2017 ANNUAL REPORT
AND ACCOUNTS

BUILDING MOMENTUM FROM NEW TECHNOLOGY

HUNTING

HUNTING IS A 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 LIFE CYCLE 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.

CONTENTS

SUMMARY OF THE YEAR

MARKET HIGHLIGHTS

AVERAGE WTI CRUDE OIL PRICE
$50.9 per barrel
2016: $43.5 per barrel

GLOBAL DRILLING AND PRODUCTION EXPENDITURE
$197.7bn
2016: $155.5bn

AVERAGE GLOBAL ONSHORE RIG COUNT
1,812
2016: 1,348

AVERAGE GLOBAL OFFSHORE RIG COUNT
201
2016: 220

Source: Spears & Associates/Bloomberg

FINANCIAL HIGHLIGHTS

REVENUE
$722.9m
2016: $455.8m

UNDERLYING PROFIT (LOSS) FROM OPERATIONS*
$13.7m
2016: $(92.2)m

NET CASH (DEBT)
$30.4m
2016: $(1.9)m

UNDERLYING DILUTED EARNINGS (LOSS) PER SHARE
7.6 cents
2016: (45.3) cents

* Non-GAAP measure ("NGM") (see pages 153 to 157).

OPERATIONAL AND CORPORATE HIGHLIGHTS

Strong operational and financial performance by Hunting Titan in the year.
– Units of production exceeding 2014 levels.
– Strong sales of H-1 Perforating System.
– Utilisation of production capacity in US, Canada, China and Mexico to meet demand.
– Recommissioning of Oklahoma City manufacturing facility in Q1 2017.
– New distribution centre at Pleasanton, Texas, opened to address new activity in the Eagle Ford shale basin.
– Filing of 13 new patents during the year, with one registered.

Closure of Cape Town, South Africa, manufacturing facility commenced.
– $10.0m charge recorded, reflecting an impairment to property, plant and equipment and other closure costs.
– Sales presence in-country to be retained to support new business opportunities.

Restructuring and cost containment initiatives continued throughout the year.
– Closure of five operating facilities in the Netherlands, Singapore, South Africa, UK and US.
– Closure of five distribution centres.

Capital investment controls remain in place.
– Capital investment in the year $11.4m (2016 – $17.2m).

Senior leadership changes completed in the year.
– Promotion of Jim Johnson to Chief Executive in September.
– Appointment of Jay Glick as Chairman, also in September.

FINANCIAL HIGHLIGHTS

Revenue increases driven by improving industry spend and rig count in the US onshore market.
– Total revenue of $722.9m, increasing by 59% in the year.
– Hunting Titan segment revenue increased 115% to $312.8m.

Underlying EBITDA of $55.4m (2016 – $(48.9)m loss).
– Underlying EBITDA margin of 8% (2016 – (11)%).

Improving underlying Gross Margin to 24% (2016 – 11%).

Return to underlying profitability, driven by performance of Hunting Titan.
– Underlying profit from operations $13.7m (2016 – $(92.2)m loss).
– All segments reported year-on-year improvements.
– Reported loss from operations $(25.4)m (2016 – $(140.7)m).

Underlying profit before tax of $10.9m (2016 – $(93.2)m loss).

Underlying Diluted Earnings Per Share of 7.6 cents (2016 – (45.3) cents loss).

Strong cash generation in the year, with the Group ending the year with net cash of $30.4m (2016 – $1.9m net debt).
– Net tax refunds of $6.5m received in the year (2016 – $31.3m).
– $9.7m refund of surplus received from UK pension scheme (2016 – $nil).

Lifting of suspension period bank covenants with removal of financial restrictions completed in January 2018.

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.

GROUP OVERVIEW

OPERATING SITES
35
(2016: 40)

DISTRIBUTION CENTRES
21
(2016: 25)

COUNTRIES OF OPERATION
12
(2016: 13)

PATENTS
440
(2016: 428)

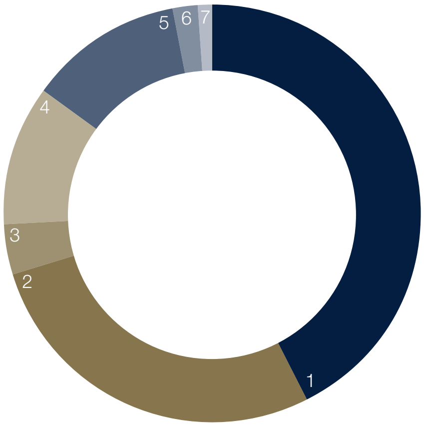
EMPLOYEES (YEAR END)
2,610
(2016: 2,107)

MANUFACTURING REJECT RATE
0.3%
(2016: 0.6%)

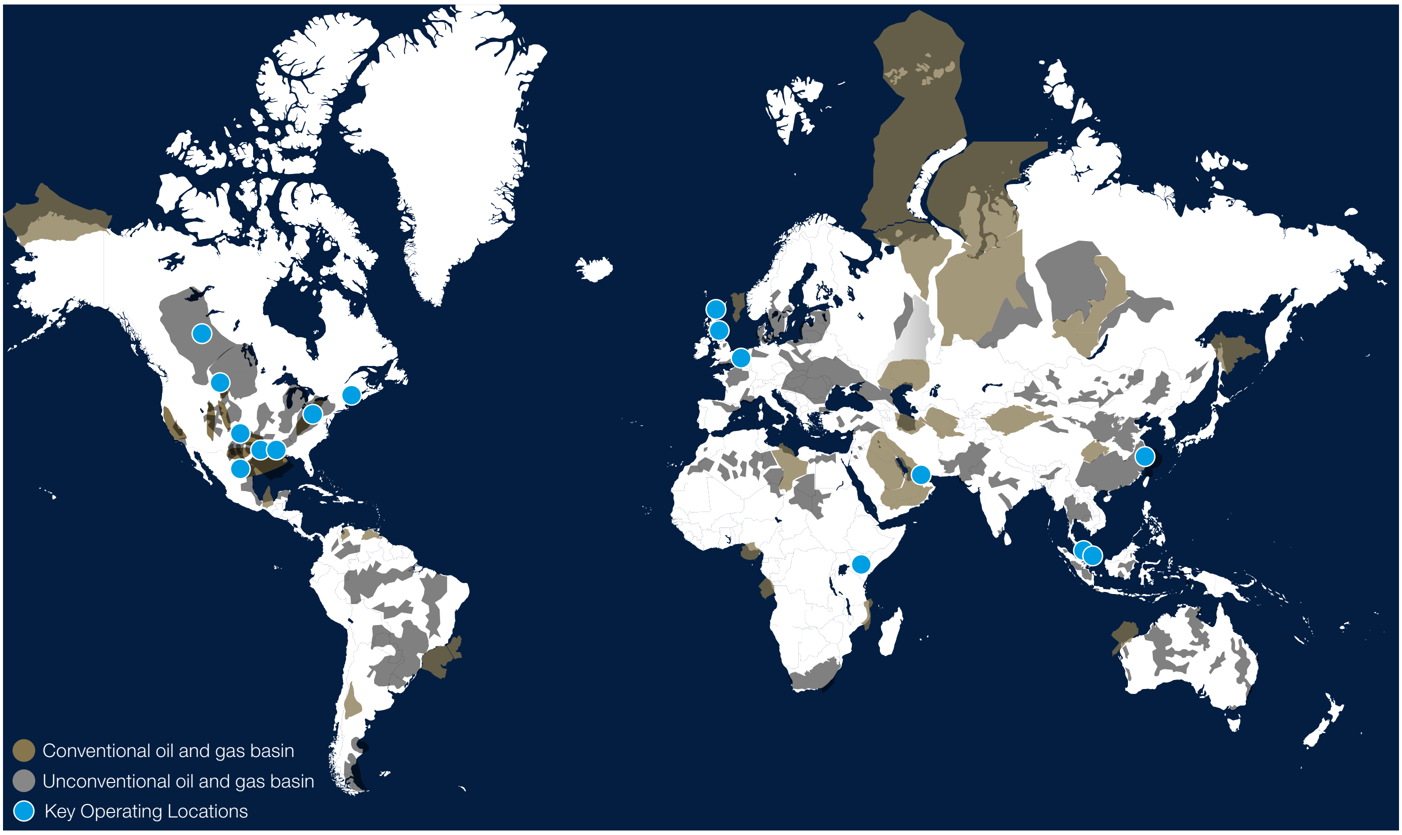
SEGMENTAL REVENUE

SPLIT OF EXTERNAL REVENUE BY SEGMENT

1 Hunting Titan	43%
2 US	28%
3 Canada	4%
4 Europe	11%
5 Asia Pacific	12%
6 Middle East, Africa and Other	2%
7 Exploration and Production	<1%



WHERE WE OPERATE



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

INVESTMENT HIGHLIGHTS

- Robust long-term fundamentals for oil and gas
- Strategic focus on the wellbore
- Strong proprietary technologies and diverse product range
- World class manufacturing facilities located close to our customers
- Proven track record of manufacturing excellence and reliability
- Experienced core management team
- Focused on efficiency, cost control and cash generation
- Strong reputation with our customer base for delivering quality

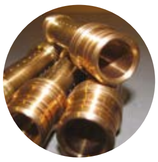
OUR PRODUCTS AND SERVICES

OIL COUNTRY TUBULAR GOODS
The Group owns proprietary connection technology including the SEAL-LOCK™ and WEDGE-LOCK™ premium connections. The Group manufactures couplings, accessories and applies premium threads to pipe for its customers throughout its global facilities.

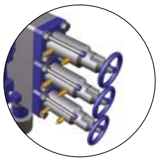
PERFORATING SYSTEMS
Hunting manufactures perforating guns, energetic charges and instrumentation used in well completion activities. Products are manufactured at nine global facilities and sold through a network of distribution points in Canada, China, Indonesia, UK, US and UAE.

ADVANCED MANUFACTURING GROUP (“AMG”)
Advanced Manufacturing includes precision machining and electronics manufacturing, both utilised in MWD/LWD tools. A range of non-oil and gas products are also provided for the power generation, aviation, military and space sectors.

DRILLING TOOLS
Hunting’s drilling tools business provides mud motor rental services for operators in the onshore oil and gas basins of the US.



INTERVENTION TOOLS
The Group manufactures a range of tools including Thru-Tubing, Slickline and Wireline tools and Pressure Control Equipment used for intervention activities.



SUBSEA
Hunting’s Subsea business manufactures hydraulic couplings, valves and accessories for application to deep water drilling activities.

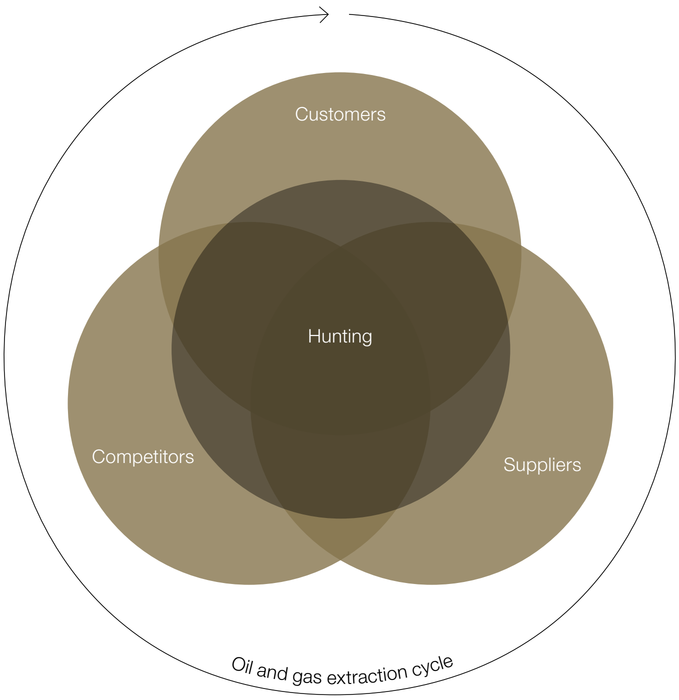
OUR BUSINESS RELATIONSHIPS

Hunting generates value through the manufacture of products, provision of related services and supply of rental equipment to the upstream energy sector enabling the extraction of oil and gas.

Our strategic focus is on the manufacture of products utilised in the wellbore.

Oil and gas extraction is a large sector of the economy and requires a diverse range of products and services.

The nature of the sector results in relationships with business partners who can frequently be customers, suppliers and competitors at different points in the value chain.



"WE REMAIN CONFIDENT IN THE LONG-TERM FUNDAMENTALS OF THE INDUSTRY AND CONTINUE TO POSITION THE COMPANY FOR SUCCESS IN THIS DYNAMIC ENVIRONMENT."

JOHN F. GLICK
CHAIRMAN

Introduction
I am delighted to have the opportunity to present our Annual Report, following my appointment as Chairman in September 2017.

2017 remained a year of challenge for Hunting, as the Company's core energy markets showed early signs of recovering from a three-year downturn, driven in large part by the US onshore shale plays, and in particular, the Permian basin. This has led to increased revenue and a return to underlying profit for the Group in the year. This is a major milestone for the Company, however, the Board continues to believe that a full market recovery, including improvements to international and offshore drilling, will be a longer-term process. Fundamentals of oil supply and demand remain delicately balanced, limiting the upper range of oil prices at levels that present significant challenges to field economics offshore, and supply volatility that pose downside risks to prices in the short to medium term. We remain confident in the long-term fundamentals of the industry and continue to position the Company for success in this dynamic environment.

Board succession plans were initiated in the year, leading to changes in Hunting's senior leadership team, with Dennis Proctor, our former Chief Executive, retiring on 1 September 2017. During the 16 years of Dennis's tenure, Hunting has focused its business interests in oil and gas services and built a strong portfolio of products and services for operators and international oil service groups. Thanks to Dennis, the Hunting brand is well regarded globally for its quality of product offering and motivated, committed personnel. We wish Dennis a happy and long retirement.

Dennis has been succeeded by Jim Johnson, Hunting's Chief Operating Officer. Jim's understanding of the Group, including product offering and customer knowledge, is unrivalled and, following a rigorous search and interview process that included external and internal candidates, the Board unanimously approved his promotion to Chief Executive.

H-1 PERFORATING GUN CARTRIDGE WITH CONTROLFIRE™ SWITCHGEAR AND RF SAFE DETONATOR.

Financial Performance
Revenue for the Group increased 59% in the year to $722.9m, compared to $455.8m in 2016, leading to an underlying profit before taxation of $10.9m (2016 – $93.2m loss).

With the return to underlying profit and improved cash generation due to continuing tight working capital management, the Group reports a net cash position of $30.4m at the year end, which is an excellent achievement by the management team. The Board has been pleased by this turnaround, with the Group now benefiting from the cost-cutting measures initiated since 2014.

Bank Facility Terms and Dividends
With the improved trading reported in the year, in December we undertook steps to exit from our revised bank covenants, which were implemented in July 2016. This process was completed in January 2018, with restrictions on capital investment and dividends being lifted. While the Board are not proposing a dividend for 2017, the reversion to our old bank covenants and other bank facility terms that existed prior to the July 2016 amendment will allow for consideration to be given to dividend distributions.

Non-executive Director Changes
Changes to the Hunting Board are underway, with the announcement of the retirement of John Nicholas in April 2018, to be followed by John Hofmeister in August 2018. Both complete their nine years of service as independent, non-executive Directors of the Company.

John Nicholas has chaired the Audit Committee since his appointment in 2009. As noted in the Corporate Governance statement, John will not be seeking re-election at the Company's Annual General Meeting and will step down as a Director of the Company at the conclusion of the Meeting.

John Hofmeister has held the role of Senior Independent Director since 2010 and as Chairman of the Remuneration Committee from 2014. John will be retiring later this year, once a successor has been identified.

My thanks go to both John Nicholas and John Hofmeister for their wise counsel during their nine years' of service on the Board.

The recruitment of new Directors is underway and announcements will be made in due course.

Finally, I would like to thank my predecessor, Richard Hunting, who retired as Chairman of the Company after 26 years in September 2017. Richard's knowledge of the Group and leadership through the recent management transition has been exemplary and I am pleased that Richard has agreed to remain as a non-independent, non-executive Director of the Company.

Conclusion
In summary, the Board believes that the difficult decisions that have been made during the past three years have returned the Company to good health. With Jim leading the Group through a new phase of growth, the Board is confident that Hunting remains in a position to take advantage of the opportunities that lie ahead in an improving market.

On behalf of the Board, I would like to thank all our stakeholders – including employees, shareholders, customers and suppliers, for their support during these challenging times.

John F. Glick
Chairman

1 March 2018

"HUNTING HAS BEEN ONE OF THOSE COMPANIES THAT HAS PROVIDED GAME-CHANGING TECHNOLOGY TO THE INDUSTRY DURING THE MARKET DOWNTURN. A PERFECT EXAMPLE BEING THE H-1 PERFORATING SYSTEM."

JIM JOHNSON
CHIEF EXECUTIVE

Introduction

Hunting has industry-leading technology, strong intellectual property, quality-assured products and an established global manufacturing capability, supported by a highly trained and committed workforce. The "can-do" mentality of our global business managers gives me confidence that from this environment of fragile-but-stable market conditions, we can build growth and capture new initiatives as the next phase of industry growth gets underway.

The oil and gas sector, in many respects, is a changed industry since 2014 when the heady days of $100 oil were driving both activity and production levels. An aspect of this time, which is only apparent now, is that the reliance on the same approved products and services purchasing regimes, created a degree of resistance across the industry to adopt new technology that could do the same job more efficiently or safely. The oil price lows during the downturn forced operators and participants in the supply chain to revise this stance and embrace new technology, which cut operating costs and allowed profitable production to be achieved, even in a lower oil price environment.

Hunting has been one of those companies that has provided game-changing technology to the industry during the market downturn. A perfect example being the H-1 Perforating System, the Group's proprietary, hydraulic fracturing, perforating gun. The H-1 System was a result of technology cross-over from a number of Hunting's business lines, to create a single multi-functional proprietary product. For the operator, it provided a higher level of safety for field operations and takes personnel off the well-pad, providing a real cost saving to well completion operations. The H-1's success is reflected in that some operators and end users are now mandating the use of the system by its wireline operators, given the reliability demonstrated since its commercial launch in late 2015.

THE H-1 PERFORATING GUN IS PART OF A COMPLETE PERFORATING SYSTEM PACKAGE.

This is only one aspect of Hunting's drive to bring new technology to our customers and help provide the most cost-efficient solutions in the new oil price world of $50 to $60 per barrel.

Across the Group, our drive for new product innovation is accelerating on a number of fronts, which will ensure that Hunting delivers new products and growth in the year ahead.

Summary Results and New Reporting Format
The table below sets out the Group's summary results for the year. With a strengthening US onshore market, Hunting reports a 59% increase in revenue to $722.9m (2016 – $455.8m).

	Underlying		Reported	
	2017 $m	2016 $m	**2017 $m**	2016 $m
Continuing operations:				
Revenue	**722.9**	455.8	**722.9**	455.8
EBITDA[i] (loss)	**55.4**	(48.9)	**53.0**	(60.7)
Profit (loss) from operations	**13.7**	(92.2)	**(25.4)**	(140.7)
Profit (loss) for the year	**9.9**	(73.3)	**(29.2)**	(121.3)
Diluted EPS (cents)	**7.6**	(45.3)	**(16.4)**	(76.8)

i. Non-GAAP measure

Underlying EBITDA reported a $104.3m improvement in 2017 compared to 2016 with an EBITDA loss of $48.9m moving to a positive EBITDA of $55.4m. This improvement in the Group's results, which gained momentum throughout the year – and in particular during Q4 2017, which delivered an underlying profit from operations of $12.2m and led to the Group reporting a return to underlying profit from operations for the year as a whole of $13.7m (2016 – $92.2m loss).

These results demonstrate the breadth and depth of our product offering, but also the impact of the cost containment measures implemented over the past three years.

Further, with the Group's new segmental reporting format, which mainly focuses on Hunting's geographic operational structure, more clarity over our financial returns, performance and capital allocation is provided to enable shareholders to understand better the key dynamics of the Group's global operations.

The Group has started 2018 positively, and with many initiatives underway to capture new opportunities, Hunting is cautiously optimistic that the year ahead will be one of further improvement in our financial performance.

I look forward to sharing with you our next phase of growth.

Jim Johnson
Chief Executive

1 March 2018

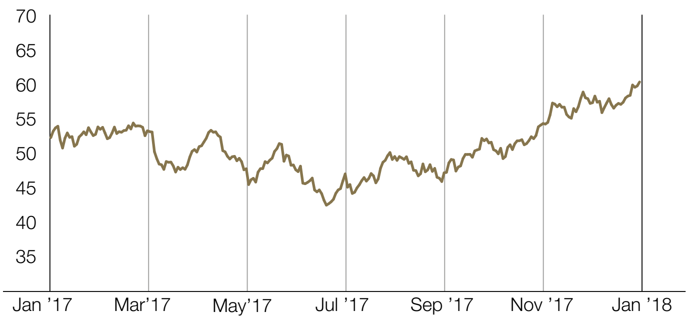
GLOBAL MARKET INDICATORS

Introduction
Hunting's performance continues to be closely linked to the macro economic drivers of the oil and gas industry, including global crude oil and natural gas prices as well as other market indicators such as industry spend, rig and well counts and well footage drilled.

Commodity Prices
While the WTI crude oil price has increased year-on-year, the average price recorded in 2017 was c.$50 per barrel. This pricing stimulated onshore drilling activity in North America particularly benefiting Hunting Titan, however, a number of market metrics have recorded year-on-year declines due to the low oil price, which is reflected in the regional financial performance of the Hunting Group outside of North America.

As noted in the chart below, the WTI crude oil price started the year at $53.7 per barrel and ended 2017 at $60.4 per barrel.

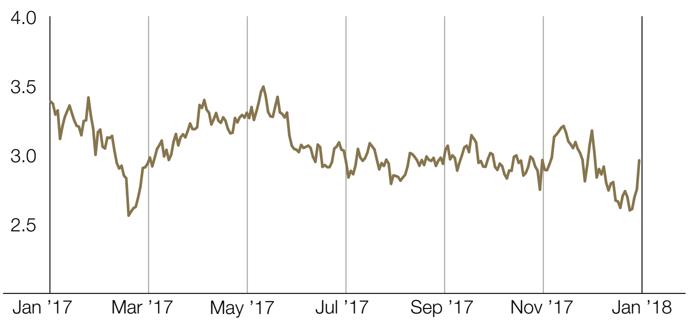
WTI CRUDE OIL PRICES
($ PER BARREL)



Source: Bloomberg

Looking ahead, given the continuation of OPEC to curtail production, which has now been extended to the end of 2018, the indication is that the oil price will remain above $60 per barrel well into the first half of the year, if OPEC's current production policy remains unchanged.

HENRY HUB NATURAL GAS PRICES
($ PER mmBtu)

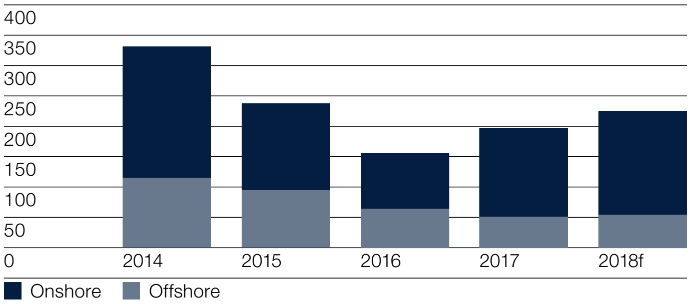


Source: Bloomberg

The Henry Hub natural gas price has averaged $3.04 per mmBtu in 2017, and traded within the range of $2.56 to $3.50 throughout the year. In the US, gas storage draw-down has approximately matched gas production, which has meant that gas drilling has remained relatively stable in the year. Market commentators note that with this return to more normal activity levels, prices and drilling activity are forecast to remain steady in the year ahead.

Industry Spend
Industry spend, encouraged by the improving oil price, increased 27% in 2017 to $197.7bn from $155.5bn in 2016. In the year 74% of this spend, or $146.5bn, was allocated to onshore drilling.

GLOBAL DRILLING AND PRODUCTION EXPENDITURE ($ bn)

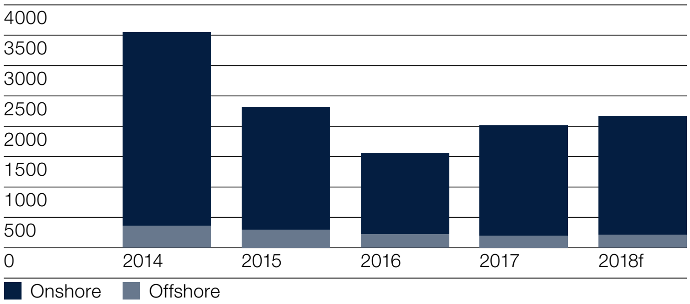


Source: Baker Hughes; Spears and Associates f = forecast

This shift by the industry to allocating financial resources to lower-cost, onshore drilling operations, has contributed to the positive performance of the Group's businesses including Hunting Titan, Hunting Specialty and parts of the Group's European and US OCTG businesses. Those businesses focused on the offshore market, which include Hunting Subsea and other international OCTG businesses, including Africa, still report subdued activity levels, as operators continue to curtail or suspend offshore capital investment.

Rig Count
The average global rig count increased by 28% in the year to 2,014 active units in the year. The average onshore global rig count increased 34% from 1,348 to 1,812 units, of which 59% or 1,067 units are located in North America, which recorded a regional increase of 73% as the WTI crude oil price stabilised throughout the year.

GLOBAL AVERAGE RIG COUNT



Source: Baker Hughes; Spears and Associates f = forecast

While the average onshore global rig count has increased in the year, average offshore global rig count has declined 9% in the year to 201 units. Compared to 2014, the decline in the offshore rig count now stands at 44%, or a reduction of 160 units in operation, since the highs of three years ago.

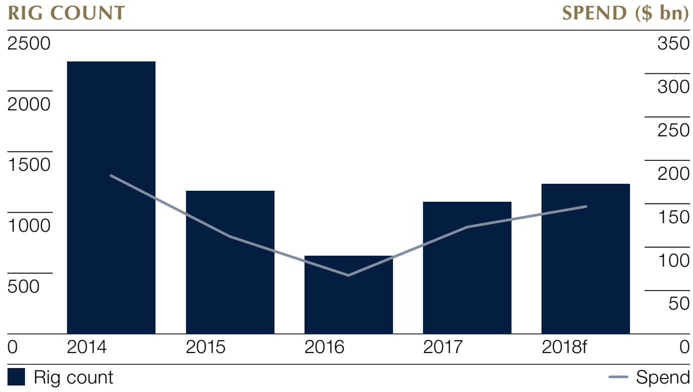
REGIONAL MARKET INDICATORS

NORTH AMERICA

Across North America, which includes the US and Canadian markets, all key indicators increased year-on-year, led by the onshore segment of the market. Total industry spend increased by 83% to $123.2bn in 2017 compared to $67.3bn in the prior year. This increase in investment led to the average rig count, including both onshore and offshore units, increasing c.70% to 1,089 active rigs. As noted earlier, the onshore market led this increase with the average rig count within the US shale basins in 2017 recording a 75% increase compared to 2016.

Outlook

For the year ahead, the North America oil and gas market is projected to continue growing strongly, albeit at a slower rate than 2017. Industry spend is projected to increase 19% to c.$146.8bn in 2018, with the focus of investment remaining on onshore projects but with incremental growth also forecast offshore.



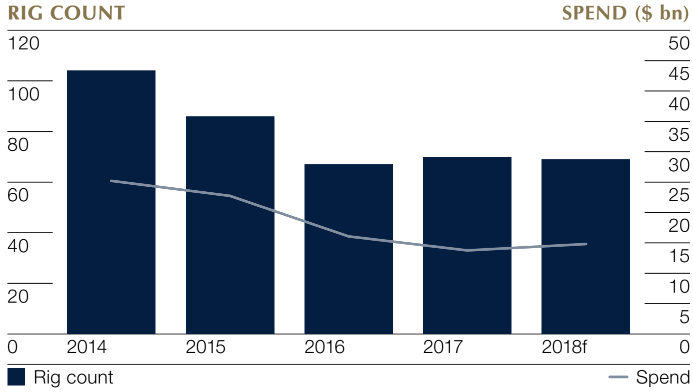
Source: Baker Hughes; Spears and Associates f = forecast

EUROPE

In Europe, due to the majority of drilling activity being focused on the offshore market, the average crude oil price led to a year-on-year decline in total industry investment of c.14% from $16.1bn to $13.8bn. While this decline was led by the offshore segment of the market, European onshore drilling investment increased by 26% to $1.0bn, which led to the onshore rig count increasing from 31 to 37 active units, while offshore units declined from 36 to 33. Overall the average rig count in Europe increased marginally to 70 active units in 2017 from 67 units in 2016.

Outlook

Given the stability in the crude oil price, industry investment across Europe is projected to increase by c.8% in 2018 to $14.8bn, albeit with the rig count remaining generally unchanged.



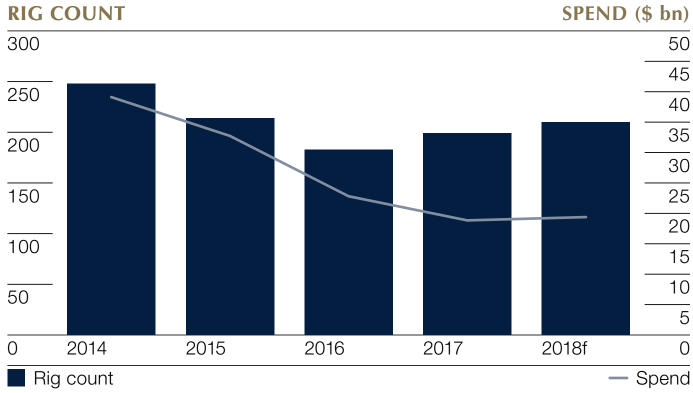
Source: Baker Hughes; Spears and Associates f = forecast

ASIA PACIFIC

The Asia Pacific region is predominantly focused on offshore drilling and in 2017, total industry investment declined by c.18% to $18.8bn, compared to $22.8bn in 2016. Similar to Europe, onshore drilling investment recorded an increase to $6.2bn, leading to an increase in the average number of onshore rigs from 126 in 2016 to 144 in 2017, which contributed to the total number of active rigs across the region increasing 9% to 199.

Outlook

Drilling expenditures are projected to increase marginally in 2018 to c.$19.4bn, with investment increasing in both the onshore and offshore market segments. This is forecast to lead to a c.6% increase in the average rig count to 210 units.



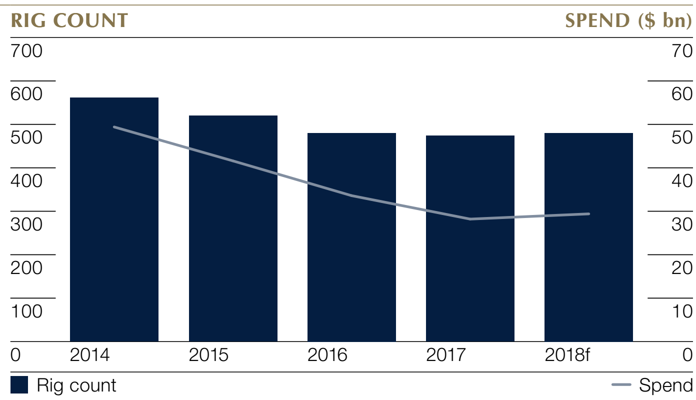
Source: Baker Hughes; Spears and Associates f = forecast

MIDDLE EAST AND AFRICA

For the Africa and Middle East regions, total industry investment declined by 16% to $28.2bn in the year compared to $33.6bn in 2016, the majority of the decline being attributed to offshore drilling programmes being cancelled. However, despite this reduced investment, the rig count only declined by 1% in the year from 480 units to 474 active units, given that countries such as Saudi Arabia maintained onshore drilling activity in the year.

Outlook

Both drilling investment and rig counts are projected to remain generally unchanged from 2017 in the year ahead, with investment forecast to increase by 4% to $29.4bn and rig counts projected to return to 2016 levels at 480 active units.



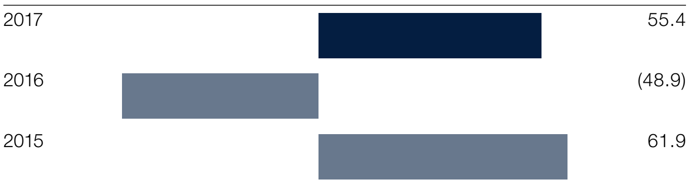
Source: Baker Hughes; Spears and Associates f = forecast

A NUMBER OF KEY PERFORMANCE INDICATORS ARE USED TO COMPARE THE BUSINESS PERFORMANCE AND POSITION OF THE GROUP. THESE ARE REGULARLY REVIEWED TO ENSURE THEY REMAIN APPROPRIATE. FOR DETAILS ON THE MOVEMENTS OF THESE METRICS PLEASE REFER TO THE GROUP REVIEW ON PAGES 12 TO 16.

REVENUE ($m)

Revenue is earned from products and services sold to customers from the Group's principal activities for continuing operations (see notes 2 and 3).

UNDERLYING EBITDA* (LOSS) ($m)



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

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

Underlying profit (loss) from operations before net finance costs and tax (see consolidated income statement and note 2).

UNDERLYING OPERATING MARGIN* (%)

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

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

Underlying earnings (loss) 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 12).

* Non-GAAP measure ("NGM") (see pages 153 to 157)

COUNTRIES WITH ACTIVE OPERATIONS

12

2016 – 13

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)

3.0

2016 – 3.1

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

YEAR-END EMPLOYEES

2,610

2016 – 2,107

The December headcount for Hunting employees, including part-time staff (see note 8).

ISO 9001 (QUALITY) ACCREDITED OPERATING SITES

64%

2016 – 60%

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 153 TO 157).

CAPITAL INVESTMENT* ($m)

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

FREE CASH FLOW* ($m)

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

INVENTORY DAYS*

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 CASH (DEBT) ($m)

Net cash (debt) comprises bank overdrafts, current and non-current borrowings less cash at bank and in hand and investments (see note 22).

RETURN ON AVERAGE CAPITAL EMPLOYED* (%)

Underlying profit (loss) 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).

NO. OF RECORDABLE INCIDENTS

24

2016 – 25

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)

0.89

2016 – 1.15

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 (KG/$K OF REVENUE)

43.7

2016 – 60.7

Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per $k of revenue.

