HUNTING

Annual Report and Accounts 2010

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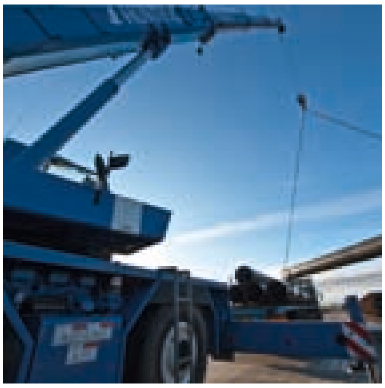
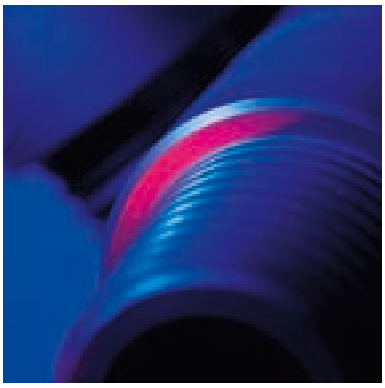
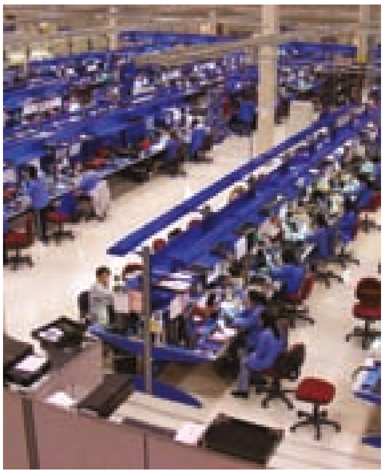
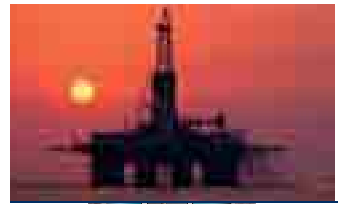
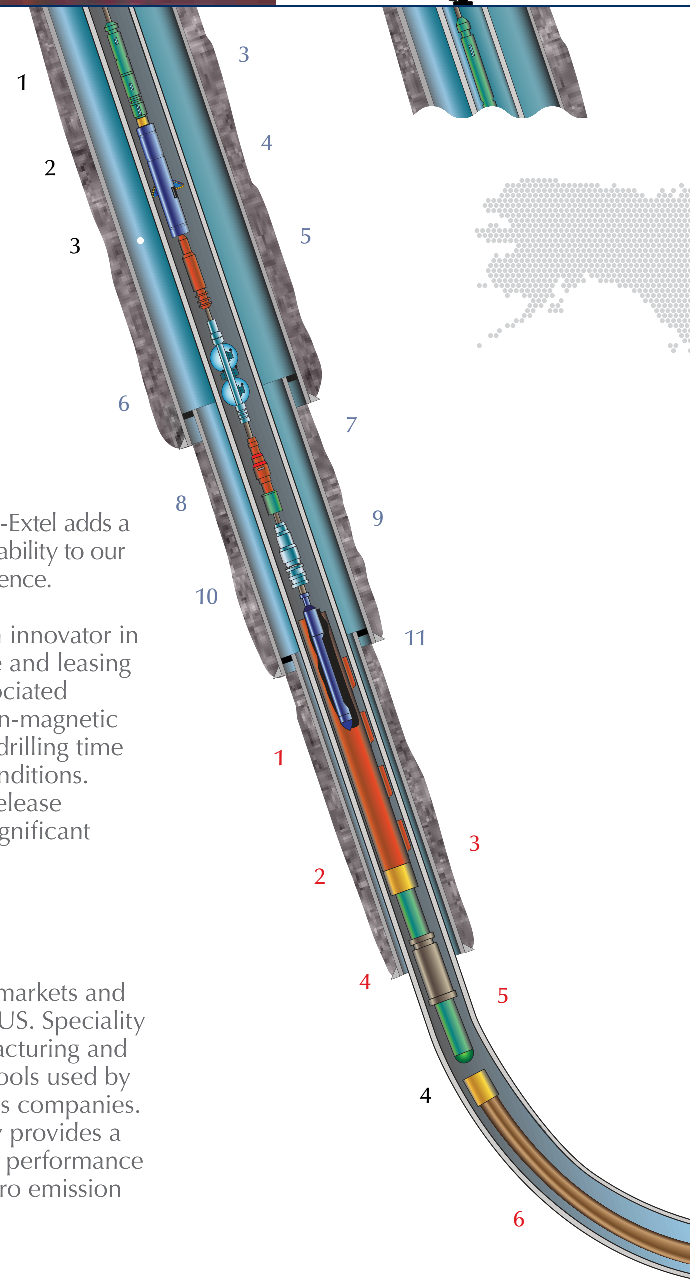






For more information please visit:
www.huntingplc.com





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

Our business is made up of three key divisions:

Well Construction

Provision of products and services to operators in the drilling phase of exploration and production programmes. Typically the Company provides casing and Oil Country Tubular Goods ("OCTG") in the construction of the wellbore in an oil and gas well; in-house design (Seal-Lock ™) and threading of premium connections are well suited to the deeper and more challenging offshore environments as well as onshore shale plays.

The acquisition of Innova-Extel adds a significant electronic capability to our core mechanical competence.

The Company is also an innovator in the design, manufacture and leasing of mud motors and associated drilling tools such as non-magnetic collars, which improve drilling time in certain geological conditions. The Annular Pressure Release System ("APRS") adds significant value to the customer.

Well Completion

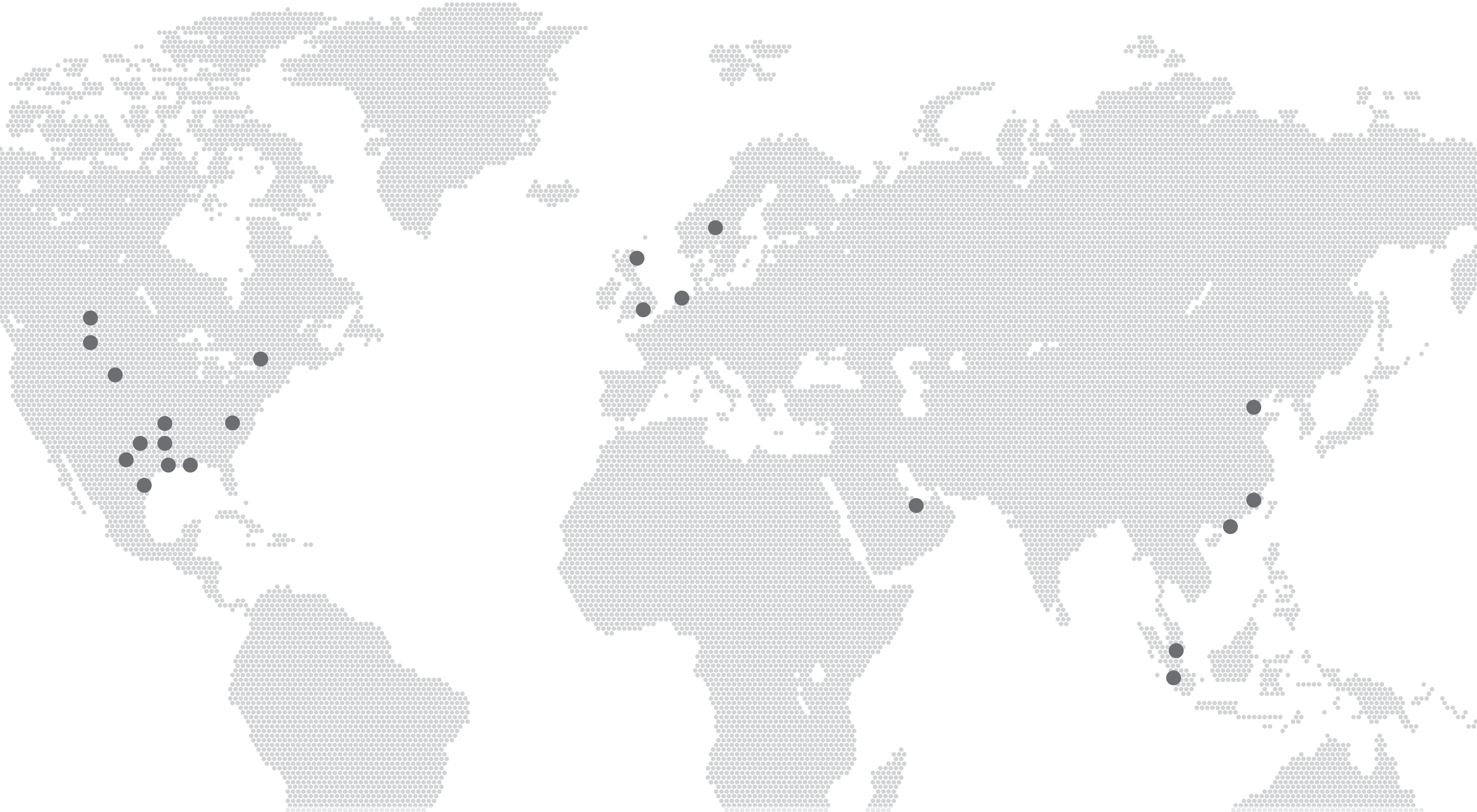
Global manufacturing of accessories and completion equipment for the world's principle producing regions. Providing products, proprietary technologies, engineering expertise and services below the wellhead.

OCTG supply, advanced manufacturing techniques, high specification casing and premium connections for global markets and two-step tubing for the US. Speciality threading, OEM manufacturing and proprietary downhole tools used by the upstream oil and gas companies. Clear-Run™ technology provides a significant advantage in performance for running tubing in zero emission environments.

Well Intervention

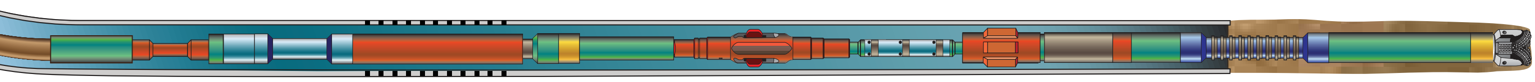
Equipment manufacturing, supply and service for the maintenance and restoration of producing oil and gas wells. The growth of this division by organic means and through acquisition has allowed for the integration of an extensive range of pressure control equipment technologies, wireline and slickline tools, together with intervention expertise into the Hunting portfolio.

The capability has recently been strengthened further by the acquisition of National Coupling Company, a leader in subsea systems for Chemical Injection, hydraulic valves, couplings and associated equipment. This was further enhanced by the acquisition of Welltonic in December 2009 to form the Hunting Welltonic group of companies. Hunting Welltonic is widely regarded as one of the leading Thru-Tubing service providers at the forefront of supplying downhole tools to coiled tubing operations worldwide.



We have a large presence in North America, Europe, the Middle East and Asia, with operations in the following locations:

Aberdeen	Hong Kong	Monterrey	Tianjin
Batam	Houma	New Iberia	Toronto
Calgary	Houston	Nisku	Velsen-Noord
Casper	Lafayette	Oklahoma City	Wuxi
Conroe	Latrobe	Oslo	
Dubai	London	Singapore	



Well Construction

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

Well Completion

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

Well Intervention

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

Highlights

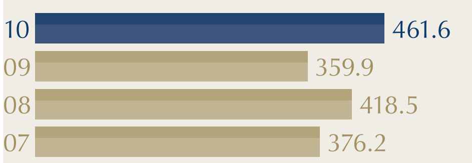
Operational

- Acquisition of Innova-Extel for £80.3m adding high temperature/high pressure product lines to the portfolio.
- Increased global footprint with approximately 2 million square feet of facilities in over 30 locations.
- New facilities established in key emerging regions at Latrobe Pennsylvania, Casper Wyoming, Conroe Texas and Wuxi, China.
- Commercialisation of industry leading premium connections, including a new WEDGE-LOCK™ threadform.
- Significant expansion programmes commenced in Hunting Energy Services at Aberdeen, Scotland and National Coupling, USA.

Financial

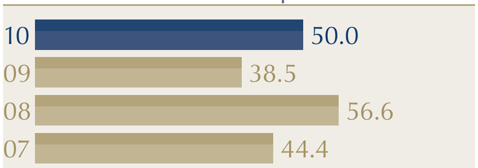
- Increase in capital expenditure to capitalise on key growth regions of £49.7m (2009 – £21.6m).
- Robust balance sheet with net assets of £594.6m (2009 – £561.8m), including net cash of £212.2m at the year-end (2009 – £365.0m).
- New £120.0m 3 year multi-currency credit facility signed October 2010.
- Continuing dividend growth, with final dividend proposed of 8.3p (2009 – second interim dividend 7.0p) to give 12.0p in the full year (2009 – 10.5p).

Revenue (£m)



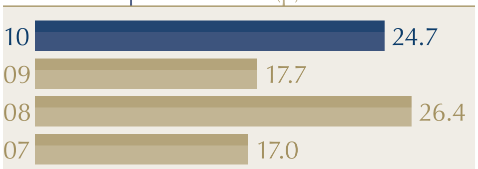
£461.6m +28%

Profit before tax and exceptional items (£m)



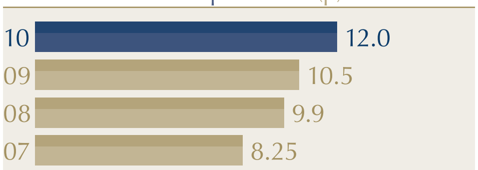
£50.0m +30%

Basic earnings per share before exceptional items (p)

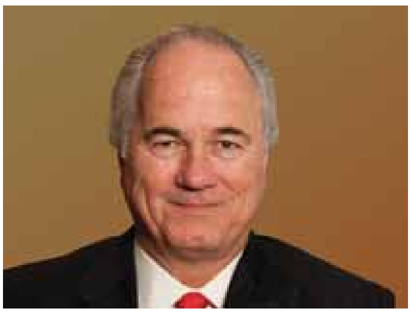


24.7p +40%

Dividend declared per share (p)



12.0p +14%



"2010 has been a strong year of recovery for Hunting and also one of continuing transformation."

Dennis Proctor, Chief Executive

Chairman's Statement

"A robust balance sheet has allowed us to make the largest acquisition in the Company's history and to expend capital in both existing and new geographical areas."
Richard Hunting,
Chairman

The Group has produced excellent results in the year showing strong recovery from the challenges of 2009. Profit before taxation from continuing operations and before exceptional items in 2010 was £50.0m (2009 – £38.5m), a 30% increase.

A robust balance sheet has allowed us to make the largest acquisition in the Group's history and to expend capital in both existing and new geographical areas. We will continue to seek compatible opportunities for further expansion.

The worldwide patterns of hydrocarbon pricing and production identified last year have been maintained. Strong crude oil prices have led to a boom in drilling for that commodity, while historically low prices have not prevented a rush towards exploiting the new methods of releasing unconventional gas, especially in the United States.

Western economies have only slowly regained their composure after the traumas of 2008 but Asia has expanded strongly – such that total world energy consumption is higher than seemed remotely likely in the dark days of the financial implosion.

Our year was in some respects overshadowed by the tragic blowout in the Gulf of Mexico, with consequences for the Group. On the negative side, a moratorium on deep water drilling in US waters affected our market in that area. On a positive note, it will become more important than ever that deep water wells are fully specified with high quality equipment – precisely the market we serve.

We have designed, developed and patented important new tubular connection products which are ideally suited to horizontal drilling and to exploitation of shale plays – enhancing still further our premium connector ranges.

The Well Construction activity of our principal operating company, Hunting Energy Services, recovered strongly from a difficult 2009, aided by fine performances from our US shale gas operations and by an excellent start in our hands by Innova, the downhole electronics company acquired in September 2010.

In the largest market segment, Well Completion activities once again performed very well with good results from all geographical areas.

Our Well Intervention operations also had fine results, with National Coupling and Welltonic, both of them recent acquisitions, making excellent contributions.

Outside the Hunting Energy Services portfolio, Field Aviation and Gibson Shipbrokers – world leaders in their own fields – had profitable years in what are unpredictable markets.

The very significant capital investments made in the past two years are already bearing fruit, and we continue to add facilities in new and expanding markets such as the North Sea tubulars management segment and in China.

Earnings per share for continuing operations, before exceptional items, were 24.7p, representing an increase of 40% on the previous year. We are recommending a final dividend for 2010 of 8.3p per share, payable on 1 July 2011 to shareholders on the register on 10 June 2011, giving a total of 12.0p for the year, a 14% increase.

During the year, Iain Paterson, a non-executive Director of the Company since 2000, retired. The Board thanks him for all his fine work

– particularly in the roles of Senior Independent Director and Audit Committee Chairman.

Since the close of 2010, we have appointed David Barr, a United States citizen with a strong background in the oilfield engineering industry, to the Board as a non-executive Director. David spent most of his executive career with Baker Hughes and brings with him a wealth of experience.

> "Your Company has had a fine year in an industry currently in a strong growth phase."

Your Company has had a fine year in an industry currently in a strong growth phase. New hydrocarbon resources, urgently required to meet world demand, will be extracted from deep water and from unconventional onshore plays. We are well placed to meet the requirements of these new frontiers and look forward to the future with confidence.

My thanks go to all our staff for the Company's continued progress.

R.H. Hunting

Richard Hunting, CBE
Chairman
24 February 2011

A Snapshot of Our Year

1
Acquisition Trail
At £80.3m the completion of the purchase of Innova-Extel in September marked the largest acquisition in Hunting's history. Based in Houston, the company manufactures electronic products used in Logging While Drilling and provides an additional electronic dimension to the Company's core mechanical competence.

2
Expanded Facilities
Heavy investment has been made in existing facilities around the world where regional demand has driven the need to increase capacity. Among these developments, phase 2 of the expansion programme at Fordoun Scotland has been completed to form one of the world's leading OCTG pipe management centres.

3
Technical Innovation
Increasingly complex geologies demand increasingly sophisticated tools. Development of the SEAL-LOCK™ range of premium thread forms has led to the introduction of the WEDGE-LOCK™, a unique high torque integral connection with a metal to metal seal engineered for external pressure retention.

4
Service Delivery
The Chemical Injection System having completed testing and acceptance, has moved into commercial production. Eight units have been shipped with two at short notice to BP in the Gulf of Mexico for the Macondo relief wells.

Richard Hunting, Dennis Proctor and Peter Rose outline our year in review.

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5
Dubai Base
The integration of Welltonic has given the Company a range of Thru-Tubing tools specially designed for coiled tubing operations, as well as an enhanced regional presence in the Middle East. In answer to a typical field problem, tools were deployed to a work-over rig operating in Kurdistan, Iraq.

6
American Shale
A new building programme has been initiated across the Group in response to anticipated market demand. To access the burgeoning natural gas and emerging oil shale plays, three new full service drilling tool facilities have been opened in new North American locations, including here in Latrobe, Pennsylvania to service the prodigious Marcellus formation.

7
China Opening
The opening of a new manufacturing facility in Wuxi, China, is the largest ever dedicated plant commissioned by the Company. With an area of 323,000 sq ft and a throughput design capacity of 120,000 metric tonnes of OCTG per annum, the aim is to serve the ever growing domestic and regional Asia Pacific market with a high quality premium product.

8
2010 Hunting Art Prize
Celebrating 30 years, the award annually attracts over 2,000 entrants who can only submit one single piece of work. A professional jury shortlisted the 2010 finalists and this year chose the winner, Lane Hagood, for the US$50,000 prize.

The finalists and their works were exhibited at a reception held in Houston, timed for the eve of the world's largest energy industry event, the Offshore Technology Conference. Traditionally a poster has been created to advertise the event, which have themselves become collectible.

The Prize and reception also serve as a fundraiser, where over £65,000 was raised for Oilfield Helping Hands, a very deserving industry related charity.

(The poster is available in high definition from our website www.huntingplc.com/posters)


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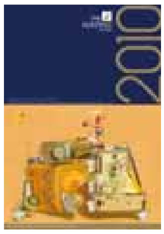


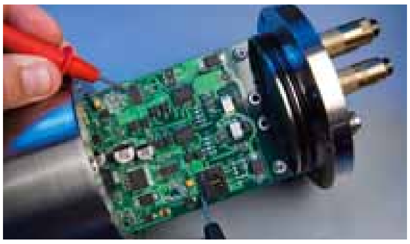
Making significant progress

Chief Executive's Review

"The Group has invested heavily in its operations and successfully completed a key acquisition, two core ingredients of its strategy for growth."
Dennis Proctor,
Chief Executive

Realising significant potential

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



2010 has been a strong year of recovery for Hunting and also one of continuing transformation as the Group positions itself to respond to accelerating demand from emerging regions and technically challenging resource plays. The Group has invested heavily in its operations and successfully completed a key acquisition, two core ingredients of its strategy for growth, while also increasing the number of touch points for Hunting's products that service the wellbore for oil and gas companies throughout the world.

