1	1,438.3	1,414.8	1,332.7
Non-current liabilities	**47.5**	151.3	220.3	317.3	386.6
	1,164.9	1,319.4	1,658.6	1,732.1	1,719.3

	cents	cents	cents	cents	cents
Net assets per share	**682.6**	785.0	968.6	957.9	906.6

i. Information is stated before exceptional items and amortisation of acquired intangible assets.
ii. Dividend per share is stated on a declared basis. Following the change in functional currency from Sterling to US dollar in 2013, dividends are declared in US dollars and paid in Sterling. The Sterling value of dividends paid is fixed and announced approximately two weeks prior to the payment date. For 2012 and prior years, dividends were declared in Sterling and have been presented in cents using the exchange rate on the date they were paid or approved for interim and final dividends respectively.

SHAREHOLDER AND STATUTORY INFORMATION (UNAUDITED)

Annual General Meeting 2017

The AGM of Hunting PLC will be held on Wednesday, 12 April 2017 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS and shall commence at 10.30 a.m.

Business of Meeting

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

Documents on Display

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

Registered Office

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London
W1S 1HQ

Company Number: 974568 (Registered in England and Wales)

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

Financial Calendar

The Company's 2017 financial calendar is as follows:

Date	Event
2 March 2017	Final Results Announcement
13 March 2017	Publication of Annual Report and Notice of AGM
12 April 2017	AGM
12 April 2017	Proxy Voting Results of AGM
August 2017 (TBC)	Half-Year Results

Financial Reports

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

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

Registrar

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

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

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

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

Analysis of Ordinary Shareholders

At 31 December 2016, the Company had 1,749 Ordinary shareholders (2015 – 1,921) who held 163.7m (2015 – 148.8m) Ordinary shares analysed as follows:

	2016		2015	
	% of total shareholders	**% of total shares**	% of total shareholders	% of total shares
Size of holdings				
1 – 4,000	**72.8**	**0.7**	73.4	1.0
4,001 – 20,000	**11.2**	**1.1**	11.3	1.4
20,001 – 40,000	**3.0**	**0.9**	3.3	1.3
40,001 – 200,000	**6.6**	**7.0**	6.4	8.0
200,001 – 500,000	**3.2**	**11.0**	3.0	12.5
500,001 and over	**3.2**	**79.3**	2.6	75.8

Share Capital

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

The Company's issued share capital comprises a single class, which is divided into 163,739,686 Ordinary shares of 25 pence each. All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects.

Details of the issued share capital of the Company and the number of shares held in Treasury as at 31 December 2016 can be found in note 30 to the financial statements.

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

Voting Rights and Restrictions on Transfer of Shares

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

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

A shareholder can lose 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.

Interests in Voting Rights

Other than as stated in the table of Substantial Interests on page 55, the Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Market Capitalisation

The market capitalisation of the Company at 31 December 2016 was £1.03bn.

Share Price

	2016 p	2015 p
At 1 January	**305.5**	524.0
At 31 December	**627.5**	305.5
High during the year	**644.5**	664.0
Low during the year	**232.0**	275.5

Dividends
The Company normally pays dividends semi-annually. Details of the dividends paid are set out in note 33 of the financial statements. During 2016, the Company suspended paying dividends, in accordance with the revised terms of its revolving credit facility.

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

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

Directors' Interests
Details of Directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Policy and Annual Report on Remuneration, located at www.huntingplc.com. Further information regarding employee long-term incentive schemes is given in note 34 of the financial statements.

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

Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. Authorisations granted are recorded by the Company Secretary in a register and are noted by the Board. On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new, actual or potential conflicts that may arise, or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign. As at 31 December 2016, no Director of the Company had any beneficial interest in the shares of Hunting's subsidiary companies.

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

Research and Development
Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount expensed by the Group during the year was $1.3m (2015 – $0.6m).

Political Contributions
It is the Group's policy not to make political donations. Accordingly, there were no political donations made during the year (2015 – $nil).

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

Payments to Governments
In accordance with the UK's Disclosure and Transparency Rules 4.3A, Hunting PLC is required to report annually on payments made to governments in respect to its oil and gas activities. Hunting's report on 'Payments to Governments' for the year ended 31 December 2015 was announced on 28 April 2016 and totalled $700,645.