INTERNAL MANUFACTURING REJECT RATE

0.3%

2016 – 0.6%

Percentage of parts rejected during manufacturing processes.

"NORTH AMERICAN CAPITAL INVESTMENT IS FORECAST TO CONTINUE GROWING, WITH THE FOCUS REMAINING ON ONSHORE ACTIVITY. CAPITAL INVESTMENT HAS BEEN FORECAST FOR THE REGION TO INCREASE BY C.20% IN THE YEAR AHEAD."

PETER ROSE
FINANCE DIRECTOR

JIM JOHNSON
CHIEF EXECUTIVE

Introduction
Hunting's performance in 2017 has been defined by the strong recovery in US onshore drilling and completion activity, which has benefited a number of our business units, leading to higher revenues compared to 2016 and enabling the Group to return to underlying profitability in the year.

Market Summary
The average price of WTI crude oil in the year was $50.9 per barrel, indicating that for the majority of 2017, the oil and gas industry has been underpinned by a relatively low price for crude oil from which operators have made investment decisions. The result of this pricing environment has been that offshore projects have continued to be placed on hold, while the US onshore market, where drilling economics have improved during the downturn, has shown more resilience and, in the second half of the year, returned to strong growth.

This macro picture is supported by global industry investment trends, which show total capital expenditures increasing 27% in the year to $197.7bn of which onshore drilling expenditures increased by 60% to $146.5bn. Offshore drilling expenditures declined by 20% to $51.2bn. The US onshore market comprised 73% of the total onshore expenditure at $106.5bn, which has underpinned Hunting's financial performance in the year.

Operational Initiatives
A key strategic goal during the recent market downturn has been to retain the Group's core global manufacturing capability to enable Hunting to be well positioned for the next phase of growth in the global energy industry. Management has achieved this goal, with the Group reporting a relatively unchanged manufacturing footprint, the retention of key personnel and a highly skilled workforce that is focused on leading product quality assurance, strong health and safety policies and the training of staff.

Hunting started the year with 40 manufacturing facilities and 25 distribution centres with a total facilities footprint of 3.1m square feet.

In 2017 a review of this capacity was undertaken, in light of forecast activity levels and future market growth opportunities. In view of market conditions in Africa, in December 2017 the decision was made to close our manufacturing facility in Cape Town, South Africa, due to the medium-term outlook of the region. The Group has decided to retain a presence in the country by opening a sales office to continue to attract business from operators in sub-Sahara Africa.

Group Summary Results

	Underlying		Reported	
	2017 $m	2016 $m	**2017 $m**	2016 $m
Continuing operations:				
Revenue	**722.9**	455.8	**722.9**	455.8
EBITDA[i] (loss)	**55.4**	(48.9)	**53.0**	(60.7)
Profit (loss) from operations	**13.7**	(92.2)	**(25.4)**	(140.7)
Profit (loss) before tax	**10.9**	(93.2)	**(28.2)**	(144.2)
Profit (loss) for the year	**9.9**	(73.3)	**(29.2)**	(121.3)
Discontinued operations:				
Profit for the year	**–**	–	**–**	8.2
Total profit (loss) for the year	**9.9**	(73.3)	**(29.2)**	(113.1)
Diluted EPS (cents)	**7.6**	(45.3)	**(16.4)**	(76.8)

i. Non-GAAP measure

The sale of the European Drilling Tools assets in March 2017 resulted in the closure of two small facilities in the UK and the Netherlands. A UK distribution site, which serviced OCTG and well intervention products, was also closed. The AMG facility in Asia was closed, with local demand being serviced from the US in future. In the US an accessories manufacturing facility was closed in Lafayette, Louisiana.

Hunting's US and Canadian distribution centres continue to be optimised to align with domestic market activity levels in specific basins. In the year, one centre was opened in Pleasanton, Texas, and four centres were closed.

At the end of the year, the Group had 35 global manufacturing facilities and 21 distribution centres with a total facilities footprint of 3.0m square feet.

Another key strategic focus in the year has been the ongoing development of products to support our customers in the post $100 per barrel oil price world, but where quality and safety requirements must still be met. Examples of this include the following:

– In our perforating systems product line we have fully commercialised the H-1 Perforating System, and are now working on a second generation product. The EQUAfrac™ charge also gained market traction in 2017.
– For our Premium Connections line we continue to develop our range of WEDGE-LOCK™ and SEAL-LOCK™ threads, benefiting from our new test centre.
– Our Subsea business is currently finalising a soft-seal product line targeting the onshore drilling market, which is expected to be launched commercially in 2018.

Results from Continuing Operations
The increase in US onshore activity levels has led the Group to report an increase in revenue of 59% in the year to $722.9m (2016 – $455.8m). The Group's performance has been weighted to the second half of the year. Revenue for the Group in H1 2017 was $318.9m (H1 2016 – $228.4m). In the second half of the year revenue was 27% higher at $404.0m (H2 2016 – $227.4m), compared to the first half of the year.

Hunting Titan's segmental revenue increased by 115% in the year to $312.8m as activity within the key US shale basins accelerated throughout the year, and conditions in Canada improved, generating strong growth in demand for its perforating systems, energetics and instrumentation product lines. Our US segment increased revenues by 31% as the positive US onshore market momentum was able to offset the effects from the depressed offshore market and the segment reduced operating losses substantially. All other segments also improved revenues and reduced operating losses in the year. Further details can be found in the Segmental Review on pages 20 to 27.

Through a combination of sales volume increases, a lower cost base, and some price increases being implemented, underlying gross profit was $174.8m for the year (2016 – $52.1m), an increase of $122.7m compared to the prior year. Underlying gross margin improved to 24% (2016 – 11%). With this strengthening performance, underlying EBITDA was $55.4m compared to an underlying EBITDA loss of $48.9m in 2016. The underlying EBITDA margin for the year was 8% compared to negative 11% in 2016.

With the strong return to growth for Hunting Titan, the Group overall has reported a modest underlying profit from operations at $13.7m in the year compared to an underlying loss from operations of $92.2m in the prior year, with the underlying margin being positive 2% compared to negative 20% in 2016. In 2017, the Group absorbed $3.6m of restructuring costs in the underlying results and a $3.7m higher employee share-based payment charge arising from an increased share award vesting assumption given the improved business outlook.

The charge in the year for the amortisation of acquired intangible assets held by the Group totalled $29.1m, compared to $33.2m in 2016. Following due consideration, late in 2017 the Board decided to close the Group's Cape Town facility. Accordingly, the only exceptional item recognised in 2017 was $10.0m that related to the closure of the Cape Town operation, comprising a $7.6m write down of property, plant and equipment to the net realisable value and exit provisions of $2.4m. In 2016 the Group incurred $12.2m of exceptional restructuring costs and $3.1m related to the curtailment of the UK defined benefit pension plan. Hunting's reported loss from continuing operations was therefore $25.4m (2016 – $140.7m).

The underlying net finance expense during the year was $1.5m (2016 – $0.7m). While bank related charges fell as a result of lower debt levels, adverse movements in foreign exchange more than offset the benefit. In 2016 an exceptional charge of $2.5m was incurred on the write-off of capitalised bank fees when the bank facility was amended.

The underlying profit before tax was $10.9m (2016 – $93.2m loss). After charges for acquired intangible asset amortisation and exceptional items, the reported loss before tax was $28.2m (2016 – $144.2m).

Group Segment Summary

	2017			2016		
Business Unit	**Revenue $m**	**Underlying profit (loss) from operations $m**	**Reported profit (loss) from operations $m**	Revenue $m	Underlying loss from operations $m	Reported loss from operations $m
Hunting Titan	**312.8**	**63.3**	**37.4**	145.2	(3.6)	(34.5)
US	**217.6**	**(17.2)**	**(20.4)**	166.7	(33.6)	(37.7)
Canada	**36.5**	**(3.7)**	**(3.7)**	29.3	(4.0)	(4.0)
Europe	**85.0**	**(12.6)**	**(12.6)**	71.7	(25.7)	(33.6)
Asia Pacific	**91.9**	**(8.0)**	**(8.0)**	46.8	(13.3)	(15.3)
Middle East, Africa and Other	**18.6**	**(7.0)**	**(17.0)**	8.5	(9.3)	(9.8)
Exploration and Production	**3.3**	**(1.1)**	**(1.1)**	3.0	(2.7)	(2.7)
Inter-segment elimination	**(42.8)**	**–**	**–**	(15.4)	–	–
Group segment total	**722.9**	**13.7**	**(25.4)**	455.8	(92.2)	(137.6)

In 2017 a tax charge of $1.0m (2016 – $19.9m credit) was recorded during the year. This reflects low levels of taxable income in the UK. In other regions taxable losses have been generated, however, deferred tax assets are not being recognised for these losses as their future recovery, dependent on future trading prospects, is still sufficiently uncertain to qualify for recognition. The Group's underlying effective tax rate for 2017 was 9% (2016 – 21%). We are not recognising any net tax charge or credit for the US due to current year tax losses, which has a significant impact on the tax rate. In the US we have recognised sufficient deferred tax assets to offset against deferred tax liabilities. Taking account of the recent Federal tax rate change in the US effective from 1 January 2018, the Group's underlying effective tax rate is expected to be in the range of 20% to 22%, depending on the regional mix of results. This rate is before any benefit from the recognition of available tax losses, and other net deferred tax balances, currently not recognised. At 31 December 2016 the available tax losses in the US were $65.7m, which had a tax value, including other tax credits, of $30.8m. With the introduction of new US Federal tax rate, the value of these losses has reduced to $21.6m. At 31 December 2017 the tax losses not recognised have increased and are now $81.6m with a tax value of $24.9m. Once we are confident of being able to utilise the value of these tax losses, they will be recognised as tax credits through the income statement.

Underlying diluted earnings per share was 7.6 cents (2016 – 45.3 cents loss). Reported diluted loss per share was 16.4 cents (2016 – 76.8 cents).

Results from Discontinued Operations
No transactions from discontinued operations were recorded during the year. In 2016 the Group recognised an after tax gain of $8.2m on the final resolution of Gibson Energy tax indemnity matters.

Cash Flow

Summary Group Cash Flow

	2017 $m	2016 $m
Underlying EBITDA (loss) (NGM A)	**55.4**	(48.9)
Share-based payments	**11.9**	8.2
	67.3	(40.7)
Working capital movements (NGM I)	**(39.3)**	58.4
Interest paid and bank fees	**(2.4)**	(4.6)
Net tax received	**6.5**	31.3
Replacement capital investment (NGM J)	**(6.9)**	(4.2)
Pension scheme refund	**9.7**	–
Restructuring costs (note 6)	**–**	(5.9)
Other operating cash and non-cash movements (NGM K)	**(0.5)**	2.3
Free cash flow (NGM L)	**34.4**	36.6
Expansion capital investment (NGM J)	**(4.5)**	(13.0)
Dividends to PLC equity holders (note 32)	**–**	(5.9)
Share issue	**–**	83.9
Disposal of businesses	**1.8**	8.6
Other	**0.6**	(1.6)
Movement in net cash (debt) – Group total	**32.3**	108.6

Improved trading, especially from Hunting Titan and the US, substantially benefited the cash flow in the year. For 2017 underlying EBITDA, when adjusted for non-cash share-based payment charges, resulted in an operating inflow of $67.3m versus a comparable outflow of $40.7m in 2016.

Working capital has absorbed $39.3m of the cash generated in the year, driven by the businesses benefiting from the upturn in North America. Europe and Asia managed to reduce working capital despite revenue increases. The Group's working capital was, in fact, more efficient at 31 December 2017 with inventory days at 170 having fallen from 225 at the end of 2016 and receivable days very comparable to prior year.

Net interest paid and bank fees reduced in the year to $2.4m from $4.6m in 2016, due to the non-repetition of the $0.9m amendment fee paid in 2016, together with lower interest on borrowings, which reduced following the equity placing in late 2016.

Net tax received in the year was $6.5m (2016 – $31.3m), with 2017 again reflecting tax refunds from the carry-back of losses in the US. Although no further tax refunds are anticipated, as losses will be utilised against future profits going forward, the availability of losses is expected to keep tax payments at very modest levels for at least the next two years.

While replacement capital investment increased to $6.9m in 2017 (2016 – $4.2m) this was low by historic levels with spend restricted to critical items mainly focused in North America.

During the year, the Group received a $9.7m refund of surplus (2016 – $nil) from the Company's UK defined benefit pension scheme, following the decision to commence the winding down of the scheme.

In 2016, $5.9m was paid in respect of exceptional restructuring costs. There were no such costs in 2017.

As a result of the above, free cash inflow was $34.4m in the year (2016 – $36.6m).

Expansion capital investment at $4.5m (2016 – $13.0m) was modest, with the largest spend being in Hunting Titan to develop the new distribution centre at Pleasanton to take advantage of growth in the Eagle Ford shale basin and machinery to increase capacity.

In July 2016, a dividend of 4.0 cents per share, totalling $5.9m, was paid in respect of the 2015 financial year. No dividends were paid in 2017. Furthermore, in October 2016, the Group placed 14.6m new Ordinary shares raising $83.9m net of transaction expenses.

In 2017 the Group received $1.8m from the disposal of businesses, which included $1.2m from the sale of the European Drilling Tools assets in the year and a $0.6m receipt of deferred consideration from the sale of Gibson Shipbrokers (2016 – $0.7m). In 2016 the business received a $7.9m tax indemnity receipt from Canada, relating to the disposal of Gibson Energy.

Following the return to positive underlying EBITDA, lower capital investment levels, no dividends and other cash inflows, the Group generated an inflow of $32.3m in the year, which resulted in a net cash position of $30.4m at December 2017.

Balance Sheet

	2017 $m	2016 $m
Property, plant and equipment	**383.3**	419.0
Goodwill	**230.3**	229.8
Other intangible assets	**125.4**	150.7
Working capital (NGM C)	**342.4**	300.2
Taxation (current and deferred)	**(6.0)**	(3.4)
Provisions	**(18.0)**	(15.7)
Other net assets (NGM F)	**22.7**	38.7
Capital employed	**1,080.1**	1,119.3
Net cash (debt) (note 22)	**30.4**	(1.9)
Net assets	**1,110.5**	1,117.4
Non-controlling interests	**(18.8)**	(19.3)
Equity attributable to owners of the parent	**1,091.7**	1,098.1

Property, plant and equipment has decreased by $35.7m. Additions of $11.5m, balance sheet reclassifications of $0.5m and favourable foreign exchange movements of $5.2m were more than offset by depreciation of $39.6m, impairment of South Africa assets of $7.6m and the net book value of disposals of $5.7m.

Other intangible assets have reduced by $25.3m with the amortisation charge for the year of $31.2m, being partly offset by the capitalisation of technology and software development costs of $5.5m and favourable foreign exchange of $0.4m.

Working capital has increased by $42.2m, driven by increased inventories within Hunting Titan and other US businesses focused on onshore drilling in North America. Foreign exchange had a $4.7m favourable impact on working capital, but this was offset by $1.8m of adjustments.

Tax balances show net liabilities of $6.0m at 31 December 2017 (2016 – $3.4m), which remains very low reflecting the continuing loss-making positions of a number of the Group's businesses in 2017. Deferred tax assets of $39.8m (2016 – $50.0m) have not been recognised as realisation of the tax benefit is not probable. The reduction in the unrecognised balance in 2017 was due to the change to US Federal tax rates, which reduced the value of unrecognised deferred tax by $18.6m, and more than offset further unrecognised losses in the year.

Other net assets have reduced by $16.0m during 2017, mainly due to a $14.7m reduction in pension assets following a partial refund of the pension surplus to the Group. As a result of the above changes, capital employed in the Group has reduced by $39.2m to $1,080.1m.

Net assets at 31 December 2017 were $1,110.5m, which, after non-controlling interests of $18.8m, result in equity shareholders' funds of $1,091.7m (2016 – $1,098.1m). This is a marginal decrease over 31 December 2016, which reflects the reported loss for the year attributable to equity shareholders of $26.7m, offset by foreign exchange gains of $10.7m and $9.6m in relation to share awards and other items.

Financial Capital Management

Hunting commenced 2017 with a robust Balance Sheet and negligible net debt. During the year, Hunting's core energy markets stabilised and, in particular, activity in the US onshore shale basins improved, leading to increased revenues and positive EBITDA in the first half of the year. Following sustained levels of activity within the Hunting Titan business in the second half of the year, sufficient underlying profits were generated to result in a small profit before taxation for the full year.

During 2017 Hunting has been subject to the revised bank covenants and terms, which were agreed on 20 July 2016 (further details can be found in note 26 of the 2016 Annual Report). The key features of the amendments were:

- the quantum of the Group's committed facility was reduced to $200m;
- limits on capital investment;
- suspension of dividends;
- minimum cash flow requirements;
- asset cover and discounted asset cover requirements; and
- granting security over selected assets.

Throughout 2017 the Group was compliant with these covenants and terms.

With the improved trading reported by Hunting Titan and the return to underlying profitability at Group level, Hunting commenced the process to revert to the original covenants and terms in December 2017 and this was agreed by our banking syndicate on 18 January 2018.

The Group is now subject to its original covenants and terms which include:

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

For covenant testing purposes, the Group's definition of EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Similarly, net debt and finance expenses are adjusted to accord with the definition within the facility agreement. EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December. At 31 December 2017 both these covenants were met.

The Group's funding position remains robust, with total borrowing facilities of $205.0m in place (2016 – $204.9m) of which $200.0m (2016 – $200.0m) is committed. The lending group, who provide the committed facilities, comprises five banks: Lloyds, Barclays, HSBC, Wells Fargo and DBS. Further details of the facility, including the terms and conditions, are in note 26.

	2017 $m	2016 $m
Total equity	**1,110.5**	1,117.4
Net (cash) debt	**(30.4)**	1.9
Capital employed	**1,080.1**	1,119.3

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.

GROUP REVIEW CONTINUED

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.

The Group's liquidity 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.

With the Group's return to profit, the underlying return on average capital employed was 1% in 2017 compared to negative 8% in 2016.

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 26.

Dividends

Each dividend proposal considered by the Board of Directors is determined on its own merits taking into account the considerations outlined below. This flexible approach is influenced by the cyclical nature of the oil and gas sector which, as recent history demonstrates, can produce significant swings in activity levels and cash generation. Dividends will, therefore, reflect business performance over time and will not necessarily be progressive.

In assessing the level of dividend that is appropriate, the Board considers not only the results and position of the business for the financial year in question, but reviews mid-term projections and downside sensitivities for a three-year period as used in the Viability Assessment.

A company's dividend capacity is typically constrained either by distributable reserves or by liquidity. Hunting PLC has in excess of $200m of distributable reserves and Hunting Energy Holdings Limited, a direct UK subsidiary of Hunting PLC, which directly or indirectly controls the operating businesses of the Group, has distributable reserves in excess of $300m. The Board considers that these distributable reserves are capable of servicing dividends for the foreseeable future and that any dividend constraints will be driven by liquidity.

Given potential volatility in the sector, the Group intends to continue to operate with low levels of gearing. In addition, the Group will seek to ensure that there is adequate funding headroom to cover swings in working capital and to allow for appropriate, strategic acquisitions. At the end of 2017 the Group has net cash of $30.4m.

Dividends will be funded from net cash flows before transactions with PLC shareholders and before growth capital investment over the period.

Dividends will continue to be declared in US dollars, being most representative of the earnings and cash flows being generated but will continue to be paid in Sterling.

OUTLOOK

Global energy markets have entered the new year with a renewed commitment from OPEC and Russia to extend production cuts to the end of 2018. Should production compliance be maintained for the duration of the year by OPEC's members, the oil price is likely to remain above $60 per barrel.

This in turn will continue to provide a platform of stability in committed capital expenditures for onshore operators in North America, thus helping maintain activity levels for the Group and, in particular, Hunting Titan and the Group's US onshore-focused operations, at the levels seen in the second half of 2017.

In addition to the above, average oil and gas prices in the year to date – WTI at c.$63 per barrel and natural gas at c.$2.98 per mmBtu, are slowly stimulating more offshore and international drilling activity and investment, which market commentators indicate is likely to lead to a reversal in the declines seen in the past three years, and a return to modest growth. This will benefit Hunting's businesses in Europe and Asia Pacific.

Within recent earnings statements released by our customer base, varying degrees of confidence are returning to the market, specifically with regard to US onshore markets with references to capacity constraints, pointing to the potential for a continuation in earnings growth. Margin progression driven by increased revenues and resultant operating leverage benefits, as reported within our 2017 results, along with continuing cost containment initiatives also provide positive indicators of a return to improving profits.

As noted in the Market Review, most geographic regions where the Group operates are projected to report an increase in drilling investment in the year ahead, thanks to the general stability in the global market. North American capital investment is forecast to continue growing, with the focus remaining on onshore activity. Capital investment has been forecast for the region to increase by c.20% in the year ahead. For the Rest of World, investment levels are forecast to increase in mid to high single digits.

However, while the Board believes this position to be a fair outlook at the time of writing, it also believes that market sentiment remains fragile, particularly given the geopolitical drivers in Iran and Venezuela, which also support current commodity price levels. Should this market dynamic be disrupted, an adverse move in these commodity prices could lead to a change in industry sentiment with investment slowing.

The Board believes that the Group's US businesses, including Hunting Titan, will continue to grow sales in the year ahead and generate underlying profits. Outside of the US, most segments are projected to return to a break even position in the year as losses narrow and activity returns to positive growth.

Further, and subject to the Company's trading and liquidity being satisfactory, the Board will consider the restoration of dividend distributions.

Jim Johnson
Chief Executive

Peter Rose
Finance Director

1 March 2018

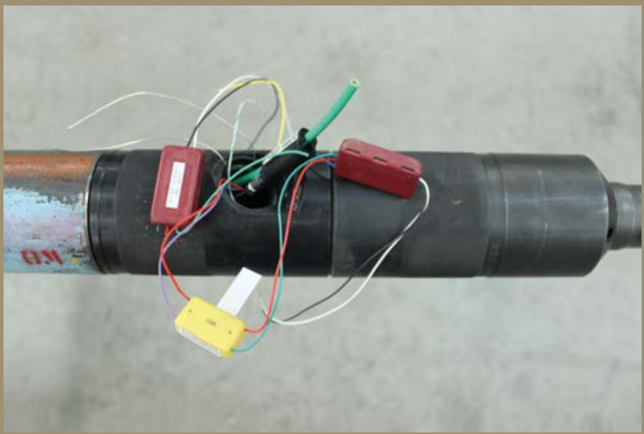
TUBING BEING PREPARED FOR INSPECTION, REPAIR AND RETURN TO SERVICE IN THE NORTH SEA.

Hunting Titan – H-1 Perforating System

We addressed the primary reasons for conventional perforating system failures and commercialised a system that not only mitigated common failures but also significantly improved personnel safety and operational efficiency. The bar was set very high and we knew if we were going to change the market it had to be something special.

The challenge

Once drilled, a wellbore must be "completed" in order to initiate production and bring hydrocarbons online. Part of this process involves "fracking" using perforating technology, which creates fissures in the surrounding rock formation through which the oil or gas may be released. Hunting Titan has been a front runner in the advancement of perforating technology, having been the pioneer of perforating systems that are common in the industry today. The average length of an horizontal shale lateral in the US is in the region of 8,300 feet with up to 100 "frac" stages per lateral and in some cases, each stage requiring six to seven guns. A perforating system comprises a number of components, including an outer protective housing, an inner carrier tube to hold shaped explosive charges and requisite electrical and detonation componentry.



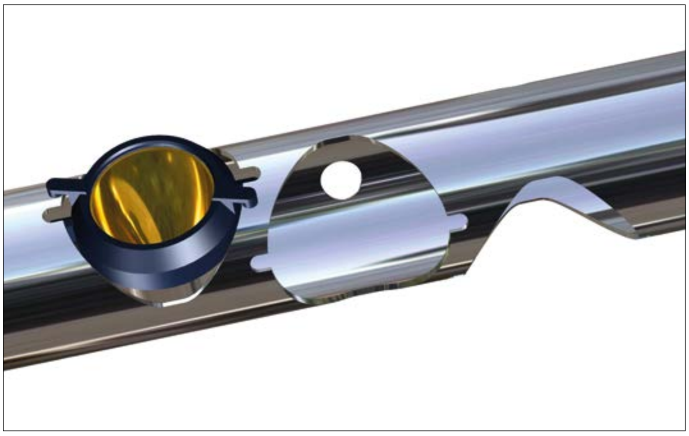
Historically, the constituent components of the perforating systems were transported to the well site where a service crew assembled the system. This required a number of time-consuming tasks, including placement of shaped charges, various small clips, splicing of wires, connections, threading and securing of detonation cord and careful insertion of the loaded charge carrier into the perforating system body to avoid damage. Individual systems are connected together using separate connection hardware, that also houses lead wire.

The solution

Hunting Titan has taken perforating technology to the next level with the development and commercial deployment in 2016 of the H-1 Perforating System. Hunting Titan initially manufactured OEM products. In 2012, the thinking shifted in favour of developing proprietary technology and the company started developing in-house the basic technologies that would evolve into the H-1 Perforating System. The H-1 comprises a pre-assembled, ready-to-deploy perforating system. The design provides for it to be safely assembled off-site with shaped charges and detonating cord and then safely armed onsite by inserting Hunting's proprietary ControlFire™ initiation cartridge.

Where conventional perforating systems are susceptible to failures as a result of nicked wires, faulty crimps etc, the H-1 mitigates these by eliminating human handling error during assembly and by replacing lead wire with electrical contact components. Elimination of connection hardware has removed 18 pounds of weight per perforating system and allowed for more individual systems to be run per stage. In reviewing the H-1, our customers have noted significant cost efficiencies as a result of less personnel being required on site and an 80% decrease in assembly time, as well as increased reliability and safety due to less time spent handling live explosives and a significant reduction in post-job maintenance.

HUNTING TITAN



AN ENERGETICS CHARGE LOCKED INTO THE CHARGE CARRIER.

		2017	2016
Market indicators*			
US onshore – average rig count	#	**856**	490
Canada – average rig count	#	**212**	129
Revenue			
Perforating guns & hardware	$m	**102.0**	48.7
Energetics	$m	**111.8**	55.1
Instruments	$m	**87.5**	35.5
Perforating Systems	$m	**301.3**	139.3
Other product lines	$m	**7.4**	3.2
External revenue	$m	**308.7**	142.5
Inter-segment revenue	$m	**4.1**	2.7
Segment revenue	$m	**312.8**	145.2
Profitability			
Reported operating profit (loss)	$m	**37.4**	(34.5)
Acquisition amortisation and exceptional items	$m	**25.9**	30.9
Underlying operating profit (loss)	$m	**63.3**	(3.6)
Underlying operating margin	%	**20**	-2
Other financial measures			
Capital investment	$m	**2.6**	0.5
Property, plant and equipment	$m	**45.8**	48.1
Inventory	$m	**87.8**	72.0
Operational			
Headcount (year end)	#	**587**	412
Headcount (average)	#	**491**	450
Operating sites	#	**5**	5
Service and distribution centres	#	**19**	22
Operating footage	kft^2	**655**	678

* Source – Spears and Associates

Introduction
Hunting Titan's business focuses predominantly on the US and Canadian onshore markets. The business operates five manufacturing sites, with four in the US and one in Mexico and sells through a network of distribution centres in the US and Canada, with over 95% of external sales derived from North America. Whilst the business makes some external international sales it also sells perforating systems to other Hunting segments including Europe and the Middle East.

Market Overview
The business' performance during 2017 has been underpinned by strengthening US and Canadian onshore rig counts. During the year, the average US onshore rig count increased 75% from 490 units in 2016 to 856 units. The commensurate increase in onshore spend in the US shows investment rising from $54.4bn in 2016 to $106.5bn or a 96% increase year-on-year. The US growth was focused in specific low cost basins, in particular the Permian. In Canada the average total rig count increased from 129 to 212 units, with spend in the year increasing from $8.4bn in 2016 to $12.3bn in 2017.

Segment Performance and Development
Market activity increases, together with an estimated growth in market share, have led to a $167.6m, or 115%, increase in segmental revenues to $312.8m.

Perforating guns and hardware revenues more than doubled in the year, increasing by $53.3m with the number of guns sold up 119%. With the increasing market acceptance of the H-1 Perforating System and the improving US market, gun manufacturing at Hunting Titan's Pampa facility was moved to focus on the production of the H-1 System. To cope with demand, Hunting Titan has increased its sourcing of short guns from our manufacturing facilities in the US and Canadian segments, helping reduce excess capacity in these businesses, and from China, where lower manufacturing costs can be achieved. Although perforating products are typically lower margin in nature, particularly short guns, this line had the highest margin increase in 2017.

The Energetics business manufactures shaped charges utilised within Hunting's Perforating Systems and has also seen a material increase in volumes throughout the year due to the increase in market demand. Manufacturing is undertaken at the Milford facility, and in the year 8.2m charges were manufactured representing a 105% increase over 2016, with revenue more than doubling to $111.8m.

In 2017, the Milford facility increased its production to 2014 levels. Of note, the EQUAfrac™ charge, which was commercialised in 2016, has seen greater market acceptance during 2017.

Instrument product sales performed particularly well with an increase of $52.0m, or 146%. These products include switches and control panel products including the EBFire™ and ControlFire™ switches and the ControlFire™ firing panels. High demand has led to some production being sourced from the Electronics unit in the US segment.

Improvements in volumes, targeted price increases in the second half of 2017, beneficial product mix changes and continued cost control focus has led to a significant improvement in profitability, with an underlying operating profit of $63.3m being generated in 2017 versus a loss of $3.6m in 2016, and segmental operating margins improving by 22% points to 20%. Reported profit from operations was similarly improved, moving from a loss of $34.5m in 2016 to a profit of $37.4m in 2017.

Our cost control focus can be seen in the relative leveraging of employees, with 175 employees added in the year being up 42% on December 2016, and the average headcount only up 9% relative to the growth in revenues.

In addition, particularly given the basin-centric growth profile in the US, we have continued to evaluate our distribution centre network closing four centres while opening one in Pleasanton, Texas. The Odessa, Texas, distribution centre has seen a large acceleration in sales since opening in 2016. At the year end the centre accounted for 26% of sales in the US, reflecting the concentration of activity in the Permian basin.

THE FLOW LOOP AT TITAN'S MILFORD TEST FACILITY IS A MILE LONG CONSISTING OF 5½ INCH CASING.

New product innovation has been an important contributor to Hunting Titan's return to strong growth, underpinned by the success of the H-1 Perforating System. By the end of 2017 H-1 System sales represented 8% of Perforating Systems revenues. In addition to the benefits for customers (see our case study on pages 18 and 19) the "packaged" system means we sell the perforating gun, the energetics and the instrumentation rather than particular elements as is often the case with conventional sales. Revenue from H-1 systems are shown across the perforating systems product lines. In 2017, Titan began the development of a second generation H-1 System, which incorporates enhanced charge technology. In regard to this development, 13 patents have been filed and are currently being evaluated by patent regulators.

Hunting's self-locating autonomous tool project has continued in collaboration with ExxonMobil in the year. The test bed at the Milford facility is being used to develop the new tool. In Q2 2017 the phase one project milestones were completed.

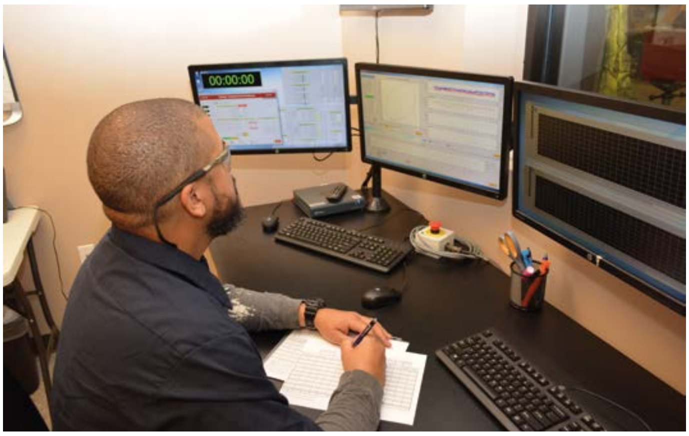
In addition, new variants of Hunting's jet cutters were introduced to customers early in the year to broaden the Group's offering to global plug and abandonment programmes.

Other new products under development during the year include Ballistic Release and Addressable Release Tools as well as a Magnetic Orientating Tool.

Working capital has increased by $30.7m over 2016 of which broadly half relates to inventory, which was $87.8m at December 2017. This, however, was driven by activity levels and, indeed, inventory days actually fell by nearly a third in 2017.

Capital investment began to pick up in a modest way in 2017 with a spend of $2.6m, which mainly related to the development of the new distribution centre and work at Milford to expand ControlFire™ production capacity. Despite this, overall property, plant and equipment in Hunting Titan is little changed year-on-year. Our current view is that we expect to invest in excess of $20m in 2018 to expand capacity and remove bottlenecks in a number of key areas and improve production efficiency.

US



REMOTE MONITORING OF THE THREAD TESTING CELL AT THE AMERIPORT FACILITY IN BAYTOWN.

		2017	2016
Market indicators*			
US onshore – average rig count	#	**856**	490
US offshore – average rig count	#	**21**	23
US – total spend	$bn	**110.9**	58.9
Revenue			
OCTG & Premium Connections	$m	**78.4**	68.9
Advanced Manufacturing	$m	**56.8**	43.2
Subsea	$m	**20.6**	21.5
Drilling Tools	$m	**25.7**	10.1
Intervention Tools	$m	**8.1**	6.7
Other product lines	$m	**13.9**	11.6
External revenue	$m	**203.5**	162.0
Inter-segment revenue	$m	**14.1**	4.7
Segment revenue	$m	**217.6**	166.7
Profitability			
Reported operating loss	$m	**(20.4)**	(37.7)
Acquisition amortisation and exceptional items	$m	**3.2**	4.1
Underlying operating loss	$m	**(17.2)**	(33.6)
Underlying operating margin	%	**-8**	-20
Other financial measures			
Capital investment	$m	**5.2**	11.2
Property, plant and equipment	$m	**253.3**	274.1
Inventory	$m	**95.5**	84.3
Operational			
Headcount (year end)	#	**1,049**	846
Headcount (average)	#	**953**	924
Operating sites	#	**15**	16
Service and distribution centres	#	**1**	1
Operating footage	kft²	**1,358**	1,379

* Source – Spears and Associates

Introduction
Hunting's US operations are the most diverse in the Group, generating revenues from the OCTG and Premium Connections, Advanced Manufacturing, Subsea, Drilling Tools and Intervention Tools product lines. In addition, the segment includes the Trenchless business, which mainly services the utilities sector.