The year has seen a stabilisation of the global economic outlook which has led to many energy companies increasing capital expenditure programmes, resulting in a corresponding increase in activity levels in all of Hunting's energy related operations. The oil price has recovered from its lows of 2009 and sustained an increase of 15% during 2010 and is now trending towards US$100/barrel, which has provided a stable and encouraging investment environment. As a consequence, North American rig counts reported a 39% increase during the year, indicating a return to a robust growth trend in energy demand.

Against this backdrop, the Group achieved an impressive 28% increase in revenue in the year to £461.6m (2009 – £359.9m) and a 30% increase in profit before tax, from continuing operations before exceptional items, of £50.0m (2009 – £38.5m). Profit before tax from continuing operations was £38.5m (2009 – £39.1m).

Business Development

The Group's strong financial result was achieved in part through increases in its operational footprint during 2010, with the opening of new facilities in key markets. The Group increased capital expenditure to £49.7m in 2010, from £21.6m in 2009, reflecting opportunities afforded through investing for future growth especially in Hunting Energy Services where the Group invested £48.7m (2009 – £21.1m). Within the Group figure, new business development comprised £36.8m (2009 – £11.7m) and replacement expenditure was £12.9m (2009 – £9.9m).

Within Well Construction, the Drilling Tools business opened a new regional centre in Latrobe, Pennsylvania, to take advantage of drilling activity in the Marcellus shale gas play where the introduction of new recovery techniques make drilling and production attractive even at the low prices for natural gas of under US$5/Mcf. New drilling tool facilities in Conroe, Texas and Casper, Wyoming have also been opened to service the US Gulf coast states and the Bakken shale respectively. The Group invested a total of £20.6m in this growing business line.

A new manufacturing facility in Wuxi, China became operational during the year (a £4.7m investment), which aims to serve the fast growing demand for our products in China.

Within Well Completion, the Group completed phase 2 of the expansion of the tubular inventory and management facility in Fordoun, Scotland. A further £18.1m expansion of the Group's Aberdeen manufacturing plant also began in the third quarter of 2010 and the Group invested £3.9m in land in Houma, Louisiana for a facility to serve Gulf of Mexico operations.

Within Well Intervention, plans were initiated on a £13.8m expansion at National Coupling's facility in Stafford, Texas.

Hunting Energy Services now has over 30 sites around the globe, which provide the Group with an operational capability in most regions of significant oil and gas activity.

The Group also continued to build its Exploration and Production business, where £7.1m was invested during the year (2009 – £1.9m).

In September 2010, the Group completed the largest acquisition in its history with the purchase of Innova-Extel Holdings Inc., a Houston, Texas based manufacturer of harsh environment electronic products, for a consideration of £80.3m. The business, now rebranded Hunting Innova, is a key addition to the Well Construction division and brings to the Group a new dimension of proprietary products that increase Logging and Measurement-While-Drilling capabilities, by adding electronics to the core mechanical engineering competence. Hunting Innova, along with the other recent acquisitions, manufactures higher margin technology-driven products.

Chief Executive's Review continued

Group Income Statement

	2010 £m	2009 £m
Continuing operations:		
Revenue	461.6	359.9
EBITDA (note 7)	68.3	50.6
Depreciation, amortisation and impairment	(20.6)	(14.8)
Profit from operations before exceptional items	47.7	35.8
Net interest income	1.3	1.8
Share of associates	1.0	0.9
Profit before tax and exceptional items	50.0	38.5
Taxation	(15.0)	(12.2)
Profit for the year before exceptional items	35.0	26.3
Earnings per share before exceptional items	24.7p	17.7p
Earnings per share – total		
Continuing operations	18.6p	18.2p
Discontinued operations	(2.0)p	3.7p
Group	16.6p	21.9p
Average exchange rates to sterling		
US dollar	1.55	1.57
Canadian dollar	1.59	1.78
Euro	1.17	1.12
Average number of employees	2,036	1,889

Exceptional items from continuing operations during the year are a loss of £11.5m (2009 – £0.6m gain) – see note 5.

Exceptional items from discontinued operations after tax are a loss of £4.6m (2009 – £3.9m gain) – see note 12.

The integration during the year of Welltonic enhances the Well Intervention platform by broadening the product lines into thru-tubing technology for the coiled tubing market, providing synergies in engineering services with the existing range, and providing a permanent manufacturing base in the Middle East. This now acts as a regional hub and combines the other divisional sales operation in Dubai, UAE.

During the year, the Group established Hunting Equipment Management Services ("HEMS"), a drilling tool rental and management services unit, operating from a customised facility in Aberdeen, Scotland. HEMS, which is reported as part of the Well Construction segment, provides an additional range of Bottom Hole Assembly Drilling Equipment alongside Hunting's proprietary products to an existing customer base, as well as providing opportunity for targeted growth throughout the eastern hemisphere.

Health, Safety and the Environment

With new acquisitions and facilities, Hunting Energy Services added over 800,000 sq ft of manufacturing footprint to the Group bringing the total to approximately 2 million sq ft. During 2010, the number of recordable incidents was 57 compared to 22 in 2009. The Group continues to enhance its Health and Safety policies as it adds new facilities.

All of Hunting Energy Services' major manufacturing facilities are ISO 14001 Environmental Management Systems certified and at the year end Hunting's Rankin Road facility received ISO 18001 certification for its Health and Safety practices – the first in the world to be so accredited by the American Petroleum Institute.

Outlook

The oil and gas industry continues to be driven by fundamental commodity economics and as demonstrated in North America, is susceptible to influence from political and other technical factors. With strengthening oil prices, strong demand from emerging economies and record capital expenditures forecast by the industry, the increase in momentum seen in 2010 will likely continue through 2011.

Increasing crude oil supply remains a challenge as new oil discoveries have been offset by increasing depletion rates in maturing fields. Better production technologies have allowed operators to produce reservoirs more quickly, boosting investment returns. However, accelerating production requires new fields to be brought online more quickly to counter sharper decline rates of productive fields. With most new discoveries in deeper, harsh or remote locations, many of the new offshore rigs being built are high-capability rigs, which require higher quality rig equipment and completion products. Gas shale drilling in North America remains buoyant as companies seek to fulfil lease commitments and a positive commodity price and investment climate will benefit the continued development of oil shale. With a renewed appetite in the North Sea for oil exploration and improved recovery prospects for production, activity levels in Europe look increasingly positive. The Middle East continues to provide a growing share of work from the national oil companies and the major operating companies who service them. In Asia-Pacific, the requirement for energy and increasing drilling activity should see continued demand placed upon the Group's regional manufacturing facilities into the foreseeable future.

These drivers will contribute to the ongoing demand for Hunting's products and services. With the continuing internal investment programme under way, improvements in operating efficiencies will be developed as the various initiatives are completed. Sustained or increased activity in all our key regions of operation will drive momentum in the year and with the recent acquisitions fully integrated, Hunting is well positioned to continue its growth.

Business Strategy

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

> To deliver both acquisitive and organic growth across all of the Group's core operations.

> To invest and develop the business platforms to augment:
  – proprietary products and services;
  – increased market share strength;
  – enlarged global footprint; and
  – capture of synergies from the opportunities thus created.

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

Business Model

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

> A decentralised management structure allowing local management to identify and react to customer or local market requirements.

> Close monitoring, support and direction from the centre.

> Short chains of command allowing for faster decision making.

> Framework of controls with discretionary limits and powers for local management.

> Flexible cost structures which can adapt to market conditions.

> Common standards for quality, health and safety across operations.

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

Our Strategy in Action

"The Group has grown through heavy investment in our core facilities and targeted acquisitions."
Dennis Proctor, Chief Executive

Expanding our global footprint

Expansion of the global footprint to meet forecast demand has been a strategic imperative.

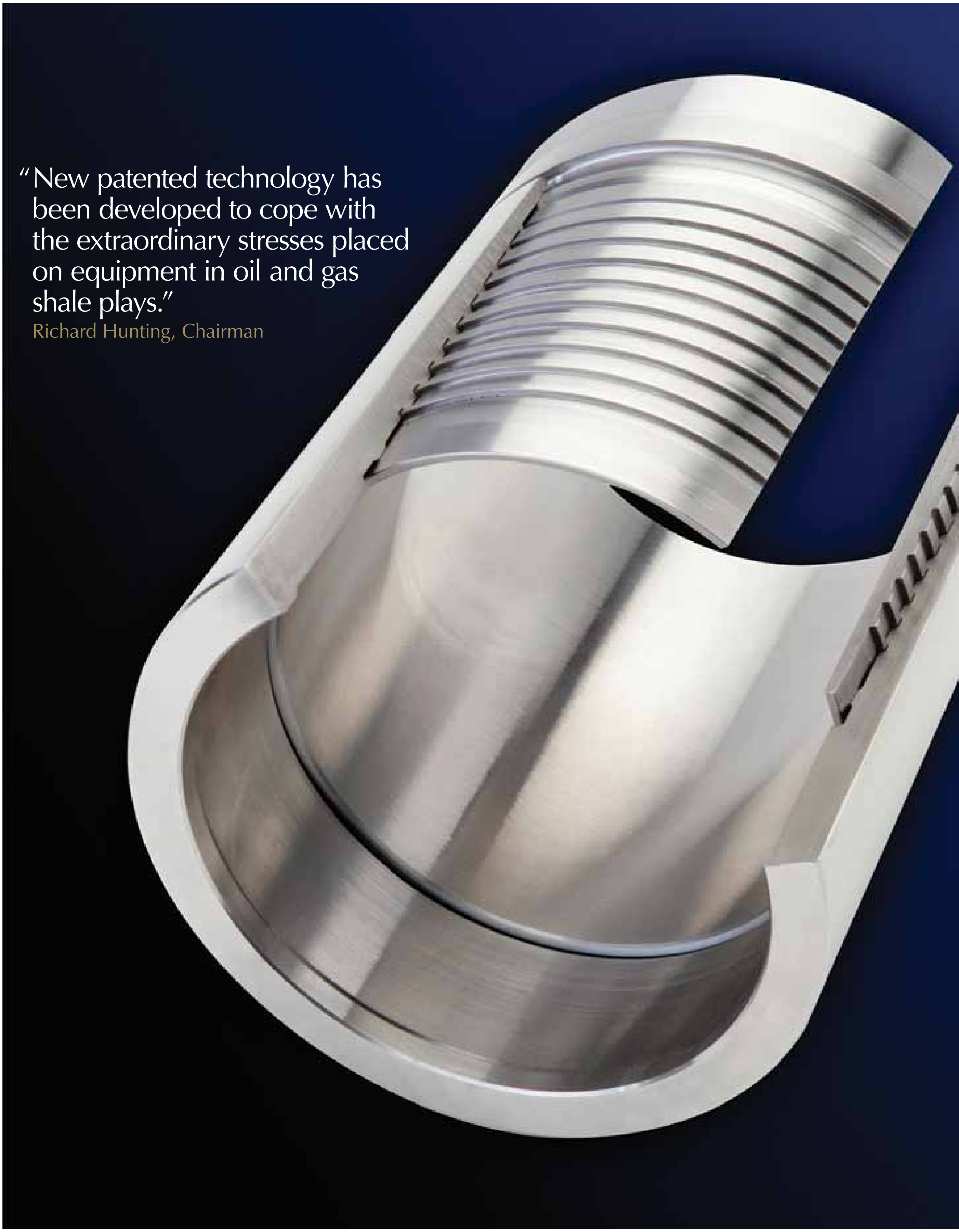
The acquisition of Innova-Extel in the USA added 181,200 sq ft of key electronic and mechanical manufacturing capacity in North America.

The organic development of the existing core business has added a further 651,000 sq ft worldwide. The fastest rate of growth has been weighted to the Asia Pacific region with the building of 323,000 sq ft of capacity in Wuxi, China, thereby tripling the regional presence.

The total expansion of the Hunting Energy Services footprint, including current construction projects, has risen by 82%.

	Facilities 1000 sq ft			
Region	2009	2010 New building/ under construction	2010	% Increase
North America	690	402	1,092	58%
Europe and Middle East	230	107	337	47%
Asia Pacific	94	323	417	344%
Global Footprint	1,014	832	1,846	82%

Our Strategy in Action continued



"New patented technology has been developed to cope with the extraordinary stresses placed on equipment in oil and gas shale plays."
Richard Hunting, Chairman

Delivering technology and innovation

From the Eagle Ford to the Marcellus, Hunting Energy Services has developed the technology to meet the technical challenges of these complex shale formations.

WEDGE-LOCK®

- The only high-torque integral-flush connection qualified to the most severe level of ISO 13679
- The only high-torque integral connection which has a dedicated metal-to-metal seal for external pressure retention
- The only high-torque integral connection which does not discharge excess lubricant into the wellbore or annulus

4040 RTC

- Low-stress connection by design
- High-torque and compression capacity
- Ideal for shale plays

Average number of horizontal rigs

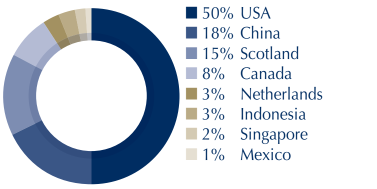
Source: Smith Technologies Activity Tracking System

Horizontal rigs as a percentage of total US rig count

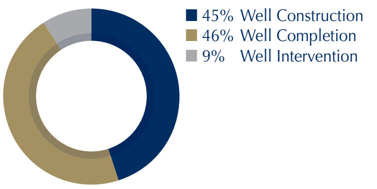
Source: Smith Technologies Activity Tracking System

Operating Review

Facility Footprint
by Country



Facility Footprint
by Segment



Hunting manufactures or distributes those products that enable the extraction of oil and gas. The Group's customers include international oil companies, independent energy companies, national oil companies and mid to large oil services groups. As the energy industry moves into new and more demanding geographies and drilling environments Hunting's products and technologies contribute to the successful operations in these increasingly challenging resources.

With the addition of Hunting Innova in September, the Group now employs 2,431 people compared to 1,738 at the end of 2009.

Hunting Energy Services

Hunting Energy Services is the primary operating unit of the Group and during 2010 reported a 39% increase in revenue to £400.7m (2009 – £289.1m) and a 49% increase in profit from continuing operations before exceptional items to £41.7m (2009 – £27.9m). This impressive performance has been a result of the following:

> improved activity levels seen in the industry following the global recession;
> internal investment in the Group's operations;
> commissioning new facilities in key developing regions;
> consolidating operations and, rolling out lean manufacturing behaviours; and
> expanding operations in areas of high product demand.

Coupled with this has been the successful execution and integration of acquisitions into the Group. The focus on proprietary products, with good market share underpinned by a global operational footprint, has allowed Hunting Energy Services to rapidly respond to the increased confidence seen within the industry in the early part of 2010 compared to 2009. As the business enters 2011, Hunting Energy Services is continuing this momentum for increased demand in its chosen markets.

Well Construction

Hunting's Well Construction division encompasses those businesses that are positioned in the initial drilling and construction phase of the wellbore. As the industry recommenced capital expenditure programmes towards the end of 2009, business levels increased within the division, while also benefiting from the acquisition of Innova-Extel Holdings, which completed in September 2010.

Segmental Results

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

	2010			2009		
	Revenue £m	**Profit from operations £m**	**Margin**	Revenue £m	Profit from operations £m	Margin
Hunting Energy Services						
Well Construction	111.3	8.0	7%	77.9	3.3	4%
Well Completion	224.2	23.1	10%	176.2	20.3	12%
Well Intervention	58.7	9.3	16%	29.4	4.0	14%
Exploration and Production	6.5	1.3	20%	5.6	0.3	5%
	400.7	41.7	10%	289.1	27.9	10%
Gibson Shipbrokers	22.6	1.0	4%	20.8	0.7	3%
Field Aviation	38.3	5.0	13%	50.0	7.2	14%
Group	**461.6**	47.7	10%	**359.9**	35.8	10%
Exceptional items (note 5)		(11.5)			0.6	
Group profit from continuing operations		**36.2**			**36.4**	

The division's profit from continuing operations, before exceptional items, increased in the year to £8.0m (2009 – £3.3m) with contributions from five operating platforms: Premium Connections, Drilling Tools, Oil Country Tubular Goods ("OCTG"), Trenchless Technologies and the new electronics manufacturing capability with the inclusion of Hunting Innova.

Premium Connections

Hunting's Premium Connections expertise includes the proprietary SEAL-LOCK™ range of connections and associated technologies to enable the construction of the tubular sections of the wellbore in high specification environments. Most of the threadforms are patented. Alongside these existing products in 2010, the business completed design and testing on a new WEDGE-LOCK™ threadform. This innovative design has the capacity for increased torque while providing a metal to metal, gas tight seal both internally and externally. It has successfully completed development to the highest levels of industry testing and has now been introduced to the customer community.

Hunting also signed a Premium Connections sales and marketing agreement with Arcelor-Mittal for a new OCTG mill in Saudi Arabia.

Under the terms of the agreement, Hunting will be paid an annual licence fee in addition to a royalty proportional to the output from the mill.

New threadforms WEDGE-LOCK™ and 4040 RTC™

This business platform also includes the Annular Pressure Release System product line and during the year sales were exceptionally strong, with its broad adoption by the industry across all regions.

Drilling Tools

The Hunting Drilling Tools platform provides mud motors, shock tools, non-magnetic drill collars and other technologies to assist with the efficient drilling of oil and gas wells. New US drilling tool facilities at Conroe, Latrobe and Casper were opened during the year to take advantage of drilling activity in the major US shale plays as well as conventional wells. Demand for mud motors shifted from a position of under utilisation in 2009 to shortages of supply in 2010 as new directional and horizontal drilling activity increased demand for Hunting's products.

OCTG

Hunting's OCTG business continues to provide an extensive range of casing products and management services for customers as they programme, drill and construct oil and gas wells. The Group has key relationships with both steel suppliers and manufacturers to facilitate just-in-time logistics to customers.

Trenchless Technologies

Hunting's drill stem products and accessories are used predominantly in the telecommunications and utility industries, where the wellbore is used as a conductor to carry the relevant service. The year has seen a firming up of the business' distribution network and expansion into new market areas.

Operating Review continued

Fordoun phase 2 extension

Hunting Innova

This new acquisition comprises the Innova electronics business and the smaller Extel manufacturing plant. Innova manufactures printed circuit boards and harsh environment housing for use while oil and gas wells are being drilled or producing. Key attributes of these products are the ability to operate in high temperature and high pressure conditions. Proprietary designs are agreed with the customer and then manufactured in a secure environment to their required specifications. Customers include the major oil services groups. The Extel manufacturing facility has the capability to manufacture components required by Innova, and since acquisition has benefited from other inter-company work being routed through the facility previously contracted out to third parties.

Well Completion

Hunting's Well Completion division provides products to customers during the completion phase of an oil and gas well. In 2010, the division delivered a good result with profit from continuing operations before exceptional items of £23.1m (2009 – £20.3m). The division operates from three platforms: Premium Tubing, Manufacturing and Thread Protection.

Premium Tubing

The Premium Tubing business has seen another encouraging year as orders for high quality pipe for the complex wellbore structures were received. These are needed to tap the energy resources of increasingly difficult geologies from shale drilling in North America to the ultra deep offshore fields of Australasia.

Manufacturing

Hunting's Manufacturing business, which includes blast and pup joints, couplings and other accessories, reported good results in the year. The business rolled out a lean manufacturing programme in the year across a number of its facilities resulting in increased efficiencies. In Canada the business delivered good growth from the lows seen in 2009 and with rig counts increasing 27% in the year, 2011 should see further growth in this region. In the second quarter, the business commissioned Plant A of the Wuxi facility in China, somewhat delayed by the weather, but where threading production has now commenced. The business in China is being completed in two stages, with phase 1 now finished, and machinery installed and commissioned. Phase 2 and Plant B will see a further 120,000 sq ft of manufacturing space being added, with target commissioning for the second quarter of 2011. This will carry a combined design throughput of 120,000 metric tonnes of OCTG per annum. Overall Hunting's Asia-Pacific operations reported another year of growth.

Thread Protection

Hunting's thread protection platform provides composite or plastic thread protectors, SealLube™ thread compound, Preserve-A-Thread corrosion protection and CLEAR-RUN™ advanced tubular systems. SealLube™ thread sealant is an anaerobic compound, which converts to a solid polymer in the absence of air, improving seal integrity of threaded connections. Preserve-A-Thread is a corrosion inhibitor, which is compatible with other make-up compounds, thus reducing the costs of re-cleaning threads prior to the application of thread compound. CLEAR-RUN™ advanced tubular system provides the customer with an environmentally friendly solution that does not include make-up compounds utilised in most drilling activities. Thread protectors shield OCTG manufactured product while in transport or storage against handling damage and corrosion and are supplied with associated proprietary lubricants that are designed to comply with offshore zero emissions policies. The unit services Hunting's OCTG business and is a complementary product range for our customers.