Statement of Listing Rule Compliance
In accordance with Listing Rule 9.8.4C, the Directors confirm that all waivers of dividends over the Company's Ordinary shares are noted on page 54.

A

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) and Hunting Dearborn product lines. Hunting is aiming to become a leading single source of MWD/LWD tools.

API
American Petroleum Institute.

Average gross capital employed*
See NGM O.

B

Basic EPS*
Basic earnings per share – calculated by dividing the earnings from continuing operations before amortisation and exceptional items 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
Barrel of oil equivalent.

bn
Billion.

C

c
Cents.

CAGR
Compound annual revenue growth rate.

Capital employed*
See NGM G.

Capital investment – "Capex"
See NGM J.

CGU
Cash generating unit.

CO_2
Carbon dioxide.

CO_2e
Carbon dioxide equivalent.

CPI
Consumer Price Index.

CTR
Currency translation reserve.

D

DEFRA
UK Department for Environment, Food & Rural Affairs.

Diluted EPS*
Diluted earnings per share – calculated by dividing earnings from continuing operations before amortisation and exceptional items attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, as adjusted for all potentially dilutive Ordinary shares.

Dividend cover*
See NGM N.

Downhole
Downhole refers to something that is located within the wellbore.

DPS*
See NGM M.

E

EBITDA*
See NGM A.

ESOP
Executive Share Option Plan.

F

FRC
Financial Reporting Council.

Free cash flow*
See NGM L.

FVLCD
Fair value less costs of disposal.

G

GAAP
Generally Accepted Accounting Principles.

Gearing*
See NGM H.

GHG
Greenhouse gas.

Growth capital investment
See NGM J.

H

HEMS
Hunting Equipment Management Services – provided downhole tool rental equipment in the Well Construction segment.

HPSP
Hunting Performance Share Plan.

HSE
Health, Safety and Environment.

I

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IFRS
International Financial Reporting Standards as adopted by the European Union.

Incident rate
The US Occupational Safety and Health Administration ("OSHA") Recordable Incident Rate (or Incident Rate) is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.

Intensity factor
The total controlled scope 1 and scope 2 emissions divided by the total facilities footprint of the Group.

Inventory days*
See NGM D.

IOC
International Oil Companies.

IP
Intellectual Property.

ISO
International Standards Organisation.

K

k
Thousand.

kWh
Kilowatt hours.

L

Lean
A production practice that eliminates wasteful processes, thereby reducing production time and costs, and improving efficiency.

LNG
Liquefied Natural Gas.

LPG
Liquefied Petroleum Gas.

LTIP
Long-Term Incentive Plan.

M

m
Million.

m^3
Cubic metre.

mcf
1,000 cubic feet.

mmBtu
Million British Thermal Units.

MWD/LWD
Measurement-while-drilling/Logging-while-drilling.

MWh
Megawatt hours.

N

Net debt
See note 23.

NOC
National Oil Companies.

NYMEX
New York Mercantile Exchange.

O

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.

OEM
Original equipment manufacturer.

P

p
Pence.

PCB
Printed circuit board.

PPE
Property, plant and equipment.

PSP
2009 Performance Share Plan.

R

RCF
Revolving Credit Facility.

Recordable incidents
An incident is recordable if it results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. Also included are any significant injuries or illnesses diagnosed by a physician or other licensed health care professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

Replacement capital investment
See NGM J.

ROCE*
See NGM O.

S

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.

T

TCP
Tubular conveyed perforating.

Trade receivable days*
See NGM E.

TSR*
Total Shareholder Return – the net share price change plus the dividends paid during that period.

U

Underlying
Results for the year, as reported under IFRS, adjusted for amortisation of acquired intangible assets and exceptional items, which is the basis used by the Directors in assessing performance.

W

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.

Working capital*
See NGM C.

WTI
West Texas Intermediate – the price per barrel of Texas light sweet crude oil.

* Non-GAAP measure.

PROFESSIONAL ADVISERS

Solicitors
CMS Cameron McKenna LLP

Independent Auditors
PricewaterhouseCoopers LLP

Joint Corporate Brokers
Deutsche Bank AG and Barclays Bank PLC

Financial Advisers
DC Advisory Limited

Insurance Brokers
Willis Towers Watson

Pension Advisers & Actuary
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