The main focus area for most businesses in the segment is domestic US, which covers approximately 90% of external revenues, with Subsea and Advanced Manufacturing more internationally oriented. In addition, the US manufactures perforating guns and switches for sale to Hunting Titan.

Market Overview
Activity and performance of the Group's US operations is driven mainly by a combination of rig count and industry spend. Historically, the Group's US activity levels have been broadly balanced between onshore and offshore drilling, with profitability from offshore activity contributing strongly to Hunting's total revenues and profits.

Since 2014, offshore spend has reduced 69% to $4.3bn in 2017, impacting the utilisation levels of the Group's facilities. Offshore spend in 2017 showed a further decline year-on-year, highlighting the depressed offshore markets in the Gulf of Mexico. While a number of individual manufacturing facilities have remained busy due to ongoing contracts in the Gulf of Mexico, most continue to operate on a single or two shift basis. US onshore spend has increased 96% year-on-year to $106.5bn, which has supported the increase in revenues within the segment during 2017.

Segment Performance and Development
Segment revenues increased 31% from $166.7m in 2016 to $217.6m in 2017. With the exception of the Subsea business, all product groups reported increasing revenue during the year, driven by the increase in onshore activity in the US.

OCTG and Premium Connections
This product line includes the Group's Premium Connections, OCTG Manufacturing and Accessories, Thread Protectors and Pipe Trading activities. In the year, revenues for OCTG and Premium Connections increased by $9.5m to $78.4m in 2017. Although this product line has generated an operating loss for the year, a positive EBITDA contribution was being made.

During 2017, sales of Hunting's proprietary SEAL-LOCK™ and WEDGE-LOCK™ premium connections increased compared to 2016, as general market conditions stabilised and new products were commercialised. Both premium connection families continue to be used in the Gulf of Mexico deep water drilling programmes, with key customers including Chevron, Anadarko and Cobalt. The Group's Marrero facility, which threads large diameter pipe, has remained busy throughout the year due to this continued activity. As the market stabilised the AmeriPort facility, which became operational in 2016, increased its utilisation levels to support new order flow from operators in the Gulf of Mexico. The product families of WEDGE-LOCK™ and SEAL-LOCK XD™ have been expanded during the year, following completion of testing and certification at the Group's Connection Test Facility at AmeriPort in Houston. New products include 14 inch and 18 inch variants, which broaden Hunting's product offering to other deep water operators.

Subdued offshore activity has limited accessory demand and the decision was taken to consolidate this work in Louisiana at our new Houma facility and to close an older site at Lafayette.

Pipe trading improved significantly during 2017 versus prior year, with sales of two-step tubing increasing to 0.42 million feet in the region compared with 0.13 million feet traded in 2016.

Advanced Manufacturing
Hunting's Advanced Manufacturing Group ("AMG") comprises the Dearborn, Electronics and Specialty units, which operate three manufacturing facilities. AMG external sales increased by $13.6m or 31% in 2017, with the largest improvements in Specialty and Electronics. Improved trading enabled AMG to broadly break-even in 2017.

Activity levels at Hunting Specialty, which offers a range of designed solutions for MWD running gear, drill pipe mud screens and float valve assemblies, are largely driven by US onshore rig counts and therefore this business benefited significantly from the upturn.

Hunting Electronics has benefited from returning oil and gas customers as well as diversification in its revenue streams during the year. The business is also manufacturing switches for Hunting Titan and this is a key driver of the $9.4m increase in inter-segment sales by the US.

During 2017 Hunting Dearborn continued its efforts to diversify its revenue streams into other sectors including the aerospace, military and space sectors. The business has secured new orders in these markets throughout the year and has gained approval from US regulators to undertake work on a number of military-related programmes. The business has also seen an improvement in oil and gas related orders in the second half of the year as the market further stabilised.

Subsea
Hunting Subsea continued to face challenges in 2017, given the depressed offshore Gulf of Mexico and International market environments, and the lower levels of deep water investment by the oil majors. Revenues fell slightly in 2017 to $20.6m.

The Subsea business has focused its efforts in the year on further product innovation with new seals and couplings being developed. The business is currently finalising development of a soft-seal product line targeting the onshore drilling market, where the business generally has a lower market share. This product is planned to be launched commercially in 2018. Further, in the second half of the year, the order book started to build as clients recommenced plans for deep water drilling.

HUNTING SUBSEA VALVE ASSEMBLY LINE IN HOUSTON, TEXAS.

Drilling Tools
Hunting's Drilling Tools business is focused on the onshore oil and gas basins in the US, with principal facilities in three locations in Conroe, Texas; Latrobe, Pennsylvania; and Casper, Wyoming and a shared a facility in Odessa, Texas. The business has a fleet of c.1,000 mud motors, which are rented to operators, and following the completion of a drilling programme, are returned to the Group for refurbishing, prior to redeployment.

With the onshore rig count improving throughout the year, demand for the Group's mud motor fleet has increased, leading to the business returning to profit during Q4 2017. Costs have been contained during the year, and as the market stabilised further in H2 2017, the pricing environment tightened allowing for selected price increases to be implemented. In the year revenue within Drilling Tools increased by $15.6m from $10.1m in 2016 to $25.7m in 2017.

Intervention Tools
The Group manufactures pressure control equipment ("PCE"), wireline and coiled tubing products in the US. Revenue increased by $1.4m in the year, largely driven by PCE.

Other Product Lines
Other product revenues, which increased by 20% in 2017, mainly derive from Hunting's Trenchless business, which manufactures drill stems and drill head products for use in the telecommunications sector. The business utilises technology from within the Group in this non-oil and gas sector. Increased activity levels enabled Trenchless to significantly improve margins in 2017.

US Segment Summary
The increase in revenue has reduced underlying segment operating losses by $16.4m to $17.2m (2016 – $33.6m loss). The narrowing losses also reflect significant cost-cutting measures implemented since 2014, and average head count increases were kept to 3%. The US position has been improving and a small contribution to Group profit was delivered in the final quarter of the year. The reported operating loss was $20.4m (2016 – $37.7m loss), a $17.3m improvement over 2016.

During 2017 capital investment was very limited with a spend of $5.2m (2016 – $11.2m), the key elements were developing the test lab and the repurposing of a facility to manufacture perforating guns. As depreciation outstripped capex the net book value of PPE in the US fell by $20.8m.

Working capital increased by $17.7m during 2017 with $11.2m of this in inventory. Given the increase in activity, however, this increase was modest with inventory days falling by 22% compared to 2016.

CANADA

VACUUM INSULATED TUBING FOR STEAM ASSISTED EXTRACTION IN THE CANADIAN OIL SANDS.

		2017	2016
Market indicators*			
Canada – average rig count	#	**212**	129
Canada – spend	$bn	**12.3**	8.4
Revenue			
OCTG & Premium Connections	$m	**27.6**	26.3
External revenue	$m	**27.6**	26.3
Inter-segment revenue	$m	**8.9**	3.0
Segment revenue	$m	**36.5**	29.3
Profitability			
Reported operating loss	$m	**(3.7)**	(4.0)
Underlying operating loss	$m	**(3.7)**	(4.0)
Underlying operating margin	%	**-10**	-14
Other financial measures			
Capital investment	$m	**0.7**	0.8
Property, plant and equipment	$m	**3.4**	4.3
Inventory	$m	**23.2**	17.2
Operational			
Headcount (year end)	#	**140**	102
Headcount (average)	#	**118**	99
Operating sites	#	**1**	1
Service and distribution centres	#	**1**	1
Operating footage	kft^2	**113**	113

* Source – Spears and Associates

Introduction
The Group's Canadian business comprises an OCTG threading and accessories manufacturing facility in Calgary, Alberta, and a service facility in Nisku, Alberta. Canada's external sales are almost exclusively to its domestic market, however, as noted in the Hunting Titan review, the Calgary facility also supports the manufacture of short perforating guns for distribution primarily into Canada and the US.

Market Overview
In Canada the average total rig count increased from 129 to 212 units, with spend in the year increasing from $8.4bn in 2016 to $12.3bn in 2017.

A limiting factor to Hunting's performance in the country has been the distribution of crude oil produced by operators across Canada. Capacity constraints in the mid-stream segment of the national market has resulted in a c.25% discount to WTI crude oil being realised in Western Canada, resulting in sub-$40 per barrel economics driving the region for most of 2017. This pricing environment has impacted key heavy oil markets, where our Canadian business and its key customers are focused.

Market conditions have also been affected by the exit of international oil companies during the year, which added volatility to planned drilling programmes.

Segment Performance and Development
Hunting's Canadian business delivered a modest 5% increase in OCTG external revenues during 2017, despite the significant improvement in rig count and spend for the reasons described above.

Hunting's key product lines include Vacuum Insulated Tubing ("VIT"), TKC 4040 semi-premium connections and accessories manufacturing. In respect of Hunting's VIT technology, the Group has successfully established regular business with two large domestic drilling companies, which has supported business throughout the year. New projects with these partners are planned for 2018. Coupling product demand has also been relatively buoyant, which has enabled threading utilisation to remain at respectable levels in the second half of the year.

Hunting's Calgary facility has significantly increased production of perforating systems in the year, predominantly manufacturing short guns on behalf of Hunting Titan. During 2017 gun sale volumes increased by more than 200% leading to inter-segment revenue of $8.9m (2016 – $3.0m). This was the major factor in the 25% increase in segment revenue in 2017. For 2017, Canada produced an underlying and reported operating loss of $3.7m. The 2016 underlying and reported operating losses were $4.0m.

The average employee level in 2017 was 118, which was a 19% increase on the prior year. Capital investment of $0.7m was constrained as far as possible, focusing on essential replacement spend. Inventory at $23.2m was higher than 2016 reflecting some delayed sales and a stronger order book position.

EUROPE

THE QUALITY ASSURANCE REGIME LIES AT THE HEART OF THE PRODUCT OFFERING.

		2017	2016
Market indicators*			
North Sea – average rig count	#	**27**	29
North Sea – spend	$bn	**11.7**	13.8
Total Europe – well count	#	**643**	611
Revenue			
OCTG & Premium Connections	$m	**59.6**	51.4
Intervention Tools	$m	**11.1**	8.7
Perforating Systems	$m	**2.9**	2.7
Drilling Tools	$m	**0.1**	0.8
Other product lines	$m	**5.3**	6.5
External revenue	$m	**79.0**	70.1
Inter-segment revenue	$m	**6.0**	1.6
Segment revenue	$m	**85.0**	71.7
Profitability			
Reported operating loss	$m	**(12.6)**	(33.6)
Acquisition amortisation and exceptional items	$m	**–**	7.9
Underlying operating loss	$m	**(12.6)**	(25.7)
Underlying operating margin	%	**-15**	-36
Other financial measures			
Capital investment	$m	**1.0**	2.2
Property, plant and equipment	$m	**12.8**	11.2
Inventory	$m	**47.8**	50.2
Operational			
Headcount (year end)	#	**249**	241
Headcount (average)	#	**250**	284
Operating sites	#	**6**	8
Service and distribution sites	#	**–**	1
Operating footage	kft^2	**213**	253

* Source – Spears and Associates

Introduction

Hunting's European operations comprise operating businesses in the UK, the Netherlands and Norway. These businesses provide OCTG (including threading, pipe storage and accessories manufacturing) and well intervention products in the UK, OCTG and well testing equipment manufacture in the Netherlands and well intervention service and distribution in Norway. The region also has a perforating systems facility in Aberdeen, UK.

Market Overview

During 2017, the underlying market environment in the North Sea remained difficult with a further decline in average rig count and continued pressure on costs due to the low average oil price for the majority of the year. The UK continental shelf, where Hunting is more established, faired slightly better with a flat average rig count year-on-year.

Segment Performance and Development

For 2017, Hunting's European operations increased segment revenues by 19% to $85.0m. Hunting's European OCTG business is predominantly focused on the North Sea, where the Group holds a number of key connection and tubular contracts with operators. During the year these relationships were maintained, despite increased competition, and pricing remained challenging.

Leveraging our long-standing relationship with our partner within the European OCTG business, the region completed a number of international threading contracts in H1 2017 for clients in the Middle East and in the US, which led to good utilisation of both UK and Netherlands facilities, leading to the increase in revenue reported in the year. These contracts concluded in Q3, which led to a lower performance for the region during H2. In the year revenue within OCTG increased 16% from $51.4m in 2016 to $59.6m in 2017.

Hunting's European well intervention business noted some evidence of a slow recovery in the year. Customers remained cautious and capital constrained and therefore the pick-up in business has led to increased rentals of pressure control equipment and coiled tubing with revenues up by $2.4m in the year. The business also introduced the Ezi-Shear valve and a new coiled tubing blow-out preventer to customers, which has gained market acceptance in the latter half of the year.

In March 2017, the assets of the Group's European Drilling Tools business were sold for $1.2m, following the decision to exit this product line in 2016, leading to the decline in reported revenue. This resulted in the closure of two operating sites, one in the UK and one in the Netherlands. Other revenues mainly comprise Hunting's Well Testing operation. In 2017, revenues from this business decreased by $1.2m to $5.3m largely due to the timing of the completion of certain contracts. Generally, activity levels were comparable with 2016. There are signs of improvement going forward with the order book picking up at the end of 2017.

Inter-segment sales were up $4.4m in 2017, mainly due to the UK manufacturing pressure control equipment being sold into the US. The improvement in activity levels helped reduce underlying operating losses by $13.1m, however, an underlying loss of $12.6m was still reported in 2017. With no exceptional items or acquisition amortisation, the reported loss was $12.6m. Management have continued to focus on cost control, with a 12% reduction in average headcount during 2017. A distribution centre at Montrose, which helped service the OCTG and well intervention businesses, was also closed in the year. Inventory levels were reduced by 5% over the year to $47.8m and inventory days fell by 16%. Capital investment was restricted as far as possible and reduced from $2.2m in 2016 to $1.0m in 2017.

ASIA PACIFIC

HUNTING'S MAJOR MANUFACTURING PLANT AT WUXI IN CHINA FOR DOMESTIC AND INTERNATIONAL SALES.

		2017	2016
Market indicators*			
Far East – average rig count	#	**199**	183
Far East – spend	$bn	**18.8**	22.8
Central Asia – spend	$bn	**1.2**	1.2
Revenue			
OCTG & Premium Connections	$m	**79.1**	39.6
Intervention Tools	$m	**4.0**	3.8
Other product lines	$m	**0.3**	0.3
External revenue	$m	**83.4**	43.7
Inter-segment revenue	$m	**8.5**	3.1
Segment revenue	$m	**91.9**	46.8
Profitability			
Reported operating loss	$m	**(8.0)**	(15.3)
Acquisition amortisation and exceptional items	$m	**–**	2.0
Underlying operating loss	$m	**(8.0)**	(13.3)
Underlying operating margin	%	**-9**	-28
Other financial measures			
Capital investment	$m	**0.6**	1.2
Property, plant and equipment	$m	**17.9**	21.4
Inventory	$m	**30.4**	33.0
Operational			
Headcount (year end)	#	**443**	359
Headcount (average)	#	**425**	401
Operating sites	#	**5**	6
Operating footage	kft^2	**549**	585

* Source – Spears and Associates

Introduction
Hunting's Asia Pacific business covers five operating facilities across China, Indonesia and Singapore. In China, the Group operates from a facility at Wuxi, which has OCTG threading and perforating gun manufacturing capabilities. In Indonesia, Hunting manufactures OCTG premium connections. In Singapore the Group offers OCTG premium connections and accessories manufacturing and well intervention products.

Market Overview
Asia Pacific has the most geographically diverse customer base of all our segments, with sales to the Middle East and North Africa, as well as within Asia Pacific which is its main market. Hence, while we monitor Far East, China and Central Asia activity as a general market barometer the segment's performance, and expected correlation to market data, is lower than for other segments.

During 2017, market conditions remained challenging, despite improving operational indicators such as rig count, given the further reduction in industry spend recorded. In particular, the large inventory surpluses across the region and excess pipe manufacturing capacity from Chinese steel producers ensured that conditions remained very price competitive.

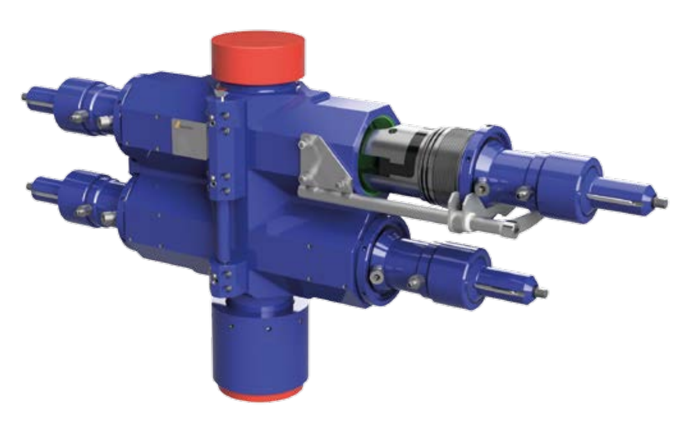
Segment Performance and Development
For 2017, Asia Pacific segment revenue at $91.9m was nearly double compared to the prior year (2016 – $46.8m). OCTG sales were up $39.5m in the year to $79.1m. The segment benefited from some large threading contracts for the Middle East which, together with increased domestic Chinese demand, required Wuxi to hire more than 100 additional staff during the year. In addition, there was an increase of just under $17.0m of pipe sales, mainly to Kazakhstan. Whilst these sales are at low margins they do contribute to fixed costs. Activity levels at the Group's Singapore and Indonesia OCTG facilities remained comparable with 2016 throughout the majority of the year. There has been a significant increase in the order book at the end of 2017, with the value of orders more than twice that at December 2016. The Intervention Tools business had a difficult year, given the low levels of capital expenditure by customers, and revenues only increased marginally. Pressure control equipment sales performed very well. However, these gains were offset by reductions in Thru-Tubing activity and management has decided to withdraw this product line from the region. As a consequence, a reduction in workforce was implemented in Q4 2017.

In the second half of 2015 we sought to expand our Advanced Manufacturing offering into Asia Pacific, however, the market downturn has meant that establishing the business was very difficult. Given our excess US capacity, in 2017 we decided to close the business to curtail losses and relinquish the facility in Singapore.

Inter-segment revenues increased by $5.4m, more than doubling in 2017, largely related to increases in the manufacturing of short guns on behalf of Hunting Titan to service US demand. Despite a 19% point improvement in margins, the segment remained loss making at the operating level delivering an underlying and reported operating loss of $8.0m (2016 – $13.3m underlying loss and $15.3m reported loss). The segment did, however, make a positive contribution to Group profit in Q4.

Overall headcount increased by 84 during the course of 2017 with the new hires at Wuxi more than offsetting reductions in Singapore. Despite increased activity levels, inventory was reduced during 2017 by $2.6m to $30.4m and inventory days reduced substantially. In light of the continuing losses capital expenditure was minimal in the year.

MIDDLE EAST, AFRICA AND OTHER



A LIGHTWEIGHT WIRELINE VALVE AS MANUFACTURED IN HUNTING'S SAUDI MACHINE SHOP IN DAMMAM.

		2017	2016
Market indicators*			
Middle East – spend	$bn	**22.0**	24.5
Sub Sahara Africa – spend	$bn	**3.5**	5.6
Central Asia – spend	$bn	**1.2**	1.2
Revenue			
OCTG & Premium Connections	$m	**6.8**	1.9
Intervention Tools	$m	**9.4**	5.3
Perforating Systems	$m	**1.2**	1.0
External revenue	$m	**17.4**	8.2
Inter-segment revenue	$m	**1.2**	0.3
Segment revenue	$m	**18.6**	8.5
Profitability			
Reported operating loss	$m	**(17.0)**	(9.8)
Acquisitions amortisation and exceptional items	$m	**10.0**	0.5
Underlying operating loss	$m	**(7.0)**	(9.3)
Underlying operating margin	%	**-38**	-109
Other financial information			
Capital investment	$m	**0.3**	0.7
Property, plant and equipment	$m	**12.6**	23.7
Inventory	$m	**3.6**	4.7
Operational			
Headcount (year end)	#	**79**	82
Headcount (average)	#	**83**	83
Operating sites	#	**3**	4
Operating footage	kft²	**69**	127

* Source – Spears and Associates

Introduction
Hunting's Middle East and Africa operations are located in Dubai, UAE; Dammam, Saudi Arabia; and Mombasa, Kenya. The Board decided to close the operation in Cape Town, South Africa, at the end of 2017. The Group's Kenyan and Saudi operations are controlled subsidiaries in which there is, for both entities, a 40% non-controlling interest with relevant local business partners.

Market Overview
Middle East activity levels have remained relatively robust during the post-2014 downturn, albeit with pressure on overall spending levels. In 2017, exploration and production spend in the Middle East fell by 10%.

Spend in sub-Sahara Africa fell by 38% in 2017 following similar declines for the prior two years. The market is therefore just over a fifth of the value it was in 2014 when we started to build our Cape Town facility.

Segment Performance and Development
Revenue from the segment improved significantly in 2017 increasing by $10.1m to $18.6m.

The OCTG product line had the highest increase in 2017 with external revenues up $4.9m. The UAE business was the main driver of the increase through the continued supply of tubulars to the Al-Shaheen field in Qatar. In addition, the business increased its sales to Iraq. Revenues from Kenya remain very limited with the business carrying out a number of small repair and inspection contracts for operators drilling in East Africa. Hunting's start-up operation in Saudi Arabia continues to build its presence in the Kingdom, as local procurement initiatives ("IKTVA") are implemented in the country. The facility in Dammam is fully operational and continues to broaden its manufacturing certifications for Hunting's products. In 2017, the business secured its API and ISO certifications. Further, the business is continuing to develop its relationship with Saudi Aramco, as well as with the major service companies operating in the Kingdom.

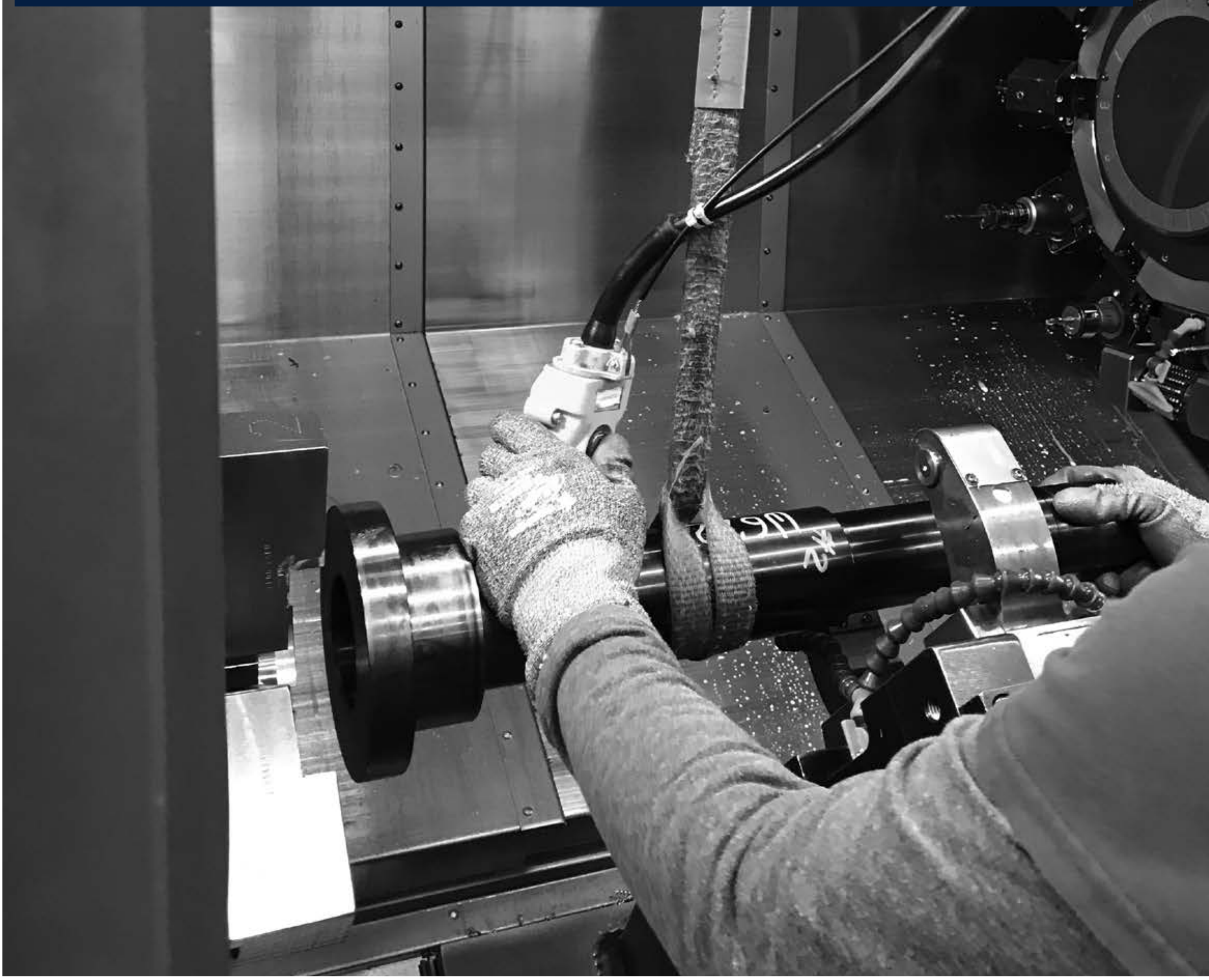
Intervention Tools revenue remains the largest in the segment and increased by $4.1m to $9.4m. In Azerbaijan, Hunting's Thru-Tubing contracts continued throughout the year generating steady sales. As the political and civil situation eased in Northern Iraq, Thru-Tubing sales recommenced into Kurdistan. PCE service revenues for Hunting's OEM equipment in Qatar also increased for a number of contracts.

In December 2017, the Board completed a review of the Group's operating presence in South Africa and decided to close its manufacturing facility in Cape Town, given the poor market outlook for the medium term and the continuing drive to reduce losses around the Group. In 2017, South Africa generated a $2.8m underlying operating loss and recorded an exceptional write-down of property, plant and equipment and restructuring costs totalling $10.0m. The Group has decided to maintain a sales office in the country, given management's belief that the long-term market outlook for sub-Sahara Africa is positive. This change of strategy for the region will be completed during 2018 and headcount will be reduced in this period.

The underlying operating loss for the segment was $7.0m in 2017 (2016 – $9.3m). In addition to the losses in South Africa, losses totalling $2.5m were incurred in Saudi Arabia and Kenya. Reported loss for the segment increased from $9.8m to $17.0m in 2017.

Hunting Dearborn –
Health, Safety and Environmental

Hunting Dearborn, based in Fryeburg, Maine, US, has addressed production capacity constraints through a facility expansion programme, which included health, safety and environmental considerations.



The challenge

This business is a specialist in high-end deep hole drilling, boring and precision machining of complex Measurement-While-Drilling/Logging-While-Drilling housings and components used in the construction phase of a wellbore. It has a unique capability to manufacture highly complex metal components for customers that require products with exacting tolerances and exceptional configurations, leading to hundreds of manufacturing hours being invested into one piece of kit. This engineering capability is transferable across other industries, with the division also producing critical parts for the aerospace and power generation sectors. Running at maximum capacity and in order to fulfil the expectations of an increasingly sophisticated customer base, the need to expand the Fryeburg operation was apparent. However, its location in rural Maine with its pristine surroundings, gave rise to unique environmental considerations.

The solution

The landscaping was designed to reduce visibility and soften the profile of the buildings, and all new lighting is now on auto schedule to capture actual consumer usage, dimming when not in use and brightening when sensing motion. When a person enters the facility, the lights come on, illuminating just the chosen route. Insulated window panels were strategically installed, allowing natural light to pass through while providing the advantage of higher insulation. Also included was a new climate control system. The system constantly monitors external air temperature so that the heaters adjust automatically to target optimal temperature based on demand, thereby saving on fuel consumption. To ensure that no waste contaminates the environment, all waste is shipped off-site for treatment and disposal and waste materials are stored in a secure location until they are shipped.

Sludge and waste metal are sent for recycling. The Hunting Dearborn facility has been commissioned with the needs of the local community and environment in mind. On the factory floor, the health and safety of employees is paramount. A policy initiative requiring employees to wear cut-resistant gloves for specified tasks has successfully reduced injuries. As in all Hunting facilities, an injury tracking board is maintained in the factory detailing accident-free days, medical incidents and the amount of time lost as a result of any incidents. Hunting Dearborn has proudly been a member of the Safety and Health Achievement Recognition Program ("SHARP") since 2008. Acceptance into SHARP is an achievement of status bestowed by the Occupational Safety and Health Administration ("OSHA") that recognises businesses that operate exemplary injury and illness prevention programmes. Achieving SHARP status exempts businesses from compulsory OSHA inspections for an initial period of two years.

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	2017 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	– Perforating Gun manufacturing expanded at a number of global facilities, including Calgary, Canada and Wuxi, China and commenced at Houma, US. – Development of a next-generation H-1 Perforating System was commenced. – New projects in military, naval and space sectors started in the year to diversify revenue streams.
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	– Streamlining of distribution centres in US and Canada to align with market demand with four centres closed. – Lean manufacturing projects continued throughout the Group.
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	– Gross margin improved to 24% in 2017 compared to 11% in prior year. – Market share in US for Hunting Titan products increased, following the introduction of new technology. – New WEDGE-LOCK™ and SEAL-LOCK XD™ variants certified and introduced to customers in the year. – Closed five manufacturing facilities during the year to increase operational efficiency and curtail losses.
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	– As activity increased in China and in North America, average employee numbers increased by 3% in the year to meet demand. – Enhanced customers and supplier due diligence procedures, to improve risk management framework.

RELATED KPIs			RELATED RISKS
REVENUE $722.9m 2016 – $455.8m	**COUNTRIES WITH OPERATIONS** 12 2016 – 13	**OPERATING FOOTPRINT (MILLION SQ FT)** 3.0 2016 – 3.1	– Geopolitics – Investment – Competition – Product quality – Commodity prices – Shale drilling
ISO 9001 (QUALITY) ACCREDITED OPERATING SITES 64% 2016 – 60%	**INTERNAL MANUFACTURING REJECT RATE** 0.3% 2016 – 0.6%		– Product quality – Key executives – Competition
UNDERLYING GROSS MARGIN 24% 2016 – 11%	**FREE CASH FLOW** $34.4m 2016 – $36.6m	**RETURN ON AVERAGE CAPITAL EMPLOYED** 1% 2016 – (8%)	– Commodity prices – Competition
INCIDENT RATE 0.89 2016 – 1.15	**CO_2 EMISSIONS INTENSITY FACTOR (KG/$K OF REVENUE)** 43.7 2016 – 60.7		– Key executives – Health, safety and environment

FURTHER KPI INFORMATION, INCLUDING PERFORMANCE TRENDS SEE PAGES 10 AND 11.

FURTHER INFORMATION ON THE PRINCIPAL RISKS SEE PAGES 51 TO 54.

HOW WE CREATE, DISTRIBUTE AND SUSTAIN VALUE

OIL AND GAS EXTRACTION CYCLE

RESOURCES WE USE

1

- Financial
- Intellectual Property
- Operational
- Employees
- Stakeholder Relationships

SEE PAGES 34 TO 38

OUR BUSINESS ACTIVITIES

2

Health, safety and environment ("HSE")

- Hunting Titan
- United States
- Canada
- Europe
- Asia Pacific
- Middle East and Africa
- Exploration and Production

Quality and operational excellence

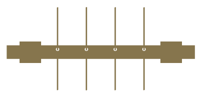
SEE PAGES 39 TO 41

OUR PRODUCTS AND SERVICES

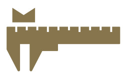
3

Oil Country Tubular Goods ("OCTG")

Perforating Systems



Advanced Manufacturing



SEE PAGES 42 AND 43

Drilling Tools

Intervention Tools

Subsea

OUR CUSTOMERS AND CHANNELS TO MARKET 4

Operators

Service Companies

Steel Mills and Other

SEE PAGE 46

SUSTAINABLE VALUE CREATION FOR OUR:

Employees
See page 36

Shareholders
See page 37

Customers and Suppliers
See page 38

Communities
See page 38

Governments
See page 38

RESOURCES WE USE

1

FINANCIAL

NET CASH	ANNUALISED 5-YEAR TSR
$30.4m	-3.6%

MARKET CAPITALISATION	NET BANK FEES & INTEREST PAID
$1.34bn at 31.12.17	$2.4m

Financial capital is provided to the Group through equity invested by shareholders, cash reserves and debt facilities, principally provided by the Group's relationship banks. The balance of cash, 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 Listing" status. As such, the Company has to meet the highest standards of regulation and corporate governance as published by the Financial Conduct Authority and Financial Reporting Council. Equity shareholders receive returns in the form of dividends and through capital appreciation, which can be measured as total shareholder return.

The Group has provided guidance on its approach to dividend distributions, which is detailed on page 16. Each dividend proposal will be assessed by the Board of Directors, based on the merits of actual and projected financial performance of the Company for the relevant period. Given the cyclical nature of the oil and gas industry, the Board remains committed to maintaining a low level of gearing and committing sufficient resource to working capital to maintain the Group's operational flexibility.

The Group has $205.0m of borrowing facilities available of which $200.0m are committed. The committed facilities include a $200.0m multi-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 were replaced by asset-based covenants, minimum cash flow requirements, limitations on capital investment and a suspension of dividends. With improved trading in the second half of the year, and a return to underlying profitability, in December 2017 the Group advised its bank syndicate that the process to lift the revised facility terms, and reinstate the profit-based covenants, would be initiated early in 2018. This process completed in January 2018.

INTELLECTUAL PROPERTY

PATENTS	NEW PATENTS FILED IN YEAR
440	24

PATENTS PENDING
156

With lower average 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 while 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 technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio provides us with a competitive advantage and allows us to enjoy better margins and more operational flexibility. In 2017 we lodged 13 new patent applications on the H-1 Perforating System, bringing the number of pending patents for the H-1 Perforating System to 39, with two applications having proceeded to registration. In 2017 we also developed and commenced testing of a number of additional sizes for the WEDGE-LOCK™ premium connection range.

Jointly Developed Technology
Some innovations involve collaborating with other partners within the industry. For example, Hunting is working with ExxonMobil to create an autonomous perforating 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. This project has progressed well in 2017 with significant milestones being achieved.