Well Intervention

Hunting's Well Intervention division continues to grow organically and benefits from a full year of contribution from the 2009 acquisitions of Welltonic (acquired December 2009) and National Coupling (acquired June 2009). The division provides a core suite of products for intervention activities and includes state-of-the-art tools to measure, restore or maintain

Exploration and Production – Oil and Gas Reserves

	1 January 2010	Reserve movement	Production	31 December 2010
Oil	557	71	(69)	559
Gas	703	167	(161)	709
Oil and gas	**1,260**	**238**	**(230)**	**1,268**

All figures are Net Equivalent Barrels '000.

production of an existing well. 2010 proved to be a pivotal year, as customer interest was converted to new orders at National Coupling, which enabled the Well Intervention Division to deliver a strong increase in profit from operations and before exceptional items to £9.3m (2009 – £4.0m). Under this platform are two businesses: Well Intervention and Hunting Subsea.

The established Well Intervention business provides pressure control equipment, control panels, E-line (wireline) and slickline tools. The pressure control product suite can be used with Blow-out Preventer equipment and associated products. Welltonic adds specialised advice, proprietary tools and OEM rental equipment that are used in the production string of the wellbore through coiled tubing. Integrating the operations has enhanced the Group's footprint with facilities in Houston, Houma, Aberdeen, Dubai and Singapore.

Hunting Subsea has accelerated its activities during the year as strong international demand from a number of key customers drove the business to deliver a record result in 2010. Orders for the Chemical Injection Systems developed by Hunting Subsea were received from many of the tier one OEMs and BP, for supply to the Macondo relief wells. A number of projects have also been sanctioned during the year, which will see orders completed for the other super majors. Future anticipated demand at Hunting Subsea has resulted in a £13.8m expansion of the company's facilities being sanctioned, with ground broken in December 2010, and completion expected by the end of 2011. During the year 17 international and domestic patents were granted covering eleven products, including couplings and chemical injection systems designs.

Exploration and Production ("E&P")

The Group's E&P division has interests in the Southern US and offshore Gulf of Mexico, holding equity interests in over 70 production properties. On a Net Equivalent Barrel ("NEB") basis, production in the year was 230,000 barrels (2009 – 243,000 barrels). At the end of 2010, WTI closed up 15% at US$91/barrel, compared to the start of the year. This increase enabled the E&P business to report an improved profit from operations, before exceptional items, of £1.3m (2009 – £0.3m). The Group participated in five exploration wells during the year, resulting in three successes: offshore Louisiana on East Cameron Block 24; onshore south Texas in Matagorda County and in west Texas, on the Adair San Andres Unit. The Group has completed a year end valuation of its reserves, which requires individual oil and gas properties to be impaired when the realisable value is less than the book value based on future production and commodity prices – accounting rules prohibit writing up the value of any oil and gas properties where the realisable value exceeds the book value. The valuation has resulted in an impairment charge of £5.3m which is in addition to dry hole costs of £3.1m. Year end proven reserves were unchanged at 1.3m NEB (2009 – 1.3m NEB) with a reserve valuation at 31 December 2010 of £20.3m (2009 – £22.5m), which compares to a book value of £14.4m (2009 – £16.9m).

Other Operating Divisions

Gibson Shipbrokers

Gibson Shipbrokers has continued to thrive despite operating in a largely unrewarding shipping sector. Energy shipping markets have displayed signs of a tentative recovery from the lows of 2009, however these gains are not widespread nor are they in any way consistent.

Gibson has maintained its successful policy of selective expansion within the sectors it operates in so that it enjoys a good market presence. The number of additional staff recruited in 2010 was 14, which brings the business' headcount to 146 in contrast to four years ago when there were only 120.

This expansion was enhanced by the addition of an office in Oslo, while Singapore has also seen a doubling of staff numbers. Growth remains a priority being a recruitment blend of trainees, junior and experienced brokers, and acquisitions where appropriate. As a result Gibson's market share has strengthened, which will in turn enhance results as the energy shipping sector finally pulls out of the recession. Profits from continuing operations for 2010 are above 2009 at £1.0m (2009 – £0.7m).

Gibson Shipbrokers has always retained a reputation for being a strong tanker brokerage. With the ongoing expansion and reorganisation undertaken three years ago, the business now displays a notable strength in the majority of the sectors in which it is involved.

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The Specialised team which actively engages in veg oil, biofuels, chemicals and the smaller product liftings has built up a substantial presence in Singapore, London and Oslo, while the Dry Cargo team who focus on Cape and Panamax operate from London, Hong Kong, and Singapore. Crude and Product tankers remain a force in the market from London whereas LPG, LNG and Gas product broking actively operates from London and Singapore. The Sale & Purchase and Offshore sections are London based, as is the world class Research & Consultancy section.

Gibson Shipbrokers has earned its reputation as a premier global company which is taking advantage of the current downturn to expand its global operations. Gibson has been at the forefront of the shipping energy sector for nearly 120 years.

Field Aviation

Field Aviation is recognised worldwide as a modifier of aircraft for special mission roles. The business specialises in providing end to end solutions for para-military, military and specialised air support operators who require timely deployment of cost effective and reliable airborne platforms.
The Aircraft Modification Centre in Toronto carries out the design, installation, testing and certification of aircraft modification. Interior modification capabilities transform regional airliners into VIP or corporate shuttle aircraft. Leading-edge avionics modifications keep aircraft productive, profitable and technologically advanced.

As a build to print aircraft parts manufacturer, the Parts Manufacturing facility in Calgary specialises in the production of parts and spares for the international commercial and military aerospace industry. The business manufactures airframe parts and accessories for both current-production aircraft and out-of-production aircraft.

In 2010, Field Aviation delivered a profit from operations of £5.0m (2009 – £7.2m). The reduction in profits is from the aircraft modification business with fewer major programmes than in 2009.
In 2010, additional special mission aircraft were successfully delivered to the Japanese Coast Guard and several interior and avionic modifications were completed for both government and commercial customers. The outlook for the modification business in 2011 is challenging with fewer new programmes being awarded due to reduced government spending worldwide.

Performance Measures

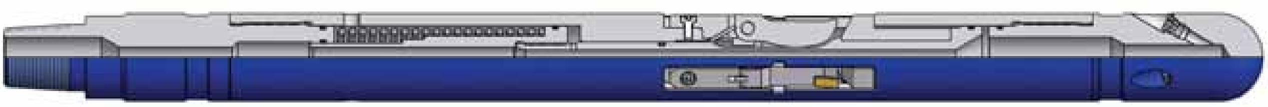
A number of performance measures are used to compare the development, underlying business performance and position of the Group and its business segments. These are used collectively and periodically reviewed to ensure they remain appropriate and meaningful monitors of the Group's performance.

Key Performance Indicators	Description	2010	2009
Revenue	Revenue generated by continuing operations	£461.6m	£359.9m
EBITDA	Pre-exceptional earnings before interest, tax, depreciation, amortisation and impairments	£68.3m	£50.6m
Profit from operations	Profit from continuing operations before exceptional items	£47.7m	£35.8m
Return on capital employed ("ROCE")	Measures profit before interest and tax, before exceptional items, as a percentage of average gross capital employed. Average gross capital employed is the average of the aggregate of total equity and the net cash/debt at the start and end of the year. This measure is also used as a benchmark for target acquisitions and capital expenditure proposals	17%	19%
Earnings per share ("EPS")	Earnings from continuing operations, before exceptional items, attributable to Ordinary shareholders divided by the weighted average number of Ordinary shares outstanding at the year end	24.7p	17.7p
Dividend per share ("DPS")	Reflects the cash returned to Ordinary shareholders. Figures shown are calculated on the accruals basis	12.0p	10.5p
Free cash flow	Profit from continuing operations adjusted for working capital, tax, replacement capital expenditure and interest	£0.4m	£39.5m
Inventory and WIP days	Inventory and WIP at the year end divided by revenue per day	103 days	118 days
Trade receivable days	Trade receivables at the year end divided by revenue per day	66 days	50 days

Other Performance Measures	Description		
Health and safety measures	Monitor lost time accidents and incident rates		
Quality and efficiency measures	Monitor production and non-conformance reports		
Number of employees	Number of employees at the end of the year	2,431	1,738

Indicators of future Group performance closely monitored by management include:

Key Market Indicators	Description	2010	2009
Drilling rig activity	International average rig count – December average	1,118	1,024
	North America rig count – December average	2,109	1,485
Oil price	WTI price at the year end – per barrel	US$91.38	US$79.36
Natural gas price	Henry Hub price – mcf – December	US$4.41	US$5.57
Exchange rates	Average and spot exchange rates		



Proprietary range of coiled tubing tools continues to be developed by Hunting Welltonic

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Finance Director's Review

Results

These financial statements report an excellent set of results from our core operations, with an underlying significant improvement on the prior year. We remain in a strong financial position with an excellent platform from which to grow and develop our global operations in an improved trading environment.

Group revenues increased 28% to £461.6m from £359.9m in 2009, benefiting from stronger markets together with incremental revenues from businesses acquired in 2009 (National Coupling in June 2009, PT SMB in July 2009 and Welltonic in December 2009) and Innova-Extel acquired in September 2010.

Profit from operations reported a similar year on year improvement with Well Construction increasing by 142% on improved margins, benefiting from the acquisition of Innova-Extel, along with strong underlying growth in the Premium Connections and Drilling Tools operations, together with a return to profit by Trenchless operations. Well Completion profits were up 14% on the prior year with improved results from US Manufacturing operations and a return to profit by our Canadian Manufacturing operations. Aberdeen and Asia Pacific results remained strong but on reduced activity levels. Well Intervention reported a 133% increase in profits helped by full year contributions from the National Coupling and Welltonic acquisitions of 2009. Exploration and Production reports improved results for the year on higher commodity prices, with a similar trend reported from Gibson Shipbrokers where shipping activity levels and rates have improved. Field Aviation reported reduced profits resulting from lower contract activity levels.

Overall profits from continuing operations before exceptional items report a 33% increase from £35.8m to £47.7m. After exceptional items, profit from continuing operations was £36.2m (2009 – £36.4m).

EBITDA was £68.3m (2009 – £50.6m) for the year. The charge in the year for depreciation was £17.6m (2009 – £14.2m) and for intangible asset amortisation was £2.5m (2009 – £0.6m). The increased intangible asset amortisation charge is attributable to the recent acquisitions of Innova-Extel and National Coupling.

Net Finance Income

Net finance income was £1.3m compared to £1.8m reported in 2009. The average interest rate earned on cash deposits in 2010 was 0.82% against 1.1% in 2009.

Exceptional Items

The following exceptional items, before taxation, arose in the year:

> Dry hole costs of £3.1m from our Exploration and Production activities.

> Impairment of oil and gas capitalised expenditure of £5.3m resulting from reduced future commodity prices, principally gas prices, at the year end compared to 31 December 2009.

> Acquisition costs written off £3.1m. This includes costs relating to the acquisition of Innova-Extel together with costs on other potential acquisition candidates considered during the year.

> Foreign exchange losses of £4.5m arising on Canadian dollar denominated provisions for tax indemnities given in respect of our former Canadian business, Gibson Energy.

Earnings per Share

Basic earnings per share before exceptional items for continuing operations increased 40% to 24.7p from 17.7p in 2009. Basic earnings per share in 2010 was 16.6p against 21.9p reported in 2009. The weighted average number of shares used in calculating the earnings per share in 2010 was 131.3 million compared to 131.1 million in 2009. On a fully diluted basis, the weighted average number of shares is 134.0 million in 2010 and 133.8 million in 2009.

Taxation

The pre-exceptional Group tax rate for 2010 was 30% (2009 – 32%) resulting in a tax charge of £15.0m (2009 – £12.2m). This decrease in the tax rate largely reflects changes in the regional mix of profits. The exceptional charge in the year attracts a tax credit of £3.5m to give a net tax charge on continuing operations in 2010 of £11.5m (2009 – £12.2m).

Balance Sheet
Net assets increased during the year from £561.8m at 31 December 2009 to £594.6m at 31 December 2010. The net increase of £32.8m comprises £24.3m retained result for the year, increase in the fair value of the Gibson Energy warrant by £15.3m offset by £15.6m dividend payments together with foreign exchange gains and other items of £8.8m.

Summary Balance Sheet

	2010 £m	2009 £m
Total assets	859.0	818.5
Total liabilities	(264.4)	(256.7)
Net assets	594.6	561.8
Net cash	212.2	365.0

Available for Sale Financial Assets
On the sale of our Canadian subsidiary, Gibson Energy in 2008, C$100.0m (£64.1m) of the consideration was deferred and held in the form of a warrant with an interest coupon of 12% and a maturity date of 12 December 2010. The warrant is currently held as an available for sale financial asset. At 31 December 2008, given market conditions at that time, the carrying value of the warrant was impaired to C$50.0m (£32.1m).

On 10 December 2010, we announced agreement to extend the terms of the warrant until 1 September 2011 in return for an increased interest coupon of 13% and if unpaid by that date an additional payment of C$10.0m (£6.4m). Following this extension, and as required under accounting rules, the fair value of the warrant has been reassessed as at 31 December 2010, and in light of improved information becoming available the carrying value increased to C$70.0m (£44.9m). The resultant credit of C$20.0m (£12.8m) has been taken directly to equity as required by accounting rules.

Pensions
The IAS 19 valuation of the Group's UK defined benefit pension scheme, which is included on the Group's balance sheet, is a net surplus of £5.5m at the year end (2009 – £8.0m). The scheme was closed to new entrants in 2002.

Summary Cash Flow

	2010 £m	2009 £m
Profit from continuing operations before exceptional items	47.7	35.8
Depreciation, amortisation and impairment	20.6	14.8
Changes in working capital	(48.0)	11.9
Interest and tax	(3.8)	(7.0)
Capital expenditure	(49.7)	(21.6)
Acquisitions	(81.1)	(44.3)
Disposals	–	24.0
Tax indemnity payments	(25.2)	(4.1)
Dividends	(14.1)	(13.8)
Other	0.8	(3.0)
Movement in net cash in the year	(152.8)	(7.3)

Liquidity and Funding
The Group's liquidity and access to funding remains strong. Net cash at the year end of £212.2m (2009 – £365.0m), which combined with a new £120.0m three year committed multi-currency borrowing facility expiring in 2013, provides sufficient liquidity to meet anticipated funding requirements over the short and medium-term. Total credit facilities in place at the year end amount to £153.9m of which £33.9m are uncommitted. The maturity profile of the Group's credit facilities is shown within note 30 to the accounts.

Net Cash
The year ended with net cash (note 28) of £212.2m (2009 – £365.0m). At 31 December 2010, the Group balance sheet shows borrowings of £56.7m. These borrowings are drawn on the Group's UK overdraft facilities which are subject to a legal right of set-off against funds held in the Group's UK bank accounts. Under International Financial Reporting Standards ("IFRSs") these balances are required to be shown gross.

Cash Flow
Net cash outflow in the year was £152.8m (2009 – £7.3m). Working capital absorbed £48.0m (2009 – £11.9m inflow) as activity levels increased. New facilities commissioned during the year, together with the £80.3m Innova acquisition, also contributed to the working capital increase. Total capital expenditure was £49.7m (2009 – £21.6m) comprising replacement spend of £12.9m (2009 – £9.9m) and growth spend of £36.8m (2009 – £11.7m). The increased level of capital spend is principally due to the facilities expansion programme under way in Scotland, US and China, together with an increased level of expenditure on our exploration and production activities, where £7.1m (2009 – £1.9m) was invested during the year.

Dividends paid during the year were £14.1m (2009 – £13.8m) and payments made in respect of Gibson Energy tax indemnities absorbed £25.1m (2009 – £4.1m).

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

Currency options are used to reduce currency risk movements on the Group's results, by hedging approximately 50% of each year's budgeted US dollar earnings into sterling. Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency. Spot and forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies.

Surplus cash is invested in AAA Money Market Funds and in bank deposits. Further detail on financial risks is provided within note 30.

Finance Director's Review continued

Critical Accounting Policies
The Group accounts are prepared using accounting policies in accordance with IFRS. The Principal accounting policies are set out on pages 46 to 51.

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

Retirement Benefits
The Group operates a defined benefit pension scheme in the UK, which was closed to new entrants with effect from 31 December 2002, as well as a number of defined contribution schemes within the Group. The defined benefit scheme is accounted for under IAS 19 and the main actuarial assumptions used are shown within note 32 to the accounts and in the table below.

Actuarial Assumptions

	2010	2009
Rate of inflation	3.6%	3.7%
Discount rate	5.4%	5.6%
Expected future lifetime (yrs)	24.1	24.0

Expected future lifetime is the number of years a 65 year old male is expected to live based on current mortality tables.

Property, Plant and Equipment and Other Intangible Assets
The Group's property, plant and equipment and other intangible assets are subject to annual rates of depreciation intended to spread the cost of the assets over their estimated service life. These rates are regularly reviewed. The rates currently in use are set out on page 48.

Goodwill
The carrying value of goodwill held on the balance sheet is reviewed for impairment at least annually. The review compares the carrying value with the estimated future cash flows from the business unit to which the goodwill relates. The cash flows are based on management's view of future trading prospects. Any shortfall identified is treated as an impairment and written off.

Taxation
The effective tax rate for the full year is 30% and is the combined rate arising from the regional mix of Group results. The rate also takes into account the estimated future utilisation of tax losses and the agreements with regional tax authorities of corporate tax computations.

Deferred Tax
A deferred tax asset and liability are recorded within the financial statements at 31 December 2010 of £8.6m and £25.6m respectively. These balances are derived from assumptions which include the future utilisation of trading losses and provisions at assumed tax rates.

Share-based Payments
The estimated cost of grants and awards of equity instruments is spread evenly over the vesting period. The actuarial assumptions used in determining the charge to income are set out in note 39.

Available for Sale Financial Assets
The warrant received as part consideration on the disposal of Gibson Energy is held as an available for sale financial asset at its fair value. The fair value of the warrant is based on management's best estimate of the recoverable amount given current global economic conditions, together with an assessment of publicly available financial information on Gibson Energy.

Provisions
Provisions amounting to £56.1m are held on balance sheet at the year end. These are based on Director's estimates of the future cost of current obligations.

Principal Risks and Uncertainties Facing the Group
The Group has an established risk management monitoring and review process described in the Corporate Governance Report on pages 41 to 44. The process requires all businesses to identify, evaluate and monitor risks and take steps to reduce, eliminate or manage the risk. Group risks are formally reviewed by the Board at least three times a year. In addition risk management is discussed at every Board meeting.

Some of the risks that Hunting is exposed to, which could have a material adverse impact, arise from the specific activities undertaken by the Group; others are common to many international manufacturing companies:

Risks Specific to the Nature of Hunting Group Businesses
Commodity prices
Although not under the Group's control, a material movement in commodity pricing could impact demand for the Group's products and services. Working capital and in particular inventory levels are closely managed to mitigate against exposure to commodity price movement.

Product Quality and Reliability
Product quality and reliability is critical to the Group's reputation with its customers. Quality assurance standards are monitored, measured and regulated within the Group under the authority of a Quality Assurance Director, who reports directly to the Chief Executive.

Adequacy of Provisions
The Group holds £56.1m of provisions for warranties, indemnities and vacant leasehold properties. The need to hold these provisions is regularly considered however the timing and amount of any provisions that may be payable can fluctuate.

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

involved in monitoring, approving and assessing acquisitions to mitigate against the risk of poor investment decisions. All acquisitions require Board approval prior to commitment.

Capital Investment Programme
The Group continues to seek opportunities for organic growth and maintains an active capital investment programme. The programme encompasses investments in new territories, buildings, production equipment, rental equipment and IT systems. There is a range of risks involved in such programmes, including management distraction, facility upheaval, risk of IT systems failure and poor financial returns. The Board and senior management follow a rigorous process of approving, managing and monitoring capital investments along with planning for contingencies. All capital expenditure above discretionary limits requires Board approval prior to commitment.

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

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

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

Fluctuation in Currency Exchange Rates
The Group has significant overseas operations, hence results are denominated in a variety of currencies. As a result, the Group's financial statements, which are reported in sterling, are subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. The Group maintains an active strategy of financial hedging to mitigate such risk, subject to the availability of suitable products at the right cost.

Health, Safety and Environmental ("HS&E")
The Group is subject to a number of HS&E laws and regulations that affect its operations, facilities and products in each of the jurisdictions in which it operates. The Group is committed to operating in compliance with all HS&E laws and regulations relating to its products, operations and business activities. However, there is a risk that it may have to incur unforeseen expenditures to cover HS&E liabilities, to maintain compliance with current or future HS&E laws and regulations or to undertake any necessary remediation. It is difficult to estimate with any reasonable certainty the future impact of HS&E matters, including potential liabilities, due to a number of factors and especially the lengthy time intervals often involved in resolving them. There is regular HS&E compliance reporting to the Board.

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

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

Dennis Proctor
Chief Executive

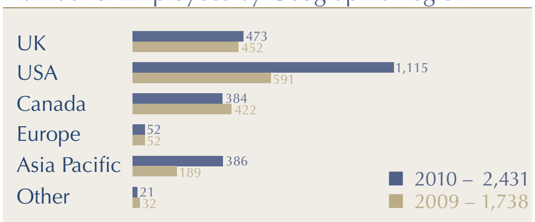
Peter Rose
Finance Director
24 February 2011

Corporate Social Responsibility Report

This report describes the policies and procedures put in place by the Board to ensure that the Company operates in a safe and responsible manner and, where practical, takes steps to protect the environment.