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.

OPERATIONAL

OPERATING SITES	DISTRIBUTION CENTRES	NET BOOK VALUE OF PPE
35	21	$383.3m
OPERATING FOOTPRINT (MILLION SQ FT)	**MACHINES**	
3.0	1,194	

Operating Footprint
We have an established global network of operating sites and distribution centres located close to our customers and within the main global oil and gas producing regions (see page 2).

Business Activities and Development of Know-how
Over the years we have continued to refine our operating and manufacturing processes, established a highly specialised workforce and built considerable know-how to enable our business to evolve and meet changing customer needs.

Our operating sites are used for the manufacture, rental, trading and distribution of products. The manufacture of goods and the provision of related manufacturing 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 our customers' specific requirements and to take advantage of particular market opportunities.

Our distribution centres are primarily used in the Hunting Titan, Intervention Tools and Drilling Tools business groups, where close proximity to drilling operations is important.

MANAGEMENT PRINCIPLES

Our approach to managing the Group's operations is based on four core principles:

Develop Our People
People are at the heart of our business. Our broad product portfolio demands experienced machining and production engineers across our many manufacturing disciplines and facilities.

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 senior managers 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.

RESOURCES WE USE

1

EMPLOYEES

EMPLOYEES	TOTAL REMUNERATION
2,610	$189.4m
At year end	

Hunting's employees are key in fulfilling the Group's strategic objectives.

Hunting's reputation, which has been built over many years, is underpinned by our highly skilled workforce.

At 31 December 2017, the Group had 2,610 employees (2016 – 2,107) across its global operations. As US onshore activity levels improved during the year, those businesses addressing this market recommenced hiring of staff to meet demand. Further, in China, as OCTG demand also improved in the year, additional staff were hired. Elsewhere within the Group, controls over recruitment remain in place.

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 February 2018, Hunting rolled out a Group-wide Code of Conduct e-learning training programme for employees, to ensure awareness and training in our published ethics-focused policies. The programme incorporates anti-bribery and corruption, modern slavery, fraud and tax modules to ensure our employees understand their responsibilities on joining the Group.

Hunting targets full compliance 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 gender diversity profile for 2017 is detailed on page 62.

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 2017, the following organisations were supported by Hunting's employees: American Petroleum Institute, Society of Petroleum Engineers and the Intervention and Coiled Tubing Association.

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 service operated by SafeCall. Contact information for both these lines of reporting are published on staff noticeboards across the Group's facilities.

THE CONTROLFIRE™ MANUFACTURING TEAM AT HUNTING ELECTRONICS IN HOUSTON.

STAKEHOLDER RELATIONSHIPS

NUMBER OF SHAREHOLDERS
1,618

CO_2 EQUIVALENT EMISSIONS (TONNES)
31.6k

CO_2 INTENSITY FACTOR (KG/$K OF REVENUE)
43.7

While the consideration of stakeholders, including employees, customers and suppliers, governments and the environment is a statutory duty of the Directors, the Hunting Board believe it is good business practice to nurture strong relationships with all participants, as it promotes the Group's standing in the industry, leads to better growth opportunities and develops benefits for all. Hunting constantly evaluates ways to strengthen links with investors, employees, customers, suppliers, governments and the communities in which its businesses operate.

Board Oversight
The Hunting Board receives regular feedback from the Chief Executive on relationships with key customers and suppliers at each Board meeting. A Health, Safety and Environment report by the Chief Executive is also submitted to each Board meeting. Further, shareholder feedback is regularly considered as reports from the Head of Investor Relations and the Company's brokers are discussed at most Board meetings. Through the work of the Audit Committee, Hunting's communication with customers and suppliers on the Group's ethical policies are monitored. Further, new stakeholder engagement proposals, currently under development by the UK government, are being considered by the Board.

Shareholders
Communication with investors is a core activity of the Board, with a structured investor relations programme in place. The executive Directors meet existing or potential investors to explain our strategy and plans for future growth. The Chairman and Senior Independent Director also meet investors annually to discuss strategy and governance, with feedback being provided to the Board. Further, the Head of Investor Relations attends a number of investor conferences and individual investor meetings throughout the year, as part of the annual programme of work. The Company uses Stock Exchange announcements, the annual and half-year reports, webcasts and the Annual General Meeting to communicate and meet with shareholders.

With the appointment of a new Chairman and Chief Executive in September 2017, additional meetings with shareholders were organised to ensure the Group's investors had the opportunity to meet the Company's new leadership team. Further, meetings between the Remuneration Committee Chairman, major institutional investors and proxy voting groups took place in November 2017, as a new Directors' Remuneration Policy was prepared to be submitted to shareholders.

Supply Chain
As a participant in the global oil and gas industry, Hunting is part of a complex supply chain of customers and suppliers, whereby certain partners can also be competitors if there is overlap in the product and service offering. This necessitates appropriate due diligence to ensure we understand the nature of each commercial relationship. It also requires appropriate employee training and third-party communication of our ethical policies, to ensure all our partners understand the high standards expected by the Group. A number of our customers are also state-owned enterprises, which provides a heightened risk, as these partners are viewed as Public Officials, in the context of the UK Bribery Act.

Anti-Bribery and Corruption ("ABC")
In line with the Group's ABC Policy, each business unit within the Group completes a twice-yearly ABC risk assessment, which is consolidated and reviewed by the Audit Committee. Where appropriate, the internal audit function reviews this assessment and provides feedback to the Committee on this risk profile. Mitigating controls are in place to ensure each business seeks approval for a new commercial relationship, which may increase the Group's ABC risk. In addition to these assessments, all high value entertainment is monitored both locally and centrally to ensure the Company is not seen to be unduly influencing a partner, with senior management and Board approvals required for all significant expenditures. All employees are made aware of the Group's ABC policies through its Code of Conduct training course, which is completed on induction to the Group.

Code of Conduct
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 commercial principles. 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. During the year, each business unit in the Group sent to key customers and suppliers a summary of our slavery and trafficking policy from the Company's Chief Executive, along with our Code of Conduct, to ensure Hunting's clear stance on this subject was communicated.

RESOURCES WE USE

1

STAKEHOLDER RELATIONSHIPS CONTINUED

Customers and Suppliers
Hunting's approach to 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, which are 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.

A number of our research and development programmes are implemented in collaboration with our customers to ensure industry-leading technology is developed by the Group, which follow the stringent quality and safety certifications implemented by governments but also meet our customers' exacting demands. As new customers or suppliers are considered by the Group, "know-your-customer" forms, credit and sanction checks and "end-user" due diligence is undertaken to ensure Hunting complies with international trading laws and embargoes. Further, each new customer and supplier is sent key ethics documents that outline Hunting's strong stance on ethical business dealings.

For more information on our customers and channels to market see page 46. 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 appropriate bodies within the governments of the countries in which we operate. Certain customers and suppliers of the Group are state-owned, 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 Titan regularly supports or has membership of groups that develop regulations on products used for hydraulic fracturing.

In line with Group policy, Hunting prohibits any form of political donations to be made. In 2017, the Group issued its "Payments to Governments" statement in compliance with legislation enacted in the UK. Further, Hunting is a signatory to the UK's Prompt Payment Code.

In compliance with UK legislation, the Group has issued its Tax Strategy paper, which is located at www.huntingplc.com, and commits the Group and its subsidiaries to a transparent and fair approach to taxation, paying all relevant taxes in the various jurisdictions in which Hunting operates.

Communities
Hunting operates in 12 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. Many of these initiatives are highlighted in the Hunting Review, the Company's corporate magazine published twice a year.

HUNTING SINGAPORE HAS BEEN A REGULAR CORPORATE CONTRIBUTOR TO THE ST JOHN'S HOME FOR THE ELDERLY.

OUR BUSINESS ACTIVITIES

2

OPERATING SEGMENTS

Following the announcement in November 2017, the Board has changed the format of the external reporting of its operating segments.

Going forward, Hunting will be reporting its performance based on its key geographic operating regions. Hunting Titan, as a large, separate business group is reported as a stand alone segment.

A description of each segment is noted below.

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

US
The US businesses supply OCTG and Premium Connections, Drilling Tools, Subsea equipment, Intervention Tools, Electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The US segment has 15 operating facilities mainly focused in Texas and Louisiana.

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

Europe
The segment derives its revenue primarily from the supply of OCTG and Intervention Tools to operators in the North Sea. The Group has operations in the UK, Netherlands and Norway.

Asia Pacific
Revenue from the Asia Pacific segment is primarily from the manufacture of Premium Connections and OCTG supply. Manufacturing is located in China, Indonesia and Singapore. The facility in China also manufactures perforating guns for Hunting Titan.

Middle East, Africa and Other
Revenue from the Middle East and Africa is from the sale of intervention tools across the region, which also acts as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

Exploration and Production
The Exploration and Production business comprises the Group's exploration and production activities in the Southern US and offshore Gulf of Mexico. The segment is being wound down, with no further investment planned.

CUSTOMER OCTG INVENTORY ON CONSIGNMENT AND READY FOR DEPLOYMENT OFFSHORE.

OUR BUSINESS ACTIVITIES

2

HEALTH, SAFETY AND ENVIRONMENT ("HSE")

INCIDENT RATE ("OSHA" METHOD)

0.89

Health and Safety

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 ("HSE") 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 24 recordable incidents (2016 – 25). The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA") in the US, was 0.89 compared to 1.15 in 2016. The decrease in the incident rate reflects a 23% year-on-year decline, with the number of hours worked increasing by 24% to 5.4m hours (2016 – 4.4m hours). The industry average incident rate in 2017 was 3.6 (2016 – 4.3).

The Group's product portfolio also plays a role in industry HSE. A number of newer product lines have been launched that enhance the field safety of the customer as they drill new oil and gas wells. An example of this is the Group's H-1 Perforating System, that includes assembly configurations that lower the detonation risks associated with hydraulic fracturing procedures and has enhanced radio-frequency safety electronics, which prevent other risks during these procedures. Further information can be found on this area on pages 18 and 19.

Environment

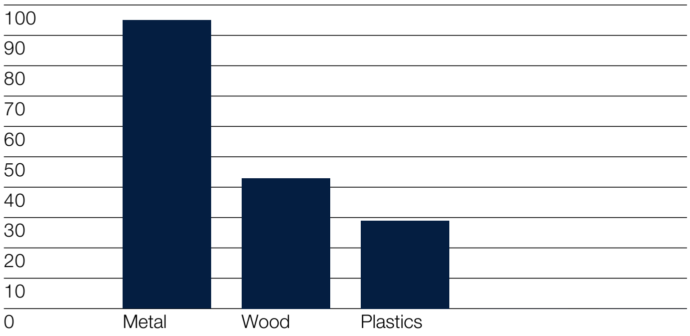
Hunting is committed to protecting the environment, by developing manufacturing procedures that minimise the Group's impact on the environment and communities in which we operate.

Hunting's environment policy is located at www.huntingplc.com.

New facilities take into account environmental considerations, including storm and flooding protection, while utilising energy efficient materials, together with waste recycling and management initiatives. During the year, hurricanes Harvey and Irma impacted the US where the majority of the Group's operations are located. Due to appropriate facility storm water protection, no facilities were affected, with operations resuming as soon as employees were able to return to work.

The Group has active recycling programmes at the majority of its facilities, which includes metal, plastics and wood. Nearly all manufacturing facilities maintain at least one recycling programme, with the chart below noting the compliance of the Group's facilities to these three core material recycling programmes.

% OF FACILITIES WITH RECYCLING PROGRAMMES IN PLACE



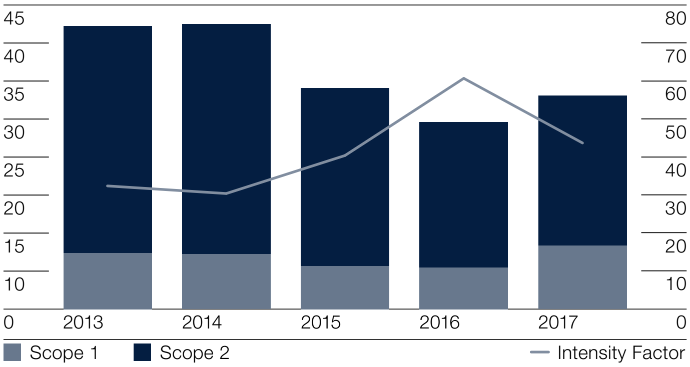
To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas data in accordance with the principles of the Kyoto Protocol. Hunting's 2017 Scope 1 and 2 emissions, as defined by reporting guidelines published by DEFRA in the UK and the International Energy Agency, have been collected and are reported in the chart below.

Scope 1 and 2 emissions in 2017 totalled 31,603 tonnes (2016 – 27,659 tonnes) of carbon dioxide equivalent. The increase in the Group's emissions between 2016 and 2017 is due to the general increase in activity levels across our global businesses, with Scope 2 electricity usage increasing as additional shifts were slowly added by our busier operating units.

The Group's Intensity Factor, based on total carbon dioxide emissions divided by Group revenue, in 2017 was 43.7 kg/$k of revenue, compared to 60.7 kg/$k of revenue in 2016, reflecting improved operational efficiencies.

Water usage in the year was 216k cubic metres compared to 230k cubic metres in 2016.

CO_2(e) EMISSIONS (tonnes '000s) **INTENSITY FACTOR (kg/$k of revenue)**



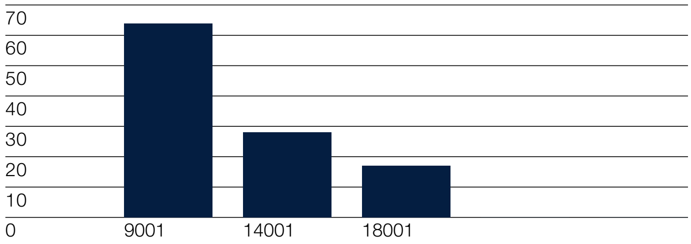
QUALITY AND OPERATIONAL EXCELLENCE

MANUFACTURING REJECT RATE

0.3%

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.

% OF FACILITIES WITH ISO ACCREDITATION

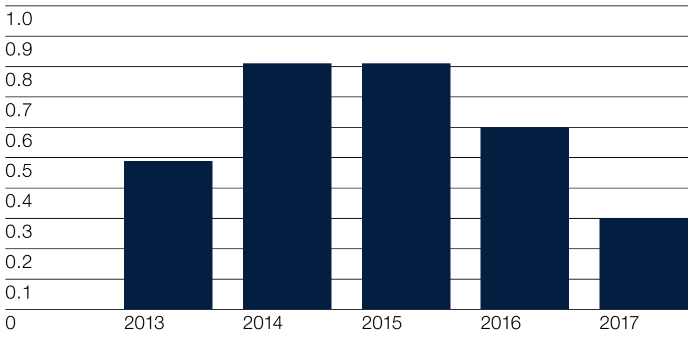


More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitor and reduce the environmental impact of its operations and increasing HSE standards.

Operational and production excellence is a key driver 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 2017, the Group continued its programme to introduce lean manufacturing processes into global operations. This resulted in efficiency gains in a number of key business units.

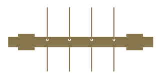
The manufacturing reject rate in 2017 was 0.3% (2016 – 0.6%).

QUALITY ASSURANCE PERFORMANCE – % REJECT RATE



OUR PRODUCTS AND SERVICES

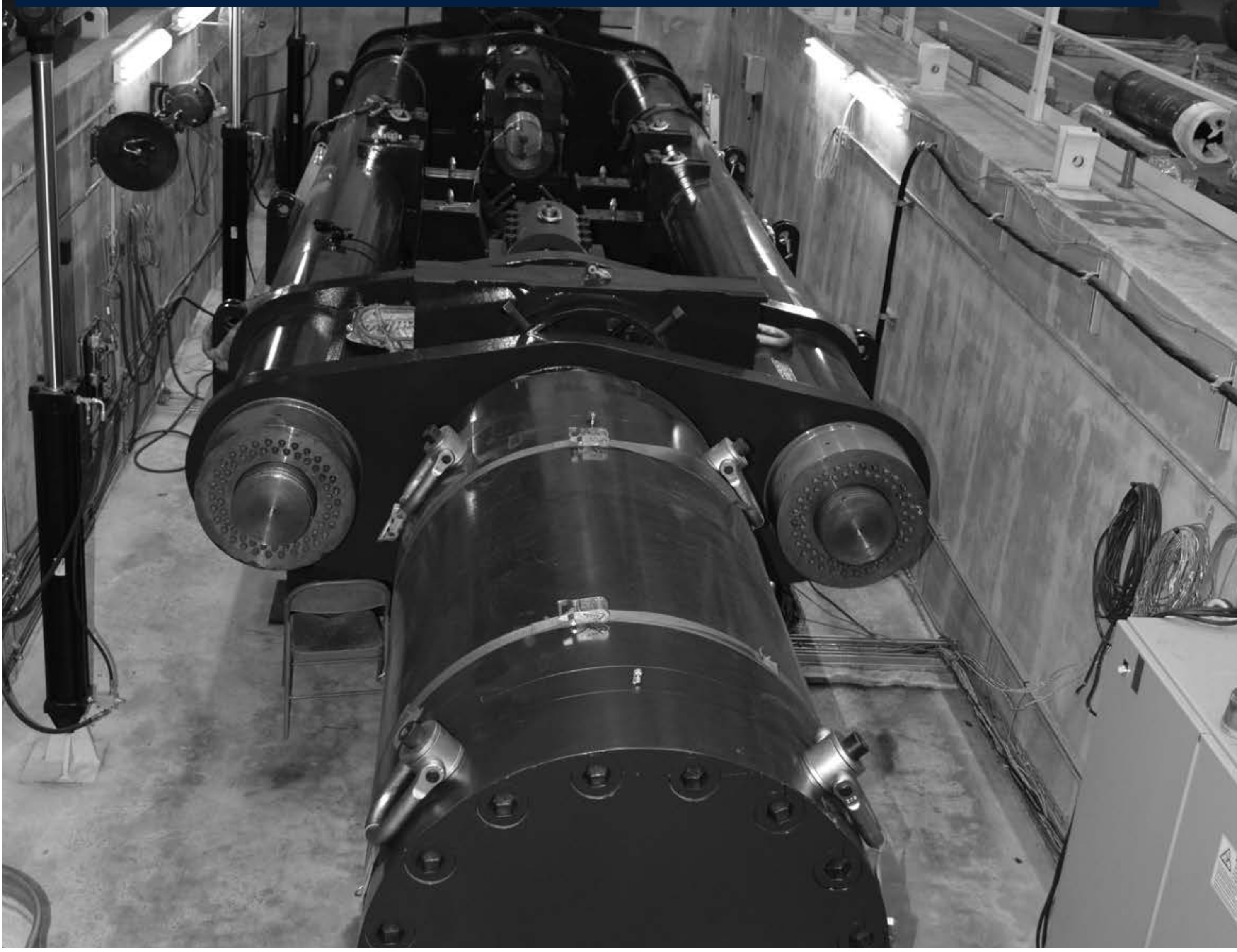
3

HUNTING'S SIX MAJOR PRODUCT GROUPS	OIL COUNTRY TUBULAR GOODS ("OCTG")	PERFORATING SYSTEMS
		
Operating Basis	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 Titan manufactures perforating systems, 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 2 and 3.	Hunting has extensive machining capacity in the US, Canada, Europe and Asia Pacific.	Manufacturing centres in the US, Canada, Mexico and China. Distribution centres in the US, Canada and Asia Pacific.
Related Strategic Focus Areas Our business strategy Pages 30 and 31.	**New products –** Broadened the WEDGE-LOCK™ and SEAL-LOCK XD™ premium connection range. **Increased utilisation –** Orders completed at AmeriPort threading facility for Gulf of Mexico drilling programmes. **Cost control –** Commenced closure of Cape Town, South Africa and Lafayette, US, facilities.	**Cost control –** Four distribution centres closed in the US. **New products –** Commenced development of second generation H-1 Perforating System. Commercialised EQUAFrac™ charges to customers.
Related Principal Risks More information on risk management Pages 47 to 54.	Commodity prices, Shale drilling, Competition, Product quality.	Commodity prices, Shale drilling.

ADVANCED MANUFACTURING	DRILLING TOOLS	INTERVENTION TOOLS	SUBSEA
MANUFACTURING	EQUIPMENT RENTAL, TRADING	MANUFACTURING, EQUIPMENT RENTAL AND TRADING	MANUFACTURING
AMG includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex MWD/LWD and formation evaluation tool components, and the Hunting Electronics business, which manufactures 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, Europe, Asia, Middle East.	US.
Growth – Non-oil and gas business opportunities developed within naval, aerospace and space sectors. **Cost control –** Relocated AMG activities in Singapore back to US.	**Cost control –** Sold European Drilling Tools assets in March 2017 leading to the closure of two facilities in the Netherlands and UK.	**New products –** Introduction of Ezi-Shear valve.	**New products –** Commenced development of soft metal seal product line for onshore drilling markets.
Commodity prices, Product quality.	Commodity prices, Shale drilling, Competition.	Commodity prices, Competition.	Commodity prices, Product quality.

AmeriPort Baytown – Thread Testing Facility

Hunting's in-house test lab advances our technological capability, reduces outside costs significantly and speeds up our development cycle. This is a critical step to ensure our proprietary technology is safeguarded in an ever-changing market.



The challenge

Hunting has earned a reputation as a provider of world-class premium connection technology. Hunting's proprietary SEAL-LOCK™ and WEDGE-LOCK™ families of premium connections were developed over many years, and Hunting continually seeks to introduce new and improved technologies to meet the customers' increasing challenges, including complex geologies, extreme high pressure/high temperature wells, chemically corrosive environments and exacting regulatory parameters. Each new thread form and diameter needs to be tested in a laboratory designed to replicate the extreme conditions the thread will encounter in the field.

Only after passing these tests will the new thread form be certified and released into the market. Prior to 2016, Hunting had to use third-party testing facilities, often having lengthy waiting lists, thereby delaying product development.

The solution

As part of a capital investment programme, Hunting built a state-of-the-art premium connection test and certification facility at the Baytown facility in Houston, Texas, which was commissioned in early 2016. It has enabled Hunting to ramp up responsive manufacturing for deep water Gulf of Mexico customers. This has both significantly reduced costs and improved the speed of the development-to-certification cycle. Variants of Hunting's WEDGE-LOCK™ and SEAL-LOCK™ premium connections have been successfully and quickly brought to market as a result of the test facility.

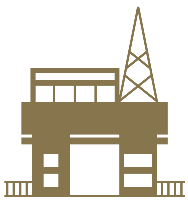
The facility comprises a test bed located within a sealable bunker, which includes a five million tonne test frame for supporting lengths of pipe fitted with connections, well beyond current regulatory parameters. The bunker is accessible via an hydraulically operated lid and, once sealed, all operations are performed remotely. Designed to simulate the extreme conditions in a wellbore, the facility is able to test connection technology at temperatures of up to 600° F and pressures of up to 30,000 PSI. Its five million tonne thrust capability tests tensile strength under extreme tension, compression and bending loads as would be prevalent in hostile deep water environments.

OUR CUSTOMERS AND CHANNELS TO MARKET

4

HUNTING HAS A BROAD RANGE OF CUSTOMERS AND CHANNELS TO MARKET

OPERATORS

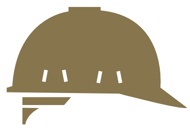


Operators are the end consumers of our products and related services. These include National Oil Companies ("NOCs"), International Oil Companies ("IOCs") and Independents. Approximately 20% of our sales are made directly to operators. Key direct customers include Chevron, Apache and Enquest.

SPLIT OF GROUP REVENUE

c.20%

SERVICE COMPANIES

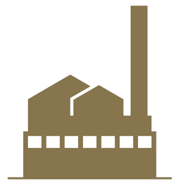


Our primary route to market is via other service providers, which generate c.70% of our revenue. These include "1st tier" service companies who can provide project management services to the operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.

SPLIT OF GROUP REVENUE

c.70%

STEEL MILLS AND OTHER

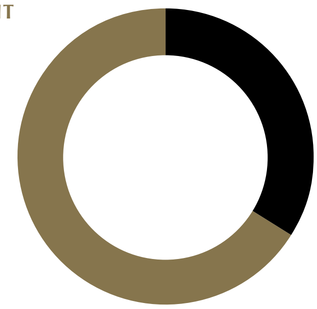


Steel mills are key suppliers to our business, however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas related sales through agents or intermediaries, together with non-oil and gas sector sales made by our Trenchless, Dearborn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

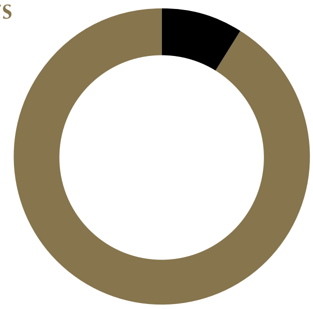
SPLIT OF GROUP REVENUE

c.10%

OUR TOP TEN CUSTOMERS REPRESENT c.34% OF REVENUE



OUR LARGEST CUSTOMER REPRESENTS c.9% OF REVENUE



RISK MANAGEMENT ROLES AND 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 and 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
Hunting's 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 highly 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 operating risks inherent 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; and
– 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 51 to 54. 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 66 to 70.

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, meet 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 uses 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 2017 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 in 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 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

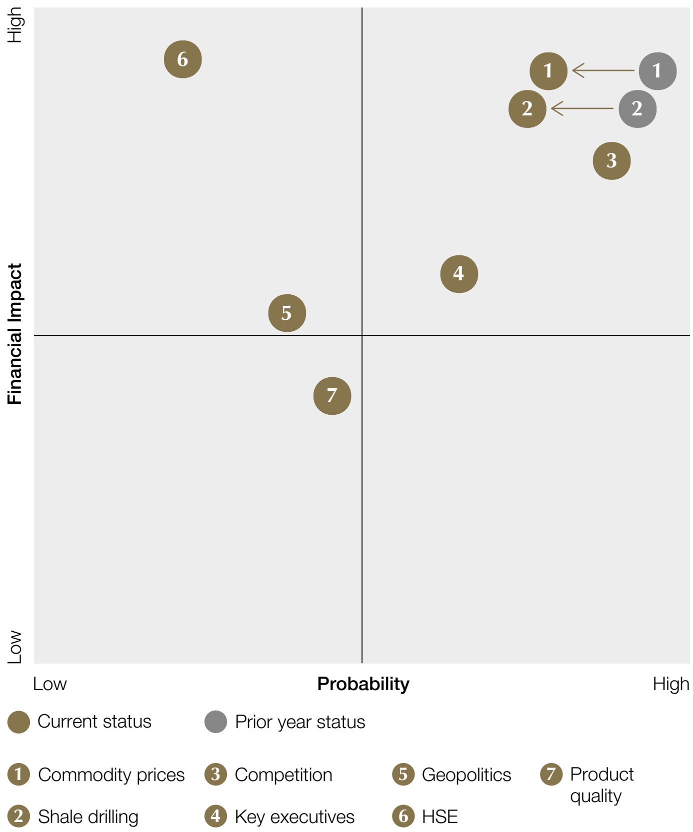
The status of Hunting's exposure to each of its principal risks, the movement in these risks (post-controls) during the year and the effectiveness of the Group's internal controls in mitigating risks are summarised in the accompanying two graphs.

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.

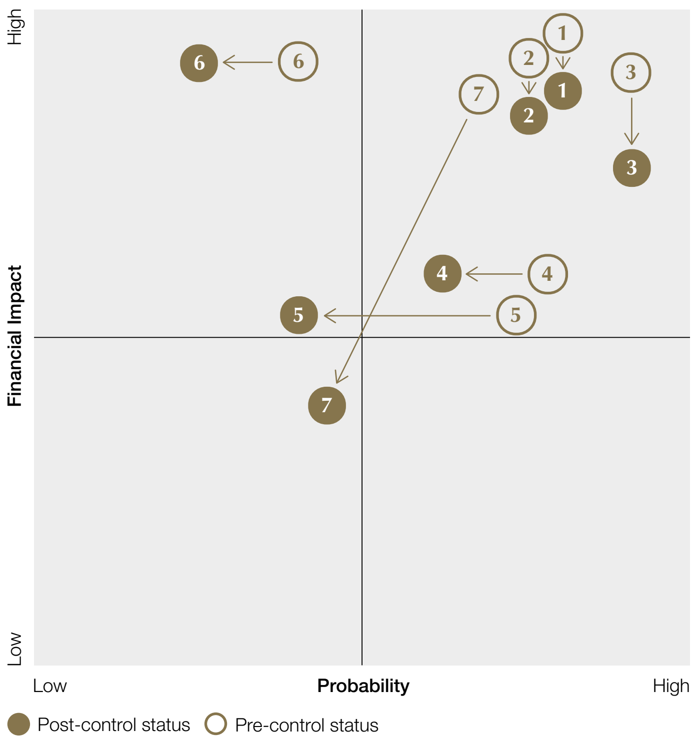
Detailed descriptions of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

UK Leaving the European Union
The Board has continued to consider the consequences to the Group of the United Kingdom's decision to withdraw from the European Union and remains of the opinion 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 has reduced due to the recent improvement in spot oil prices. Although they remain volatile, prices are expected to be maintained by OPEC's production cuts that are due to continue until the end of 2018.

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's products are used throughout the life cycle of the wellbore and each phase within the life cycle generates demand for a different range of products and services. The Board and management closely monitor market reports on current and forecast activity levels associated with the various phases of the life cycle of the wellbore in order to plan for and predict improvements or declines in activity levels.

In addition, management has reduced production costs and developed new technologies that would help mitigate the impact of any further downturn in commodity prices in the future.

FURTHER INFORMATION ON THE MOVEMENT IN COMMODITY PRICES DURING THE YEAR IS DETAILED ON PAGE 8.

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 remains a relatively expensive source of hydrocarbons, despite recent advances in technology that have reduced these costs. 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 has reduced from last year due to the recent improvement in commodity prices that has driven an increase in completion activity within the US shale basins.

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 27.

PRINCIPAL RISKS

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No movement in risk	⇔
Increase in risk	↑
Decrease in risk	↓

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, pricing pressures remain a feature of the current trading environment. 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 and therefore Hunting's exposure to this risk is unchanged since last year. Continued downward pressure on prices, combined with reduced activity levels, particularly in offshore markets, has maintained competition risk at a high level.

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-term.

THE GROUP'S OPERATING ACTIVITIES ARE DESCRIBED IN DETAIL ON PAGES 20 TO 27.

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
This risk is unchanged from last year. The risk was heightened in 2016 in response to the Group-wide pay freezes. Although this policy has now been moderated, the risk has not fully abated.

Controls and actions
Remuneration packages are regularly reviewed to ensure that key executives are remunerated in line with market rates. External consultants are 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 71 TO 92.

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 key geographic regions around the world, recognising the high growth potential these territories offer. The Group carefully selects which countries to operate from, taking into account the differing economic and geopolitical risks associated with each geographic territory.

Movement in the year
Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. The Board monitors geopolitical events around the world through media channels and assesses these relative to Hunting's operations.

The Group has relatively little exposure to the European market and consequently the Board believes that the economic uncertainties associated with Brexit will not 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 monitor 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 PAGE 2.

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. 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 11.
FURTHER COMMENT ON HSE IS PROVIDED ON PAGES 40 AND 41.

PRINCIPAL RISKS

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No movement in risk	↔
Increase in risk	↑
Decrease in risk	↓

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

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 pages 48 and 49 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 expose the business to a variety of risks, which are noted on pages 51 to 54 The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 48 and 49. 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:

- Demand for energy service products improves 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 that enable the extraction of oil and gas.
- Actions taken to reduce the Group's cost base enable the business to remain competitive given the continued weakness within the global energy markets, particularly within the offshore and international markets.
- North American onshore well completion activity levels, particularly those requiring Hunting perforating systems, continue to improve.
- 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

The Board believes that the Group's strategy for growth, its diverse customer and product base, and the improving outlook for the oil and gas industry in the medium-term provide Hunting with a strong platform on which to continue in 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 2017, 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.

The Group continues to have access to sufficient financial resources including the $200m secured committed bank borrowing facility which was undrawn at 31 December 2017. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next 12 months.

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.

JOHN NICHOLAS, ANNELL BAY, PETER ROSE, JAY GLICK,
JIM JOHNSON, JOHN HOFMEISTER, RICHARD HUNTING C.B.E.

JOHN ("JAY") GLICK
NON-EXECUTIVE CHAIRMAN

Nationality
American

Length of service
3 years; appointed to the Board as a non-executive Director in 2015. In September 2017, Jay was appointed non-executive Chairman.

Skills and experience
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
Nomination Committee (Chairman) and by invitation.

ARTHUR JAMES ("JIM") JOHNSON
CHIEF EXECUTIVE

Nationality
American

Length of service
26 years; appointed to the Board as a Director and Chief Executive in September 2017. Jim joined the Group in 1992.

Skills and experience
Jim held senior management positions within Hunting Energy Services up to his appointment as Chief Operating Officer of the Group in 2011. In this role he was responsible for all day-to-day operational activities of the Company.

External appointments
None.

Committee membership
By invitation.

PETER ROSE
FINANCE DIRECTOR

Nationality
British

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

Skills and experience
Peter is a member of the Institute of Chartered Accountants of Scotland. Before joining Hunting he held senior financial positions with Babcock International and, prior to that, spent several years with PwC working in the UK and Hong Kong.

External appointments
None.

Committee membership
By invitation.

ANNELL BAY
NON-EXECUTIVE DIRECTOR

Nationality
American

Length of service
3 years; appointed to the Board as a non-executive Director in 2015. In February 2018, Annell was re-appointed for a second three-year term.

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 HOFMEISTER
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Nationality
American

Length of service
9 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 and a non-executive director of Applus Services SA and Global Geoscience Limited.

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

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

Nationality
British

Length of service
45 years; elected an executive Director in 1989 and was Chairman between 1991 to 2017. In September 2017, Richard retired as Chairman, but remains on the Board as a non-independent, non-executive Director.

Skills and experience
Richard has held a variety of management positions around the Hunting Group.

External appointments
None.

Committee membership
Audit Committee.

JOHN NICHOLAS
NON-EXECUTIVE DIRECTOR

Nationality
British

Length of service
9 years; appointed to the Board as a non-executive Director in 2009. John will retire and step down from the Board at the conclusion of the Company's Annual General Meeting, due to be held in April 2018.

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 Porvair PLC and a non-executive director of Mondi plc.

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

BEN WILLEY (NOT PICTURED)
COMPANY SECRETARY

Nationality
British

Length of service
8 years; joined Hunting in 2010 and appointed Company Secretary in 2013.

Skills and experience
Ben is a Fellow of the Institute of Chartered Secretaries and Administrators. He was formerly a partner at Buchanan, a WPP company and, prior to that, worked in investment banking with Evolution Securities plc.

External appointments
None.

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

"HUNTING HAS CONTINUED TO APPLY THE PRINCIPLES OF THE UK CORPORATE GOVERNANCE CODE DURING THE YEAR.

IN 2017 THE BOARD INITIATED SUCCESSION PLANS TO APPOINT A NEW CHIEF EXECUTIVE AND CHAIRMAN. FOLLOWING THE EVALUATION OF INTERNAL AND EXTERNAL CANDIDATES, JIM JOHNSON, HUNTING'S CHIEF OPERATING OFFICER, WAS PROMOTED TO CHIEF EXECUTIVE IN SEPTEMBER 2017. THE BOARD ARE DELIGHTED THAT JIM ACCEPTED THIS OPPORTUNITY, GIVEN HIS LONG SERVICE AND KNOWLEDGE OF THE GROUP'S ACTIVITIES.

IN SEPTEMBER, RICHARD HUNTING RETIRED AS CHAIRMAN AFTER HOLDING THIS ROLE FOR 26 YEARS. WE THANK HIM FOR HIS COMMITMENT AND SERVICE TO THE COMPANY. RICHARD REMAINS ON THE BOARD AS A NON-INDEPENDENT, NON-EXECUTIVE DIRECTOR."

JOHN F. GLICK
CHAIRMAN

Compliance
The Board of Hunting PLC has adopted governance principles aligned with the 2016 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.

During the year, Hunting became fully compliant with the provisions of the Code following the audit tender process and the appointment of an independent non-executive Chairman.

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 and to ensure its long-term success, as prescribed by UK law.

The Board has three committees to which it delegates key governance and compliance procedures: the Nomination Committee, whose report can be found on pages 64 and 65, the Audit Committee, whose report can be found on pages 66 to 70, and the Remuneration Committee, whose report can be found on pages 71 to 92.

Responsibilities of the Board
The Board of Hunting PLC has clearly defined areas of responsibility, which are separate to those of the Chairman, executive management and of the Committees of the Board. The Directors approve the strategic aims and objectives of the Company, as set by executive management, and approves all major acquisitions, divestments, capital investments and annual budgets.

The Board has overall leadership of the Company, sets the values of the Hunting Group providing a strong tone from the top, to which all businesses within the Group and its employees are encouraged to adopt.

The Directors monitor Hunting's trading performance, including the progress against the Annual Budget, the review of monthly management accounts and forecasts, comparing forecasts to current market consensus and reviewing other financial matters. They review and approve all public announcements, including financial results and trading statements, and sets the dividend policy of the Group.

The internal control and risk management framework and associated procedures are reviewed by the Board, however, key monitoring procedures are delegated to the Audit Committee.

There is a clear division of responsibilities between the Chairman and Chief Executive, as noted in the table following:

Responsibilities of the Chairman

– To lead and build an effective and complementary Board;
– To chair meetings of the Board, ensuring agendas and materials are fit for purpose;
– To ensure the Directors are provided with accurate, timely and clear information;
– To encourage good dialogue between all Directors, with strong contributions from all Board members;
– To meet the non-executive Directors without the executive Directors and to discuss training and development;
– To arrange appropriate Director induction programmes; and
– To arrange an annual board evaluation and to act on its findings.

Responsibilities of the Chief Executive

– To manage the day-to-day activities of the Group;
– To recommend and implement the strategic direction of the Group to the Board;
– To identify and execute new business opportunities, acquisitions and disposals;
– To ensure appropriate internal controls are in place;
– To report to the Board regularly on the Group's performance and position; and
– To present to the Board an annual budget and operating plan.

The Board approves all key recommendations from the Nomination, Audit and Remuneration Committees and approves all appointments to these Committees.

Governance principles of the Company are set by the Board and key Group-level policies are reviewed and approved by the Directors.

Board Composition

The Board comprises the independent non-executive Chairman, Chief Executive, Finance Director, three independent non-executive Directors, one of whom is the Senior Independent Director, and one non-independent, non-executive Director.

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. The expertise and competencies of the non-executive Directors is noted in the table below, and underpin the balance of skills and knowledge that contribute to the "Group Think" of the Board:

Director	Expertise
Annell Bay	Upstream oil and gas, US energy market development and US quoted companies.
Jay Glick	Oilfield services and manufacturing, US energy market development and US quoted companies.
John Hofmeister	Upstream oil and gas, Human Resources, US energy market development and political environment.
Richard Hunting	UK Corporate Governance, Investor Relations.
John Nicholas	Accounting and Auditing, UK Corporate Governance and Regulatory Developments.

Board Independence and Conflicts of Interest

The Directors, together with brief biographical details, are identified on pages 56 and 57.

As an independent, non-executive Chairman, Jay Glick's appointment has brought Hunting in line with the recommendations of the UK Corporate Governance Code, following the retirement of Richard Hunting. Mr Glick also chairs the Nomination Committee. Following his retirement as Chairman, Mr Hunting remains on the Board as a non-independent, non-executive Director and has been appointed to the Audit Committee.

As at 31 December 2017, excluding the Chairman, the Board comprised 50% independent non-executive Directors. Including the Chairman, 57% of the Board is comprised of independent Directors.

All the non-executive Directors, including the Chairman, have access to professional advisers, at the Company's expense, to fulfil their various Board and Committee duties.

The Group has procedures in place to manage Conflicts of Interest. Each Director is required to declare any potential conflicts that exist, or may arise, which are formally recorded by the Company Secretary. Appropriate decision making, in light of this declaration, is undertaken, which could include a Director not participating in a Board decision or vote. Each Director is required to complete a declaration of known Conflicts of Interest annually.

Company Secretary

The Company Secretary is appointed by the Board and supports the Chairman in providing all materials and information flows between the executive and non-executive Directors, specifically on 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.

Work Undertaken by the Board During 2017

The Board met 10 times in 2017, on six occasions as regularly timetabled, and on four further occasions to discuss recommendations from the Remuneration and Nomination Committees.

The attendance of the Directors at Board meetings during 2017 is detailed in the table below:

Number of meetings held	10
Number of meetings attended (actual/possible):	
Annell Bay	10/10
Jay Glick	10/10
John Hofmeister	10/10
Richard Hunting	10/10
Jim Johnson (from 1 September 2017)	2/2
John Nicholas	10/10
Dennis Proctor (to 1 September 2017)	8/8
Peter Rose	10/10

Each Board meeting follows a prescribed agenda and agreed schedule of matters.

At each 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 2017, the standing items and other items for regular Board meetings included the following business:

	Feb	Apr	Jun	Aug	Oct	Dec
Standing items						
Chief Executive Update	✓	✓	✓	✓	✓	✓
Finance Director Report	✓		✓	✓	✓	✓
Operational Reports	✓		✓	✓		✓
Quality Assurance and 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						✓

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.

Board Appointments
All appointments to the Board are in accordance with the Company's Articles of Association and the Code and are made on recommendation of the Nomination Committee.

In April, the Board commenced a succession process to appoint a new Chief Executive. On 1 September 2017, Hunting appointed Jim Johnson as the new Chief Executive of the Group. Dennis Proctor stepped down as a Director on the same date. More information on this process can be found in the Nomination Committee Report on pages 64 and 65.

In August, the Nomination Committee recommended to the Board the appointment of Jay Glick as Chairman to succeed Richard Hunting. Mr Glick's appointment was effective from 1 September 2017.

For the appointment of executive Directors, the Company enters into a Service Contract with the Director, which reflects the terms of employment, remuneration and termination, taking into account country of residence and applicable local employment laws. For more information on the Service Contracts of the current executive Directors, please see page 80 of the Remuneration Committee Report.

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 normally appointed for a three-year term. All appointment letters are available for inspection at the Company's AGM or at Hunting's registered office. Due to the small size of the Hunting Board, non-executive Directors are paid fees that are above the UK market median, reflecting a higher level of time commitment required for Company matters.

As prescribed by the Code, all the Directors submit themselves for annual re-election at the Company's AGM and at the 2017 AGM all Directors were re-elected by shareholders.

Board Induction and Training
As part of the formal induction process for the new Chief Executive and Chairman, the Company Secretary organised a number of briefing sessions by the professional advisers to the Group. Immediately following their respective appointments, both Mr Johnson and Mr Glick also undertook investor meetings to discuss the Group's operations, strategy and governance.

In June, the Board received a corporate governance and accounting briefing that highlighted the regulatory and financial reporting changes to occur over the next few years.

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

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 2017, 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 Glick had been an effective and able Chairman of the Company since his appointment.

In 2015, the Company completed an externally facilitated evaluation that 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 30 to 46. 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 on pages 66 and 67.

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 26 February 2018, the Board approved the Going Concern Basis and Viability Statement for the 2017 year end, which is detailed on page 55.

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. At the Board's February 2017 meeting, the Directors completed a robust assessment and review of the Group's risk management framework and the principal risks facing the Company.

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 47 to 54.

Annual General Meeting ("AGM")
The AGM of the Company will take place on Wednesday, 18 April 2018 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 2018 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 AGM, 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 2017, 433,917 Ordinary shares were issued pursuant to the Company's various share plans.

The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 24,544,579 shares. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. During 2017, 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 2018 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 2017, the Trust held 656,808 Ordinary shares in the Company (2016 – 791,852). 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 433,917 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 2017 were $nil, due to the Company suspending dividends at present, to comply with its bank facility restrictions.

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 2017, are listed below:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
BlackRock	(7)	24,607,553	15.0
Franklin Templeton group of companies		16,363,892	10.0
Hunting Investments Limited	(1/4/5)	11,073,487	6.7
Nordea Asset Management	(6)	8,144,447	5.0
Wellington Management		7,047,309	4.3
Mensarius		6,721,443	4.1
AXA group of companies		6,552,956	4.0
Slaley Investments Limited	(5)	6,411,679	3.9
J Trafford – as trustee	(2/5)	5,970,864	3.6
Lazard Asset Management		5,020,131	3.1
David RL Hunting	(5)	194,120	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 5,970,864 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 (non-executive Director 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 1 March 2018, the Hunting Family Interests party to the agreement totalled 25,458,715 Ordinary shares in the Company, representing 15.5% of the total voting rights.
6. On 8 January 2018, Nordea Asset Management notified the Company that on 21 December 2017, its holding had decreased to below 5.0% of the issued capital.
7. Between 10 January 2018 and 19 February 2018, the Company received 8 notifications from BlackRock which detailed changes to its shareholding. At 19 February 2018, BlackRock's holding was 26,159,695 Ordinary shares, representing 15.9% of the issued share capital.

Further information on Share Capital can be found in note 29 and on page 160.

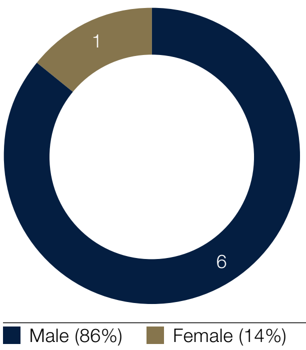
Diversity
Hunting's approach to diversity is based on policies that promote prejudice-free decision making and are focused on ensuring the right person is attached to the right role, to further all stakeholder interests.

The Group's diversity policy is located at www.huntingplc.com/environment-and-society/our-people.aspx.

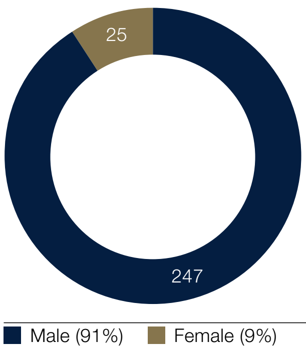
The policy commits Hunting to build a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit. Further, the objectives of the policy focus on recruitment, training and development, conditions of work and disciplinary procedures. While there are no mandatory senior management diversity targets in place, all recruitment policies require fair and prejudice-free appointments, regardless of gender.

Gender
The Group has collected annual information on the gender diversity of its Board, senior management and workforce, with the 2017 data noted below:

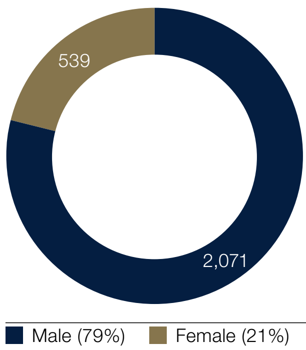
BOARD



SENIOR MANAGEMENT



WORKFORCE

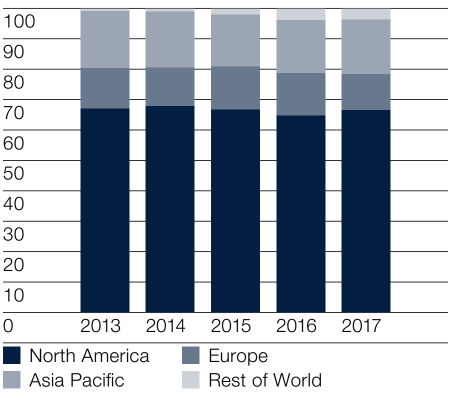


The Board has noted the recommendations of the Hampton-Alexander and Parker Committees regarding gender diversity and ethnicity. Consideration to these recommendations will be made as the Board is refreshed over the coming years.

Further, the Board has noted the legislation to report on the Gender Pay Gap for companies incorporated in the UK. Hunting confirms that none of the Group's UK-based companies meet the reporting threshold and as a consequence has not submitted data to the UK government's database.

Ethnicity
Hunting's global operating footprint now extends to 12 countries and, at 31 December 2017, employed 2,610 people. Our investments in Asia Pacific and Africa in recent years has diversified the ethnicity of the Group from its traditional North American and European focus and will continue to evolve with the changes to the global energy industry. The chart below notes the geographic and, therefore general, ethnic evolution of the Group over the past five years'.

ETHNICITY (%)



John F. Glick
Chairman

1 March 2018

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 2017.

The Strategic Report, incorporating the Chairman's Statement, Chief Executive's Statement, Market Review, Key Performance Indicators, Group Review and Outlook, Segmental Review, Business Model and Strategy and Risk Management is located on pages 4 to 55.

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 12 to 14);
– future developments (page 16);
– risk management, objectives and policies (pages 47 to 54);
– ethnicity and diversity (page 62); and
– greenhouse gas emissions (pages 40 and 41).

Up to the date of this report, there have been no post-balance sheet events that require disclosure. As noted in the Strategic Report, the Group commenced the process to exit from the suspension period covenants and terms attached to the Group's revolving credit facility in December 2017, with the process completing in January 2018.

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 60 and 61.

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 159 to 161.

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 56 and 57, confirm that, to the best of their knowledge and belief:

– the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company;
– the Strategic Report on pages 4 to 55 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 the Company's performance and position, business model and strategy.

Ben Willey

Ben Willey
Company Secretary

1 March 2018

"I AM PLEASED TO PRESENT OUR NEW FORMAT REPORT, WHICH DETAILS THE WORK COMPLETED BY THE NOMINATION COMMITTEE IN 2017. DURING THE YEAR, HUNTING CONTINUED ITS PLANS FOR SUCCESSION, WITH THE SEARCH AND APPOINTMENT OF A NEW CHIEF EXECUTIVE. IN APRIL, THE COMMITTEE APPOINTED RUSSELL REYNOLDS ASSOCIATES TO UNDERTAKE A SEARCH PROCESS, WHICH CONSIDERED BOTH INTERNAL AND EXTERNAL CANDIDATES, LEADING TO THE APPOINTMENT OF JIM JOHNSON ON 1 SEPTEMBER 2017.

IN AUGUST, THE COMMITTEE ALSO MET TO DEVELOP ITS PLANS FOR THE SUCCESSION OF RICHARD HUNTING, LEADING TO MY APPOINTMENT FROM 1 SEPTEMBER 2017. THE BOARD IS GRATEFUL FOR THE MANY YEARS' OF SERVICE WHICH RICHARD HAS COMPLETED AND ARE DELIGHTED HE HAS DECIDED TO REMAIN ON THE BOARD AS A NON-INDEPENDENT, NON-EXECUTIVE DIRECTOR.

THE COMMITTEE ALSO UNDERTOOK AN EVALUATION PROCESS IN DECEMBER AS PART OF THE RE-APPOINTMENT OF ANNELL BAY, AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR."

JOHN F. GLICK
CHAIRMAN OF THE NOMINATION COMMITTEE

Composition and Frequency of Meetings
The Committee currently comprises the Company Chairman and all the independent non-executive Directors of the Company and is chaired by John ("Jay") Glick.

On 1 September 2017, Richard Hunting, Company Chairman and Chairman of the Nomination Committee retired from these positions and stepped down from the Nomination Committee. Jay Glick succeeded Mr Hunting on the same date as Company and Nomination Committee Chairman.

Following the retirement of Dennis Proctor on 1 September 2017, he stepped down from the Nomination Committee. Mr Johnson, the Group's new Chief Executive will attend future Nomination Committee meetings by invitation, but in line with good governance will not be appointed as a member of the Committee.

The Committee meets as required to discuss succession matters and to ensure that an orderly process of Board refreshing occurs.

In 2017, the Committee met six times and operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com.

Attendance at the Nomination Committee meetings during the year is detailed in the table below:

	Member	Invitation
Number of meetings held	6	
Number of meetings attended (actual/possible):		
Annell Bay	6/6	–
Jay Glick (Committee Chairman)	6/6	–
John Hofmeister	6/6	–
Richard Hunting	5/5	1/1
Jim Johnson	–	1/1
John Nicholas	6/6	–
Dennis Proctor	5/5	–
Peter Rose	–	6/6

Appointment of Chief Executive
In April 2017, the Group announced that Dennis Proctor had agreed with the Board to retire during 2017, after 16 years as Hunting's Chief Executive. Following this, the Nomination Committee commenced a process to search for and consider internal and external candidates to succeed Mr Proctor, to lead Hunting through its next phase of growth.

The Committee engaged Russell Reynolds Associates to assist with the selection process, which culminated in candidate interviews with members of the Nomination Committee. Following a thorough process, the Nomination Committee recommended the appointment of Jim Johnson, the Group's Chief Operating Officer. The Nomination Committee and Board are delighted that Jim accepted the offer to become Chief Executive, as he has extensive knowledge of Hunting's global operations, has built close relationships with all our key customers over many years and has garnered the loyalty of many Hunting staff all over the world.

Russell Reynolds Associates does not have a connection with the Company aside from this brief.

Appointment of Chairman

In August, the Nomination Committee was convened by John Hofmeister, in his role as Senior Independent Director, to consider succession plans for the Company's Chairman. The Committee recommended to the Board that Jay Glick be appointed, with effect from 1 September 2017, succeeding Richard Hunting who had been Chairman of the Company since 1991. Richard remains on the Board as a non-independent, non-executive Director.

Re-Appointment of Non-executive Director

In December, the Committee met to consider the re-appointment of Annell Bay as an independent non-executive Director of the Company. The process included an evaluation of her performance and contribution. Following discussion, the Committee recommended that Ms Bay be re-appointed for a second three-year term, from 2 February 2018.

Looking Ahead

During 2018, John Nicholas and John Hofmeister are scheduled to retire from the Group, following completion of nine years' service as independent non-executive Directors. A search process has commenced, being led by Boyden Associates, with a view to making appointments during early 2018. Boyden Associates does not have a connection with the Company aside from this brief. As announced in September 2017, Mr Nicholas will not be seeking re-appointment at the Company's Annual General Meeting in April 2018 and will step down from the Board at the conclusion of the AGM.

Gender Diversity

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 UK governance recommendations.

John F. Glick
Chairman of the Nomination Committee

1 March 2018

"DURING 2017, 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.

A KEY WORK STREAM ACCOMPLISHED DURING THE YEAR WAS THE COMPLETION OF AN EXTERNAL AUDIT TENDER PROCESS, WHICH LED TO THE RECOMMENDATION BY THE COMMITTEE OF DELOITTE LLP AS NEW AUDITORS TO THE GROUP FROM 1 JANUARY 2019. THIS RECOMMENDATION HAS BEEN ADOPTED BY THE BOARD OF HUNTING. WE ARE GRATEFUL FOR THE WORK AND ASSISTANCE OF PWC AS AUDITORS SINCE THE COMPANY'S INCEPTION IN 1989, AND LOOK FORWARD TO BUILDING A RELATIONSHIP WITH DELOITTE OVER THE COMING YEAR."

JOHN NICHOLAS
CHAIRMAN OF THE AUDIT COMMITTEE

Composition and Frequency of Meetings
The Committee currently comprises of four non-executive Directors and is chaired by John Nicholas.

Jay Glick stepped down from the Committee on 1 September 2017, on his appointment as Chairman of the Company. Richard Hunting, who is not regarded as independent, joined the Committee on the same date. At year-end, 75% of the Committee was comprised of independent non-executive Directors.

Mr Nicholas has a professional accounting qualification and is considered to have recent and relevant financial experience. Mr Hofmeister (Chairman of the Remuneration Committee) and Ms Bay have experience of the global energy industry, with particular expertise in the US oil and gas market. Mr Hunting has extensive knowledge of the Group's general activities given his tenure with the Company. Further details of the Committee's experience can be found in the biographical summaries set out on pages 56 and 57.

The Committee usually 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. In 2017, the Committee met five times in February, April, June, August and December, and the attendance record of Committee members during the year is noted below. The additional meeting held in 2017 was convened to consider, and recommend to the Board the results of the external audit tender process, which was completed in the first half of 2017. More details of this process are noted below.

	Member	Invitation
Number of meetings held	5	
Number of meetings attended (actual/possible):		
Annell Bay	5/5	–
Jay Glick	4/4	1/1
John Hofmeister	5/5	–
Richard Hunting	1/1	4/4
Jim Johnson	–	1/1
John Nicholas (Committee Chairman)	5/5	–
Dennis Proctor	–	4/4
Peter Rose	–	5/5

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, review and assess the Group's systems of risk management and internal control;
- review reports from the Group's external and internal auditors, including details of the audit programmes and 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 procedures to comply with the UK Modern Slavery Act.

Work Undertaken by the Committee During 2017
The Committee discussed, reviewed and made a number of decisions on key areas throughout 2017, which are set out below:

	Feb	Apr	Jun	Aug	Dec
Financial Reporting					
Annual Report and Full Year Results announcement	✓				
Going Concern Basis	✓			✓	
Viability Statement	✓				
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		✓			✓
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					✓
Audit Tender Review and Board Recommendation			✓		
Other Business					
Whistleblowing and Bribery policy review		✓			
Committee effectiveness and Terms of Reference					✓

Review of the 2017 Financial Statements
The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major divisions is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board. 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 2017 Annual Report and Accounts were as follows:

Changes to Segmental Reporting Format
The Committee noted the change in the segmental presentation of financial information, to a geographic-focused reporting format, which had been adopted by the Company in the second half of 2017. Further, it was noted that Hunting Titan was also presented as a stand-alone segment, given the size and nature of its operations. The Committee noted the work of the external auditor who reviewed the presentation of the financial information and had confirmed compliance with IFRS 8, the segmental reporting accounting standard. Following this, the Committee approved the changes to the reporting format.

Impairment Reviews
During 2017, the Group reported a return to underlying profitability which was primarily driven by increased activity levels in the US. The Committee noted that the businesses within the Group that are focused on onshore drilling reported good growth in the year and, in some cases, had reported a strong return to profitability. However, those businesses focused on international and offshore markets remained subdued. Given this trading environment, management conducted a review for indicators of impairment at the half year and a full impairment test on the carrying values of assets held on the Group's balance sheet for the year end.

Property, Plant and Equipment ("PPE")
The year end balance sheet includes PPE of $383.3m (2016 – $419.0m). This represents approximately 35% of the Group's net assets (2016 – 37%). As noted in the Strategic Report, with the closure of the Cape Town facility, the value of PPE was written down by $7.6m to their net realisable value. No other impairments were charged to the income statement in the year. 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 $230.3m (2016 – $229.8m). This represents approximately 21% of the Group's net assets (2016 – 21%). Detailed reviews of 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 impairments. 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 other intangible assets was also reviewed resulting in no impairments (2016 – $nil) being recorded in the year. The amortisation charge recorded in the income statement was $31.2m (2016 – $35.3m). 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 held $286.2m of inventory (2016 – $259.7m). The year-on-year increase is attributable to the improved trading within Hunting's onshore focused businesses in the US, which have seen substantial improvement in activity during the year.

Due to the improving outlook for the industry, the carrying values have been assessed to be adequate. Further, the Committee reviewed year end inventory carrying values and the work undertaken by management in assessing and supporting the carrying values. Given this, and together with the improved market conditions and improvement in inventory days, the Committee concluded that inventory carrying values were assessed to be fairly stated.

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.

During the year exceptional items totalling $10.0m were recorded, wholly related to the closure of the manufacturing facility in South Africa.

Going Concern Basis and Viability Statement

The Committee 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. Driven by the profitability of the Group, led by the performance of Hunting Titan, the Committee believes that good support to Hunting's longer-term viability exists.

In the year, Hunting remained fully compliant with its bank covenants which were renegotiated in 2016 and were amended from profit-based to asset-based covenant arrangements. As noted in the Strategic Report, in December 2017, the Company commenced the process to exit from the asset-based covenant arrangements and revert to its original profit-based covenants. This process concluded in January 2018.

This performance supported the Committee's assessment of the Going Concern Statement and the Viability Statement, as contained in the Risk Management section on page 55. The assumptions considered by the Committee included reviews of the regular forecast updates provided by management and reviewing bank covenant compliance reports, as noted above.

On 26 February 2018, the Audit Committee approved the Viability Statement, detailed on page 55 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 4 to 55, and believes that the 2017 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 2017 Annual Report and Accounts, taken as a whole, were fair, balanced and understandable at a Meeting of the Directors on 26 February 2018.

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 February, April, August and December meetings for consideration by the Audit Committee. In February 2018, 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 August 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 February 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 93% of the Group's reported revenue and over 82% of the absolute result before tax from continuing operations, adjusted for the impairment of goodwill and other non-current assets, was audited, covering 23 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 (2016 – $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 five 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 ("PwC"). 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 Process and Audit Committee Responsibilities) Order 2014 (the CMA Audit Order) throughout the year.

During the year, the Committee completed a competitive tender process for the appointment of a new statutory auditor to the Group. The Audit Committee appointed a tender panel comprising of the Audit Committee Chairman, Group Finance Director and Group Financial Controller to oversee the process. Following an internal assessment, Deloitte, EY and KPMG were invited to bid for the appointment. These firms each met key management of the Group and visited operations in the US, prior to the submission of a formal proposal for review by the tender panel. Interviews between the key engagement personnel and the panel were completed in May, leading to the recommendation by the Committee to appoint Deloitte. As noted above, the Committee met in June to consider and approve the recommendation to the Board of Hunting. The Directors of Hunting subsequently approved the Committee's recommendation at its meeting in June. Transition arrangements to move external audit responsibility from PricewaterhouseCoopers LLP to Deloitte LLP are underway, with personnel from Deloitte to be invited to key meetings of the Committee in 2018, ahead of formal appointment.

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 at the same time Deloitte LLP are appointed statutory auditors to the Group from 1 January 2019, subject to shareholder approval.

Non-Audit Services

The Committee closely monitors fees paid to the auditors in respect of non-audit services. With the exception of audit-related assurance services which totalled $0.1m (2016 – $0.1m), in 2017 there were no non-audit services fees paid (2016 – $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 approved a new policy in 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.

Financial Reporting Council – Audit Quality Review

In May 2017, PricewaterhouseCoopers LLP were notified by the Audit Quality Review panel, part of the Financial Reporting Council, that it was to undertake a review of the working papers completed as part of the external audit process during the preparation of Hunting PLC's 2016 Annual Report and Accounts. The panel provided feedback to PwC in September 2017, noting the good quality of the papers and that the review had been completed.

Financial Reporting Council – Review of Annual Report Disclosures
In late December 2016, the Conduct Committee of the Financial Reporting Council notified the Company that it was to undertake a review of the disclosures relating to Significant Accounting Judgements and sources of estimation uncertainty within the Company's 2016 Annual Report and Accounts. In October 2017, the Conduct Committee advised the Company that they had completed their review, with no substantive issues to raise. The Conduct Committee did ask the Company to consider a number of minor matters within future Annual Reports. The Company has therefore made a number of changes to its disclosures.

Internal Controls
The Group has an established risk management framework and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board and these are detailed in the Risk Management section of the Strategic Report on pages 48 and 49.

Bribery Act
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 incorporates 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 2016 and continued in 2017, whereby each business unit across the 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. Following a review of relevant material, Hunting published its first Modern Slavery Act report, located at www.huntingplc.com.
In Q1 2018, a new "Code of Conduct" training course was rolled out by the Group to all employees that incorporates information on modern slavery and trafficking and other ethics based policies in force across the Group.

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

1 March 2018

"IN THE EARLY PART OF 2017, THE REMUNERATION COMMITTEE UNDERTOOK A DETAILED REVIEW OF EXECUTIVE REMUNERATION TO ENSURE THAT THE EXECUTIVE DIRECTORS' EMOLUMENTS WERE IN LINE WITH THE GROUP'S PEERS.

AS A CONSEQUENCE OF THIS REVIEW THE COMMITTEE IS PROPOSING A NUMBER OF AMENDMENTS TO THE ANNUAL BONUS PLAN AND TO THE LONG-TERM INCENTIVE ARRANGEMENTS. THIS WILL NECESSITATE A REVISION OF THE CURRENT REMUNERATION POLICY, WHICH IS BEING SUBMITTED TO SHAREHOLDERS FOR APPROVAL AT THE ANNUAL GENERAL MEETING IN APRIL 2018.

THE AMENDMENTS INCORPORATE SEVERAL BEST PRACTICE RECOMMENDATIONS AND ARE DESIGNED TO BETTER ALIGN EXECUTIVE REMUNERATION WITH THE GROUP'S KEY PERFORMANCE INDICATORS IN BOTH THE SHORT AND LONG TERM.

THE COMMITTEE CONSIDERS THAT THE EXECUTIVE DIRECTORS HAVE EXCEEDED PERFORMANCE EXPECTATIONS DURING THE YEAR AS THE GROUP RETURNED TO UNDERLYING PROFITABILITY."

JOHN HOFMEISTER
CHAIRMAN OF THE REMUNERATION COMMITTEE

Letter from the Remuneration Committee Chairman

Introduction

On behalf of the Board I am pleased to present the Remuneration Committee Report for the year ended 31 December 2017. This letter provides a summary of the work completed by the Remuneration Committee (the "Committee") in the year, the major decisions taken as it monitors executive remuneration and provides details on how the Directors' Remuneration Policy was implemented during the year.

Major decisions made by the Committee

Policy Review: The Committee completed a comprehensive review of the Directors' Remuneration Policy (the "Policy") during 2017, driven by succession planning and senior leadership changes made within the Company. Following this review, the following amendments have been proposed, subject to approval by shareholders:

- **Annual Bonus:** the Annual Bonus plan arrangements are being amended to remove the personal performance adjustor. For 2018, the Company intends to introduce a third performance element based on Personal/Strategic measures, which is designed to encourage the delivery of specific strategic objectives, relevant to the individual, as the Group continues its return to growth. Following this change, the weighting of the performance metrics will be as follows: Profit Before Tax ("PBT") – 60%; Return On Capital Employed ("ROCE") – 20%; and Personal/Strategic Objectives – 20%. Finally, and reflecting market best practice, the Committee has introduced a bonus deferral mechanism under which the executive Directors will have 25% of any bonus earned delivered in Hunting PLC shares to be held for two years from the end of the financial period to which the annual bonus award relates.
- **Long-Term Incentive:** the operation of the Hunting Performance Share Plan ("HPSP") is being amended to add a Strategic Scorecard (the "Scorecard"), which in 2018 will contain two sub-measures based on Quality Assurance and HSE performance. The awards under the HPSP, to be made subject to shareholder approval in April 2018, will comprise four performance conditions (EPS, ROCE, TSR and the Scorecard), weighted 25%, 35%, 25% and 15% respectively. The Group has also introduced a share retention period for vested performance-based awards, whereby recipients are required to hold shares for a period of two years from the date of vesting.

Base Salary Review: The Committee considered the base salary freeze that had been in place across the Group since 2014 and, in line with the wider workforce, increased the base salary of the Finance Director by 5%, with effect from 1 January 2017. In respect of Jim Johnson, a benchmarking exercise was undertaken as part of the appointment process of the Group's new Chief Executive. Mr Johnson's base salary was subsequently set at $700,000, reflecting an 11% decrease compared to his predecessor. Maximum remuneration of the Chief Executive, including short- and long-term incentive opportunities has therefore reduced materially.

Annual Bonus: The Committee noted the performance of the Group during the year, which included a return to underlying profitability and exceeding the Annual Budget agreed by the Board in December 2016. The conventional method of calculating the executive Directors' Annual Bonus is to measure actual results against pre-set financial targets based on the Group's Annual Budget. A bonus would start to accrue when 80% of the pre-set target was achieved and reach a maximum payment when 120% of the pre-set target was achieved. Given the 2017 Annual Budget was projecting a loss before tax of $24.5m and a negative return on capital employed of 2%, the conventional method of calculation could not be used to determine the bonus award. The Committee, exercising its discretion, agreed revised pre-set profit before tax and return on capital employed ranges to be used to calculate the executive Directors' Annual Bonus. These ranges are set out within the Annual Report on Remuneration and result in bonuses being payable to the executive Directors which are detailed in the Annual Report on Remuneration. It is the intention to revert to the conventional method of calculation for 2018.

Vesting of HPSP Awards: On 26 February 2018, the Committee reviewed the vesting report for the 2015 share awards granted under the HPSP. Given the financial performance of the Group over the measurement period, a nil vesting has been recorded for the EPS and ROCE performance conditions. The TSR performance condition was measured by Kepler resulting in a 49% vesting of the TSR portion of the 2015 share awards, or 16.3% of the total award originally granted. Based on this outcome, the number of shares vesting to Messrs Johnson and Rose are 24,733 and 17,234 respectively on 28 April 2018, being the vesting date of the award. An additional cash sum, corresponding to the dividends paid during the vesting period, will also be paid. Mr Johnson will receive $7,642 and Mr Rose will receive $5,325. Dennis Proctor, Hunting's former Chief Executive, will also receive 47,579 shares and a cash dividend equivalent of $14,702. Further details of this result can be found in the Annual Report on Remuneration.