Surface water runoff pond at Fordoun, Aberdeen.

Number of Employees by Geographic Region



Introduction
The Group acknowledges and is committed to its corporate social responsibilities within its global operations. Its contribution and involvement is determined by regional custom and best practice in each location and is subject to regular monitoring and review by the Board and divisional management.

This report describes the policies and procedures put in place by the Board to ensure that the Group operates in a safe and responsible manner and, where practical, takes steps to protect the environment.

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

The Group encourages and promotes an awareness of the financial and economic factors affecting the performance of the Group and shares information on current activities through regular communication and consultation. Communication with employees is undertaken through a variety of media including the Group's magazine, the Hunting Review, which is published every six months and distributed to employees.

Currently, the Group has 2,431 (2009 – 1,738) employees. In 2010, there was a 40% increase in employee numbers, largely due to the acquisition of Innova-Extel on 3 September 2010 and the commissioning of new facilities in China and the US. The Group seeks to adhere to all relevant local and jurisdictional laws about employment equality and minimum wage legislation.

The Group provides training to its staff to ensure health and safety standards are maintained, as well as investing in personal development.

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

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

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

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

Each location has in place a tailored health and safety programme.

Hunting has a proven culture of aiming for best practice and employs rigorous health and safety practices. During the year, there were no fatalities across the Group's operations.

The Group operates a range of facilities and each location has in place a tailored health and safety programme designed to, at a minimum, comply with local regulatory requirements. Local management are responsible for monitoring and reporting on personnel, as well as process, health and safety.

The Chief Executive, who is directly responsible for health and safety, presents a health and safety report at each Board meeting. All subsidiaries target continuous improvement to their Health and Safety Standards.

Health and Safety policies include:

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

Environment

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

The Group's environmental policy is to look for opportunities and adopt practices that create a safer and cleaner environment. It is particularly sensitive to the challenges for the industry in which it operates. The Group has programmes in place to monitor environmental impact from its operational activities and remains focused on ensuring environmental consideration is at the forefront of its business practices. To enable the Group to achieve this, our local operations are encouraged to implement an Environmental Management System ("EMS").

Key aspects of our environmental policies include:

> Policies, procedures and practices are in place so that any adverse effects on the environment are kept to a practicable minimum.
> The Group encourages the reduction of waste and emissions and promotes awareness of recycled materials and use of renewable resources.
> Each operating unit develops and implements their own procedures while conducting regular reviews to ensure that they are maintained and refined.
> Employees are encouraged to pay special regard to environmental issues and requirements in the communities in which the Group operates.
> The design of new sites and facilities incorporates health, safety and environment considerations.

Corporate Social Responsibility Report continued

Storm water retention scheme at Conroe, Texas.

> During the year new facilities were commissioned in the US at Latrobe, Pennsylvania and Conroe, Texas. The design of both sites incorporated health, safety and environmental considerations. At Latrobe, soundproof rooms prevent noise pollution of the nearby residential neighbourhood, filters cycle phosphate tank fumes prior to discharge to eliminate air pollution and containment processes are in place to minimise waste water discharge. At Conroe, a storm-water retention pond was built to prevent local flooding and a secondary containment process has been installed to prevent any on-site spills from contaminating the site. All land disturbed during construction has been re-landscaped.

Environmental programmes with similar features are in place for the Group's other facilities.

Regulatory Environment

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

Operational Excellence

With the aim of maintaining standards and to comply with customer trading requirements, a high proportion of our operating facilities are either ISO or API registered or subject to other similar registrations or industry qualifications. In 2010, the Group continued its programme to introduce lean manufacturing processes into its global operations. This resulted in efficiency gains in a number of its key business units.

The Group continuously drives to gain leadership in areas of technology relevant to the Group's products and at the year end has 341 active patents.

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

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

The Group continues to develop its relationships with academic institutions and during 2010 Hunting agreed to collaborate with the University of Dundee in the UK to research ways of improving safety and reliability of ultra deepwater oil and gas extraction.

Business Ethics

The Group targets and encourages the highest standards of honesty, integrity, fairness and respect in all business dealings. Local customs and cultures are respected in the communities in which the Group operates. The objective is to maintain and enhance the reputation of the Group and enforce ethical dealings with customers and suppliers.

The Group's Code of Conduct sets out principles which promote integrity and fairness in all of the Group's dealings, including anti-harassment, non-discrimination, health and safety at work and conflicts of interest for all our employees. Through the Code, the Group actively promotes business competitiveness and transparency, and has policies on anti-bribery and corruption. The Code sets out the importance of complying with international laws and regulations, along with procedures on anti-money laundering and protecting the environment. Employees will be required to complete online training to demonstrate they are acquainted with the Code.

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

Hunting in the Community

The Group acknowledges and is committed to its social responsibilities within the areas in which it operates. Hunting's contribution and involvement is determined by regional custom and best practice in those locations. In this way, subsidiaries support a range of local charitable and community projects in their region. Community support is delivered in many different ways, from corporate sponsorship of arts events to individual employee sponsorship. During the year, the Group donated £45,000 (2009 – £56,000) to UK charitable organisations and £119,000 (2009 – £106,000) to overseas charities.

Of particular note is the annual Hunting Art Prize which, after a quarter of a century of supporting British art, was re-launched in Houston, Texas in 2006. The Hunting Art Prize is one of the most generous art awards in North America for painting and drawing. Now in its 31st year, the Annual Hunting Art Prize raised in excess of £65,000 in 2010, with the proceeds donated to Oilfield Helping Hands, a non-profit charitable organisation in the Houston area providing assistance to oil and gas industry workers who face financial hardship.

Dennis Proctor
Chief Executive
24 February 2011

Board of Directors

Left to Right: George Helland, Peter Rose, David Barr, Richard Hunting, John Hofmeister, John Nicholas and Dennis Proctor

Richard Hunting, CBE
Chairman
Was elected an executive Director and Deputy Chairman on the formation of Hunting PLC in 1989 and has been Chairman of the Board since 1991. Chairman of the Nomination Committee. He is a non-executive director of the Royal Brompton & Harefield NHS Foundation Trust.

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

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

David Barr
Non-executive Director
Was appointed a non-executive Director on 1 January 2011. A US citizen resident in Houston, Texas. He is non-executive chairman of Logan International and a non-executive director of ION Geophysical Corporation and Probe Technologies. He was formerly a Group President of Baker Hughes Inc.

George Helland
Non-executive Director
Was appointed a non-executive Director in 2001 and is chairman of the Remuneration Committee. A US citizen based in Houston, Texas, he was Deputy Assistant Secretary in the US Department of Energy from 1990 to 1993. He is a senior associate with Cambridge Energy Research Associates (CERA) of Cambridge, Massachusetts.

John Hofmeister
Non-executive Director
Was appointed a non-executive Director in 2009 and appointed Senior Independent Director of the Company in June 2010. A US citizen resident in Houston, Texas. He is the founder and chief executive officer of the Washington D.C. registered not-for-profit Citizens for Affordable Energy Inc and a non-executive director of US quoted Lufkin Industries Inc and Camac Energy Inc. He is the former president of Shell Oil Company US and a former group director of Royal Dutch Shell PLC in The Hague, Netherlands.

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

Board Committee Memberships

Executive Directors	Audit Committee	Nomination Committee	Remuneration Committee
Richard Hunting		✔	
Dennis Proctor		✔	
Peter Rose			
Non-executive Directors			
David Barr	✔	✔	✔
George Helland	✔	✔	✔
John Hofmeister	✔	✔	✔
John Nicholas	✔	✔	✔

Report of the Directors 2010

The Directors present their report, together with the audited financial statements for the year ended 31 December 2010.

Principal Activities and Business Review

Hunting PLC is a holding company whose subsidiaries are primarily involved in international oil and gas services. The Company is UK domiciled and incorporated in England and Wales. Details of the Company's principal subsidiaries and associated undertakings are set out in note 46.

The Business Review, encompassing the Chief Executive's Review and the Finance Director's Review on pages 6 to 27, together with the Chairman's Statement on pages 2 to 3, reports on the principal activities of the Company and its performance during the year ended 31 December 2010, along with likely future developments in its operations. This information, together with a description of the principal risks and uncertainties facing the Company (pages 22 and 23), treasury risk management (page 21), details of the Group's policies on employment, health, safety and the environment, which are contained within the Corporate Social Responsibility Report on pages 24 to 27 and the Corporate Governance Report on pages 41 to 44, are incorporated into this report by reference.

Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 52.

The Directors, subject to approval by shareholders at the Annual General Meeting of the Company to be held in April 2011, recommend a final dividend of 8.3p per share (2009 – second interim dividend 7.0p), which together with the interim dividend of 3.7p (2009 – 3.5p), takes the total dividend for the year to 12.0p per share (2009 – 10.5p), an increase of 14%. The final dividend will be paid on 1 July 2011 to shareholders on the register at the close of business on 10 June 2011.

Changes in the Group and its Interests During the Financial Year

On 3 September 2010, the Group completed the acquisition of Innova-Extel Acquisition Holdings Inc., a leading supplier of harsh environment electronics technology to the global energy industry for a cash consideration of £80.3m. Further details are provided in note 40.

On 25 October 2010, the Group put in place a £120m revolving three year multi currency credit facility.

Post Balance Sheet Events

There have been no disclosable post balance sheet events.

Directors

The biographies of the Directors of the Company as at 31 December 2010 are set out on page 29 of this report.

On 24 February 2010, John Nicholas was appointed chairman of the Audit Committee. On 8 June 2010, Iain Paterson stepped down from the Board after ten years of service to the Company. Following Mr Paterson's retirement, John Hofmeister, non-executive Director, was appointed the Senior Independent non-executive Director. On 1 January 2011, David Barr was appointed to the Board as a non-executive Director.

No Director during the year had a material interest in any contract of significance to which either the Company or any of its subsidiaries were a party. Directors' interests in the shares of the Company are shown on page 38. As at 31 December 2010, no Director of the Company had any beneficial interest in the shares of subsidiary companies.

As recommended by UK Corporate Governance, all Directors will submit themselves for re-election at the Company's Annual General Meeting to be held on 20 April 2011.

Directors and Officers Liability Insurance

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

Annual General Meeting

The Annual General Meeting of the Company will take place on Wednesday 20 April 2011 at The Royal Automobile Club, 89 Pall Mall, London, SW1Y 5HS, commencing at 10.30am. At the meeting, as well as routine matters, members will be asked to receive the Director's Report and Accounts, to approve the 2010 Remuneration Committee's Report and to give authority to the Directors to reappoint the Company's external auditors and determine their remuneration.

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

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution of the Company in general meeting, the business of the Company is managed by the Board. The Directors have been authorised to allot and issue Ordinary shares and to make market purchases of the Company's Ordinary shares. These powers are exercised under authority of resolutions of the Company passed at its Annual General Meeting.

During the financial year ended 31 December 2010, 303,573 Ordinary shares were issued pursuant to the Company's various share plans.

Substantial Interests

As at 21 February 2011, pursuant to the Disclosure and Transparency Directive, issued by the Financial Services Authority, the major shareholders of the Company are as follows:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
M&G Investment Management		13,633,548	10.28
AXA group of companies		11,189,136	8.44
Hunting Investments Limited	(i)	10,884,743	8.21
Schroder Investment Management		8,009,816	6.04
Slaley Investments Limited		6,411,679	4.83
F Godson – as trustee	(ii)	5,894,090	4.44
Mirabaud Investment Management		5,831,173	4.40
Standard Life Investments		5,112,925	3.86
Legal & General Investment Management		4,959,948	3.74
Artemis Investment Management		4,442,072	3.35
JA Trafford – as trustee	(ii)	3,713,201	2.80
David RL Hunting		199,910	0.15
– other beneficial	(iii)	2,484,583	1.87
– as trustee	(ii)	2,549,117	1.92

Notes
(i) Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly-owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.
(ii) After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 6,197,784 Ordinary shares.
(iii) Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount incurred and written off by the Group during the year was £0.9m (2009 – £0.9m).

Charitable and Political Contributions

During the year, the Group donated £45,000 (2009 – £56,000) to UK charitable organisations and £119,000 (2009 – £106,000) to overseas charities. It is the Group's policy not to make political donations, accordingly there were no political donations made during the year (2009 – £nil).

Property, Plant and Equipment

Details of movements in property, plant and equipment are shown in note 15 to the financial statements. The Directors are of the opinion that the market value of the Company's properties at 31 December 2010 exceeded their net book value by approximately £23.2m.

Share Capital

The Company's issued share capital comprises a single class, which is divided into Ordinary shares of 25p each, details of which are set out in note 33 of the financial statements. As at 31 December 2010, there were 132,519,924 Ordinary shares in issue. The rights and obligations attached to these shares are summarised on page 32 and are detailed in the Articles of Association of the Company, copies of which can be obtained from Companies House in the UK, or by writing to the Company Secretary at the registered office of the Company. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. The movements in share capital during the year are laid out in note 33 of this report.

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. At the Annual General Meeting of the Company on 21 April 2010 the Articles of Association were amended to reflect this change to Company Law.

The Directors have the authority to allot shares and to disapply statutory pre-emption rights. This authority is renewed annually at the Annual General Meeting. The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 19,864,737 shares at 31 December 2010. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at its Annual General Meeting.

The Company holds 971,723 shares in Treasury (2009 – 969,687), which are to satisfy a proportion of the shares under award to employees who participate in the long-term incentive schemes currently run by the Company. This number of shares is deducted from the Company's equity. The Company has a policy to purchase shares in the market or issue new shares to ensure there are sufficient shares to meet future payouts.

Report of the Directors 2010 continued

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

During the year, to satisfy share options exercised by certain employees, the Company, through the Employee Share Trust, purchased 74,477 Treasury shares with an aggregate nominal value of £18,619. The total consideration was £442,967.

Voting Rights and Restrictions on Transfer of Shares

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

Shareholders may submit votes electronically at www.sharevote.co.uk. A Voting ID, Task ID and Shareholder Reference Number will be required to complete this method of voting; these details are included on shareholders' voting proxy cards. To be valid, an electronic proxy must be received by no later than 48 hours before a general meeting.

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

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

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

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

> certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws);

> pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and

> where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

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

Registrar

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

Articles of Association

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

Significant Agreements

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

The service agreements of the executive Directors include provisions that provide for compensation for loss of office or employment as a result of a change of control. Further details of the Directors' service contracts can be found in the Remuneration Committee Report on pages 36 and 37.

Policy on the Payment of Creditors

The Company's and Group's policy is to pay all creditors in accordance with agreed terms of business. The Company itself has no substantial trade payables. The total amount of Group trade payables falling due within one year at 31 December 2010 represents 44 days worth (2009 – 64 days), as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Publication of Half Year Report

In common with many public companies in the UK, the Company will no longer publish a printed version of its half year report. In future, the half year report will only be available online from the Company's website at www.huntingplc.com.

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 Company's auditors are unaware and each Director has taken all reasonable steps necessary in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Review and the Operating Review on pages 6 to 19. The financial position of the Group, its cash flows, liquidity position, borrowing facilities, treasury risk management and the principal risks and uncertainties facing the business are described in the Finance Director's Review on pages 20 to 23. The notes to the financial statements include the Group's objectives, policies and processes for managing its capital (note 37), its financial risk management objectives (note 30), details of its financial instruments, hedging activities and sensitivity analysis (notes 29 and 30) and its exposures to credit risk and liquidity risk (note 30).

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

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

Auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office as auditors. A resolution to reappoint them as auditors to the Company will be proposed at the Annual General Meeting to be held on 20 April 2011.

By Order of the Board

Peter Rose
Company Secretary
24 February 2011

Remuneration Committee Report

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

Compliance
This report has been prepared in accordance with the relevant provisions of Schedule 8 to the Accounting Regulations under the Companies Act 2006 and has been approved by the Board. The report also satisfies the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration in the Combined Code. It will be presented to shareholders for approval at the Annual General Meeting on 20 April 2011.

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

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

The Committee comprises the non-executive Directors of the Company, George Helland (Committee chairman), John Hofmeister and John Nicholas. Iain Paterson served on the Committee until his retirement from the Board on 8 June 2010. David Barr joined the Committee on his appointment to the Board on 1 January 2011.

The Committee met four times in 2010 with members attending all meetings held during their term in office.

Work During the Year
The Committee's principal activities during the year under review included:
> review of the remuneration structure vis-a-vis business needs;
> consideration and approval of executive Directors salaries, bonuses and awards under the Performance Share Plan ("PSP");
> measurement of the performance conditions and determination of vesting levels in respect of awards under the Long-Term Incentive Plan ("LTIP") and grants under the executive share option scheme;
> approval of awards under the LTIP and PSP; and
> approval of the remuneration report.

Advice
During the year, Hewitt New Bridge Street ("Hewitt") provided advice and assistance on remuneration for Hunting's UK-based Directors, executive incentive plans and share scheme matters. Hewitt did not provide any other service to the Company during 2010. Additionally, the Committee received advice and assistance from Towers Watson in the US on remuneration for the Company's North American based Director and senior management.

The Committee also consulted with and received information from the executives during the year but not in respect of their own remuneration.

Remuneration Policy
The Company aims to ensure that remuneration, generally, and incentives, in particular, provide a clear link between individual performance and shareholder interests. The policy is to provide competitive remuneration packages enabling the Company to attract, motivate and retain executives of high ability, experience and commitment.

The Committee believes an appropriate balance should be maintained between fixed and variable performance related remuneration, with the current balance approximately 52% deriving from salary and benefits and 48% from variable incentives.

The Committee's ongoing approach is to set base salaries within competitive market ranges, combined with realistic reward potential for performance that is outstanding. Executive Directors' remuneration packages consist of an annual salary, health cover and where appropriate, car and fuel benefits, life and disability insurance, an annual performance-linked cash bonus plan, pension contributions, participation in performance-linked share plans and a long-term incentive plan. Performance targets are established to achieve consistency with the interests of shareholders with an appropriate balance between long and short-term goals.

In setting the remuneration of individual Directors, the Committee takes account of their role, responsibilities, skills, performance and references credible and established market pay studies. The Committee reviews such studies with caution in view of the risk of an upward ratchet in remuneration levels. The Committee also has the discretion to take account of social and corporate governance issues when setting the remuneration of the executive Directors.

Consistent with policy on service contracts, executive Directors' service contracts are subject to termination on one year's notice by the Company or the executive.

Set out below are the key elements of the policy, which will apply in 2011 and subsequent financial years. However, the Committee considers that an effective policy needs to be kept under review in order to reflect future changes to business needs and the environment in which the Company operates and, therefore, the policy may be amended in the future.

Base Salaries

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

Annual Bonus

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

Dennis Proctor and Peter Rose are eligible for a bonus under the scheme when 80% of the Group's budgeted profit before tax is achieved. Below this level no bonus is payable. The amount payable under the scheme when the budgeted profit before tax and return on capital targets are achieved, is 65% of base salary for Dennis Proctor and 50% of base salary for Peter Rose. When actual results achieve 120% of these performance targets Dennis Proctor and Peter Rose are entitled to a maximum cash bonus of 130% and 100% of base salary respectively. The amount of bonus payable accrues on a straight-line basis when actual results achieved are between 80% and 120% of performance targets.

During the year, the Committee undertook a review of the annual bonus arrangements, whereby the Committee increased the maximum bonus awardable to Dennis Proctor to 200% of base salary and to 150% for Peter Rose. This new arrangement will be effective for the 2011 financial year. The Committee felt that such an increase was necessary to ensure that the remuneration packages continue to drive and reward performance and that they remain competitive in the global market place in which the Company operates.

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

Richard Hunting has no bonus entitlement and his remuneration is wholly non-performance related.

Long-term Performance Related Incentives

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

1. Performance Share Plan ("PSP")

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

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

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

The plan allows for a maximum of share-based awards with a value equal to 200% of annual salary to be granted. In practice, it is the Committee's intention that awards will be below this maximum. In 2010, awards to the value of 100% and 80% of base salary were granted to Dennis Proctor and Peter Rose respectively.

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

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

The LTIP is a performance-linked plan with an incentive pool which is calculated using the sum of the Group's after tax operating income after deducting a charge for the after tax cost of capital, which for 2010 is a rate of 7% on average shareholders' funds. The incentive has two components, the first being 2% of the absolute value added, and the second being 5% of the incremental value added. These performance conditions align the interests of the executives with those of the Group and its shareholders and will only produce value to the participants if value is created for the Group.

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

The pool available for distribution has decreased from £2.6m as at 31 December 2009 to £0.2m at 31 December 2010. The aggregate amount of the pool awarded to participants for 2010 was £0.2m.