Non-executive Director Fees: Responsibility for setting fees paid to the non-executive Directors rests with the Board. The basic fee to the non-executive Directors remained unchanged in the year. With the retirement of Richard Hunting as Chairman of the Company, his fee reduced from 1 September 2017 to £60,000 ($77,262) per annum in line with the other non-executive Directors. With Jay Glick's appointment as Company Chairman, his fee was set at £175,000 ($225,348) per annum from 1 September 2017, reflecting his new role and additional responsibilities.

Payment to Former Director: Dennis Proctor retired from the Group on 1 September 2017. In line with his Service Contract and in compliance with US employment law obligations, the Board approved a payment to Mr Proctor of $1,688,350 reflecting pay in lieu of notice and other legal entitlements. Details of the treatment of Mr Proctor's outstanding share plan awards are detailed on page 88.

AGM Result: At the AGM held on 12 April 2017, 96.8% of the votes cast by shareholders were in favour of the Annual Report on Remuneration for 2016. The Directors' Remuneration Policy received 96.4% approval by shareholders.

Performance and Context of Remuneration Awarded in 2017
The Group has reported in 2017 an underlying profit before tax of $10.9m (2016 – $93.2m loss) and an underlying ROCE 1.1% positive (2016 – 7.7% negative).

With this strong return to growth and with a $104.1m positive swing in the pre-tax tax result year-on-year, the Annual Budget agreed in December 2016 was materially exceeded. As noted above, the Remuneration Committee agreed revised bonus targets in the second half of the year, and given the very strong performance of the Group in Q4 2017, these revised targets were exceeded, thus leading to maximum bonus payments to the executive Directors.

Further, with the strong share price performance, again during the final quarter of 2017, the TSR portion of the 2015 HPSP award partially vested, with the award values noted above.

Activities Undertaken by the Remuneration Committee During 2017
The Committee's principal activities and matters addressed during 2017 are as follows:

	Feb	Apr	Aug	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			✓	
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	✓			
Approve HPSP grants	✓			
Review HPSP performance conditions		✓		
Review HPSP grant performance targets				✓
Governance and other matters				
Approve Annual Report on Remuneration	✓			
Review and Approve Remuneration Policy	✓			
Review governance voting reports		✓		
Review AGM proxy votes received for Annual Statement of Remuneration and Policy		✓		
Review Committee Effectiveness and Terms of Reference				✓
Review draft Annual Report on Remuneration including Letter from Committee Chairman				✓
Review Stock Ownership Reports	✓			

John Hofmeister
Chairman of the Remuneration Committee

1 March 2018

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 effective from 1 January 2018, subject to approval at the AGM. The revised Policy reflects evolutionary changes consulted on with shareholders towards the end of 2017, including simplification of the Annual Bonus plan through the removal of the personal performance adjustor, and the introduction of best practice features such as Annual Bonus deferral and a holding period on vested HPSP shares. This revised Policy is to be tabled for approval by shareholders at the Company's Annual General Meeting on 18 April 2018.

The Policy is designed to comply with the principles of the UK Corporate Governance Code and the Companies Act 2006 regarding remuneration and to ensure that the Company can attract, retain and motivate talented executive Directors to promote and deliver long-term success for the Group. The package comprises fixed and variable incentives and is structured to link total reward for both corporate and individual performance.

The remuneration structures of the Chief Executive and Finance Director are based on externally benchmarked data aimed at providing them with competitive levels of remuneration. The Chief Executive's remuneration is benchmarked to global peers who are mostly headquartered in the US, while the Finance Director is benchmarked to UK listed companies of similar size.

Non-executive Director fees are set at levels that 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. The table below provides an overview of each element of the Directors' Remuneration Policy.

Executive Director Remuneration Policy Table
Fixed Emoluments

Base Salary

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To 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 pay for comparable roles in comparable companies. – Aimed at the market mid-point. – Annual increases take into account company performance, inflation in the UK, US and increases across the wider workforce. – Relocation and tax equalisation agreements are also in place for employees working across multiple geographic jurisdictions.	– There is no prescribed maximum annual increase. Increases will normally be 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.	– Individual and Group performance are taken into account when determining appropriate salaries.	– None.

Pension

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To provide normal pension schemes appropriate to the country of residence.	– 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 Finance Director (currently resident in the UK) received an annual cash sum 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.	– Pension contributions vary based on individual circumstances. Further details are set out on page 79.	– None.	– None.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To provide normal benefits appropriate to the country of residence.	– Each executive Director is provided with healthcare insurance and a company car with fuel benefits. – Additional benefits may be provided to ensure the Group remains competitive within the relevant local market.	– There is no maximum value set on benefits. They are set at a level that is comparable to market practice.	– None.	– None.

Variable Emoluments

Annual Bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To incentivise annual delivery of financial and operational targets. – To provide a high reward potential for exceeding demanding targets.	– Awards are subject to the Annual Bonus Plan rules adopted by the Board in 2010. – Bonus begins to accrue when 80% of the Annual Budget targets are achieved and increases on a straight-line basis 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. – 25% of any Annual Bonus is payable in Hunting shares. These shares are required to be held for two years from the vesting date. – Malus and clawback provisions are incorporated and allow the Committee to reduce the bonus, potentially down to zero, in cases of material financial misstatement, calculation error or gross misconduct.	– The Chief Executive and Finance Director have a maximum opportunity of 200% and 150% of salary, respectively.	– 80% of the Annual Bonus will be based on financial measures, with the remainder based on Personal/ Strategic performance measures, selected annually by the Remuneration Committee to reflect key performance indicators for the year ahead. – For 2018, the Annual Bonus will be based 60% on underlying PBT, 20% on underlying ROCE and 20% on the delivery of Personal/ Strategic objectives. – The vesting of the Personal/Strategic component is subject to a financial underpin. Should the financial targets not be met, a 50% vesting cap of the Personal/Strategic component will be implemented.	– Simplification through removal of the multiplicative performance adjustor structure; personal performance measures will now be captured additively. – Adoption of Annual Bonus deferral.

Hunting Performance Share Plan ("HPSP")

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To align the interests of executives with shareholders in growing the value of the business over the long term.	– The HPSP provides for annual awards of performance shares or nil cost options to eligible participants. – Vesting is based on a three-year performance period. – On vesting, awards are subject to an additional two-year holding period (subject to settlement of any tax charges on vesting). – Awards are subject to clawback and malus provisions. – 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. – The policy limit provides the Committee with flexibility in cases such as recruitment. – The Committee has set the current award levels for the Chief Executive and Finance Director of 450% and 210% of salary, respectively and does not currently intend to increase these. – Achievement of a threshold performance target results in a 25% vesting for any portion of the award.	– Awards will vest on achievement of financial and strategic performance measures, measured over a three-year performance period. – Financial measures will include EPS, ROCE and TSR and will receive an aggregate weighting of 85% of each award. A fourth measure, in the form of a Strategic Scorecard, which will comprise a number of submeasures, will have an aggregate weighting of 15% of each award. – 2018 HPSP awards will be based 35% on ROCE, 25% on EPS, 25% on relative TSR and 15% on a Strategic Scorecard. The Scorecard measures for 2018 include the Group's Quality Assurance and HSE performance across the performance period.	– Added flexibility to supplement existing HPSP measures with additional strategic measures with a maximum weighting of 15%. – Introduction of a two-year holding period over vested performance shares. – The vesting of Strategic Scorecard component is subject to a financial underpin. Should the financial targets not be met, a 50% vesting cap of the Strategic Scorecard will be implemented.

Minimum Stock Ownership Requirement

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To encourage the retention of shares under award to the executive Directors. – To align the long-term interests of the executive with shareholders.	– 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.	– 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.	– None.	– None.

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.

Chairman and Non-executive Director Fees

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– To attract and retain high-calibre non-executive Directors by offering a market competitive fee.	– Fees for the Chairman and non-executive Directors are determined by the Board as a whole, following receipt of external fee information and an assessment of the time commitment and responsibilities involved. – The Chairman is paid a single consolidated fee for his responsibilities including chairing the Nomination Committee. – The non-executive Directors are paid a basic fee. – The Directors who chair the Board's Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. – The non-executive Directors and Chairman do not participate in the Group's share plans and do not receive a cash bonus or any other benefits.	– 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 – set at £500,000 per annum as at 31 December 2017. – The aggregate maximum fees for all non-executive Directors will be increased from £500,000 to £750,000 within the Company's Articles of Association, subject to shareholder approval.	– None.	– None.

Minimum Stock Ownership Requirements

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2018
– 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 and have five years to achieve the required holding level from 1 January 2014, or from the date of their appointment to the Board.	– The target holding for the Chairman and non-executive Directors is equal to 100% of the annual fee.	– None.	– None.

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 focus of management and the Remuneration Committee. It is anticipated that recruitment and retention will remain a challenge for the sector and, therefore, the Committee will continue 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 tables summarise the remuneration structure that operates within Hunting and which also applies to senior executives of the Group. While bonus and pension 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 longer-term performance of the Group. – ROCE reflects the value created on funds invested in the short and medium term.
Total Shareholder Return	HPSP	– Reflects the Group's long-term goal to achieve sustained levels of shareholder return.
Underlying Earnings Per Share	HPSP	– To encourage sustained levels of earnings growth over the long term.
Personal/Strategic Objectives	Annual Bonus HPSP	– To capture and incentivise delivery of key strategic milestones that contribute to long-term success.

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 believes 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 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 Bonus
– Discretion to adjust the amount of any bonus to reflect any fact or circumstance that the Committee considers to be relevant, and to ensure that the outcome is a fair reflection of performance.
– 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 proportion of the performance period completed.
– The Committee may apply discretion to vary the percentage of an award settled 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 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.

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 healthcare insurance, 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, Jim Johnson 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 Section ("DB 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 Bonus

An Annual 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.

As part of the revised policy, the Committee is proposing to simplify the structure of the Annual Bonus going forward by removing the personal performance adjustor. 80% of the Annual Bonus will continue to be based on financial measures, with the remainder based on Personal/Strategic performance measures. These will be selected annually by the Remuneration Committee to reflect key performance indicators for the year ahead.

75% of any Annual Bonus award will continue to be paid in cash. 25% of the Annual Bonus award will be paid in Hunting shares and are required to be held by the executive Director for a period of two years, from the end of the relevant financial period.

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 89.

HPSP
The HPSP was approved by shareholders in April 2014. Share awards granted to the executive Directors under the HPSP have been based on three equally-weighted performance conditions: Total Shareholder Return, Earnings per Share and Return on Capital Employed. For 2018 awards, it is intended that these measures be supplemented with an additional measure based on a Strategic Scorecard.

All performance conditions are measured at the end of the relevant three-year performance period and awards to the executive Directors will be proportional to the total vesting level achieved. Subject to the achievement of performance conditions, awards will typically vest and be released to a participant on the third anniversary of the grant. For 2018 awards onwards, vested shares will be subject to an additional two-year holding period (subject to settlement of any tax charges on vesting).

The current 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, the primary mechanism of building the required shareholding is retaining vested shares received from the deferred element of the Annual Bonus and from 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 appointees, 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 holdings 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.

Jim Johnson entered into a Service Agreement with the Company on 7 December 2017. Under the terms of the Service Agreement both the Company and the Director are required to give one year's notice of termination. Mr Johnson is entitled to receive a Performance Bonus, on an annual basis, the quantum being determined by the Remuneration Committee. Mr Johnson is also entitled to participate in the Hunting Performance Share Plan and any other long-term incentive schemes operated by the Company. Under the terms of the Service Agreement, Mr Johnson's benefits include the provision of a company car with fuel, participation in long-term disability and healthcare insurance programmes offered by the Company and also participation in pension schemes operated by the Company. Following a change of control, in line with standard UK practice, all stock options and stock-based awards granted will be tested for performance and pro-rated for time unless the Committee, acting and fairly, decides otherwise.

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 Peter Rose 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 Peter Rose on paid leave of absence following payment of a sum equivalent to his salary and bonus (based on the previous 12 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, Peter Rose would be entitled to an acceleration of all share-based awards, which would immediately vest at the date of the change of control.

Non-executive Director Letters of Appointment
On appointment, each non-executive Director is provided with a letter of appointment that 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.

External Board Appointments
The Company may authorise an executive Director to undertake a non-executive directorship outside of the Group provided it does not interfere with their primary duties. During the year neither executive Director held any external positions.

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 an approach consistent with best practice to ensure that the Company pays no more than is necessary.

In line with normal market practice, the policy distinguishes between "good leavers" and "bad leavers". 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, taking account of local conditions, the policy normally allows:

– payment in lieu of notice equal to 12 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 vest at the normal time subject to the achievement of the relevant performance conditions, and pro-rated based on the period of service as a proportion of the vesting period.

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.

The loss of office payment policy is subject to pre-existing Service Contract agreements that pre-date June 2012, which the Remuneration Committee will honour.

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 proposed policy 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. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years, subject to the individual's development and performance in the role. 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 applying UK 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 shareholders. Any such payments would take account of remuneration relinquished when leaving the former employer and would be structured to 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, the 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.

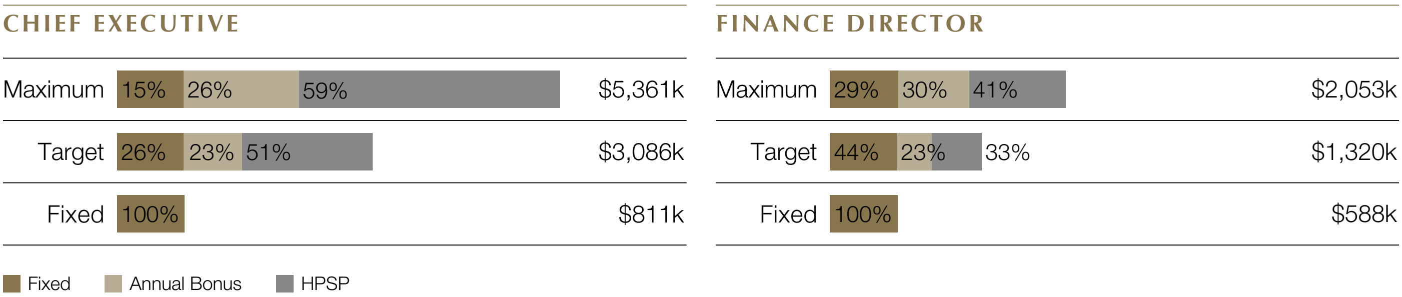
Shareholder Consultation and Feedback
When determining remuneration, the Committee takes into account views of leading shareholders and best practice guidelines issued by institutional shareholder bodies.

As part of the investor consultation for the new Policy to be tabled for approval, shareholder feedback was incorporated in to the revised Policy, which included increasing the weighting of ROCE in the Hunting Performance Share Plan and reducing the weighting of the Balanced Scorecard.

Following the appointment of Jim Johnson, the Committee reviewed the Remuneration Policy in 2017 and undertook a detailed consultation with major shareholders on the proposed changes outlined above.

More generally, 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 future 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. Potential reward opportunities are based on Hunting's Remuneration Policy, applied to annualised 2017 remuneration data.



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 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 £456k; target £1,025k and maximum £1,594k.

John Hofmeister
Chairman of the Remuneration Committee

1 March 2018

Introduction
The principles set out in the Directors' Remuneration Policy (the "Policy"), approved by shareholders in April 2017, have been applied throughout the year. The full Policy can be viewed on the Group's website at www.huntingplc.com. As noted in the Letter from the Remuneration Committee Chairman, a revised Directors' Remuneration Policy is being tabled for shareholder approval at the Annual General Meeting ("AGM") on 18 April 2018, following amendments proposed to the Annual Bonus plan and Long-Term Incentive arrangements for the executive Directors. The Remuneration Committee (the "Committee") will implement the revised Policy following the AGM, subject to shareholder approval.

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. Where appropriate, the Chairman and other Directors are invited by the Committee to attend meetings, but are not present when their own remuneration is considered. The 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 six times during the year and attendance details are shown in the table below.

	Member	By invitation
Number of meetings held	6	
Number of meetings attended (actual/possible):		
Annell Bay	6/6	–
Jay Glick	5/5	1/1
John Hofmeister (Committee Chairman)	6/6	–
Richard Hunting	–	6/6
Jim Johnson	–	1/1
John Nicholas	6/6	–
Dennis Proctor	–	5/5
Peter Rose	–	6/6

Following his appointment as Company Chairman, Jay Glick stepped down from the Committee on 1 September 2017.

At 31 December 2017 and up 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 1 March 2018
Annell Bay	2 February 2018	35 months
John Hofmeister	29 August 2015	6 months
John Nicholas	29 August 2015	6 months

Mr Nicholas will retire from the Committee and the Board in April 2018, with succession plans underway, as noted in the Nomination Committee Report, to find a suitable replacement.

External Advisers
During the year, Mercer-Kepler ("Kepler") and Pearl Meyer and Partners were engaged by the Committee to provide remuneration consultancy services. Both 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 during the year to 31 December 2017 was $131,617 (2016 – $49,073) and includes $116,807 of fees paid to Kepler in respect of the review of the Directors' Remuneration Policy, share plans and remuneration reporting disclosure requirements. The balance of $14,810 was paid to Pearl Meyer in respect of benchmarked base salary data provided to the Company.

Shareholder Voting at the 2017 AGM
At the AGM of the Company held in April 2017, the resolutions to approve the Directors' Remuneration Policy and Annual Report on Remuneration received the following votes from shareholders:

	Directors' Remuneration Policy		Annual Report on Remuneration	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	115,509,628	96.4	115,967,259	96.8
Against	4,324,601	3.6	3,866,581	3.2
Votes withheld[i]	626,075	–	626,464	–
Total votes cast	**120,460,304**	**100.0**	**120,460,304**	**100.0**

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

Development of a New Directors' Remuneration Policy

During 2017, the Committee reviewed the shareholder approved Directors' Remuneration Policy following the commencement of succession plans and the subsequent leadership changes within the Board. As noted in the Letter from the Remuneration Committee Chairman and the revised Policy on pages 71 to 82, amendments to the Annual Bonus plan and Long-Term Incentive arrangements have been proposed. This revised Policy will be tabled for shareholder approval at the Company's AGM on 18 April 2018.

Director Remuneration (audited)

2017	Fixed remuneration: Base salary/ fees[i] $'000	Fixed remuneration: Benefits[ii] $'000	Fixed remuneration: Pension[iii] $'000	Sub total $'000	Variable remuneration: Annual cash bonus[iv] $'000	Variable remuneration: HPSP awards[vi] $'000	Sub total $'000	Other remuneration[viii] $'000	Total remuneration 2017 $'000
Executives									
Jim Johnson (from 1 September)	**233**	**16**	**42**	**291**	**467**	**40**	**507**	**–**	**798**
Dennis Proctor (to 1 September)	**524**	**65**	**120**	**709**	**1,047**	**344**	**1,391**	**1,688**	**3,788**
Peter Rose	**407**	**32**	**148**	**587**	**610**	**125**	**735**	**–**	**1,322**
Non-executives									
Annell Bay	**77**	**–**	**–**	**77**	**–**	**–**	**–**	**–**	**77**
Jay Glick[ix]	**126**	**–**	**–**	**126**	**–**	**–**	**–**	**–**	**126**
John Hofmeister[xi]	**103**	**–**	**–**	**103**	**–**	**–**	**–**	**–**	**103**
Richard Hunting[x]	**112**	**–**	**–**	**112**	**–**	**–**	**–**	**–**	**112**
John Nicholas[xi]	**90**	**–**	**–**	**90**	**–**	**–**	**–**	**–**	**90**
Total	**1,672**	**113**	**310**	**2,095**	**2,124**	**509**	**2,633**	**1,688**	**6,416**

2016 (Restated)	Fixed remuneration: Base salary/ fees[i] $'000	Fixed remuneration: Benefits[ii] $'000	Fixed remuneration: Pension[iii] $'000	Sub total $'000	Variable remuneration: Annual cash bonus[v] $'000	Variable remuneration: HPSP awards[vii] $'000	Sub total $'000	Other remuneration $'000	Total remuneration 2016 $'000
Executives									
Dennis Proctor	786	73	82	941	–	–	–	–	941
Peter Rose	404	30	244	678	–	–	–	–	678
Non-executives									
Annell Bay	81	–	–	81	–	–	–	–	81
Jay Glick	81	–	–	81	–	–	–	–	81
John Hofmeister[xi]	108	–	–	108	–	–	–	–	108
Richard Hunting[x]	167	–	–	167	–	–	–	–	167
John Nicholas[xi]	95	–	–	95	–	–	–	–	95
Total	1,722	103	326	2,151	–	–	–	–	2,151

Notes:

i. Jim Johnson was appointed Chief Executive from 1 September 2017, with an annual base salary of $700,000. Dennis Proctor stepped down as a Director on the same date. In addition, in June 2017, Mr Rose's base salary was increased to £316,050 ($406,978) with effect from 1 January 2017 in line with salary increases implemented across the Group. The average £:$ exchange rate in the year was 1.2877 (2016 – 1.3554).

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

iii. Jim Johnson's and Dennis Proctor's single figure pension remuneration represents Company contributions payable to their US pension arrangements. Peter Rose's pension figure represents a cash sum in lieu of company pension contribution, which is set at 25% of his annual base salary and an additional $46,368, reflecting an accrued benefit in respect of his UK Defined Benefit pension arrangements. No employer contributions were made in 2017 to Mr Rose's Defined Benefit arrangements. In 2016, Mr Rose's pension contributions were a combination of these arrangements.

iv. As noted in the Letter from the Chairman of the Remuneration Committee, given the return to underlying profitability and a positive return on capital employed, the Remuneration Committee revised the targets applicable to the Annual Bonus plan in H2 2017. Given the strong performance of the Company against this revised target, particularly in the final months of the year, the revised bonus targets were exceeded, leading to maximum bonus payments being made to the executive Directors. Jim Johnson received $466,690, reflecting his period of service as Chief Executive from 1 September 2017 and Peter Rose received $610,466. Dennis Proctor's bonus reflects a maximum payout, pro-rated for his period of service to 1 September 2017, totalling $1,047,467.

v. There were no annual bonus awards made to the executive Directors during 2016.

vi. The 2015 awards under the HPSP had a three-year performance period to 31 December 2017. The awards were measured on this date against the performance conditions, with a nil vesting recorded for the EPS and ROCE performance metrics. The TSR performance condition was measured by Kepler in line with the HPSP rules, which resulted in a 49% vesting of this portion of the award granted. On this basis, Jim Johnson will receive 24,733 shares; Peter Rose will receive 17,234 shares and Dennis Proctor will receive 47,579 shares. For the purposes of the single figure calculation, the average mid-market closing price of £5.22 during Q4 2017 has been applied to the number of vested shares and coverted to $ using the average £:$ exchange during Q4 2017, being $1.3276. Further, a cash payment equalling the dividends paid during the vesting period has been added to the single figure calculation, totalling 30.9 cents per vested share. The vesting date of the 2015 award is 28 April 2018, when the final values of the awards will be determined. The value of Jim Johnson's 2015 HPSP award included in the single figure table has been pro-rated for his time as an executive Director being 1 September 2017 to the date of vesting. The gross value of Jim Johnson's award as at 29 December 2017 was $179,043.

vii. The 2014 awards under the HPSP had a three-year performance period to 31 December 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. This result has led to a restatement of the 2016 table.

viii. Following Dennis Proctor's retirement from the Group on 1 September 2017, a payment of $1,688,350 was made reflecting a payment in lieu of notice and other legal entitlements due under US employment law.

ix. Jay Glick was appointed Company Chairman on 1 September 2017 with his annual fee increasing to £175,000 ($225,348) from this date. Mr Glick does not receive any additional fee for chairing the Nomination Committee.

x. Richard Hunting retired as Company Chairman on 1 September 2017, with his annual fee reducing to £60,000 ($77,262) from this date.

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.

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

2017	Fixed remuneration				Variable remuneration				
	Base salary/ fees £'000	Benefits £'000	Pension £'000	Sub total £'000	Annual cash bonus £'000	HPSP awards £'000	Sub total £'000	Other remuneration £'000	Total remuneration 2017 £'000
Executives									
Peter Rose[iii]	**316**	**25**	**115**	**456**	**474**	**94**	**568**	**–**	**1,024**
Non-executives									
Annell Bay	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**–**	**60**
Jay Glick[i]	**98**	**–**	**–**	**98**	**–**	**–**	**–**	**–**	**98**
John Hofmeister[ii]	**80**	**–**	**–**	**80**	**–**	**–**	**–**	**–**	**80**
Richard Hunting[i]	**87**	**–**	**–**	**87**	**–**	**–**	**–**	**–**	**87**
John Nicholas[ii]	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**–**	**70**

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

Notes:
i. Jay Glick was appointed Company Chairman on 1 September 2017, with his annual fee set at £175,000 for this new role. Richard Hunting retired as Chairman on the same date, with his annual fee reduced to £60,000, in line with other NEDs.
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. In June 2017, Peter Rose's base salary was increased to £316,050 with effect from 1 January 2017.

Remuneration Arrangements for Jim Johnson

Jim Johnson was appointed as Chief Executive effective 1 September 2017, having previously served as the Group's Chief Operating Officer ("COO") since 2011. Mr Johnson's new remuneration arrangements are in line with the Company's Remuneration Policy for executive Directors, with details provided below:

– Mr Johnson was appointed on a base salary of $700,000.
– He is eligible for an Annual Bonus in respect of 2017. The bonus shown in the remuneration tables reflects his bonus earned from the date of his appointment as Chief Executive, being 1 September 2017.
– Mr Johnson was granted a HPSP award whilst COO in March 2017, with a face value of 300% of his base salary. This award is subject to the same performance conditions as that for the executive Directors, namely one-third each on relative TSR, EPS and ROCE, measured over three financial years and vesting in March 2020.
– The Company contributes to Mr Johnson's pension arrangements, including a money purchase arrangement and to his US 401K deferred savings plan. He receives standard benefits including the provision of a car with fuel and also participation in a US healthcare plan.

Salary and Fees

In December 2016, the executive Directors reviewed the fee levels for independent non-executive Directors, which resulted in no changes being made for 2017.

In April 2017, Mr Rose's base salary was increased by £3,000 per annum as compensation for the loss of a car fuel allowance. In addition, in June 2017, Mr Rose's base salary was increased by 5% to £316,050 ($406,978) with effect from 1 January 2017, in line with the base salary increases implemented across the wider workforce of the Group. This follows two years of salary freezes.

Following Mr Glick's appointment as Chairman, his annual fee was set at £175,000 ($225,348), while Mr Hunting's fee was reduced to £60,000 ($77,262).

Pensions (audited)
Jim Johnson and Dennis Proctor are members of a deferred compensation scheme in the US, which is anticipated to provide a lump sum on retirement. They also contribute to the US 401K deferred saving plan. Messrs Johnson's and Proctor's company contributions to the former arrangement were $42,001 (2016 – $nil) and $104,070 (2016 – $65,802) respectively in the year. There are no additional benefits provided on early retirement from this arrangement. In the year, the Group contributed to Mr Proctor's US 401K deferred saving plan, totalling $16,200 (2016 – $15,900).

During 2017, the Company paid a cash sum in lieu of a pension contribution to Peter Rose totalling $101,485 (£78,811) representing 25% of his annual base salary. An additional $46,357 (£36,000) has been added to reflect an accrued benefit in relation to his final salary arrangements. In 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 also ceased. Mr Rose's 2016 single figure pension contribution noted on page 84 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 defined benefit pension as at 31 December 2017 amounted to $170,000 p.a. (2016 – $167,000 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 now 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 2017 Annual Budget reflected the prevailing market conditions across the energy sector in Q4 2016, with the 2017 targets being set at an underlying loss before tax of $24.5m and a ROCE of negative 2%. Given the strong performance of the Group in the final months of 2017, actual results delivered an underlying profit before tax of $10.9m and a positive ROCE of 1.1%. On this basis the conventional method of calculation by comparing actual results to the Annual Budget could not be used to determine the bonus earned. The conventional method operates on a sliding scale with the bonus accruing when 80% of the Budget is achieved, rising to a maximum when 120% of Budget has been achieved. Comparing a positive actual result to a negative Budget projection fails to work arithmetically. Accordingly, the Committee exercising its discretion agreed in H2 2017 revised pre-set profit before tax and return on capital employed target ranges to be used to calculate the executive Director bonuses. The Committee set the following target ranges for the Annual Performance Link Cash Bonus as follows:

	Threshold target	Maximum target	Actual result 2017	Resultant bonus
Underlying PBT (70%)	$nil	$5.0m	$10.9m	100%
Underlying ROCE (30%)	0%	1.0%	1.1%	100%

Applying these target ranges results in a maximum bonus payment to the executive Directors, leading to a cash bonus of $466,690 to Jim Johnson; $610,466 to Peter Rose and $1,047,467 to Dennis Proctor. The amounts payable to Messrs Johnson and Proctor have been pro-rated for their term in office as Chief Executive. In January 2017, 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 2017 personal performance objectives by the executive Directors and agreed that each Target had been delivered. In particular the Committee noted the strong leadership by the executive Directors as Hunting's core markets improved. Based on this outcome, a factor of 1.0x has been applied.

Following application of the personal performance targets for each executive Director, the bonus payments to the executives are unchanged for 2017. The 2016 actual results failed to meet the annual budgeted underlying PBT and ROCE targets, resulting in no bonus payments to the executive Directors.

2015 HPSP Vesting (audited)
On 31 December 2017, the 2015 awards under the HPSP were measured against the performance conditions following completion of the three-year performance period. The performance metrics are noted on page 78 and include: underlying diluted EPS; underlying ROCE; and relative TSR against a comparator group of 32 companies. A summary of the three-year EPS and ROCE performance is detailed below:

	2014 (Base year)	2015	2016	2017	Reported three-year performance	Required threshold vesting target	% Vesting outcome
Underlying diluted EPS	100.0c	3.1c	-45.3c	7.6c	Negative	6.0%	Nil
Underlying ROCE	13.1%	1.1%	-7.7%	1.1%	Average = -1.8%	12.0%	Nil

The Total Shareholder Return performance condition, as set out in the award was measured by Kepler in January 2018, following completion of the three-year performance period. Hunting's TSR performance against the 32 comparator companies was then ranked, resulting in an above median position. On this basis, 49% of the TSR portion of the 2015 HPSP award will vest on 28 April 2018, with Mr Johnson receiving 24,733 shares; Peter Rose receiving 17,234 shares and Dennis Proctor receiving 47,579 shares. A cash equivalent of dividends paid by the Company during the vesting period, totalling 30.9 cents per vested share, will be added to the award on the vesting date. The 2015 HPSP vesting has been calculated as follows:

	No. of shares granted in 2015	No. of shares vested	Value of vested shares at 31 December 2017 $	Value of dividends at 30.9 cents per share $	Total award value $
Jim Johnson*	151,429	24,733	171,401	7,642	179,043
Dennis Proctor**	372,534	47,579	329,725	14,702	344,427
Peter Rose	105,513	17,234	119,432	5,325	124,757

* Jim Johnson's single figure 2017 HPSP award has been pro-rated from his appointment as Chief Executive on 1 September 2017. The gross value of the award is noted in the table above.

** Dennis Proctor's vested shares reflect a pro-rating of his original award following his retirement on 1 September 2017.

Final award values will be determined on 28 April 2018, being the vesting date of the 2015 award, and will be reported in the 2018 Annual Report on Remuneration.

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 metrics are noted on page 78 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

Hunting's relative TSR performance was below median and accordingly none of the awards under the 2014 grant vested to the executive Directors, with all awards duly lapsing on the 1 May 2017, being the vesting date of the award.

2017 HPSP Grant (audited)

On 3 March 2017, the Committee approved the allocation of nil-cost share awards to Jim Johnson and Dennis Proctor and nil-cost options to Peter Rose under the rules of the HPSP. Awards will vest on 3 March 2020, subject to the achievement of the performance metrics detailed on page 78 of the Policy. Details of the grant are as follows:

Director	Award as % of base salary	Number of shares under grant	Face value of award at threshold vesting of 25% $	Face value of maximum award vesting at 100% $
Jim Johnson[i]	300%	223,533	370,905	1,483,620
Dennis Proctor[ii]	450%	86,970	144,308	577,232
Peter Rose	210%	115,889	192,293	769,172

i. Mr Johnson's HPSP grant reflects his role as Chief Operating Officer, prior to his appointment as Chief Executive.

ii. As noted in the Company announcement of 1 September 2017, Mr Proctor's HPSP grant was pro-rated for his period of service.

Given the loss making position of the Group in 2016, the Remuneration Committee adopted absolute EPS and ROCE targets for the grants to the executive Directors in 2017. The targets for each performance condition are as follows:

Performance condition	Threshold vesting target	Maximum vesting target
TSR	Median	Upper Quartile
EPS[i]	40 cents	60 cents
ROCE[i]	8%	15%

i. To be achieved by the year ending 31 December 2020.

The following quoted businesses comprise the TSR comparator group for the 2017 award:

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

The face value of the 2017 award is based on the closing mid-market share price on 2 March 2017, which was 540.0 pence.

In 2017, the Committee incorporated a fourth performance condition to the HPSP, based on Hunting's Quality Assurance data, for senior managers of the Group only. The awards to the executive Directors do not incorporate this additional performance condition.

Leaver Arrangements for Dennis Proctor (audited)
Dennis Proctor stepped down from the Board on 1 September 2017 after 24 years with Hunting, including 16 years as Chief Executive. He was accorded good leaver status and in accordance with section 430(2B) of the Companies Act 2006, the Company provided details on Mr Proctor's leaver arrangements in a market announcement on this date, the details of which are repeated below. All arrangements are in accordance with the Remuneration Policy approved by shareholders at the 2017 AGM:

– A payment of $1,688,350 was made to Mr Proctor on 7 September 2017 in accordance with the terms of his departure, which includes $785,600 related to his service contract obligations, with the balance reflecting a settlement in connection with the cessation of employment.
– Mr Proctor is entitled to a pro-rated annual bonus in respect of the year ending 31 December 2017 totalling $1,047,467.
– Mr Proctor retains unvested nil cost performance-based share awards, granted under the Hunting Performance Share Plan, pro-rated from the date of grant up to 1 September 2017 as detailed below:

Grant year	Vesting date	Original awards	Pro-rated awards
2015	28 April 2018	372,534	291,297
2016	11 March 2019	589,593	290,220
2017	3 March 2020	523,733	86,970
		1,485,860	**668,487**

– The performance conditions for each award will be measured at the end of each respective performance period, and any awards deemed to vest will be settled at the end of each performance period.