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

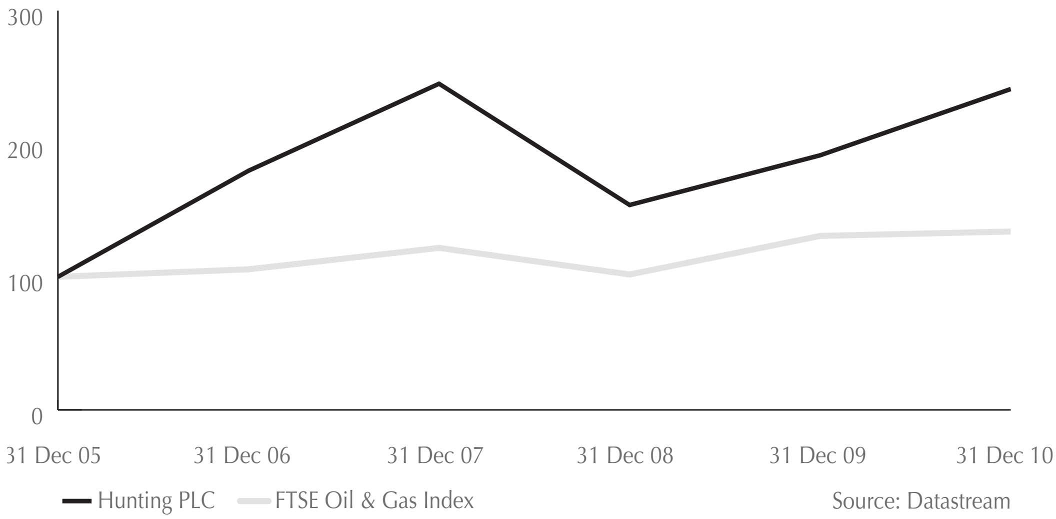
Remuneration Committee Report continued

3. Executive Share Option Plan
The Company operated an executive share option scheme between 2001 and 2008 to provide longer-term incentives for executives and executive Directors. From 2009, executive Directors received share-based awards under the PSP rather than grants under the option plan. The right to exercise an option is subject to the growth performance of the Company's Basic Earnings per Share ("BEPS") over a three year period in comparison to that of comparator companies, who comprise of UK, US and Canadian oil and gas service companies. No shares are exercisable if the growth in BEPS does not exceed the rate of inflation by at least 3% per annum over the three year period. The number of shares exercisable, expressed as a percentage, by a Director can range from nil if the Company's performance is below the median level, to 40% at the median level and up to 100% if the Company's performance is between the median and the upper quartile levels of the comparator group. No further grants will be made under this share option plan.

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

Performance Graph
The graph below compares the total shareholder return for an investment in Hunting PLC Ordinary shares, with the return for the same investment in the FTSE Oil and Gas Index commencing on 31 December 2005.

Total shareholder return performance of Hunting PLC vs. FTSE Oil & Gas Index
(TSR rebased to 100 at December 2005 and measured on a 3-month average basis)



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

Director Service Contracts
Executive Directors
The Company's policy on executive Directors' contracts is to comply with the guidance in the Combined Code.

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

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

The Agreement contains a pay in lieu of notice clause which provides for payment of base salary, performance bonus and vacation pay based on an annual entitlement of four weeks. There are special provisions on a change of control.

These provide for payment of one year's base salary together with an amount equal to the average performance bonus paid in the previous two years. In addition, Dennis Proctor would be entitled to continue to participate in the Group insurance programmes for one year following the change of control and, unless otherwise provided in the relevant option agreement, all share options and share-based awards granted to him will become exercisable at the date of the change of control and will remain exercisable for one year.

Richard Hunting entered into a Service Agreement with the Company on 15 December 1989. This was amended effective 1 March 2004 whereby both the Company and the Director are required to give one year's notice of termination.

Peter Rose entered into a Service Agreement with the Company on 23 April 2008.

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

The Company has authorised the executive Directors to undertake non-executive directorships outside of the Group provided these do not interfere with their primary duties. Richard Hunting held an external non-executive directorship during the year, for which he received £20,368.

Non-executive Directors

Non-executive Directors are initially appointed for a fixed term of three years and thereafter, subject to approval of the Board, for a further three year term. Iain Paterson retired from the Board on 8 June 2010, George Helland was reappointed for an additional one year term from 1 October 2010 and David Barr was appointed to the Board on 1 January 2011 for a three year term. In the event of early termination by the Company, non-executive Directors are not entitled to receive compensation for loss of office. Their letters of appointment are available for inspection by shareholders during normal business hours at the Company's registered office or at the Annual General Meeting.

Non-executive Director	Date of first appointment or subsequent reappointment	Term of appointment	Unexpired term from 24 February 2011
David Barr	1 January 2011	Three years	34 months
George Helland	1 October 2010	One year	7 months
John Hofmeister	26 August 2009	Three years	18 months
John Nicholas	26 August 2009	Three years	18 months

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

The table below shows fees payable to non-executive Directors for the year to 31 December 2010.

Annual fee	£50,000
Additional fees per annum	
Senior Independent Director	£3,000
Committee chairman (Audit and Remuneration)	£6,000

Remuneration Committee Report continued

Emoluments (audited)

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

	Salary and fees £000	Annual bonus £000	Benefits £000	2010 Total £000	2009 Total £000
Executive Directors					
Richard Hunting	186	–	17	203	197
Dennis Proctor	436	567	25	1,028	535
Peter Rose	217	217	19	453	266
Non-executive Directors					
George Helland	56	–	–	56	51
John Hofmeister	52	–	–	52	16
John Nicholas	55	–	–	55	16
Hector McFadyen (to 3 September 2009)	–	–	–	–	31
Iain Paterson (to 8 June 2010)	24	–	–	24	54
Total remuneration	**1,026**	**784**	**61**	**1,871**	**1,166**
Analysed as:					
Executive Directors	839	784	61	1,684	998
Non-executive Directors	187	–	–	187	168
Total remuneration	**1,026**	**784**	**61**	**1,871**	**1,166**

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

	Salary and fees US$000	Annual bonus US$000	Benefits US$000	Total US$000
2010	676	879	38	1,593
2009	656	148	36	840

Benefits include the provision of a company car and fuel benefits, subscriptions, life and disability insurance.

The 2009 emoluments for John Hofmeister and John Nicholas shown in the table above are from the date of their appointments to the Board on 26 August 2009.

The emoluments for Hector McFadyen and Iain Paterson shown in the table above are to the date of their retirement from the Board.

David Barr was appointed to the Board as a non-executive Director on 1 January 2011 and he received no emoluments prior to that date.

Directors' Share Interests (audited)

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

	31 December 2010 (or cessation date)	31 December 2009 (or cessation date)
Executive Directors		
Richard Hunting	743,306	736,241
as trustee	1,137,854	1,310,919
Dennis Proctor	754,898	754,898
Peter Rose	33,940	25,750
Non-executive Directors		
George Helland	18,750	18,750
John Hofmeister	5,000	5,000
John Nicholas	5,000	5,000
Hector McFadyen (as at 3 September 2009)	–	25,000
Iain Paterson (as at 8 June 2010)	2,500	2,500

As at 24 February 2011, there were no further changes to the Directors' share interests.

The market price of the Ordinary shares at 31 December 2010 was 731.0p. The highest and lowest mid-market prices during the year were 734.0p and 429.1p respectively.

Directors' Options and Awards over Ordinary Shares (audited)

The interests of executive Directors over Ordinary shares of the Company under the Executive Share Option Plan and the Performance Share Plan Schemes are set out below:

The vesting of options and awards are subject to performance conditions set out within the remuneration policy on pages 35 to 36.

	Interests at 1 January 2010	Options/ awards granted in year	Options/ awards exercised in year	Interests at 31 December 2010	Exercise price p	Date from which exercisable	Expiry date	Scheme
Dennis Proctor	426,738	–	–	426,738+	194.0	28.03.04	27.03.11	ESOS
	181,622	–	–	181,622+	167.4	15.04.05	14.04.12	ESOS
	309,705	–	–	309,705+	116.9	31.03.07	30.03.14	ESOS
	171,742	–	–	171,742+	220.7	09.03.08	08.03.15	ESOS
	104,178	–	–	104,178+	383.0	08.03.09	07.03.16	ESOS
	64,688	–	–	64,688+	640.0	06.03.10	05.03.17	ESOS
	55,449	–	–	55,449^	784.5	04.03.11	03.03.18	ESOS
	38,863	–	–	38,863^	nil	28.04.12	–	PSP
	–	70,751	–	70,751^	nil	25.02.13	–	PSP
Peter Rose	8,190	–	(8,190)	–	194.0	28.03.04	27.03.11	ESOS
	29,454	–	–	29,454+	220.7	09.03.08	08.03.15	ESOS
	18,277	–	–	18,277+	383.0	08.03.09	07.03.16	ESOS
	15,000	–	–	15,000+	640.0	06.03.10	05.03.17	ESOS
	21,670	–	–	21,670^	784.5	04.03.11	03.03.18	ESOS
	15,000	–	–	15,000^	nil	28.04.12	–	PSP
	–	29,129	–	29,129^	nil	25.02.13	–	PSP

\+ vested and currently exercisable
^ not yet vested/exercisable

Peter Rose exercised 8,190 options on 17 December 2010. The share price on the date of exercise was 717.5p, realising a notional gain of £42,875.

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

	Interest in three year performance cycle awarded March 2008 vested 31 December 2010 (at 1 January 2010)	Interest in three year performance cycle awarded February 2009 and vesting 31 December 2011 (at 1 January 2010)	Interest in three year performance cycle awarded February 2010 and vesting 31 December 2012 (at 1 January 2010)	Value of award in respect of three year performance cycle vested 31 December 2010
Dennis Proctor	35%	35%	35%	£72,598
Peter Rose	15%	15%	15%	£31,113

Executive Directors and senior executives are invited to participate in the Company's LTIP, with all awards subject to the performance conditions outlined on page 35. Awards are settled at the end of each performance cycle in cash or shares. The determination of whether to deliver benefits under the LTIP in cash or shares is not made until after the awards vest. This applied to the performance cycle that vested on 31 December 2009 with Dennis Proctor receiving £907,547 and Peter Rose receiving £369,250 in cash.

The mid-market price of an Ordinary share on 4 March 2008, the date of the award, for the cycle vested 31 December 2010 was 791.5p and the price on the date of vesting, 31 December 2010, was 731.0p.

The mid-market price of an Ordinary share on the date of award, 25 February 2010, was 579.5p.

Pensions (audited)

UK executive Directors are members of the Hunting Pension Scheme (the "Scheme") which is a defined benefit pension scheme. The retirement age for executive Directors under the Scheme is 60 and they are entitled to, subject to certain limits, a pension of up to two thirds of final salary. Pensionable salary is the annual salary less an amount equal to the State Lower Earnings Limit. Richard Hunting contributed 8.5% of his pensionable salary up until his Scheme retirement date of 31 July 2006. Peter Rose contributes a similar proportion of his salary to the Scheme. The Scheme provides all members a lump sum death in service benefit of four times base salary and a spouse's pension of two thirds of the member's pension on the member's death. Bonuses and benefits do not qualify as pensionable salary.

Dennis Proctor participates in a US 401K Tax Deferred Savings Plan.

Remuneration Committee Report continued

Directors' Pension Benefits

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

Name of Director	Pensionable service at 31 December 2010	Normal retirement age	Accrual rate	Total accrued pension at 31 December 2009 £000 pa	Increase in accrued pension during 2010 including inflation £000 pa	Increase in accrued pension during 2010 excluding inflation £000 pa	Transfer value of increase less Directors' contributions £000	Total accrued pension at 31 December 2010 £000 pa
Richard Hunting	35 years	60	1/50th	117	Nil	Nil	Nil	121
Peter Rose	17 years 11 months	60	1/50th	68	6	6	186	74

Name of Director	Transfer value at 31 December 2010 £000	Transfer value at 31 December 2009 £000	Difference in transfer values less Directors' contributions £000
Richard Hunting	3,391	3,053	338
Peter Rose	2,186	1,823	344

Notes

(i) The total accrued pension shown is that which would be paid annually on retirement for life based on service to 31 December 2010. Peter Rose's accrued pension at 31 December 2010 includes a temporary pension of just over £9,000 per annum.

(ii) The transfer values at 31 December 2010 have been based on estimated insurance company pricing terms, reflecting the fact that most of the benefits are covered by insurance policies.

(iii) Richard Hunting's normal retirement date was 31 July 2006. No further benefits have accrued to him since that date. The pension figure shown above is the combination of his pension in payment and his residual late retirement pension available as at 31 December 2010. The year end transfer value reflects only the value of the pension shown above and does not include the value of the pension he received during the year.

(iv) In addition, contributions amounting to £104,322 (2009 – £53,242) were paid to money purchase arrangements for Dennis Proctor.

The information on pages 34 to 37 of this report is not audited and the information on pages 38 to 40 is audited.

By Order of the Board

George Helland
Chairman of the Remuneration Committee
24 February 2011

Corporate Governance Report

Combined Code

This statement, which has been approved by the Board, reports on the Company's compliance during the year ended 31 December 2010 with the Combined Code on Corporate Governance (the "Combined Code") as issued by the Financial Reporting Council ("FRC") in June 2008 (available on its website www.frc.org.uk) and how the principles of the Combined Code have been applied. Compliance with the principles relating to Directors' remuneration is reported within the Remuneration Committee's Report on pages 34 to 40.

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

The Board

The Board of Directors currently comprises the Chairman, Chief Executive, Finance Director and four independent non-executive Directors. Iain Paterson retired from the Board after ten years' service on 8 June 2010 and David Barr was appointed to the Board as an independent non-executive Director on 1 January 2011. On Mr Paterson's retirement from the Board, John Hofmeister was appointed as the Senior Independent Director. This composition, with a separate Chairman and Chief Executive, ensures a balance of responsibilities and authorities. Non-executive Directors' letters of appointment include details of their duties and expected time commitments required. The Directors, together with brief biographical details, are identified on pages 28 and 29.

Excluding the Chairman, 67% of the Board is currently comprised of independent non-executive Directors.

Appointment and Replacement of Directors

Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association. Directors are appointed by the Company by ordinary resolution at a general meeting of holders of Ordinary shares or by the Board on the recommendation of the Nomination Committee. The Company may also remove a Director. In addition, further details of the workings of the Nomination Committee are set out on page 42.

As recommended by the UK Corporate Governance Code published in May 2010, at the Annual General Meeting of the Company to be held in April 2011, all of the Directors of the Company will submit themselves for re-election.

The non-executive Directors are initially appointed for a three year term with subsequent reappointment conditional upon an appraisal and review process described below. Letters of appointment for each of the independent non-executive Directors are available from the Company upon request and their terms of appointment are summarised on page 37. Details of the executive Directors' service contracts are set out on pages 36 and 37.

On appointment to the Board, each Director receives comprehensive induction tailored to their experience and needs. David Barr is receiving an induction to the Group, including site visits to subsidiaries. All Directors have access to the Company Secretary and to independent professional advice, at the Company's expense, in the furtherance of their duties. Directors are encouraged to maintain their skills and knowledge to best practice standards and, where appropriate, attend update training courses on relevant topics. The Company Secretary, through the Chairman, is responsible for keeping the Board informed of Corporate Governance developments and maintaining corporate awareness of legislative and regulatory changes. The appointment and removal of the Company Secretary is a matter reserved for the Board.

The Board normally meets formally five times a year and convened six times during 2010, of which one meeting was held in North America. Meeting dates are set a year in advance. Attendance by each of the Directors at Board or Committee meetings is detailed below.

	Notes	Board	Nomination Committee	Remuneration Committee	Audit Committee
Number of meetings held in 2010		6	2	4	4
Richard Hunting		6	2	–	–
Dennis Proctor		6	2	–	–
Peter Rose		6	–	–	–
George Helland		6	2	4	4
John Hofmeister		6	2	4	4
John Nicholas		6	2	4	4
Iain Paterson	1	3 (3)	0 (0)	3 (3)	2 (2)

Note 1 – retired on 8 June 2010, maximum possible number of meetings to be attended shown in brackets.

David Barr was appointed as a non-executive Director on 1 January 2011 and did not attend any meetings during 2010.

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

Corporate Governance Report continued

The duties and responsibilities of the Board and its committees are formally agreed by the Board in writing. In addition, the division of responsibilities between the Chairman and Chief Executive is set out in writing and agreed by the Board. Matters specifically reserved for the Board include, but are not limited to, the following:
> compliance with UK Company Law and the UK Listing Rules;
> review of the Group's system of risk management, internal control and assess its effectiveness;
> approve all Stock Exchange announcements;
> approve the full and half year financial statements, including the approval of dividends;
> consider the Group's commercial strategy and approve the annual budget;
> consider recommendations of the Board sub-committees including Board remuneration, appointments and their terms of reference.

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

Prior to the reappointment of a non-executive Director, the Nomination Committee undertakes an evaluation of the Director's contribution and commitment to the Board together with an evaluation of the Board's requirements. In the case of a non-executive Director being reappointed for a term beyond nine years, the Combined Code recommends a particularly rigorous evaluation with particular consideration being given to the need to regularly refresh the Board and to continued independence. The Nomination Committee undertook such an evaluation of George Helland prior to his reappointment for a one year term effective from 1 October 2010, concluding that he remained a committed and independent contributor to the Board. George Helland did not participate in the evaluation process undertaken by the Committee.

The Company has procedures in place to deal with potential conflicts of interest whereby actual and potential conflicts of interest are reviewed, and appropriate authorisation sought, prior to the appointment of any new Director or if a new conflict arises. In accordance with the Articles of Association, only non-conflicted Directors are involved in the authorisation process. The Board is of the view that these procedures operated effectively throughout the year.

The Group operates a decentralised management structure to allow for rapid responses to customer requirements. A framework of controls with discretionary limits and powers for local management is contained within a group manual.

The Board has three main committees to which it delegates responsibility and authorities.

Nomination Committee
Members of the Committee are Richard Hunting (Committee chairman), Dennis Proctor and the non-executive Directors. Iain Paterson retired from the Committee on 8 June 2010. The Committee convened twice during the year and has written terms of reference approved by the Board, which are published on the Company's website. Committee members in office participated in all Committee meetings except for George Helland who did not attend the section of the meeting which considered his reappointment. The role of the Committee includes leading the process for Board appointments and determining the terms of new appointments. The Committee also considers succession planning which takes into account the experience and skills required of Board members. The Committee met on 24 August 2010 to consider the reappointment of George Helland for a further one year term.

In August 2010, the Committee commenced a process to appoint a new non-executive Director. The Committee considered the balance of experience currently represented by the Board of Directors and the need to regularly refresh the Board and concluded that a Director with oil industry knowledge would enhance its capabilities. The Committee appointed Boyden Associates to assist the search process, and after reviewing the available candidates completed a formal interview process. On 14 December 2010 the Committee met and considered and recommended to the Board the appointment of David Barr, effective from 1 January 2011. Mr Barr has considerable experience in the global oil services sector and is a valuable addition to the Company as it continues its growth strategy.

Remuneration Committee
Details of the Remuneration Committee are contained within its report on page 34. The Committee, which convened four times during the year with all members in tenure participating, has written terms of reference approved by the Board, which are published on the Company's website. During the year, the Committee reviewed its effectiveness and the Chairman reported these findings to the Board. Iain Paterson retired from the Committee on 8 June 2010. David Barr joined the Committee on 1 January 2011 following his appointment to the Board.

Audit Committee
Members of the Committee comprise exclusively the independent non-executive Directors. John Nicholas was appointed as Audit Committee chairman on 24 February 2010, succeeding Iain Paterson, who retired from the Board and from the Committee on 8 June 2010. The Committee met four times during the year and operates

under written terms of reference approved by the Board, which are published on the Company's website. All Committee members attended all meetings held whilst in their tenure during the year. The Committee normally meets in February, April (to coincide with the Annual General Meeting of the Company), August and December. The Chairman, Chief Executive, Finance Director and the external auditors are invited to attend all meetings.

The auditors present an audit report at the February, April and August meetings for consideration by the Committee. Their full year report includes a statement on their independence, their ability to remain objective and to undertake an effective audit. The Committee considers and assesses this independence statement on behalf of the Board taking into account the level of fees paid particularly for non-audit services. The Committee considers the effectiveness of the audit by reviewing and taking account of any Financial Reporting Committee reports on the auditors, together with input from executive management. PricewaterhouseCoopers LLP and its predecessor firms have been the Company's auditors for many years. The Audit Committee is satisfied with their effectiveness and their independence and has not considered it necessary to require an independent tender process. The Audit Committee considers the reappointment of the auditors annually and makes a recommendation to the Board. During 2010, the Committee continued to closely monitor fees paid to the auditors in respect of non-audit services, which are analysed within note 9 on page 66 and includes £1.8m in respect of taxation advice and acquisition due diligence. The scope and extent of non-audit work undertaken by the external auditor is monitored by, and, above certain thresholds, requires prior approval from the Committee to ensure that the provision of such services does not impair their independence or objectivity. At the August meeting, which was held immediately prior to the announcement of the half year results, the auditors presented their interim report to the Committee, which included audit scope and fee estimates for the annual audit. The Committee normally meets with the auditors without executive Directors present at the end of each formal meeting.

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

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

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

During the year, the Committee reviewed its effectiveness and the Chairman reported these findings to the Board.

Institutional Shareholders
The Company uses a number of processes for communicating with shareholders, including all stock exchange announcements, the annual and half year reports, interim management statements issued twice a year, and the Annual General Meeting to which all shareholders are invited.

In addition, the Chief Executive and Finance Director meet on a one-to-one basis with all principal shareholders at least twice a year, following the Company's half and full year results, or when requested to update them on Group performance and strategy. The Board is in turn briefed by the Chief Executive, when appropriate, on matters raised by shareholders.

During the year, the Chairman and Senior Independent non-executive Director met with a number of shareholders to discuss strategy, governance and other matters. Their comments were passed on to the Board by the Chairman. The non-executive Directors are also available to meet shareholders.

The Company's major shareholders are listed, together with the information required under the Disclosure and Transparency Rules 7.2.6, within the Report of the Directors on page 31.

Internal Controls
The Board acknowledges its responsibility for the Group's system of internal control, for reviewing its effectiveness and for compliance with the Turnbull guidance. The internal control system, which has been in place throughout 2010 and up to the date of approval of these accounts, is an ongoing process designed to identify, evaluate and manage the significant risks to which the Company is exposed. These systems of internal control are designed to manage rather than eliminate risks, therefore they only provide reasonable, but not absolute assurance, against material misstatement or loss in the financial statements and of meeting internal control objectives. The Directors have reviewed the effectiveness of the Group's system of internal control for the period covered by these financial statements, the key features of which are as follows:

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

Reporting and Consolidation – all subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable. This includes weekly, bi-monthly and quarterly treasury reports, monthly management accounts, annual budgets and two-year plans, together with half year and annual statutory reporting. The Group's consolidation process is maintained and updated with regular communication, including distribution of a group manual to all reporting units. The Group monitors and reviews new UK Listing

Corporate Governance Report continued

Rules, Disclosure and Transparency Rules, accounting standards, interpretations and amendments and legislation and other statutory requirements. Subsidiary reporting entities are supported by instruction from Group and structured training. All data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets. The content and format of reporting is kept under review and periodically amended to ensure appropriate information is available.

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

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

Monitoring Process – in addition to reports from external auditors, the Audit Committee receives reports from the internal auditor and monitors the internal audit process, as part of the Group's internal audit and risk assessment programme. An annual programme of internal audit assignments is approved by the Audit Committee.

All subsidiaries undertake formal self assessment risk reviews a minimum of three times a year on their internal control environment. These reviews encompass the identification of the key business, financial, compliance and operational risks facing the business, together with an assessment of the controls in place for managing and mitigating these risks. Additionally, risks are evaluated for their potential impact on the business. The results of these reviews, together with a review of risks facing the Group as a whole, are reported to the Board.

Code of Conduct – recently published, the 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 Company's website for employees and business partners. Compliance with the Code will be regularly monitored.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration Committee Report 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 elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company'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 Service Authority's Listing Rules and Disclosure and Transparency Rules, each of the Directors, whose names and responsibilities are listed on page 29, 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 the Company; and
> the Business Review on pages 6 to 27 includes a fair review of the development and performance of the Group's operations and the position of the Group and the Company, together with a description of the principal risks and uncertainties they face.

By Order of the Board

Peter Rose
Company Secretary
24 February 2011

Report of the Auditors

Independent Auditors' Report to the Members of Hunting PLC

We have audited the financial statements of Hunting PLC for the year ended 31 December 2010 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2010 and of the Group's profit and Group's and parent Company's cash flows for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

> the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

> the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

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

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent Company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of Directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

> the Directors' statement, set out on page 33, in relation to going concern;

> the parts of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and

> certain elements of the report to shareholders by the Board on Directors' remuneration.

Charles van den Arend
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2011

Principal Accounting Policies

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

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

Adoption of New Standards, Amendments and Interpretations
The following new standards, amendments and interpretations became effective for and were adopted during the year ended 31 December 2010:
> IFRS 3 (revised) *Business Combinations*
> IAS 27 (revised) *Consolidated and Separate Financial Statements*
> Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* – Eligible Hedged Items
> Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions
> Improvements to IFRSs – April 2009
> IFRIC 17 *Distributions of Non-cash Assets to Owners*

IFRS 3 (revised) *Business Combinations* is effective for the Group for all business combinations which complete after 31 December 2009. The revised standard introduces significant changes to the accounting for business acquisitions. All consideration, including contingent consideration, is recorded at fair value at the acquisition date, with contingent consideration liabilities subsequently re-measured through the income statement. All acquisition costs are expensed to the income statement in the period in which they are incurred. IFRS 3 (revised) also offers a choice, on an acquisition-by-acquisition basis, to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The comparative figures for 2009 have not been restated on adoption of this standard, as it does not impact the Group's 2009 financial performance or position.

Although the adoption of the other standards, amendments and interpretations represent a change in accounting policy, comparative figures for 2009 have not been restated for these, as the changes do not impact the financial performance or position of the Group.

Standards, Amendments and Interpretations Effective Subsequent to the Year End
> IFRS 9 *Financial Instruments**
> IAS 24 (revised) *Related Party Disclosures*
> Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
> Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*
> Amendment to IFRS 7 *Financial Instruments: Disclosures* – Transfers of Financial Assets*
> Amendment to IAS 12 – Deferred tax: Recovery of Underlying Assets*
> IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
> Improvements to IFRSs – May 2010

* Not yet endorsed by the European Union

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

Consolidation
On adoption of IFRS, the Company elected not to restate business combinations prior to 1 January 2004. The Group accounts include the results of the Company and its subsidiaries, together with its share of associates.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for a business acquisition represents the fair values of any assets transferred, liabilities incurred and/or equity interests issued by the Group. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The subsequent movement in fair value of any contingent asset or liability is measured through the income statement. Acquisition-related costs are expensed to the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. IFRS 3 (revised) offers a choice, on an acquisition-by-acquisition basis, to measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

Associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Generally, the Group regards an investment in the voting rights of between 20% and 50% as an associate. The Group's share of after

tax results of associates is included separately in the income statement and the Group's share of the net assets is included separately in the balance sheet.

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

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

Revenue from services is recognised as the services are rendered. Revenue from product sales is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products.

Long-term contracts are contracts which cover more than one accounting period and which do not fall within the definition of construction contracts.

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

Revenue on long-term contracts for the supply of goods is recognised on completion of the contract when the significant risks and rewards of ownership are transferred to the customer. However, if control and the significant risks and rewards of ownership of the work in progress in its current state are transferred to the customer as construction progresses, then revenue is recognised by reference to the stage of completion.

Exceptional Items
Exceptional items are regarded as significant items of income and expense, which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance. Exceptional items are principally profits or losses on the closure or disposal of subsidiaries, provision for warranties on disposal of subsidiaries, the impairment of assets, provisions for onerous leases and acquisition costs.

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

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

The presentation currency of the Group and functional currency of Hunting PLC is sterling.

Transactions in currencies other than the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denoted in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and any exchange differences arising are taken to the income statement.

For consolidation purposes, the net assets of overseas subsidiaries and associates are translated into sterling at the exchange rates ruling at the balance sheet date. The income statements of overseas subsidiaries and associates are translated into sterling at the average rates of exchange for the year. Exchange differences are recognised directly in equity in the foreign currency translation reserve, together with exchange differences arising on foreign currency loans used to finance overseas net investments. The foreign currency translation reserve commenced on 1 January 2004 and all cumulative translation differences for foreign operations that existed on 1 January 2004 were deemed to be zero.

On the disposal of a business, the cumulative exchange differences previously recognised in the foreign currency translation reserve relating to that business are transferred to the income statement as part of the gain or loss on disposal.

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

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

Principal Accounting Policies continued

Taxation
The taxation charge in the income statement comprises current tax and deferred tax arising on the current year's net profits and adjustments to tax arising on prior year's profits.

Current tax is the expected net tax payable arising in the current year on the current year's net profits, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to net tax payable in respect of prior years' net profits.

Deferred tax is the expected net tax payable on the current year's net profits arising in a future year, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Full provision is made for deferred taxation on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet. Deferred tax assets are recognised only to the extent that they are expected to be recoverable and are reported as non-current assets in line with IAS 1. Consequently, deferred tax assets that are expected to be recovered within twelve months are recognised within non-current assets. The same accounting treatment applies for deferred tax liabilities.

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

Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.

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

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

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

Depreciation is charged so as to write off the cost of assets, other than land or assets under construction, using the straight-line method, over their estimated useful lives, at the following rates:

> Freehold buildings – 2% to 10%
> Leasehold buildings – life of lease
> Oil and gas exploration and development equipment – unit of production
> Plant, machinery and motor vehicles – 6% to 33⅓%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Freehold land and expenditure on the exploration for and evaluation of mineral resources are not depreciated.

Assets in the course of construction are carried at cost, less any impairment in value. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

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

Goodwill
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration paid exceeds the fair value of the Group's share of the net assets acquired.

Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses. Negative goodwill is immediately written off to the income statement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

On the disposal of a business, goodwill relating to that business remaining on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

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

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

Intangible assets are amortised over the following period:
> General computer software – three to eight years
> Customer relationships – four to ten years
> Patents – seven years
> Other intangibles – one to eight years

Impairments
The Group carries out impairment reviews in respect of goodwill at least annually. The Group also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognised immediately in the income statement.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business.

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

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

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

(a) Financial Assets at Fair Value Through Profit or Loss
Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise. A financial asset is included in this category if acquired principally for the purpose of selling in the short-term and also includes derivatives that are not designated in a hedge relationship. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

(b) Loans and Receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and receivables are carried at amortised cost using the effective interest method. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Interest accrued on loans carried at amortised cost is regarded as an integral part of the loan balance and therefore included within the carrying amount of those loans. Consequently, interest receivable within twelve months on loans due after more than one year is recognised within non-current assets.

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

Financial Liabilities
Financial liabilities, including trade payables, are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value

Principal Accounting Policies continued

through profit or loss, transaction costs. The Group subsequently re-measures all of its non-derivative financial liabilities, including trade payables, at amortised cost.

Payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Debt Issue Costs

When it is probable that some or all of the loan facility will be drawn down, transaction costs are capitalised and amortised through interest expense using the effective interest method. When it is not probable that some or all of the loan facility will be drawn down, the facility fee is capitalised as a prepayment for services and amortised over the period of the facility to which it relates.

Derivatives and Financial Instruments

Derivatives are initially recognised at fair value as net proceeds received or consideration paid at the trade date and are subsequently re-measured at their fair value at each balance sheet date.

Changes in the fair value of derivatives that have not been designated in a hedge relationship are recognised immediately in the income statement.

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

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

Embedded Derivatives

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

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

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

Leases

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

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

Provisions

Provisions are liabilities where the amount or timing of future expenditure is uncertain. Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation. If the time value of money is material, provisions are discounted to their present value.

If an obligation is not capable of being reliably estimated it is classified as a contingent liability.

Employee Benefits

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

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

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

All cumulative actuarial gains and losses at 1 January 2004 have been recognised in reserves.

The expected cost of post-employment benefit obligations is spread evenly over the period of service of the employees.

Share-based Payments

The Group issues cash-settled share-based payments to certain employees as consideration for services received from the employees. A liability equal to the portion of the services received is recognised at its current fair value, determined at each balance sheet date. The fair value of the liability is re-measured at each subsequent reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss. The fair value is measured as the present value of the future cash flows.

The Group also issues equity-settled share-based payments to certain employees as consideration for services received from the employees. The fair value of the employees' services is recognised as an expense in the income statement on a straight-line basis over the vesting period based on the Group's estimate of awards that will ultimately vest.

The fair value of employees' services is determined by an external valuer, using the Monte Carlo valuation model, with reference to the grant date fair value of the options granted. The fair value includes market performance conditions in respect of the performance based awards and excludes the impact of any service and non-market performance vesting conditions.

The estimate of the number of awards likely to vest is reviewed at each balance sheet date and at the vesting date, where the estimate is adjusted to reflect current expectations. The adjustment is included as part of the underlying expense recognised in the income statement. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

IFRS 2 *Share-based Payments* has been applied from 1 January 2004 to grants of equity instruments issued after 7 November 2002 that had not vested by 1 January 2005.

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 shown in equity as a deduction from the proceeds, net of tax.

Treasury Shares

Treasury shares are stated at cost and presented as a deduction from equity attributable to owners of the parent. Consideration received for the sale of these shares is also recognised directly in equity, with any difference between the proceeds from the sale and the original cost being taken directly to retained earnings.

Dividend Distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders and are dealt with in the Statement of Changes in Equity. Interim dividends are recognised when paid.

Critical Accounting Estimates and Judgements

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

Accounting estimates are applied in determining the carrying amounts of the following significant assets and liabilities: employee benefits (as detailed in note 32), goodwill (note 16), share-based payments (as detailed in note 39), provisions (fair value of obligation and discount rate as detailed in note 31) and deferred taxation (timing of liabilities and timing and recoverability of assets as detailed in note 22). Deferred tax balances are derived from assumptions, which include the future utilisation of trading losses and provisions at assumed tax rates.

In respect of the sale of Gibson Energy, accounting estimates and judgements have been applied in determining (i) the fair value of the outstanding equity warrant (note 19), which is based on published financial data and management's best estimate of the recoverable amount, given the legal terms of the equity warrant and prevailing economic conditions, and (ii) provisions for tax indemnities, where the timing and amount of any provisions that may be payable remains uncertain.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Before exceptional items 2010 £m	Exceptional items 2010 £m	Total 2010 £m	Before exceptional items 2009 £m	Exceptional items 2009 £m	Total 2009 £m
Revenue	1	461.6	–	461.6	359.9	–	359.9
Cost of sales		(336.3)	(8.4)	(344.7)	(261.4)	–	(261.4)
Gross profit		125.3	(8.4)	116.9	98.5	–	98.5
Other operating income	3	5.4	–	5.4	5.0	–	5.0
Operating expenses	4	(83.0)	(3.1)	(86.1)	(67.7)	0.6	(67.1)
Profit from continuing operations	1	47.7	(11.5)	36.2	35.8	0.6	36.4
Interest income	8	4.2	–	4.2	6.2	–	6.2
Interest expense	8	(2.9)	–	(2.9)	(4.4)	–	(4.4)
Share of post-tax profits in associates	18	1.0	–	1.0	0.9	–	0.9
Profit before tax from continuing operations		50.0	(11.5)	38.5	38.5	0.6	39.1
Taxation	11	(15.0)	3.5	(11.5)	(12.2)	–	(12.2)
Profit for the year:							
From continuing operations		35.0	(8.0)	27.0	26.3	0.6	26.9
From discontinued operations	12	1.9	(4.6)	(2.7)	0.9	3.9	4.8
Profit for the year		**36.9**	**(12.6)**	**24.3**	27.2	4.5	31.7
Profit attributable to:							
Owners of the parent	35	34.4	(12.6)	21.8	24.2	4.5	28.7
Non-controlling interests	36	2.5	–	2.5	3.0	–	3.0
		36.9	**(12.6)**	**24.3**	27.2	4.5	31.7

Earnings per share

	Notes	2010	2009
Basic – from continuing operations	14	18.6p	18.2p
– from discontinued operations	14	(2.0)p	3.7p
Group total		**16.6p**	21.9p
Diluted – from continuing operations	14	18.3p	17.8p
– from discontinued operations	14	(2.0)p	3.6p
Group total		**16.3p**	21.4p

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £m	2009 £m
Profit for the year		24.3	31.7
Other comprehensive income after tax:			
Exchange adjustments		7.2	(9.8)
Release of foreign exchange adjustments on disposal of subsidiary		–	(3.1)
Fair value gain on available for sale financial asset arising during the year	19	15.3	1.3
Fair value gains and losses:			
– gains originating on cash flow hedges arising during the year		0.5	0.6
– (gains) losses transferred to income statement on disposal of cash flow hedges		(0.1)	2.2
Actuarial losses on defined benefit pension schemes		(2.0)	(0.3)
Other comprehensive income after tax		20.9	(9.1)
Total comprehensive income for the year		**45.2**	**22.6**
Total comprehensive income attributable to:			
Shareholders' of the parent		42.8	19.7
Non-controlling interests		2.4	2.9
		45.2	**22.6**

Consolidated Balance Sheet

AT 31 DECEMBER 2010

	Notes	2010 £m	Restated 2009 £m
ASSETS			
Non-current assets			
Property, plant and equipment	15	154.1	121.4
Goodwill	16	100.3	54.9
Other intangible assets	17	22.6	4.3
Investments in associates	18	13.0	11.7
Available for sale investments	19	45.1	29.8
Retirement benefit assets	32	5.5	8.0
Trade and other receivables	21	3.6	3.6
Deferred tax assets	22	8.6	4.6
		352.8	238.3
Current assets			
Inventories	23	130.7	116.4
Trade and other receivables	21	104.3	60.2
Investments	24	2.5	–
Cash and cash equivalents	25	268.7	403.6
		506.2	580.2
LIABILITIES			
Current liabilities			
Trade and other payables	26	106.2	110.5
Current tax liabilities		17.5	8.3
Borrowings	27	56.7	38.0
Provisions	31	39.8	61.4
		220.2	218.2
Net current assets		286.0	362.0
Non-current liabilities			
Borrowings	27	2.3	0.6
Deferred tax liabilities	22	25.6	18.4
Other payables	26	–	2.0
Provisions	31	16.3	17.5
		44.2	38.5
Net assets		**594.6**	**561.8**
Equity attributable to owners of the parent			
Share capital	33	33.1	33.1
Share premium	33	85.8	90.2
Other components of equity	34	52.2	28.0
Retained earnings	35	409.3	397.2
		580.4	548.5
Non-controlling interests	36	14.2	13.3
Total equity		**594.6**	**561.8**

The balance sheet at 31 December 2009 has been restated to recognise additional goodwill and other payables of £0.8m on the acquisition of the Welltonic group of companies on 10 December 2009. The balance sheet at 1 January 2009 has not been presented, as there was no impact on the previous year's numbers from this adjustment.