– As noted earlier, the 2015 awards under the HPSP partially vested, with 47,579 shares to be awarded to Mr Proctor on 28 April 2018. Full details of any further awards vesting to Mr Proctor under the 2016 and 2017 grants will be provided in subsequent Annual Reports on Remuneration.

Mr Proctor retains 55,449 vested share options outstanding under the Hunting PLC Executive Share Option Plan which were granted on 4 March 2008 at an exercise price of 784.5 pence per share. These options are exercisable up to 3 March 2018, when the options would automatically expire.

Other Payments to Past Directors and for Loss of Office (audited)
No other 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 2017[ii]**	At 31 December 2016[ii]
Executives		
Jim Johnson	**52,000**	52,000
Dennis Proctor	**1,748,544**	1,748,544
Peter Rose	**87,923**	87,923
Non-executives		
Annell Bay	**11,840**	8,000
Jay Glick	**13,500**	13,500
John Hofmeister	**25,000**	25,000
Richard Hunting	**466,583**	466,583
– as trustee	**924,049**	979,049
– as Director of Hunting Investments Limited	**11,073,487**	11,073,487
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.
ii. At cessation or appointment date.

There have been no further changes to the Directors' share interests in the period 31 December 2017 to 1 March 2018.

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 2017 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 2017	Requirement met?
Jim Johnson	5	0.6	N
Peter Rose	2	1.7	N
Annell Bay	1	1.2	Y
Jay Glick	1	0.5	N
John Hofmeister	1	1.9	Y
Richard Hunting	1	47.0	Y
John Nicholas	1	1.0	Y

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 and HPSP are set out below. The vesting of options and awards are subject to performance conditions set out within the Policy on pages 76 and 78.

Director	Interests at 1 January 2017	Options/ awards granted in year	Options/ awards exercised in year	Options/ awards lapsed in year	Interests at 31 December 2017	Exercise price p	Grant date	Date from which exercisable	Expiry date	Scheme
Dennis Proctor	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	120,137	–	–	(64,688)	55,449					
	255,050	–	–	(255,050)	–	nil	01.05.14	01.05.17	–	HPSP
	372,534	–	–	(81,237)	291,297[^]	nil	28.04.15	28.04.18	–	HPSP
	589,593	–	–	(299,373)	290,220[^]	nil	11.03.16	11.03.19	–	HPSP
	–	523,733	–	(436,763)	86,970[^]	nil	03.03.17	03.03.20	–	HPSP
Sub total	1,217,177	523,733	–	(1,072,423)	668,487					
Total	**1,337,314**	**523,733**	**–**	**(1,137,111)**	**723,936**					
Jim Johnson	15,781	–	–	(15,781)	–	640.0	06.03.07	06.03.10	05.03.17	ESOP
	15,169	–	–	–	15,169[+]	784.5	04.03.08	04.03.11	03.03.18	ESOP
Sub total	30,950	–	–	(15,781)	15,169					
	79,483	–	–	(79,483)	–	nil	01.05.14	01.05.17	–	HPSP
	151,429	–	–	–	151,429[^]	nil	28.04.15	28.04.18	–	HPSP
	239,660	–	–	–	239,660[^]	nil	11.03.16	11.03.19	–	HPSP
	–	223,533	–	–	223,533[^]	nil	03.03.17	03.03.20	–	HPSP
Sub total	470,572	223,533	–	(79,483)	614,622					
Total	**501,522**	**223,533**	**–**	**(95,264)**	**629,791**					
Peter Rose	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	36,670	–	–	(15,000)	21,670					
	72,238	–	–	(72,238)	–	nil	01.05.14	01.05.17	–	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	10.03.26	HPSP
	–	115,889	–	–	115,889[~]	nil	03.03.17	03.03.20	02.03.27	HPSP
Sub total	344,742	115,889	–	(72,238)	388,393					
Total	**381,412**	**115,889**	**–**	**(87,238)**	**410,063**					

\+ 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. In respect of Dennis Proctor, outstanding awards were pro-rated from the respective dates of grant up to 1 September 2017, being the date of his retirement from the Board.

~ 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 5 March 2017, the 2007 awards under the Hunting ESOP expired, being the 10th anniversary of the grant.

Executive Director Remuneration and the Wider Workforce
The changes to the remuneration of the Chief Executive in 2017 compared to 2016 and those of the total workforce are as follows:

	Chief Executive	Average employee
Base salary	-4%	+9%
Bonus	+100%	+100%
Benefits	+11%	-17%

The Chief Executive data presented above represents the pro-rated total base salary, bonus and benefits paid to Dennis Proctor and Jim Johnson during their terms in office as Chief Executive, as disclosed in the single figure table on page 84, compared to the remuneration paid to the Chief Executive in 2016.

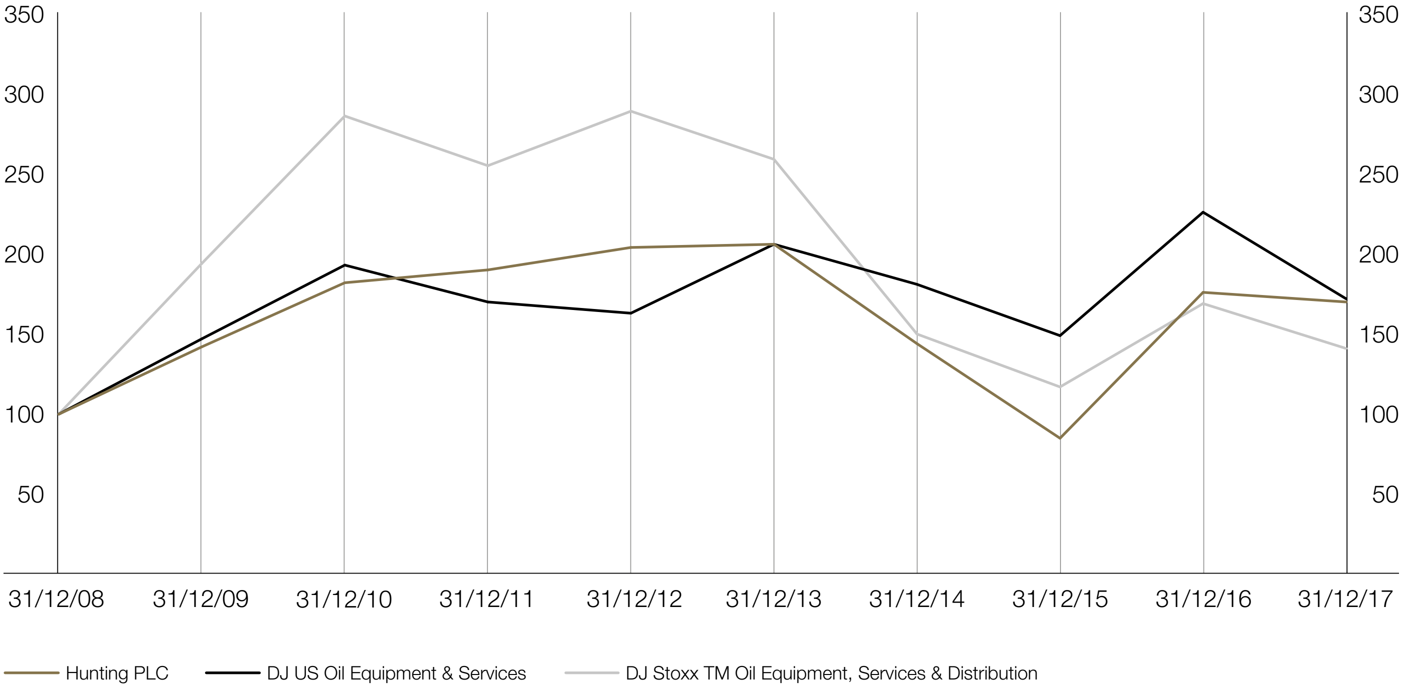
Relative Importance of Spend on Pay
The table below shows the relative importance of spend on employee remuneration in relation to corporate taxation, dividends and capital investment. The choice of performance metrics represents certain operating costs of the Group and the use of operating cash flows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

	2017 $m	2016 $m	Change
Employee remuneration[i]	**215.3**	187.7	+15%
Corporate tax received[ii]	**(6.5)**	(31.3)	-79%
Dividends paid[ii]	**–**	5.9	-100%
Capital investment[ii]	**11.4**	17.2	-34%

i. Includes staff costs for the year (note 8) plus benefits in kind of $25.9m (2016 – $30.5m), which primarily comprises US medical insurance costs.
ii. Please refer to the Consolidated Statement of Cash Flows on page 104.

Executive Director Remuneration and Shareholder Returns
The following chart compares the TSR of Hunting PLC between 2008 and 2017 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]
2017 – Jim Johnson (from 1 September)	798	33	3.6	n/a
2017 – Dennis Proctor (to 1 September)	3,788	67	12.7	n/a
2016 – Dennis Proctor	941	Nil	Nil	n/a
2015 – Dennis Proctor	1,031	Nil	Nil	Nil
2014 – Dennis Proctor	4,808	57	Nil	100
2013 – Dennis Proctor	4,442	42	Nil	100
2012 – Dennis Proctor	5,497	75	66	100
2011 – Dennis Proctor	3,261	100	Nil	31
2010 – Dennis Proctor	1,876	100	100	5
2009 – Dennis Proctor	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.
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. Messrs Johnson's and Proctor's awards have been pro-rated for their period of service as Chief Executive.
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 2018

The remuneration policies for 2018 will be applied in line with those detailed on pages 73 to 82, subject to the approval by shareholders of the revised Directors' Remuneration Policy to be tabled at the Company's Annual General Meeting on 18 April 2018.

Salary and Fees

In December 2017, the Board concluded that there would be no changes made to fees payable to the non-executive Directors for 2018. In February 2018, the Committee met to discuss base salary changes for the executive Directors resulting in no changes being implemented.

Annual Bonus

The annual performance-linked cash bonus for 2018 will be operated in line with the revised Policy detailed on page 75. 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.

Description of target
• Strategic Planning • Dynamic Leadership in a Volatile Period • Succession Planning (Chief Executive only) • Organisational Effectiveness (Finance Director only)

HPSP

The grants to the executive Directors for 2018 under the HPSP will be in line with those proposals detailed on pages 76 and 78 and will be made following the Company's Annual General Meeting in April 2018. The proposed performance conditions and targets for the HPSP award is as follows:

Performance Metric	Proportion of award	Threshold target (vesting at 25%)	Maximum target (vesting at 100%)
EPS	25%	30 cents per share	50 cents per share
ROCE	35%	6%	15%
TSR	25%	Median ranking	Upper quartile ranking
Strategic Scorecard			
– Quality Assurance: based on Hunting PLC's reported reject rate	7.5%	0.8	<0.5
– HSE: based on Hunting PLC's reported incident rate	7.5%	2.00	<1.00

Compliance Statement

The revised Directors' Remuneration Policy and 2017 Annual Report on Remuneration reflect the Remuneration Committee's 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 will be tabled for approval by shareholders at the Company's Annual General Meeting ("AGM") on 18 April 2018 and includes amendments to the Annual Bonus and Long-Term Incentive arrangements that are detailed on pages 75 and 76. The Annual Report on Remuneration, which includes the Letter from the Chairman of the Remuneration Committee, details how the approved Directors' Remuneration Policy was applied during 2017.

John Hofmeister
Chairman of the Remuneration Committee

1 March 2018

Report on the Audit of the Financial Statements

Opinion

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

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

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

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

Basis for Opinion

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

Independence

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

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

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

Our Audit Approach

Overview

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

The Scope of Our Audit

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

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

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

Key Audit Matters

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

Key audit matter

Goodwill and Non-current Asset Impairment Assessment (Group)

Refer to page 67 (Audit Committee Report), Note 36 (principal accounting policies) and Notes 13, 14 and 15.

The Group holds $230.3 million of goodwill on the balance sheet which is tested at least annually for impairment. Additional intangible assets held by the Group, including customer relationships, unpatented technology and patents & trademarks, total $125.4 million and the Group has property, plant and equipment of $383.3 million. Other non-current assets are tested for impairment if impairment triggers are identified.

Determining the recoverable amount of non-current assets for impairment purposes is a judgemental and complex area as it depends on the future financial performance of each cash-generating unit ("CGU") and future market performance. While there have been signs of improvement in the oil and gas market in 2017, there still remains uncertainty as to the timing of a full market recovery. As such, the key area of focus is the carrying value of the assets, with our focus on judgemental areas being forecast revenue and margin growth rates, terminal growth rates and discount rates.

Management's calculated recoverable amounts exceed the carrying value of all CGUs. As a result, there have been no impairment charges recognised in the current year, with the exception of PPE in South Africa as discussed below. Two CGUs remain sensitive to reasonably possible changes in key assumptions and, as such, sensitivity analysis has been included in note 13.

Management identified several impairment indicators in respect of the PPE held in South Africa (totalling $14.0m), in response to the Board's decision in December 2017 to close its manufacturing facility in Cape Town. As a result, an impairment charge of $7.6m has been recorded against PPE.

How our audit addressed the key audit matter

We tested management's identification of the CGUs, considering business changes that would prompt a change to the classification of the CGUs.

In order to test the impairment models, we challenged whether the future cash flow forecasts and the timing of the forecast recovery in performance of these forecasts for the identified CGUs were appropriate.

More specifically, we challenged the key assumptions as follows:
- Forecast revenue and margin growth rate assumptions by comparing them to historical results, comparing the short and medium-term growth rates to independent specialist third-party published reports and considering the impact already observed within the market;
- Terminal growth rates by comparing them to economic and industry forecasts; and
- Discount rates by comparing the cost of capital assumption for each CGU against comparable organisations and our independently calculated discount rates.

We found the above assumptions to be in line with our expectations and that management has followed a clear process for drawing up the future cash flow forecasts, which was subject to oversight and challenge by the Directors and which was consistent with Board approved budgets and mid-term forecasts.

In respect of all CGUs, we sensitised each key driver of the cash flow forecasts, including the underlying assumptions listed above, by determining what we considered to be a reasonably possible change in the assumptions, based on current market data and historical and current business performance. In addition we calculated the degree to which the key assumptions would need to change before an impairment was triggered.

Having satisfied ourselves on the key assumptions and sensitivities, we assessed the likelihood of movements in key assumptions required to trigger an impairment and by comparison to sensitised forecasts and possible changes in discount rates and concluded that it was unlikely.

In respect of South Africa, we considered the impairment indicators and assessed the charge recorded by management and note that the remaining balance of PPE is supported by third-party valuations.

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

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

How We Tailored the Audit Scope

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

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

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

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

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

Materiality

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

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

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

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

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

Going Concern

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

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

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

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

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

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

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

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

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

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

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

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Use of This Report

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

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

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

Nicholas Campbell-Lambert
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2017

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

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

Jim Johnson
Director

Peter Rose
Director

Registered number: 974568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2016						
At 1 January		61.7	153.0	15.7	911.5	1,141.9	26.2	1,168.1
Loss for the year		–	–	–	(107.5)	(107.5)	(5.6)	(113.1)
Other comprehensive expense		–	–	(18.3)	(4.0)	(22.3)	(3.3)	(25.6)
Total comprehensive expense		–	–	(18.3)	(111.5)	(129.8)	(8.9)	(138.7)
Dividends to equity shareholders	32	–	–	–	(5.9)	(5.9)	–	(5.9)
Shares issued								
– share option schemes and awards	29	0.1	–	–	–	0.1	–	0.1
– share placing	29 & 30	4.5	–	81.5	–	86.0	–	86.0
– share placing costs	30	–	–	(2.1)	–	(2.1)	–	(2.1)
Treasury shares								
– purchase of Treasury shares	31	–	–	–	(1.8)	(1.8)	–	(1.8)
Share options and awards								
– value of employee services	30	–	–	8.0	–	8.0	–	8.0
– discharge	30 & 31	–	–	(6.0)	7.5	1.5	–	1.5
– taxation	31	–	–	–	0.2	0.2	–	0.2
Investment by non-controlling interest		–	–	–	–	–	2.0	2.0
Total transactions with owners		4.6	–	81.4	–	86.0	2.0	88.0
At 31 December		66.3	153.0	78.8	800.0	1,098.1	19.3	1,117.4

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

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

1. Basis of Preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of the defined benefit pension asset and those financial assets and financial liabilities held at fair value through profit or loss. The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 55.

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

Adoption of New Standards, Amendments and Interpretations

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

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

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- Clarifications to IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts[i]
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions[i]
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures[i]
- IFRIC 22 Foreign Currency Transactions and Advance Consideration[i]
- IFRIC 23 Uncertainty over Income Tax Treatments[i]
- Annual Improvements to IFRS Standards 2015-2017 Cycle[i]
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[i]
- Amendment to IAS 19: Plan Amendment, Curtailment or Settlement[i]

i. Not yet endorsed by the European Union.

IFRS 9 Financial Instruments

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

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

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

1. Basis of Preparation continued

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

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

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

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

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

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

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

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

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

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

IFRS 16 requires lessees to recognise a lease as a "right-of-use" asset for virtually all lease contracts, together with a corresponding liability. IAS 17 does not require the recognition of any right-of-use asset or any liability for future payments for leases. Instead, future operating lease commitments are disclosed, as shown in note 34. The impact of IFRS 16 has not yet been fully assessed, however management's preliminary assessment indicates that most of these arrangements will meet the definition of a lease under IFRS 16, and hence a significant proportion of the future minimum lease payments under non-cancellable operating leases, as disclosed in note 34, shall be recognised as liabilities, together with a right-of-use asset. The majority of the Group's operating lease arrangements relate to property leases, mainly in respect of our distribution centres. As such, the lease term is generally short-term in nature, with the majority of leases having an unexpired term of less than five years at 31 December 2017.

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

2. Segmental Reporting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The UK is the domicile of Hunting PLC.

2. Segmental Reporting continued

Segment Revenue and Profit

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

	Restated 2016					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation and exceptional items $m	Reported result $m
Continuing operations:						
Hunting Titan	145.2	(2.7)	142.5	(3.6)	(30.9)	(34.5)
US	166.7	(4.7)	162.0	(33.6)	(4.1)	(37.7)
Canada	29.3	(3.0)	26.3	(4.0)	–	(4.0)
Europe[i]	71.7	(1.6)	70.1	(25.7)	(7.9)	(33.6)
Asia Pacific	46.8	(3.1)	43.7	(13.3)	(2.0)	(15.3)
Middle East, Africa and Other	8.5	(0.3)	8.2	(9.3)	(0.5)	(9.8)
Exploration and Production	3.0	–	3.0	(2.7)	–	(2.7)
	471.2	(15.4)	455.8	(92.2)	(45.4)	(137.6)
Exceptional defined benefit curtailment not apportioned				–	(3.1)	(3.1)
Loss from continuing operations				(92.2)	(48.5)	(140.7)
Net finance expense				(0.7)	(2.5)	(3.2)
Share of associates' post-tax losses				(0.3)	–	(0.3)
Loss before tax from continuing operations				(93.2)	(51.0)	(144.2)
Discontinued operations:						
Gibson Energy	–	–	–	–	8.4	8.4
Profit before tax from discontinued operations	–	–	–	–	8.4	8.4
Taxation				–	(0.2)	(0.2)
Profit from discontinued operations				–	8.2	8.2

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

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

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

2. Segmental Reporting continued

Other Segment Items

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

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

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

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

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

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

3. Revenue

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

4. Other Operating Income

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

5. Operating Expenses

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

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

6. Amortisation and Exceptional Items

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

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

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

On 11 March 2016, it was agreed that the defined benefit pension section of the Group's UK pension scheme would be closed to future accrual of further benefits from 30 June 2016. The effect of this change was recognised in the 2016 financial statements, resulting in a net charge of $3.1m.

A series of amendments to the Group's borrowing facilities became effective on 20 July 2016, see note 26 for further details. For accounting purposes, as the revised Revolving Credit Facility ("RCF") size and covenant terms were significantly different, the existing RCF was deemed to have been extinguished and replaced by a new facility. Consequently, the unamortised portion of the capitalised loan facility fees of $2.5m relating to the RCF negotiated in 2015 were written off to the income statement.

7. Profit (Loss) from Continuing Operations

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

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

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

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

8. Employees

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

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

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

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

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

8. Employees continued

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

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

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

The actual number of employees at the year end was:

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

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

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

Salaries and short-term benefits are included within the Directors' Remuneration table on page 84 of the Annual Report on Remuneration. Post-employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the income statement. Details of share options and awards are disclosed on page 89 of the Annual Report on Remuneration.

9. Net Finance Expense

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

10. Taxation

	2017			2016		
	Before amortisation[i] and exceptional items $m	**Amortisation[i] and exceptional items $m**	**Total $m**	Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items $m	Total $m
Current tax						
– current year charge (credit)	**3.4**	**–**	**3.4**	(11.5)	(1.6)	(13.1)
– adjustments in respect of prior years	**(3.8)**	**–**	**(3.8)**	(1.1)	–	(1.1)
	(0.4)	**–**	**(0.4)**	(12.6)	(1.6)	(14.2)
Deferred tax						
– origination and reversal of temporary differences	**2.3**	**–**	**2.3**	(7.7)	(1.4)	(9.1)
– change in tax rate	**(0.4)**	**–**	**(0.4)**	(0.2)	–	(0.2)
– adjustments in respect of prior years	**(0.5)**	**–**	**(0.5)**	0.6	–	0.6
	1.4	**–**	**1.4**	(7.3)	(1.4)	(8.7)
Taxation charge (credit) – continuing operations	**1.0**	**–**	**1.0**	(19.9)	(3.0)	(22.9)

i. Relates to amortisation of acquired intangible assets.

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

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

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

10. Taxation continued

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

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

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

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

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

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

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

11. Discontinued Operations

The results from discontinued operations were as follows:

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

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

12. Earnings per Share

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

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

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

	2017 $m	2016 $m
Basic and diluted (loss) earnings attributable to Ordinary shareholders		
From continuing operations	**(26.7)**	(115.7)
From discontinued operations	**–**	8.2
Total	**(26.7)**	(107.5)
Basic and diluted (loss) earnings attributable to Ordinary shareholders before amortisation[i] and exceptional items		
From continuing operations	**(26.7)**	(115.7)
Add: amortisation[i] and exceptional items after taxation	**39.1**	47.5
Total	**12.4**	(68.2)
From discontinued operations	**–**	8.2
Less: exceptional items after taxation	**–**	(8.2)
Total	**–**	–
	millions	millions
Basic weighted average number of Ordinary shares	**163.3**	150.7
Long-term incentive plans	**6.8**	6.4
Adjusted weighted average number of Ordinary shares	**170.1**	157.1
	cents	cents
(a) Reported (Loss) Earnings per Share		
Basic EPS		
From continuing operations	**(16.4)**	(76.8)
From discontinued operations	**–**	5.5
	(16.4)	(71.3)
Diluted EPS[ii]		
From continuing operations	**(16.4)**	(76.8)
From discontinued operations	**–**	5.5
	(16.4)	(71.3)
(b) Underlying Earnings (Loss) per Share		
Basic EPS		
From continuing operations	**7.6**	(45.3)
From discontinued operations	**–**	–
	7.6	(45.3)
Diluted EPS[ii]		
From continuing operations	**7.6**	(45.3)
From discontinued operations	**–**	–
	7.6	(45.3)

i. Relates to amortisation of acquired intangible assets.
ii. For the years ended 31 December 2016 and 2017, the effect of dilutive share options and long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

13. Property, Plant and Equipment

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

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

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

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to $0.9m (2016 – $1.2m).

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

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

Oil and gas productive and development assets are tested for impairment at least annually. Following a valuation of oil and gas reserves at 31 December 2017, performed for impairment purposes, no impairment charges were required (2016 – $nil). The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted cash flow projections based on estimated oil and gas reserves, future production and the income and costs in generating this production. Cash flows are based on productive lives between one and 15 years and are discounted using a nominal pre-tax rate of 10% (2016 – 12%).

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

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

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

13. Property, Plant and Equipment continued

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

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

Following the closure of the Group's European Drilling Tools business in 2016, rental tools were impaired by $2.8m and plant, machinery and motor vehicles by $0.1m, totalling $2.9m. The assets of the Group's European Drilling Tools rental business were classified as held for sale during 2016.

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

14. Goodwill

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

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

14. Goodwill continued

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

CGU	2017 $m	2016 $m
Hunting Titan	**180.5**	180.5
Hunting Stafford "Subsea" (formally National Coupling Company)	**15.0**	15.0
Dearborn	**12.5**	12.5
US Manufacturing	**12.5**	12.5
Hunting Specialty	**5.0**	5.0
Welltonic	**4.8**	4.3
At 31 December	**230.3**	229.8

The recoverable amount for each CGU has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the CGU in a sales transaction on an arms-length basis. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by the CGU and are discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections.

The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied.

For 2018, cash flows are based on the approved Board budget. For 2019 to 2022, management has made revenue projections using Spears and Associates "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic markets and drivers (rig count, footage drilled or E&P spend) for each CGU. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management has then modelled the expected impact on margins and cash flow from the resulting revenue projections.

2017 has been a much stronger year for the Group, due to the return to growth of the US onshore market and stabilisation in the main offshore markets we serve. The recovery in offshore is expected to follow in due course. This mixed picture impacts CGUs differently depending on their exposure to these markets and compound annual growth rates ("CAGR") for revenue for the CGUs from 2017 to 2022 vary between 9% and 19% (2016 – CAGR from 2016 to 2021 between 12% and 24%). These growth rates should be seen in the context of the year-on-year declines in revenue in 2015 and 2016, which were 42% and 44% respectively, and the growth in revenue during 2017 of 59%. After 2022, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation, giving nominal growth rates between 2% and 3% (2016 – between 2% and 3%).

Cash flows have been discounted using nominal pre-tax rates between 9% and 11% (2016 – 11% and 13%). The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

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

(b) Material CGU
Hunting Titan – Hunting Titan represents 78% of the goodwill balance at the year end (2016 – 79%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of $459.5m (2016 – $448.2m). Projected annual growth rates from 2017 to 2022 vary between 2% and 12% (2016 – growth rates from 2016 to 2021 between 13% and 31%). Growth rates are lower following the strong performance during 2017. Cash flows have been discounted at a nominal pre-tax rate of 10% (2016 – 12%). There is no reasonably foreseeable change in revenue growth rates, or terminal growth rates, or discount rates, which will give rise to impairment charges.

(c) Sensitivities
Management has reviewed various downside sensitivities versus the base case assumptions used in our projections. These covered revenue growth rates, terminal revenue growth rates and discount rates. In light of current sector expectations, management has concluded that there are no reasonable possible changes in key assumptions that would give rise to an impairment.

15. Other Intangible Assets

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

	2016				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January	247.4	64.4	53.9	22.4	388.1
Exchange adjustments	(0.6)	(0.2)	(0.1)	(0.7)	(1.6)
Additions	–	5.1	1.2	0.1	6.4
Disposals	–	(0.1)	–	(0.2)	(0.3)
At 31 December	246.8	69.2	55.0	21.6	392.6
Accumulated amortisation and impairment:					
At 1 January	128.9	23.5	36.2	19.1	207.7
Exchange adjustments	(0.6)	(0.1)	–	(0.4)	(1.1)
Charge for the year	21.7	6.1	6.3	1.2	35.3
At 31 December	150.0	29.5	42.5	19.9	241.9
Net book amount	96.8	39.7	12.5	1.7	150.7

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

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

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

All intangible assets are regarded as having a finite life and are amortised accordingly. All amortisation charges relating to intangible assets have been charged to operating expenses.

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

16. Investments

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

17. Trade and Other Receivables

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

Trade receivables that are not overdue and not impaired are expected to be fully recovered as there is no recent history of default or any indications that the customers will not meet their payment obligations.

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

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

Receivables that are overdue but not impaired relate to customers for whom there is no recent history of default. Receivables that have been impaired mainly relate to debtors in financial difficulty where defaults in payments have occurred or concerns have been raised about the customer's liquidity. Trade receivables are impaired when there is evidence that the Group will not be able to collect all amounts due according to the original terms of sale.

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

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

17. Trade and Other Receivables continued

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the fair value of each class of receivable. The carrying value of each class of receivable approximates their fair value as described in note 25.

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

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

18. Deferred Tax

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

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

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

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

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

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

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

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

A deferred tax asset of $2.8m (2016 – $5.6m) has been recognised in respect of tax losses in various locations on the basis of forecast future taxable profits against which those tax losses could be utilised. Post-retirement benefits include $6.5m in respect of the tax that will be withheld at source on the future refunds of the surplus from the pension scheme.

18. Deferred Tax continued

The movements in deferred tax assets and liabilities, prior to taking into consideration the offsetting of balances within the same tax jurisdictions, are shown below:

	At 1 January 2017 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2017 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	**5.6**	**0.3**	**(3.2)**	**0.1**	**–**	**–**	**2.8**	**2.8**	**–**
Inventory	**7.3**	**–**	**–**	**–**	**–**	**(2.1)**	**5.2**	**0.3**	**4.9**
Goodwill and intangibles	**19.1**	**–**	**(0.5)**	**–**	**–**	**(6.9)**	**11.7**	**–**	**11.7**
Post-retirement benefits	**(8.8)**	**(0.7)**	**0.3**	**0.3**	**–**	**4.1**	**(4.8)**	**–**	**(4.8)**
Asset decommissioning provision	**2.1**	**–**	**–**	**–**	**–**	**(0.9)**	**1.2**	**–**	**1.2**
Accumulated tax depreciation	**(23.5)**	**–**	**0.5**	**–**	**–**	**8.5**	**(14.5)**	**0.6**	**(15.1)**
Share-based payments	**0.5**	**–**	**0.3**	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Other	**(7.9)**	**0.1**	**0.8**	**–**	**–**	**2.6**	**(4.4)**	**0.5**	**(4.9)**
	(5.6)	**(0.3)**	**(1.8)**	**0.4**	**–**	**5.3**	**(2.0)**	**4.2**	**(6.2)**

	At 1 January 2016 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2016 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	0.4	(0.3)	6.0	(0.5)	–	–	5.6	5.6	–
Inventory	7.8	–	(0.4)	–	–	(0.1)	7.3	0.3	7.0
Goodwill and intangibles	15.7	–	(0.4)	–	–	3.8	19.1	0.5	18.6
Post-retirement benefits	(5.2)	1.8	1.1	0.8	(7.5)	0.2	(8.8)	–	(8.8)
Asset decommissioning provision	2.2	–	–	–	–	(0.1)	2.1	–	2.1
Accumulated tax depreciation	(27.5)	–	1.6	(0.1)	–	2.5	(23.5)	0.7	(24.2)
Share-based payments	0.3	(0.1)	0.1	–	0.2	–	0.5	–	0.5
Other	(1.9)	–	0.3	–	–	(6.3)	(7.9)	(0.1)	(7.8)
	(8.2)	1.4	8.3	0.2	(7.3)	–	(5.6)	7.0	(12.6)

19. Inventories

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

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

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

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

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

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

20. Trade and Other Payables

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

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

21. Borrowings

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

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

Analysis of Borrowings by Currency

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

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

	Sterling $m	US dollars $m	Euro $m	Capitalised loan facility fees $m	Total $m
Secured bank loans	19.7	–	–	(0.6)	19.1
Other unsecured loans	–	3.9	–	–	3.9
Bank overdrafts secured	17.6	25.5	0.1	–	43.2
At 31 December 2016	37.3	29.4	0.1	(0.6)	66.2

22. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of interest offsetting arrangements and other such measures. As the Group manages funding on a net debt basis, internal reporting focuses on changes in net debt and this is presented in the Strategic Report. The net debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items.

Net debt comprises bank overdrafts, current and non-current borrowings, less cash and cash equivalents and bank deposits maturing after more than three months.

	At 1 January 2017 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified to prepayments $m	At 31 December 2017 $m
Cash at bank and in hand	**63.5**	**(29.0)**	**1.9**	**–**	**–**	**36.4**
Bank overdrafts (note 21)	**(43.2)**	**41.7**	**(0.6)**	**–**	**–**	**(2.1)**
Cash and cash equivalents	**20.3**	**12.7**	**1.3**	**–**	**–**	**34.3**
Current investments (note 16)	**0.8**	**(0.8)**	**–**	**–**	**–**	**–**
Non-current borrowings	**(12.5)**	**9.0**	**(0.4)**	**–**	**–**	**(3.9)**
Current bank loans (note 21)	**(11.1)**	**11.6**	**(0.5)**	**–**	**–**	**–**
Total net borrowings	**(2.5)**	**32.5**	**0.4**	**–**	**–**	**30.4**
Capitalised loan facility fees	**0.6**	**–**	**–**	**(0.2)**	**(0.4)**	**–**
Total net (debt) cash	**(1.9)**	**32.5**	**0.4**	**(0.2)**	**(0.4)**	**30.4**

	At 1 January 2016 $m	Cash flow $m	Exchange movements $m	Movement in capitalised loan facility fees[i] $m	Reclassified to prepayments $m	At 31 December 2016 $m
Cash at bank and in hand	54.4	12.4	(3.3)	–	–	63.5
Bank overdrafts (note 21)	(32.5)	(13.4)	2.7	–	–	(43.2)
Cash and cash equivalents	21.9	(1.0)	(0.6)	–	–	20.3
Current investments (note 16)	4.6	(3.4)	(0.4)	–	–	0.8
Non-current borrowings	(119.9)	105.2	2.2	–	–	(12.5)
Current bank loans (note 21)	(19.8)	8.3	0.4	–	–	(11.1)
Total net borrowings	(113.2)	109.1	1.6	–	–	(2.5)
Capitalised loan facility fees	2.7	–	–	(2.1)	–	0.6
Total net (debt) cash	(110.5)	109.1	1.6	(2.1)	–	(1.9)

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

In 2016 the Group's RCF was amended. For accounting purposes, as the revised facility size and covenant terms were significantly different, the RCF was deemed to have been extinguished and replaced by a new RCF. Consequently, capitalised loan facility fees of $2.5m were written off to the income statement. Further details on the revised terms are provided in note 26.

23. Provisions

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

Provisions are due as follows:

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

23. Provisions continued

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that $1.0m of the provision will be utilised in 2018 and the remaining balance of $4.4m will be utilised from 2019 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 0.22% and 0.72% p.a., for the net rental deficit on these properties to the end of the lease term.

Other provisions include asset decommissioning and remediation obligations of $6.2m (2016 – $7.0m) relating to the Group's obligation to dismantle, remove and restore items of property, plant and equipment and warranties and tax indemnities of $1.0m (2016 – $1.0m). The asset decommissioning provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation. Provision is made on a discounted basis, the majority of which is estimated to be utilised over a period of 14 years.

24. Derivatives and Hedging

(a) Currency Derivatives

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

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

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

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

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

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

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

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

Fair values of derivative financial instruments:

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

(b) Hedge of Net Investments in Foreign Operations

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

25. Financial Instruments: Fair Values

The carrying value of investments, non-current trade and other receivables, net trade receivables, accrued revenue, other receivables, deposits maturing after three months, cash and cash equivalents, assets classified as held for sale, trade payables, accruals, other payables, provisions, liabilities classified as held for sale, bank overdrafts, unsecured bank loans and other unsecured loans approximates their fair value. Drawdowns under the revolving credit facility are typically for periods of one month or less and, as a result, the carrying value and the fair value are considered to be the same.

The following tables present the Group's other financial assets and liabilities that are measured at fair value at the year end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

	Fair value at 31 December 2017 $m	Level 1 $m	Level 2 $m
Non-current investments			
Listed equity investments and mutual funds	**1.8**	**1.8**	**–**
Current investments			
Listed equity investments and mutual funds	**10.4**	**10.4**	**–**
Non-current derivatives held for trading			
Derivative financial liabilities	**(0.1)**	**–**	**(0.1)**
Current derivatives held for trading			
Derivative financial liabilities	**(0.9)**	**–**	**(0.9)**
Non-current other payables			
US deferred compensation plan obligation	**(1.8)**	**–**	**(1.8)**
Current other payables			
US deferred compensation plan obligation	**(10.4)**	**–**	**(10.4)**
	(1.0)	**12.2**	**(13.2)**

	Restated		
	Fair value at 31 December 2016 $m	Level 1 $m	Level 2 $m
Non-current investments			
Listed equity investments and mutual funds	10.2	10.2	–
Derivatives held for trading			
Derivative financial assets	0.1	–	0.1
Derivative financial liabilities	(0.1)	–	(0.1)
Other payables			
US deferred compensation plan obligation	(10.2)	–	(10.2)
	–	10.2	(10.2)

The fair value hierarchy has the following levels:
Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
The 2016 table above has been restated to show the US deferred compensation plan obligation, which is carried at fair value.

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The fair value of listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year end exchange rate.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy.

26. Financial Risk Management

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

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

26. Financial Risk Management continued

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

(a) Foreign Exchange Risk

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

The Group's material foreign exchange rates are:

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

(i) Transactional Risk

The exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. Operating companies prepare quarterly rolling 12-month cash flow forecasts to enable working capital currency exposures to be identified. Currency exposures arise where the cash flows are not in the functional currency of the entity. Exposures arising from committed long-term projects beyond a 12-month period are also identified. The currency flows to be hedged are committed foreign currency transactions greater than $400,000 equivalent per month and/or currency flows that in aggregate exceed $400,000 equivalent per annum.

No speculative positions are entered into by the Group.

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

	Currency of denomination						
At 31 December 2017	**Sterling $m**	**US dollars $m**	**Canadian dollars $m**	**Euro $m**	**Chinese CNY $m**	**Other currencies $m**	**Total $m**
Functional currency of Group's entities:							
Sterling	**–**	**1.7**	**–**	**–**	**–**	**–**	**1.7**
US dollars	**(1.9)**	**–**	**0.1**	**–**	**2.5**	**(1.1)**	**(0.4)**
Canadian dollars	**–**	**(1.2)**	**–**	**–**	**–**	**–**	**(1.2)**
Singapore dollars	**–**	**1.6**	**–**	**(0.1)**	**–**	**–**	**1.5**
Euro	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**(0.2)**
Chinese CNY	**–**	**(1.5)**	**–**	**–**	**–**	**(0.5)**	**(2.0)**
	(2.1)	**0.6**	**0.1**	**(0.1)**	**2.5**	**(1.6)**	**(0.6)**

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

	Currency of denomination						
At 31 December 2016	Sterling $m	US dollars $m	Canadian dollars $m	Euro $m	Chinese CNY $m	Other currencies $m	Total $m
Functional currency of Group's entities:							
Sterling	–	3.4	–	–	–	–	3.4
US dollars	(1.7)	–	4.7	4.5	1.9	0.1	9.5
Canadian dollars	–	0.6	–	–	–	–	0.6
Singapore dollars	–	1.6	–	–	–	–	1.6
Chinese CNY	–	(2.1)	–	–	–	–	(2.1)
	(1.7)	3.5	4.7	4.5	1.9	0.1	13.0

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

26. Financial Risk Management continued

(a) Foreign Exchange Risk continued

(ii) Translational Risk
Foreign exchange risk also arises from the Group's investments in foreign operations.

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

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

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

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

Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the treasury function can invest surplus cash with all must have a minimum A2, P2 or F2 short-term rating from Standard and Poor's, Moody's or Fitch rating agencies respectively and AAA rating for Money Market Funds.

At the year end, cash at bank and in hand totalled $36.4m (2016 – $63.5m) and current investments $nil (2016 – $0.8m). Cash at bank and in hand balances of $25.1m (2016 – $55.7m) were deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $11.3m (2016 – $7.8m), $9.9m (2016 – $6.4m) was held on deposit with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit.

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument.

Trade and other receivables are continuously monitored. Credit account limits are primarily based on the credit quality of the customer and past experience through trading relationships. To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions.

The Group operates a pension scheme in the UK, which includes a funded defined benefit section with pension plan net assets of $18.6m (2016 – $33.3m). The majority of the Scheme's defined benefits are now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated. The pension buy-in has been effected by using a number of insurers, so as to spread its credit risk. The credit rating of these insurers is monitored.

The Group also operates a defined benefit pension scheme in the US, which is unfunded. Contributions are paid into a separate investment vehicle and invested in a wide portfolio of US mutual funds that are recognised as non-current investments. Investments at the year end amounted to $12.2m (2016 – $10.2m) and are expected to be fully recovered.

(d) Liquidity Risk
The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable them to monitor the Group's requirements.

The Group has sufficient credit facilities to meet both its long and short-term requirements. The Group's credit facilities are provided by a variety of funding sources and total $205.0m (2016 – $204.9m) at the year end. The facilities comprise $200.0m of secured committed facilities (2016 – $200.0m), and $5.0m secured uncommitted facilities (2016 – $4.9m).

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

- Committed facilities reduced from $350m to $200m to reflect the Group's reduced requirements.
- First priority security taken by the bank group over certain trade receivables and inventories held by Group subsidiaries in the US, Canada and UK subsidiaries, together with security over the Group's principal properties in the US and UK.
- Drawings under the committed facilities to be covered by the secured assets.
- The balance of discounted trade receivables and accrued revenue values shall not be less than 40% of the utilisation of the committed facilities.
- Tangible net worth of the Group must exceed $450m.
- Rolling 12-month cash flow targets tested semi annually.

26. Financial Risk Management continued

(d) Liquidity Risk continued

- Capital expenditure limited to a maximum of $30m per annum in 2017 and 2018.
- Cessation of dividend payments until the end of the suspension period.
- An amendment fee of $400,000 was payable and the interest margin over LIBOR on funds drawn increases to 2.75%.

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

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

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

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

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

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

The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities. The Group had undrawn committed borrowing facilities available at the year end totalling $199.5m (2016 – $179.5m), which expire between two and five years from 31 December 2017.

The following tables analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts are the contractual, undiscounted cash flows. The carrying amounts in the balance sheet are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

	2017			
	On demand or within one year $m	**Between two and five years $m**	**After five years $m**	**Total $m**
Non-derivative financial liabilities:				
Trade payables	**47.3**	**–**	**–**	**47.3**
Accruals	**49.9**	**0.7**	**0.8**	**51.4**
US deferred compensation plan obligation	**10.4**	**–**	**1.8**	**12.2**
Other payables	**3.0**	**–**	**–**	**3.0**
Onerous lease contracts	**1.0**	**3.5**	**1.1**	**5.6**
Secured bank loans	**0.5**	**1.0**	**–**	**1.5**
Other unsecured loans	**–**	**–**	**3.9**	**3.9**
Bank overdrafts secured	**2.1**	**–**	**–**	**2.1**
Total	**114.2**	**5.2**	**7.6**	**127.0**

	2016			
	On demand or within one year $m	Between two and five years $m	After five years $m	Total $m
Non-derivative financial liabilities:				
Trade payables	35.1	0.2	–	35.3
Accruals	22.7	0.6	0.8	24.1
US deferred compensation plan obligation	–	–	10.2	10.2
Other payables	2.9	–	–	2.9
Onerous lease contracts	1.9	2.8	1.0	5.7
Secured bank loans	13.0	14.0	–	27.0
Other unsecured loans	–	–	3.9	3.9
Bank overdrafts secured	43.2	–	–	43.2
Total	118.8	17.6	15.9	152.3

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

26. Financial Risk Management continued

(d) Liquidity Risk continued

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

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

(e) Capital Risk Management
The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on pages 15 and 16. Within this section, the Group provides a definition of capital, provides details of the external financial covenants imposed, key measures for managing capital and the objectives for managing capital. Quantitative disclosures have been made together with the parameters for meeting external financial covenants.

27. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash and cash equivalents, borrowings, deposits and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2017. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and on the non-financial assets and liabilities of foreign operations.

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

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

Positive figures represent an increase in profit or equity.

(a) Interest Rate Sensitivity
The sensitivity rate of 0.75% (2016 – 0.5%) for US interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase or decrease of 0.75% (2016 – 0.5%) in US interest rates, is not material (2016 – not material). There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity
The sensitivity rate of 10% (2016 – 15%) for Sterling and 5% (2016 – 5%) for Canadian dollar exchange rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates.

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

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

The movements in the income statement mainly arise from cash, intra-group balances, trade and other receivables, payables, accrued expenses and provisions, where the functional currency of the entity is different from the currency that the monetary items are denominated in. The movements in OCI arise from forward foreign exchange contracts designated in a cash flow hedge.

28. Post-Employment Benefits

(a) UK Pensions

Within the UK, the Group operates a funded pension scheme, which includes a defined benefit section with benefits linked to price inflation and a defined contribution section with benefits dependent on future investment returns. The defined benefit section closed to future accrual on 30 June 2016 and most existing contributing members of that section joined the defined contribution section with effect from 1 July 2016. The defined contribution section of the scheme closed to further contributions on 31 May 2017 and from 1 June 2017, employees were able to join a new UK plan, the Hunting Retirement Savings Plan. This UK plan is a Master Trust arrangement held with the provider Fidelity. The majority of UK employees are now members of this UK plan.

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

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

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

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

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

Funding strategy
The trustees and the Group together agree a funding strategy for the UK scheme every three years. As the defined benefit section is being wound up and the benefits earned by the members are covered in full by annuity policies, the Group does not expect to pay any further contributions into the defined benefit section of the Scheme.

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

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

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

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

Changes in the net asset recognised in the balance sheet

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

28. Post-Employment Benefits continued

(a) UK Pensions continued

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

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

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

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

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

The "Actual returns over interest on plan assets" shown in the table above relates to changes in the financial assumptions used to value the annuity policies after allowing for membership experience. The gain due to the changes in the assumptions broadly offsets the corresponding loss on the remeasurement of the defined benefit obligation, demonstrating that the pensions-related risks have been largely mitigated by the scheme's investment strategy.

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

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

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

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

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

28. Post-Employment Benefits continued

(a) UK Pensions continued

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

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

Special events
The following special events occurred during the year:

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

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

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

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

Mortality assumption – life expectancy

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

Sensitivity analysis
The weighted average duration to payment of the projected future cash flows from the defined benefit section of the scheme is about 17 years. As the defined benefit section is closed to future accrual and members' benefits are covered in full by annuity policies, any change in the obligation arising as a result of changes in the above assumptions is matched by a corresponding change in the value of the insurance policies, so that the impact on the net balance sheet asset has been almost entirely removed.

The net balance sheet is therefore only largely sensitive to changes in the market value of the invested assets. The investment strategy for the defined benefit section, with all funds in either annuity policies or cash, should mean the surplus figure is stable. The decrease in the Group's pension asset seen over 2017 principally reflects the payments, totalling $15.0m, to the Group and HMRC.

(b) Other Pensions
The Group also operates a cash balance arrangement in the US for certain executives. Members build up benefits in this arrangement by way of notional contributions and notional investment returns. Actual contributions are paid into an entirely separate investment vehicle held by the Company, which is used to pay benefits due from the cash balance arrangement when the member retires.

Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme, although in practice it operates like a defined contribution arrangement with the obligations matched by the assets in the separate investment vehicle.

The amounts recognised in the income statement during the year were $0.1m (2016 – $0.1m) for the employer's current service cost (recognised in operating expenses) and $0.2m (2016 – $0.3m) interest cost (recognised in finance expense).

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

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

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

29. Share Capital and Share Premium

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

	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 30)	14,608,771	4.5	–
Shares issued – share option schemes and awards	289,407	0.1	–
At 31 December	163,739,686	66.3	153.0

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 160. All of the Ordinary shares in issue are fully paid.

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

30. Other Components of Equity

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

	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. Retained Earnings

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

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

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

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

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

32. Dividends Paid to Equity Shareholders

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

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

33. Share-Based Payments

(a) 2001 Executive Share Option Plan

The Company operated an executive share option plan between 2001 and 2008 which granted options to eligible employees. Under this scheme, the final granting of options occurred on 4 March 2008 and the final vesting of options occurred on 4 March 2011. There is no longer a charge to the income statement attributable to this scheme. Following successful vesting of the options, the employee, subject to continued employment, has seven years in which to exercise the option. Details of movements in outstanding share options are set out below.

(i) Share Option Movements During the Year

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

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

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

33. Share-Based Payments continued

(a) 2001 Executive Share Option Plan continued

(ii) Share Options Outstanding at the Year End

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

(b) 2009 Performance Share Plan ("PSP")
(i) Performance-Based Awards and Options
The Company granted performance-based share awards and options under the PSP between 2009 and 2013. Under the PSP, annual conditional awards of shares and options were made to executive Directors and senior employees. Awards and options are subject to performance conditions during the vesting period. The PSP was replaced by the 2014 Hunting Performance Share Plan ("HPSP") following shareholder approval of the HPSP at the Annual General Meeting ("AGM") of the Company on 16 April 2014.

The final grant under the PSP occurred in 2013 with the final measurements of the performance conditions being completed in 2016. PSP awards for continued service were also measured and vested in the year. Awards and options were granted at nil cost under the PSP.

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

(ii) Time-Based Awards and Options
The Company granted time-based share awards and options under the PSP between 2009 and 2013. Annual awards of shares and options were made to employees, subject to continued employment, during the vesting period. There were no performance conditions attached. Time-based awards continue to be granted under the HPSP. The final grant under the PSP occurred in 2013 and vested in 2016. Awards and options were granted at nil cost under the PSP.

Details of the time-based PSP awards and options movements during the year are as follows:

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

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

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

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

The fair value charge to the income statement attributable to the time-based PSP is $nil (2016 – $0.4m), which is recognised in operating expenses.

(c) 2014 Hunting Performance Share Plan ("HPSP")
(i) Performance-Based Awards
The Company now grants performance-based share awards annually to executive Directors and senior employees under the HPSP. Awards are granted at nil cost under the HPSP.

The performance-based HPSP awards to the executive Directors are divided equally into three tranches. Each tranche is subject to a three-year vesting period, and is also subject to performance conditions. The three conditions are Company performance over a three-year period against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS") growth, and (iii) average underlying Return on Capital Employed ("ROCE") achieved. The performance period for the 2017 awards granted under the HPSP is 1 January 2017 to 31 December 2019. The vesting date of the 2017 award is 3 March 2020.

33. Share-Based Payments continued

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

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

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

i. HPSP awards granted to senior managers incorporate a fourth performance condition based on Hunting's reported manufacturing reject rate.

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

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

There were no exercises of the performance-based HPSP awards and options during 2017 or 2016.

(ii) Time-Based Awards
The Company also grants time-based share awards annually under the HPSP. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost under the HPSP.

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

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

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

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

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

(iii) Fair Value of HPSP Awards
The fair value of awards granted under the HPSP is calculated using two separate models:

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

33. Share-Based Payments continued

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

The assumptions used in this model were as follows:

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

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

The assumptions used in this model were as follows:

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

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.
- The initial accounting charge of the performance-based HPSP awards granted under the HPSP incorporates an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period. The estimate of the expected forfeiture rate is 5% per annum. The subsequent accounting charge includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

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

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

On 9 May 2016 31,585 shares and on 27 June 2016 20,000 shares were awarded to certain employees and were satisfied by shares held in the Hunting Employee Benefit Trust. The closing mid-market price on 9 May 2016 was 331.25 pence per share and on 27 June 2016 was 411.75 pence per share. The charge to the income statement attributable to these awards was $0.2m.

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

34. Operating Leases

(a) The Group as Lessee
Operating lease payments from continuing operations mainly represent rentals payable by the Group for properties:

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

The Group has provisions of $5.4m (2016 – $5.6m) for onerous contracts in respect of some leasehold properties, some of which are not used for Group trading purposes and are either vacant or sub-let to third parties (note 23).

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

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

(b) The Group as Lessor
Property rental earned during the year was $0.7m (2016 – $0.7m). A number of the Group's leasehold properties are sub-let under existing lease agreements.

Total future minimum sublease income receivable under non-cancellable operating leases expiring:

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

35. Related-Party Transactions

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

	2017 $m	2016 $m
Transactions:		
Sales of goods and services	**–**	0.2
Purchase of goods and services	**–**	(0.1)
Year end balances:		
Receivables from associates	**0.5**	0.5
Payables to associates	**(0.1)**	(0.1)

The outstanding balances at the year end are unsecured and have no fixed date for repayment. No expense has been recognised in the year for bad or doubtful debts in respect of amounts owed by associates.

All ownership interests in associates are in the equity shares of those companies. The ownership interests in associates and subsidiaries are set out in notes C18 and C19 to the Company financial statements.

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

36. Principal Accounting Policies

The Group's principal accounting policies are described below:

(a) Consolidation
- The Group accounts include the results of the Company and its subsidiaries, together with its share of associates.
- Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.
- The Group uses the acquisition method of accounting for business combinations. Consequently, the consideration is determined as the fair value of the net assets transferred to the vendor and includes an estimate of any contingent consideration. The net assets acquired are also measured at their respective fair values for initial recognition purposes on the acquisition date.
- Acquisition-related costs are expensed to the income statement as incurred.

(b) Discontinued Operations
- A discontinued operation is a component of the Group that has either been disposed of or that is classified as held for sale, which represents a separate major line of business or geographical area of operations and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.
- The results of discontinued operations are presented separately in the income statement and are shown net of tax.
- The assets and liabilities of discontinued operations, that have not been disposed of prior to the balance sheet date, are presented separately in the balance sheet as assets and liabilities classified as held for sale.

(c) Revenue
- Revenue is measured as the fair value of the consideration received or receivable for the provision of goods, services and rental supplies in the ordinary course of business, net of trade discounts, volume rebates and sales taxes.
- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products. Products include manufactured goods and OCTG supplies, including tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe.
- Revenue from the sale of services principally comprises lathing work to apply a thread on to customer-owned plain-end pipe. Revenue is recognised when the threading work has been completed. Revenue from the sale of other services is recognised when the services are rendered.
- Revenue from the rental of plant and equipment is recognised as the income is earned.

(d) Amortisation and Exceptional Items
Exceptional items are items of income or expense which the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. The Group discloses such items in the "middle column" of the income statement. In applying this policy, the following items have been treated as exceptional:

- Costs of restructuring the Group's operations, including the cost of business closures and redundancies, in response to the decline in the oil and gas sector.
- Impairment charges to property, plant and equipment were recognised following the decision to close the manufacturing facility in Cape Town.

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

- Net losses incurred on the closure of the defined benefit section of the Group's UK pension scheme.
- Derecognition of the bank facility arrangement fees that were incurred and capitalised in October 2015 upon the inception of the Group's new multicurrency Revolving Credit Facility. The unamortised balance of these fees was written off when the terms of the facility were significantly revised in July 2016.

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

Amortisation expenses for acquired intangible assets are also shown in the "middle column" due to the significance of these amounts and to clearly identify the effect on profits, which will arise as current balances become fully written-off, or as new acquisitions give rise to new expenses.

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

(f) Foreign Currencies
(i) Individual Subsidiaries' and Associates' Accounts
- The financial statements for each of the Group's subsidiaries and associates are denominated in their functional currency.
- The functional currency is the currency of the primary economic environment in which the entity operates.
- Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities, except borrowings designated as a hedging instrument in a net investment hedge, denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken to the income statement.
- Borrowings designated as a hedging instrument in a net investment hedge are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken direct to equity.

36. Principal Accounting Policies continued

(f) Foreign Currencies continued

(ii) Group Consolidated Accounts
- The presentation currency of the Group is US dollars.
- The net assets of non-US dollar denominated subsidiaries and associates are translated into US dollars at the exchange rates ruling at the balance sheet date.
- The income statements of subsidiaries and associates are translated into US dollars at the average rates of exchange for the year.
- Exchange differences are recognised directly in equity in the currency translation reserve ("CTR"), together with exchange differences arising on foreign currency loans used to finance foreign currency net investments.
- Upon adoption of IFRS on 1 January 2004, accumulated exchange differences arising on consolidation prior to 31 December 2003 were reset to zero and the CTR recommenced under IFRS on 1 January 2004.
- The balance on the CTR represents the exchange differences arising on the retranslation of non-US dollar amounts into US dollars since 1 January 2004.
- On the disposal of a business, the cumulative exchange differences previously recognised in the CTR relating to that business are transferred to the income statement as part of the gain or loss on disposal.

(g) Taxation
- The taxation recognised in the income statement comprises current tax and deferred tax arising on the current year's result before tax and adjustments to tax arising on prior years' results.
- Current tax is the expected tax payable or receivable arising in the current year on the current year's result before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax in respect of prior years' results.
- Deferred tax is the tax that is expected to arise when the assets and liabilities recognised in the Group's balance sheet are realised, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the asset is realised or the liability is settled.
- Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet and are reported as non-current assets and liabilities.
- Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.
- When items of income and expense are recognised in other comprehensive income, the current and deferred tax relating to those items is also recognised in other comprehensive income.
- Tax arising on the discharge of share options and awards is recognised directly in equity.

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

(i) Property, Plant and Equipment
(i) General
- Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.
- Land, pre-production oil and gas exploration costs and assets under construction are not depreciated.
- With the exception of drilling tools and rental tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment (see (ii) below), assets are depreciated using the straight-line method at the following rates:

Freehold buildings	– 2% to 10%
Leasehold buildings	– life of lease
Plant, machinery and motor vehicles	– 6% to 33⅓%

- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(ii) Exploration Expenditure
- Oil and gas exploration and appraisal costs are initially capitalised pending determination of the existence of commercial reserves and are included in the asset category Oil and Gas Exploration and Development.
- Upon determination that commercially viable quantities of hydrocarbons are not found, the costs are charged immediately to the income statement.
- Depreciation of oil and gas expenditure commences when production commences. The costs are depreciated using the unit of production method.

36. Principal Accounting Policies continued

(j) Goodwill
- Goodwill arises when the fair value of the consideration paid for a business exceeds the fair value of the Group's share of the net assets acquired.
- Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses.
- Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.
- On the disposal of a business, goodwill relating to that business that remains on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

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

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

(l) Impairments
- The Group performs goodwill impairment reviews at least annually.
- The Group also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets other than goodwill may be impaired. An impairment review is carried out whenever the assessment indicates that the carrying amount may not be fully recoverable.
- For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
- Where impairment exists, the asset is written down to the higher of (a) its fair value minus costs to sell; and (b) its value in use. Impairments are recognised immediately in the income statement.
- An impairment to goodwill is never reversed. When applicable, an impairment of any other asset is reversed, but only to the extent that the consequent carrying value does not exceed what would have been the carrying value had the impairment not originally been made.

(m) Inventories
- Inventories are stated at the lower of cost and net realisable value.
- Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business. The cost of inventories includes direct costs plus production overheads.

(n) Cash and Cash Equivalents
- Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash.
- For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(o) Loans and Receivables
- Loans and receivables are initially recognised at fair value at the trade date which is normally the consideration paid plus transaction costs.
- Loans and receivables are carried at amortised cost using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets.
- The Group assesses at each balance sheet date whether a loan or receivable is impaired and, if necessary, the carrying amount is reduced to the appropriate value. The loss is recognised immediately in the income statement.
- Loans and receivables cease to be recognised when the right to receive cash flows has expired or the Group has transferred substantially all the risks and rewards of ownership.

(p) Financial Liabilities
- Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade payables, at amortised cost.
- Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

(q) Provisions
- Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.
- The measurement of a provision is based on the most likely amount and timing of the expenditures. Payments that are expected to arise after more than one year are discounted to their present value using a risk-free interest rate that is relevant to the region in which the past event occurred. The risk-free interest rate is based on the redemption yields of government securities.

36. Principal Accounting Policies continued

(r) Post-Employment Benefits

(i) Defined Contribution Retirement Schemes

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

(ii) Defined Benefit Retirement Schemes

- Payments to defined benefit retirement schemes are recognised as increments to the assets of the schemes.
- The amount charged to the income statement with respect to these schemes, within profit from operations, is the increase in the retirement benefit obligation resulting from the additional service provided by the participating employees during the current year, which for the funded scheme is measured using the Projected Unit method and for the unfunded scheme is equal to the contributions paid.
- Net interest arising on the net assets of the schemes is also recognised in the income statement within net finance costs.
- Curtailment gains and losses are recognised fully and immediately in the income statement.
- Remeasurement gains and losses are recognised fully and immediately in the statement of comprehensive income.
- The assets of the funded scheme, which are invested in insurance policies, have been valued using the same methodology and assumptions used to calculate the defined benefit obligation so that, where the assets match the liabilities, the value of the assets is equal to the value of the corresponding obligation.

(s) Share-Based Payments

- The Group issues equity-settled, share-based payments (HPSP awards) to certain employees as consideration for services received from the employees. The fair value of the employees' services is recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Group's estimate of awards that will ultimately vest. The obligation to settle these awards is recognised within other components of equity.

(t) Share Capital

- The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.
- Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

(u) Merger Reserve

- The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time. The reserve is currently non-distributable and will be transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration.

(v) Dividends

- Dividends to the Group's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. All dividends are dealt with in the statement of changes in equity.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2017

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

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

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

Jim Johnson
Director

Peter Rose
Director

Registered number: 974568

COMPANY STATEMENT OF CHANGES IN EQUITY

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

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

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

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

C1. Basis of Preparation
The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of those financial assets and financial liabilities held at fair value through profit or loss. The Board's consideration of going concern is detailed further in the Strategic Report on page 55.

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

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

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

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

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

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

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

C4. Investments in Subsidiaries

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

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

C5. Other Receivables

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

C5. Other Receivables continued

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

C6. Other Payables

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

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

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

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

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

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

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

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

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

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

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

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

C9. Financial Risk Management continued

(d) Liquidity Risk

The Company has sufficient facilities available to satisfy its requirements.

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

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

The Company did not have any derivative financial liabilities.

(e) Capital Risk Management

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

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

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

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

C10. Financial Instruments: Sensitivity Analysis

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

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

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

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

(a) Interest Rate Sensitivity

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

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

C10. Financial Instruments: Sensitivity Analysis continued

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

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

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

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

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

C13. Other Components of Equity

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

Year ended 31 December 2016	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January	0.2	14.4	(19.2)	–	(4.6)
Shares issued					
– share premium on share placing	–	–	–	81.5	81.5
– share placing costs	–	–	–	(2.1)	(2.1)
Share options and awards					
– value of employee services	–	8.0	–	–	8.0
– discharge	–	(6.0)	–	–	(6.0)
At 31 December	0.2	16.4	(19.2)	79.4	76.8

On 31 October 2016, the Company completed a share placing of 14,608,771 new Ordinary 25 pence shares at a price of 485.0 pence, representing approximately 9.8% of Hunting PLC's existing issued Ordinary share capital. The premium from the share placing of $81.5m, together with costs of $2.1m, were credited to the merger reserve, in accordance with section 612 of the Companies Act 2006, instead of to the share premium account. The net proceeds of $83.9m were used to reduce the Group's borrowings and increase financial flexibility.

C14. Retained Earnings

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

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

C14. Retained Earnings continued

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

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

C15. Dividends Paid to Equity Shareholders
Please see note 32 of the Group's financial statements.

C16. Share-Based Payments
Please see note 33 of the Group's financial statements.

C17. Related Party Transactions
The following related party transactions took place between the Company and subsidiaries of the Group during the year:

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

All balances between the Company and its subsidiaries are unsecured.

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

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

C18. Associates

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

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

C19. Subsidiaries

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

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

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

The Directors believe it is appropriate to include in the Strategic Report and financial statements a number of non-GAAP measures ("NGMs") that are commonly used within the business. These measures supplement the information provided in the IFRS "reported" financial statements and accompanying notes, providing additional insight to the users of the Annual Report.

This section provides a definition of the non-GAAP measures, the purpose for which the measure is used, and a reconciliation of the non-GAAP measure to the reported IFRS numbers. The auditors are required under the Companies Act 2006 to consider whether these non-GAAP measures are prepared consistently with the financial statements.

Income Statement Non-GAAP Measures
The Directors have applied the provisions of IAS 1 with regards to exceptional items and have chosen to present these, together with amortisation of acquired intangible assets, in a separate column on the face of the income statement. All profit and loss measures adjusted for amortisation of acquired intangible assets and exceptional items are referred to as "underlying". This is the basis used by the Directors in assessing performance.

A. EBITDA
Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities.

Calculation definition: Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation for continuing operations.

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

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

Calculation definition: Taxation on underlying profit (loss) before tax from continuing operations divided by underlying profit (loss) before tax from continuing operations, expressed as a percentage.

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

Balance Sheet Non-GAAP Measures

C. Working Capital
Purpose: Working Capital is a measure of the Group's liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation definition: Trade and other receivables excluding receivables from associates, derivative financial assets and loan notes, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities, dividend liabilities and retirement plan obligations.

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

D. Inventory Days
Purpose: This is a working capital efficiency ratio that measures inventory balances relative to business activity levels.

Calculation definition: Inventory at the year end divided by underlying cost of sales for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

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

E. Trade Receivables Days
Purpose: This is a working capital efficiency ratio that measures trade receivable balances relative to business activity levels.

Calculation definition: Net trade receivables at the year end divided by revenue for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

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

F. Other Net Assets

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

G. Capital Employed

Purpose: Used in the calculation of the return on average capital employed (see NGM O).

Calculation definition: Capital employed is the amount of capital that the Group has invested in its business and comprises the historic value of total equity plus net (cash) debt at amortised cost.

The Group's capital comprised:

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

H. Gearing

Purpose: This ratio indicates the relative level of debt funding, or financial leverage, that the Group is subject to with higher levels indicating increasing levels of financial risk.

Calculation definition: Gearing is calculated as net debt as a percentage of total equity (see NGM G).

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

Cash Flow Non-GAAP Measures

I. Cash Flow Working Capital Movements

Purpose: Reconciles the working capital movements in the summary of changes in net debt in the Strategic Report.

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

J. Capital Investment

Purpose: Capital investment identifies the cash resources being absorbed organically within the business to maintain or enhance operating activity levels. The split of replacement and expansion capital investment is used in the calculation of free cash flow (see NGM L) used in the summary changes in net debt presented in the Strategic Report.

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

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

J. Capital Investment continued

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

K. Other Operating Cash and Non-Cash Movements
Purpose: Reconciles other operating cash and non-cash movements in the Summary Group Cash Flow in the Strategic Report.

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

L. Free Cash Flow
Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate after replacement capital investment, which is required to maintain existing levels of operating activity. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders.

Calculation definition: Underlying profit (loss) from continuing operations adjusted for working capital, tax, replacement capital investment and interest.

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

Other Non-GAAP Measures

M. Dividend Per Share Declared
Purpose: Identifies the total amount of dividend declared in respect of a period. This is also used in the calculation of dividend cover (see NGM N).

Calculation definition: The amount in cents returned to Ordinary shareholders.

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

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

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

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

O. Return on Average Capital Employed
Purpose: Measures the levels of return the Group is generating from its capital employed.

Calculation definition: Underlying (loss) profit before interest and tax from continuing operations, adjusted for the share of associates' post-tax results, as a percentage of average gross capital employed. Average gross capital employed is a monthly average of capital employed based on 13 balance sheets from the closing December balance in the prior year to the closing December balance in the current year.

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

FINANCIAL RECORD[i] (UNAUDITED)

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

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

SHAREHOLDER AND STATUTORY INFORMATION (UNAUDITED)

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

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

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

Registered Office
5 Hanover Square
London
W1S 1HQ

Company Number: 974568 (Registered in England and Wales)

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

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

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

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

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

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

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

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

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

Analysis of Ordinary Shareholders

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

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

Share Capital

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

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

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

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

Voting Rights and Restrictions on Transfer of Shares

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

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

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

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

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

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

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

Interests in Voting Rights

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

Market Capitalisation

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

Share Price

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

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

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

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

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

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

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

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

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

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

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

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

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

A

AGM
Annual General Meeting.

AMG
Advanced Manufacturing Group – combines the precision engineering and manufacturing capabilities in Hunting's US segment for the Electronics division (Hunting Innova), Hunting Specialty 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.

CO_2 intensity factor
Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per $'000 of revenue.

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

HPSP
Hunting Performance Share Plan.

HSE
Health, Safety and Environment.

I

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IKTVA
The in-Kingdom total value add programme created by Saudi Aramco to baseline, measure and support increased levels of localisation in the Kingdom.

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 revenue of the Group.

Internal manufacturing reject rate
Percentage of parts rejected during the manufacturing process.

Inventory days*
See NGM D.

IOC
International Oil Company.

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.

m³
Cubic metre.

mcf
1,000 cubic feet.

mmBtu
Million British thermal units.

MWD/LWD
Measurement-while-drilling/Logging-while-drilling.

N

Net debt
See note 22.

NGM
Non-GAAP measure – see pages 153 to 157.

NOC
National Oil Company.

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 casing and production pipes.

OEM
Original equipment manufacturer.

OPEC
Organization of the Petroleum Exporting Countries.

P

p
Pence.

PCB
Printed circuit board.

PCE
Pressure control equipment.

PPE
Property, plant and equipment.

PSI
Pounds per square inch.

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.

SHARP
Safety and Health Achievement Recognition Programme.

T

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.

UKLA
UK Listing Authority.

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.

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