Company Balance Sheet

AT 31 DECEMBER 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investments in subsidiaries	20	313.0	312.9
Trade and other receivables	21	10.2	10.2
		323.2	323.1
Current assets			
Trade and other receivables	21	2.4	1.8
Current tax asset		2.4	3.6
Cash and cash equivalents	25	4.5	–
		9.3	5.4
Current liabilities			
Trade and other payables	26	7.6	8.0
Borrowings	27	37.4	16.5
		45.0	24.5
Net current liabilities		(35.7)	(19.1)
Non-current liabilities			
Borrowings	27	77.9	127.9
Deferred tax liabilities	22	1.1	0.1
		79.0	128.0
Net assets		**208.5**	176.0
Equity attributable to owners of the parent			
Share capital	33	33.1	33.1
Share premium	33	85.8	90.2
Other components of equity	34	5.6	4.3
Retained earnings	35	84.0	48.4
		208.5	176.0

The notes on pages 60 to 103 are an integral part of these consolidated financial statements. The financial statements on pages 46 to 103 were approved by the Board of Directors on 24 February 2011 and were signed on its behalf by:

Dennis Proctor
Peter Rose
Directors

Registered number: 974568

Consolidated Statement of Changes in Equity

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

Consolidated Statement of Changes in Equity continued

	Year ended 31 December 2009						
	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January	**33.0**	**90.0**	**38.7**	**383.4**	**545.1**	**12.2**	**557.3**
Comprehensive income							
Profit for the year	–	–	–	28.7	28.7	3.0	31.7
Exchange adjustments	–	–	(9.7)	–	(9.7)	(0.1)	(9.8)
Release of foreign exchange adjustments on disposal of subsidiary	–	–	(3.1)	–	(3.1)	–	(3.1)
Fair value gains and losses:							
– gain on available for sale financial assets arising during the period	–	–	1.3	–	1.3	–	1.3
– gains originating on cash flow hedges arising during the period	–	–	0.6	–	0.6	–	0.6
– losses transferred to income statement on disposal of cash flow hedges	–	–	2.2	–	2.2	–	2.2
Actuarial losses on defined benefit pension schemes	–	–	–	(0.3)	(0.3)	–	(0.3)
Total other comprehensive income	–	–	(8.7)	(0.3)	(9.0)	(0.1)	(9.1)
Total comprehensive income	**–**	**–**	**(8.7)**	**28.4**	**19.7**	**2.9**	**22.6**
Transactions with owners							
Dividends	–	–	–	(13.8)	(13.8)	(1.8)	(15.6)
Shares issued							
– share option schemes	0.1	0.1	–	–	0.2	–	0.2
Purchase of Treasury shares	–	–	–	(7.9)	(7.9)	–	(7.9)
Disposal of Treasury shares	–	–	–	4.0	4.0	–	4.0
– taxation	–	–	–	0.2	0.2	–	0.2
Share options and awards							
– value of employee services	–	–	1.0	–	1.0	–	1.0
– discharge	–	0.1	(1.6)	1.5	–	–	–
Transfer between reserves	–	–	(1.4)	1.4	–	–	–
Total transactions with owners	**0.1**	**0.2**	**(2.0)**	**(14.6)**	**(16.3)**	**(1.8)**	**(18.1)**
At 31 December	**33.1**	**90.2**	**28.0**	**397.2**	**548.5**	**13.3**	**561.8**

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m
	Year ended 31 December 2010				
At 1 January	**33.1**	**90.2**	**4.3**	**48.4**	**176.0**
Comprehensive income					
Profit for the year	–	–	–	44.3	44.3
Transactions with owners					
Dividends	–	–	–	(14.1)	(14.1)
Shares issued					
– share option schemes	–	0.7	–	–	0.7
Purchase of Treasury shares	–	–	–	(0.4)	(0.4)
Disposal of Treasury shares	–	–	–	0.2	0.2
Share options and awards					
– value of employee services	–	–	1.6	–	1.6
– discharge	–	–	(0.4)	0.4	–
Transfer between reserves	–	(5.1)	–	5.1	–
Other	–	–	0.1	0.1	0.2
Total transactions with owners	**–**	**(4.4)**	**1.3**	**(8.7)**	**(11.8)**
At 31 December	**33.1**	**85.8**	**5.6**	**84.0**	**208.5**

	Share capital £m	Share premium £m	Other components of equity £m	Retained earnings £m	Total £m
	Year ended 31 December 2009				
At 1 January	33.0	90.0	4.9	40.1	168.0
Comprehensive income					
Profit for the year	–	–	–	24.6	24.6
Transactions with owners					
Dividends	–	–	–	(13.8)	(13.8)
Shares issued					
– share option schemes	0.1	0.1	–	–	0.2
Purchase of Treasury shares	–	–	–	(7.9)	(7.9)
Disposal of Treasury shares	–	–	–	4.0	4.0
Share options and awards					
– value of employee services	–	–	1.0	–	1.0
– discharge	–	0.1	(1.6)	1.5	–
Other	–	–	–	(0.1)	(0.1)
Total transactions with owners	0.1	0.2	(0.6)	(16.3)	(16.6)
At 31 December	33.1	90.2	4.3	48.4	176.0

Consolidated and Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Operating activities					
Continuing operations:					
Profit (loss) from operations		36.2	36.4	(4.3)	(5.3)
Depreciation, amortisation and impairment		29.0	14.8	–	–
Loss on disposal of property, plant and equipment		1.7	1.6	–	–
Proceeds from disposal of property, plant and equipment held for rental		1.8	2.0	–	–
Purchase of property, plant and equipment held for rental		(10.1)	(7.3)	–	–
(Increase) decrease in inventories		(0.1)	2.3	–	–
(Increase) decrease in receivables		(34.3)	48.1	(0.4)	14.1
Decrease in payables		(13.6)	(38.5)	(0.4)	(1.6)
Decrease in provisions		(3.3)	(10.8)	–	
Taxation (paid) received		(5.7)	(10.0)	2.5	4.4
Other non-cash flow items		1.5	2.5	1.5	2.5
Discontinued operations		–	3.2	–	–
Net cash inflow (outflow) from operating activities		3.1	44.3	(1.1)	14.1
Investing activities					
Continuing operations:					
Interest received		3.5	4.9	0.4	0.7
Dividends received from subsidiaries		–	–	50.0	50.0
Dividends received from associates	18	0.2	0.2	–	–
Purchase of subsidiaries		(81.1)	(44.3)	–	(30.5)
Net cash acquired with subsidiaries		0.7	1.4	–	–
Disposal of subsidiaries		–	26.5	–	0.3
Net cash disposed of with subsidiary		–	(2.5)	–	–
Indemnity payments in respect of disposed subsidiaries		(25.2)	–	–	–
Loans from associates		0.4	–	–	–
Loans from associates repaid		(0.2)	(0.5)	–	–
Loans to associates repaid		–	1.0	–	–
Proceeds from disposal of property, plant and equipment		1.0	0.7	–	–
Purchase of property, plant and equipment		(39.6)	(14.3)	–	–
Purchase of intangibles and available for sale investments		(0.2)	(0.1)	–	–
Purchase of bank deposit investments	24	(2.5)	–	–	–
Discontinued operations		–	(0.3)	–	–
Net cash (outflow) inflow from investing activities		(143.0)	(27.3)	50.4	20.5
Financing activities					
Continuing operations:					
Interest paid		(1.6)	(1.9)	(2.1)	(3.1)
Equity dividends paid		(14.1)	(13.8)	(14.1)	(13.8)
Non-controlling interest dividend paid		(1.5)	(1.8)	–	–
Share capital issued	33	0.7	0.2	0.7	0.2
Purchase of treasury shares		(0.4)	(7.7)	(0.4)	(7.7)
Disposal of treasury shares		0.2	3.9	0.2	3.9
Capital element of finance leases		(0.2)	(1.3)	–	–
Proceeds from new borrowings		1.7	0.6	–	10.9
Repayment of borrowings		–	–	(50.0)	(10.7)
Net cash outflow from financing activities		(15.2)	(21.8)	(65.7)	(20.3)
Net cash (outflow) inflow in cash and cash equivalents		(155.1)	(4.8)	(16.4)	14.3
Cash and cash equivalents at the beginning of the year		365.8	372.4	(16.5)	(31.6)
Effect of foreign exchange rates		1.3	(1.8)	–	0.8
Cash and cash equivalents at end of the year		**212.0**	365.8	**(32.9)**	(16.5)
Cash and cash equivalents and bank overdrafts at the end of the year comprise:					
Cash and cash equivalents (note 25)		268.7	403.6	4.5	–
Bank overdrafts included in borrowings (note 27)		(56.7)	(37.8)	(37.4)	(16.5)
		212.0	365.8	**(32.9)**	(16.5)

Notes to the Financial Statements

1. Segmental Reporting

The Group reports on six operating segments in its internal management reports. The Group's segments are strategic business units that offer different products and services to international oil and gas companies, the aviation and shipping sector.

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

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

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

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

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

Field Aviation is an aircraft service organisation providing modification, installation, distribution, maintenance and manufacturing services for regional, business and government operators worldwide.

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

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

1. Segmental Reporting (continued)

Results from operations

	Year ended 31 December 2010					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before exceptional items £m	Exceptional items £m	Total £m
Continuing operations:						
Hunting Energy Services						
Well Construction	116.5	(5.2)	111.3	8.0	–	8.0
Well Completion	229.6	(5.4)	224.2	23.1	–	23.1
Well Intervention	58.8	(0.1)	58.7	9.3	–	9.3
Exploration and Production	6.5	–	6.5	1.3	(8.4)	(7.1)
	411.4	(10.7)	400.7	41.7	(8.4)	33.3
Other Operating Divisions						
Gibson Shipbrokers	22.6	–	22.6	1.0	–	1.0
Field Aviation	38.3	–	38.3	5.0	–	5.0
	60.9	–	60.9	6.0	–	6.0
Total from continuing operations	**472.3**	**(10.7)**	**461.6**	**47.7**	**(8.4)**	**39.3**
Exceptional items not apportioned to business segments				–	(3.1)	(3.1)
Profit from continuing operations				**47.7**	**(11.5)**	**36.2**
Net finance income				1.3	–	1.3
Share of post-tax profits in associates				1.0	–	1.0
Profit before tax from continuing operations				**50.0**	**(11.5)**	**38.5**
Discontinued operations:						
Gibson Energy				–	(4.5)	(4.5)
Hunting Energy France				–	(0.1)	(0.1)
Total from discontinued operations				**–**	**(4.6)**	**(4.6)**
Taxation				1.9	–	1.9
Profit from discontinued operations				**1.9**	**(4.6)**	**(2.7)**

Notes to the Financial Statements continued

1. Segmental Reporting (continued)

	Year ended 31 December 2009					
	Total gross revenue £m	Inter-segmental revenue £m	Total revenue £m	Profit from operations before exceptional items £m	Exceptional items £m	Total £m
Continuing operations:						
Hunting Energy Services						
Well Construction	80.0	(2.1)	77.9	3.3	–	3.3
Well Completion	184.7	(8.5)	176.2	20.3	–	20.3
Well Intervention	29.4	–	29.4	4.0	–	4.0
Exploration and Production	5.6	–	5.6	0.3	–	0.3
	299.7	(10.6)	289.1	27.9	–	27.9
Other Operating Divisions						
Gibson Shipbrokers	20.8	–	20.8	0.7	–	0.7
Field Aviation	50.0	–	50.0	7.2	–	7.2
	70.8	–	70.8	7.9	–	7.9
Total from continuing operations	**370.5**	**(10.6)**	**359.9**	**35.8**	**–**	**35.8**
Exceptional items not apportioned to business segments				–	0.6	0.6
Profit from continuing operations				**35.8**	**0.6**	**36.4**
Net finance income				1.8	–	1.8
Share of post-tax profits in associates				0.9	–	0.9
Profit before tax from continuing operations				**38.5**	**0.6**	**39.1**
Discontinued operations:						
Gibson Energy	–	–	–	–	1.0	1.0
Hunting Energy France	18.9	–	18.9	1.2	2.8	4.0
Total from discontinued operations	**18.9**	**–**	**18.9**	**1.2**	**3.8**	**5.0**
Net finance costs				0.1	–	0.1
Taxation				(0.4)	0.1	(0.3)
Profit from discontinued operations				**0.9**	**3.9**	**4.8**

1. Segmental Reporting (continued)

Other segment items

	2010			2009	
	Depreciation £m	**Amortisation of intangible assets £m**	**Impairment £m**	Depreciation £m	Amortisation of intangible assets £m
Continuing operations:					
Hunting Energy Services					
Well Construction	6.2	1.7	0.5	3.9	–
Well Completion	5.6	–	–	5.5	–
Well Intervention	2.8	0.8	–	1.8	0.6
Exploration and Production	2.3	–	8.4	2.3	–
	16.9	**2.5**	**8.9**	13.5	0.6
Other Operating Divisions					
Gibson Shipbrokers	0.2	–	–	0.2	–
Field Aviation	0.5	–	–	0.5	–
Total – continuing operations	**17.6**	**2.5**	**8.9**	14.2	0.6
Discontinued operations:					
Hunting Energy France	–	–	–	0.3	–

Geographical information

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

	External revenue		Non-current assets	
	2010 £m	2009 £m	**2010 £m**	Restated 2009 £m
Continuing operations:				
UK	131.3	108.7	95.5	73.2
USA	182.7	100.3	195.6	112.3
Canada	79.7	94.0	24.0	23.0
Rest of Europe	11.3	17.3	2.8	2.7
Singapore	56.1	38.1	20.8	14.3
Other	0.5	1.5	–	0.2
	461.6	359.9	**338.7**	225.7
Discontinued operations:				
Rest of Europe	–	18.9	–	–
	461.6	378.8	**338.7**	225.7
Unallocated assets:				
Deferred tax assets	–	–	8.6	4.6
Retirement benefit assets	–	–	5.5	8.0
Total	**461.6**	378.8	**352.8**	238.3

Non-current assets for 2009 have been restated for the additional goodwill of £0.8m recognised on the acquisition of the Welltonic group of companies on 10 December 2009. The additional goodwill has been included within UK non-current assets.

Major customer information

The Group had no (2009 – nil) customers who accounted for more than 10% of the Group's external revenue during the year.

Company

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

Notes to the Financial Statements continued

2. Revenue

	2010 £m	2009 £m
Sale of goods	417.2	339.1
Revenue from services	44.4	20.8
Continuing operations	**461.6**	359.9

3. Other Operating Income

	2010 £m	2009 £m
Royalty income	1.3	1.1
Operating lease rental income	2.3	1.7
Gain on disposal of property, plant and equipment	0.5	0.3
Net gains on fair value movement of non-hedging derivatives	–	0.1
Foreign exchange gains	0.7	1.1
Other income	0.6	0.7
Continuing operations	**5.4**	5.0

4. Operating Expenses

	2010 £m	2009 £m
Administration expenses	83.9	65.1
including:		
Exceptional items	3.1	(0.6)
Net loss on fair value movement of non-hedging derivatives	–	0.2
Foreign exchange losses	0.3	3.0
Distribution costs	2.2	2.0
Continuing operations	**86.1**	67.1

5. Exceptional Items

	2010 £m	2009 £m
Exceptional items comprise:		
Acquisition costs	3.1	–
Impairment of property, plant and equipment	5.3	–
Dry hole costs	3.1	–
Property provisions	0.1	0.9
Other exceptional items	(0.1)	(1.5)
	11.5	(0.6)

The impairment charge of £5.3m relates to the write down of oil and gas development expenditure, largely due to a change in the discount rate used to value the oil and gas reserves and a fall in commodity prices during the year. The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted pre-tax cash flow projections based on estimated oil and gas reserves, future production and income attributable to such reserves. Cash flows are based on reserve production lives varying from one to fifteen years. Cash flows are discounted using a pre-tax rate of 10% compared to 8% in 2009, the change having an impairment impact of £1.2m in the year. The prices of oil and natural gas are derived from published futures prices, with the long-term average oil price assumed to be US$90.97 bbl (2009 – US$88.01 bbl) and the long-term average gas price at US$5.10 mcf (per 1,000 cubic feet). A decline in the long-term average gas price from US$6.63 mcf in 2009, together with a review of oil and gas reserves, resulted in an impairment impact of £4.1m in the year.

The Group has released £0.1m (2009 – £1.5m) of surplus provisions relating to warranties given in respect of a former subsidiary.

6. Employees

	2010	2009		
	Continuing operations £m	Continuing operations £m	Discontinued operations £m	Total £m
Staff costs during the year comprised:				
Wages and salaries	88.6	75.7	4.3	80.0
Social security costs	8.1	6.9	2.0	8.9
Share-based payments (note 39)	2.1	3.6	–	3.6
Pension costs – defined contribution schemes (note 32)	3.0	2.9	0.1	3.0
Pension costs – defined benefit scheme (note 32)	1.5	1.1	–	1.1
	103.3	**90.2**	**6.4**	**96.6**

	2010	2009		
	Continuing operations Number	Continuing operations Number	Discontinued operations Number	Total Number
The average monthly number of employees (including executive Directors) comprised:				
UK	459	457	–	457
Rest of Europe	52	52	104	156
Canada	417	472	–	472
USA	793	692	–	692
Asia Pacific	315	216	–	216
	2,036	**1,889**	**104**	**1,993**

The Company has no employees.

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

	2010 £m	2009 £m
Salaries and short-term employee benefits	1.9	1.2
Post employment benefits	0.2	0.1
Long-term incentive plan	0.1	1.3
Share-based payments	0.3	0.1
	2.5	**2.7**

Salaries and short-term benefits are included within Emoluments on page 38 of the Remuneration Committee's Report. Post employment benefits comprise employer pension contributions. Share options exercised are disclosed on page 39 within Directors' Options over Ordinary shares in the Remuneration Committee's Report.

7. EBITDA

Pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") comprises:

	2010 £m	2009 £m
Profit from continuing operations (page 52)	36.2	36.4
Add: Exceptional charges (income) excluding impairment and dry hole costs (note 5)	3.1	(0.6)
Depreciation, amortisation and impairment (note 1)	29.0	14.8
	68.3	**50.6**

Notes to the Financial Statements continued

8. Net Finance Costs

	2010 £m	2009 £m
Finance income:		
Bank balances and deposits	3.1	4.7
Gain on fair value movement of non-hedging financial instruments	–	0.3
Other investment income	0.8	0.3
Foreign exchange gains	0.3	0.9
	4.2	6.2
Finance expense:		
Bank overdrafts	0.9	0.8
Unwinding of discount in provisions	0.5	0.5
Bank fees and commissions	0.5	0.2
Other	0.2	0.7
Foreign exchange losses	0.6	1.8
Loss on fair value movement of non-hedging financial instruments	0.2	0.4
	2.9	4.4
Net finance income – continuing operations	**1.3**	1.8

9. Profit from Continuing Operations

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

	2010 £m	2009 £m
Staff costs (note 6)	103.3	90.2
Depreciation of property, plant and equipment	17.6	14.2
Amortisation of other intangible assets (included in operating expenses)	2.5	0.6
Impairment of property, plant and equipment (included in cost of sales and operating expenses)	8.9	–
Impairment of trade and other receivables	0.5	0.8
Cost of inventories recognised as expense (included in cost of sales)	240.4	179.3
Write down in inventories	0.9	5.2
Net loss on disposal of property, plant and equipment	1.7	1.6
Operating lease payments:		
– Plant and machinery	0.7	0.6
– Property	6.7	5.2
Research and development expenditure	0.9	0.9

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Statutory audit of the parent and Group accounts	0.2	0.2	0.2	0.2
Statutory audit of the Group's subsidiaries accounts	1.0	0.8	–	–
Transaction services	0.8	0.4	0.4	–
Tax services	1.0	0.9	0.3	0.3
Other	–	0.1	–	–
	3.0	2.4	**0.9**	0.5

10. Other Losses (Gains) – Net

	2010 £m	2009 £m
Net foreign exchange losses (gains):		
– financial assets held for trading	–	0.3
– cash and cash equivalents	0.1	0.9
– loans and receivables	(0.7)	1.9
– financial liabilities held for trading	–	(0.1)
– financial liabilities measured at amortised cost	0.5	(0.2)

11. Taxation

	2010 £m	2009 £m
The tax charge in the income statement comprised:		
Current tax		
– current year expense	12.8	9.0
– adjustment in respect of prior years	0.2	(0.9)
	13.0	8.1
Deferred tax		
– origination and reversal of temporary differences	(1.8)	1.5
– previously unrecognised tax losses and credits	0.3	2.6
	(1.5)	4.1
Total tax charged to the income statement – continuing operations	**11.5**	**12.2**

The tax charge to the income statement includes a credit of £3.5m (2009 – £nil) in respect of exceptional items and comprises £2.8m (2009 – £nil) in respect of the impairment of oil and gas development expenditure, £0.3m (2009 – £nil) in respect of property provisions and £0.4m (2009 – £nil) for acquisition costs.

The weighted average applicable tax rate for continuing operations before exceptional items is 30% (2009 – 32%). The lower rate in 2010 is mainly due to the increased weighting of profits arising in lower tax jurisdictions.

The tax charge for the year is higher (2009 – higher) than the standard rate of UK corporation tax of 28% (2009 – 28%) for the following reasons:

	2010 £m	2009 £m
Profit before tax from continuing operations	**38.5**	**39.1**
Tax at 28% (2009 – 28%)	10.8	10.9
Permanent differences	1.4	2.4
(Untaxed) non-tax deductible exceptional items	(0.3)	(0.1)
Utilisation of unrecognised tax assets	–	(0.8)
Lower rate of tax on overseas profits	(0.9)	(1.9)
Adjustments in respect of prior years	0.5	1.7
Tax charge for the year – continuing operations	**11.5**	**12.2**

Tax effects relating to each component of other comprehensive income:

	2010			2009		
	Before tax £m	Tax (charged) credited £m	After tax £m	Before tax £m	Tax (charged) credited £m	After tax £m
Exchange adjustments	7.5	(0.3)	7.2	(12.1)	2.3	(9.8)
Release of foreign exchange adjustments on disposal of subsidiary	–	–	–	(3.1)	–	(3.1)
Fair value gain on available for sale financial asset arising during the period	15.3	–	15.3	1.3	–	1.3
Fair value gains and losses:						
– gains originating on cash flow hedges arising during the period	0.6	(0.1)	0.5	0.8	(0.2)	0.6
– (gains) losses transferred to income statement on disposal of cash flow hedges	(0.1)	–	(0.1)	2.3	(0.1)	2.2
Actuarial losses on defined benefit pension schemes	(2.9)	0.9	(2.0)	(0.4)	0.1	(0.3)
	20.4	**0.5**	**20.9**	(11.2)	2.1	(9.1)

Notes to the Financial Statements continued

11. Taxation (continued)

Tax credited directly in equity:

	2010 £m	2009 £m
Disposal of Treasury shares	**0.1**	**0.2**

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No. 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes are not expected to have a material impact on deferred tax balances reported in the financial statements.

12. Discontinued Operations

On 22 December 2009, the Group sold Hunting Energy France SA, its French-based business, which provided petrochemical equipment to the French, international and associated industries.

On 6 August 2008, the Group entered into an agreement for the sale of Gibson Energy Inc. ("Gibson Energy"), its midstream services operation. The sale was completed on 12 December 2008.

The results from discontinued operations include movements on balances and investments relating to the discontinued operations of Hunting Energy France and Gibson Energy:

	2010			2009		
	Hunting Energy France £m	Gibson Energy £m	Total £m	Hunting Energy France £m	Gibson Energy £m	Total £m
Trading results:						
Revenue	–	–	–	18.9	–	18.9
Cost of sales	–	–	–	(9.1)	–	(9.1)
Gross profit	–	–	–	9.8	–	9.8
Other operating income	–	–	–	0.1	–	0.1
Operating expenses	–	–	–	(8.7)	–	(8.7)
Profit from operations	–	–	–	1.2	–	1.2
Finance income	–	–	–	0.1	–	0.1
Profit before tax	–	–	–	1.3	–	1.3
Taxation	–	1.9	1.9	(0.4)	–	(0.4)
Profit for the year	**–**	**1.9**	**1.9**	**0.9**	**–**	**0.9**
Gain on disposal:						
(Loss) gain on sale before tax	(0.1)	(4.5)	(4.6)	2.8	1.0	3.8
Taxation	–	–	–	0.1	–	0.1
(Loss) gain on sale after tax	**(0.1)**	**(4.5)**	**(4.6)**	**2.9**	**1.0**	**3.9**
Total (loss) profit from discontinued operations	**(0.1)**	**(2.6)**	**(2.7)**	**3.8**	**1.0**	**4.8**

The tax credit of £1.9m in 2010 relates to tax relief expected to arise on foreign exchange losses arising from the sale of Gibson Energy in 2008.

Foreign exchange losses of £4.5m (2009 – £0.6m) have been recognised on Canadian dollar denominated tax warranty provisions.

The gains on the disposal of Gibson Energy and Hunting Energy France are exempt from taxation due to the availability of the "Substantial Shareholding Exemption".

13. Results for the Financial Year

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. A profit of £44.3m (2009 – £24.6m) has been accounted for in the financial statements of the Company.

14. Earnings per Share

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

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

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

	2010 £m	2009 £m
Basic and diluted earnings attributable to Ordinary shareholders		
From continuing operations	24.5	23.9
From discontinued operations	(2.7)	4.8
Total	**21.8**	28.7
Basic and diluted earnings attributable to Ordinary shareholders before exceptional items		
From continuing operations	24.5	23.9
Add: exceptional items after taxation	8.0	(0.6)
Total	**32.5**	23.3

	millions	millions
Basic weighted average number of Ordinary shares	131.3	131.1
Dilutive outstanding share options	1.8	2.2
Long-term incentive plans	0.9	0.5
Adjusted weighted average number of Ordinary shares	**134.0**	133.8

	pence	pence
Basic EPS		
From continuing operations	18.6	18.2
From discontinued operations	(2.0)	3.7
	16.6	21.9
Diluted EPS		
From continuing operations	18.3	17.8
From discontinued operations	(2.0)	3.6
	16.3	21.4

Earnings per share adjusted for exceptional items

	pence	pence
Basic EPS from continuing operations	18.6	18.2
Add: exceptional items after taxation	6.1	(0.5)
Basic EPS from continuing operations before exceptional items	**24.7**	17.7
Diluted EPS from continuing operations	18.3	17.8
Add: exceptional items after taxation	5.9	(0.4)
Diluted EPS from continuing operations before exceptional items	**24.2**	17.4

Notes to the Financial Statements continued

15. Property, Plant and Equipment

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

The impairment charge includes the write down of oil and gas development expenditure of £5.3m, largely due to a change in the discount rate used to value the oil and gas reserves and a fall in commodity prices during the year. The recoverable amount of the oil and gas development expenditure is based on value in use. These calculations use discounted pre-tax cash flow projections based on estimated oil and gas reserves, future production and income attributable to such reserves. Cash flows are based on reserve production lives varying from one to fifteen years. Cash flows are discounted using a pre-tax rate of 10%, compared to 8% in 2009, resulting in an impairment impact of £1.2m. The prices of oil and natural gas are derived from published futures prices, with the long-term average oil price assumed to be US$90.97 bbl (2009 – US$88.01 bbl) and the long-term average price of gas US$5.10 per mcf (per 1,000 cubic feet). A decline in the long-term average gas price from US$6.63 mcf in 2009, together with a review of oil and gas reserves, resulted in an impairment impact of £4.1m in the year.

Oil and gas exploration and development includes expenditure on the exploration for and evaluation of mineral resources, which is recognised at cost and is not depreciated. The amount recognised in cost at 31 December 2010 is £nil (2009 – £nil), including additions during the year of £3.1m (2009 – £nil) and an impairment loss of £3.1m (2009 – £nil).

The balance of the £8.9m impairment of assets comprises a £0.5m property impairment in Hunting Energy Services.

Plant, machinery and motor vehicles include £nil (2009 – £0.2m) being the net book amount of the capital element of assets held under finance leases after accumulated depreciation of £0.1m (2009 – £nil).

Included in the net book amount is expenditure relating to assets in the course of construction of £6.3m (2009 – £7.3m) for freehold land and buildings, £2.8m (2009 – £2.7m) for oil and gas exploration and development, £0.9m (2009 – £nil) for plant and machinery and £0.3m (2009 – £nil) for short leasehold buildings.

15. Property, Plant and Equipment (continued)

	Year ended 31 December 2009				
	Land and buildings				
	Freehold £m	Short leasehold £m	Oil and gas exploration and development £m	Plant, machinery and motor vehicles £m	Total £m
Cost:					
At 1 January	30.1	5.1	93.2	128.7	257.1
Exchange adjustments	(1.7)	0.2	(9.9)	(8.3)	(19.7)
Additions	6.2	–	1.9	12.4	20.5
Acquisitions	3.9	–	–	6.8	10.7
Disposals	(0.9)	–	(1.3)	(10.6)	(12.8)
Disposal of subsidiary	(1.8)	–	–	(1.3)	(3.1)
Reclassification	0.3	–	–	(0.3)	–
At 31 December	**36.1**	**5.3**	**83.9**	**127.4**	**252.7**
Depreciation and impairment:					
At 1 January	5.6	3.9	70.8	57.2	137.5
Exchange adjustments	(0.4)	0.2	(7.5)	(2.7)	(10.4)
Charge for the year*	0.8	0.1	2.3	11.3	14.5
Disposals	(0.9)	–	(1.3)	(6.8)	(9.0)
Reclassification	0.1	–	–	(0.1)	–
Disposal of subsidiary	(0.6)	–	–	(0.7)	(1.3)
At 31 December	**4.6**	**4.2**	**64.3**	**58.2**	**131.3**
Net book amount	**31.5**	**1.1**	**19.6**	**69.2**	**121.4**

* Included in the charge for the year is £0.3m for discontinued operations.

The net book amount of property, plant and equipment at 1 January 2009 was £119.6m.

Notes to the Financial Statements continued

16. Goodwill

Group	2010 £m	Restated 2009 £m
Cost:		
At 1 January	74.1	50.7
Exchange adjustments	1.6	(1.8)
Additions	44.3	28.1
Disposals	–	(2.9)
At 31 December	**120.0**	74.1
Impairment		
At 1 January	19.2	21.4
Exchange adjustments	0.5	(2.2)
At 31 December	**19.7**	19.2
Net book amount	**100.3**	54.9

The net book amount at 1 January 2009 was £29.3m.

Goodwill for 2009 has been restated to recognise additional goodwill of £0.8m on the acquisition of the Welltonic group of companies in December 2009, which is reported as part of the Well Intervention segment.

Impairment tests for goodwill
Goodwill is allocated to the Group's cash-generating units ("CGUs") that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows:

	2010 £m	Restated 2009 £m
Continuing operations:		
Well Construction	60.3	15.6
Well Completion	6.4	6.3
Well Intervention	32.4	31.8
Gibson Shipbrokers	1.2	1.2
Total	**100.3**	54.9

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use discounted pre-tax cash flow projections based on financial budgets approved by management covering a two year period and are based on past experience and order books. Cash flows beyond the two year period are extrapolated using estimated growth rates between 3% and 5%, which decline over time. The growth rate reflects the products, industries and countries in which the relevant CGU operates.

Cash flows are discounted using pre-tax rates between 8.9% and 12.3% (2009 – 8%). The discount rate best reflects the risks associated with the cash flows and the likely external rate of borrowing of the CGU. Consideration has also been given to other risks such as currency risk and country risk.

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

17. Other Intangible Assets

	2010				2009			
	Customer lists and relationships £m	Patents £m	Other £m	Total £m	Customer lists and relationships £m	Patents £m	Other £m	Total £m
Cost:								
At 1 January	2.2	3.0	0.6	5.8	2.2	–	–	2.2
Exchange adjustments	(0.3)	0.1	(0.1)	(0.3)	–	0.1	–	0.1
Additions	–	–	0.2	0.2	–	–	0.1	0.1
Acquisitions	17.5	–	3.4	20.9	–	2.9	0.5	3.4
Reclassification	0.2	–	(0.2)	–	–	–	–	–
At 31 December	**19.6**	**3.1**	**3.9**	**26.6**	2.2	3.0	0.6	5.8
Amortisation:								
At 1 January	1.2	0.3	–	1.5	1.0	–	–	1.0
Exchange adjustments	–	–	–	–	(0.1)	–	–	(0.1)
Charge for the year	1.0	0.2	1.3	2.5	0.3	0.3	–	0.6
At 31 December	**2.2**	**0.5**	**1.3**	**4.0**	1.2	0.3	–	1.5
Net book amount	**17.4**	**2.6**	**2.6**	**22.6**	1.0	2.7	0.6	4.3

The net book amount of total other intangible assets at 1 January 2009 was £1.2m.

Included within customer lists and relationships above, is £17.5m for customer relationships, acquired as part of the Innova acquisition (note 40). This intangible asset is being amortised over eight years and has a carrying value of £16.6m at 31 December 2010.

None of the Group's intangible assets have been internally generated. All are regarded as having a finite life and are amortised accordingly.

All amortisation charges in the year have been charged to operating expenses.

18. Investments in Associates

	2010 £m	2009 £m
At 1 January	11.7	10.8
Exchange adjustments	0.5	0.2
Share of profits after taxation attributed to the Group	1.0	0.9
Dividends	(0.2)	(0.2)
At 31 December	**13.0**	11.7

Interests in associates includes goodwill of £nil (2009 – £nil).

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

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

	2010 £m	2009 £m
Aggregated amounts relating to interests in associates:		
Share of balance sheet:		
Total assets	20.1	18.6
Total liabilities	(7.1)	(6.9)
	13.0	11.7
Share of results:		
Revenues	**15.8**	17.0
Profit before tax	1.3	1.2
Taxation	(0.3)	(0.3)
Profit after tax	**1.0**	0.9

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

Notes to the Financial Statements continued

19. Available for Sale Financial Assets

Group

	2010 £m	2009 £m
At 1 January	29.8	28.5
Fair value gain transferred to equity	15.3	1.3
At 31 December	**45.1**	**29.8**

The financial assets comprise:

	2010 £m	2009 £m
Unlisted equity investments	0.2	0.2
Equity warrant	44.9	29.6
	45.1	**29.8**

The equity warrant formed part of the consideration for the disposal of Gibson Energy ULC ("Gibsons") in 2008 and had a carrying value of £29.6m at 31 December 2009.

Gibsons started publishing financial information publicly for the first time in 2010, which the Group used to perform a valuation of the equity warrant as at 31 December 2010, based on a multiple applied to Gibsons' reported EBITDA. This valuation technique used a significant number of unobservable inputs, including management's views about the assumptions market participants would use in pricing the equity warrant, such as its marketability and Gibsons' maintainable earnings. In light of the public availability of financial information and an improving global economic outlook, together suggesting an improving financial performance of Gibsons, the Group was able to conclude a revised fair value of £44.9m.

The £15.3m (2009 – £1.3m) increase in the fair value of the equity warrant during the year has been recognised in other comprehensive income as separately disclosed within the Consolidated Statement of Comprehensive Income. This comprises £12.8m (2009 – £nil) due to the revaluation of the equity warrant at 31 December 2010 and £2.5m (2009 – £1.3m) due to foreign exchange differences.

Management consider that changing certain inputs, such as Gibsons' EBITDA and the earnings multiple, to reasonably possible alternative assumptions, would change the fair value of the equity warrant significantly. A 10% variance in Gibsons' EBITDA would have an estimated impact of £10m on the value of the equity warrant and a 10% variation in the earnings multiple would have a similar impact.

The maximum exposure to credit risk at 31 December 2010 is the fair value of the financial assets of £45.1m (2009 – £29.8m), see note 29.

20. Investments in Subsidiaries

Company

	2010 £m	2009 £m
Cost:		
At 1 January	314.4	284.2
Additions	–	30.5
Disposals	–	(0.3)
At 31 December	**314.4**	**314.4**
Impairment:		
At 1 January	1.5	–
Charge for the year	–	1.5
Reversal of impairment	(0.1)	–
At 31 December	**1.4**	**1.5**
Net book amount	**313.0**	**312.9**

The principal subsidiaries are detailed in note 46.

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

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

The reversal of impairment of £0.1m and the impairment charge of £1.5m in 2009 related to a non-trading subsidiary that had incurred losses and which the Directors did not expect to be fully recovered in the foreseeable future. The investment has been stated at the subsidiary's net asset value, being the Directors' estimate of the recoverable amount.

21. Trade and Other Receivables

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Non-current:				
Receivables from subsidiaries	–	–	10.2	10.2
Other receivables	2.1	2.2	–	–
Prepayments	1.5	1.4	–	–
	3.6	3.6	**10.2**	10.2
Current:				
Trade receivables	85.7	50.9	–	–
Less: provision for impairment of receivables	(1.7)	(1.9)	–	–
Net trade receivables	84.0	49.0	–	–
Receivables from subsidiaries	–	–	2.2	1.5
Receivables from associates	0.2	0.2	–	–
Other receivables	11.2	5.7	0.1	0.2
Prepayments	5.2	4.0	0.1	0.1
Accrued revenue	3.2	1.2	–	–
Derivative financial instruments	0.5	0.1	–	–
	104.3	60.2	**2.4**	1.8

Group

Trade receivables that are not past due and not impaired are expected to be fully recovered as there is no recent history of default or any indications that the customers will not meet their payment obligations. At the year end there are no trade receivables (2009 – none) whose terms have been renegotiated and would otherwise be past due or impaired.

Derivative financial instruments have been acquired from financial institutions and these are expected to be fully recovered.

At 31 December 2010, trade receivables of £28.5m (2009 – £18.9m) and other receivables of £nil (2009 – £0.5m) were past due but not impaired. The ageing of these receivables at the year end is as follows:

Number of days overdue:

	2010	2009		
	Trade receivables £m	Trade receivables £m	Other receivables £m	Total £m
1–30 days	13.1	9.9	0.2	10.1
31–60 days	8.0	4.7	–	4.7
61–90 days	5.3	2.6	0.1	2.7
91–120 days	1.9	0.9	0.1	1.0
more than 120 days	0.2	0.8	0.1	0.9
Receivables past due	**28.5**	18.9	0.5	19.4
Receivables not past due	55.5	30.1	5.2	35.3
Total	**84.0**	49.0	5.7	54.7

All of these balances relate to customers for whom there is no recent history of default.

Notes to the Financial Statements continued

21. Trade and Other Receivables (continued)

At 31 December 2010, £0.5m (2009 – £nil) of trade receivables were not past due but were impaired and £1.2m (2009 – £1.9m) were past due and were impaired.

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

At 31 December 2010, other receivables of £nil (2009 – £nil) were not past due but were impaired and £0.1m (2009 – £0.1m) were past due and impaired and a provision of £0.1m (2009 – £0.1m) was made following evidence that the amounts would not be collectable under the original terms of the receivable.

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

	2010		2009		
	Trade receivables £m	**Other receivables £m**	Trade receivables £m	Amounts due under long-term contracts £m	Other receivables £m
At 1 January	1.9	0.1	3.7	2.8	1.3
Exchange adjustments	0.1	–	(0.1)	–	–
Provision for receivables impairment	0.5	–	0.8	–	–
Receivables written off during the year	(0.1)	–	(1.0)	–	–
Unused amounts reversed	(0.7)	–	(1.5)	(2.8)	(1.2)
At 31 December	**1.7**	**0.1**	1.9	–	0.1

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

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

The maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 29.

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

Company

None (2009 – none) of the Company's trade and other receivables were past due at the year end and the Company does not consider it necessary to provide for any impairments. The Company's maximum exposure to credit risk is the fair value of each class of receivable, as shown in note 29. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

22. Deferred Tax

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Deferred tax assets	8.6	4.6	–	–
Deferred tax liabilities	(25.6)	(18.4)	(1.1)	(0.1)
	(17.0)	(13.8)	**(1.1)**	(0.1)

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
At 1 January	(13.8)	(10.6)	(0.1)	(0.1)
Exchange adjustments	(0.3)	0.8	–	–
Acquisitions	(8.5)	0.3	–	–
Credit (charge) to income statement	3.3	(4.1)	(1.0)	–
Taken direct to equity	1.8	(0.2)	–	–
Disposal of subsidiary	–	(0.1)	–	–
Transfers to current tax	0.6	0.1	–	–
Other	(0.1)	–	–	–
At 31 December	**(17.0)**	(13.8)	**(1.1)**	(0.1)

Deferred tax assets of £4.2m (2009 – £8.6m) have not been recognised as realisation of the tax benefit on the tax losses is not probable.

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

Deferred tax assets

	Provisions £m	Tax losses £m	Share options £m	Other £m	Total £m
At 1 January 2010	0.9	0.2	1.4	2.1	4.6
Acquisitions	–	–	–	0.5	0.5
(Charge) credit to income statement	(0.4)	1.8	0.5	–	1.9
Taken direct to equity	–	–	1.0	–	1.0
Transfer from current tax	–	–	–	0.6	0.6
At 31 December 2010	**0.5**	**2.0**	**2.9**	**3.2**	**8.6**

Deferred tax assets of £7.5m (2009 – £4.6m) are expected to be recovered after more than 12 months.

Notes to the Financial Statements continued

22. Deferred Tax (continued)

Deferred tax liabilities

	Pension asset £m	Exploration and production activities £m	Goodwill £m	Accelerated tax depreciation £m	Fair value adjustments £m	Other £m	Total £m
At 1 January 2010	2.2	6.3	1.1	8.0	0.1	0.7	18.4
Exchange adjustments	–	0.2	–	0.2	(0.1)	–	0.3
Acquisitions	–	–	–	1.9	7.1	–	9.0
Charge (credit) to income statement	0.1	(2.0)	0.4	–	(0.9)	1.0	(1.4)
Taken direct to equity	(0.9)	–	–	–	0.1	–	(0.8)
Other	0.1	(0.1)	–	–	–	0.1	0.1
At 31 December 2010	**1.5**	**4.4**	**1.5**	**10.1**	**6.3**	**1.8**	**25.6**

Deferred tax liabilities of £24.2m (2009 – £18.4m) are expected to be released after more than 12 months.

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

	Group	
	2010 £m	2009 £m
Actuarial losses on defined benefit pension schemes	0.9	0.1
Release of fair value gain on cash flow hedges	–	(0.1)
Fair value movements on cash flow hedges	(0.1)	(0.2)
Share options and awards	1.0	–
	1.8	(0.2)

Company

The Company had £1.1m (2009 – £0.1m) of deferred tax liabilities relating to unremitted earnings at the year end.

23. Inventories

Group

	2010 £m	2009 £m
Raw materials	42.5	38.3
Work in progress	21.4	14.8
Finished goods	76.2	73.3
Less: provisions for losses	(9.4)	(10.0)
	130.7	116.4

Inventories are stated at the lower of cost and fair value less selling costs. The carrying amount of inventories stated at fair value less selling costs is £3.0m (2009 – £5.4m).

The Group reversed £2.1m (2009 – £0.8m) of a previous inventory write-down as the goods were sold during the year for an amount greater than their net realisable value. The amount reversed has been included in cost of sales in the income statement.

24. Investments

Investments comprise bank deposits maturing after more than three months of £2.5m (2009 – £nil).

25. Cash and Cash Equivalents

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	86.8	55.0	4.5	–
Short-term deposits and Money Market Funds	181.9	348.6	–	–
	268.7	403.6	**4.5**	**–**

26. Trade and Other Payables

	Group		Company	
	2010 £m	Restated 2009 £m	**2010 £m**	2009 £m
Non-current:				
Other payables	**–**	2.0	**–**	–
Current:				
Trade payables	40.1	45.6	–	–
Payables to subsidiaries	–	–	0.8	0.8
Payables to associates	7.1	6.9	5.6	5.6
Social security and other taxes	1.8	1.8	–	–
Accruals	43.6	30.2	0.6	0.8
Deferred revenue	1.0	9.6	–	–
Other payables	12.5	16.4	0.6	0.8
Derivative financial instruments	0.1	–	–	–
	106.2	110.5	**7.6**	8.0

Other payables in 2009 has been restated to reflect an additional payable of £0.8m in relation to the acquisition of the Welltonic group of companies on 10 December 2009.

27. Borrowings

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Non-current:				
Other unsecured loans	2.3	0.6	–	–
Amounts due to subsidiaries	–	–	77.9	127.9
	2.3	0.6	**77.9**	127.9
Current:				
Bank overdrafts	56.7	37.8	37.4	16.5
Finance lease liabilities (note 42)	–	0.2	–	–
	56.7	38.0	**37.4**	16.5
Total borrowings	**59.0**	38.6	**115.3**	144.4

Analysis of borrowings by currency

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

At 31 December 2010	**Sterling £m**	**US dollars £m**	**Total £m**
Other unsecured loans	–	2.3	2.3
Unsecured bank overdrafts	53.0	3.7	56.7
	53.0	**6.0**	**59.0**

At 31 December 2009	Sterling £m	US dollars £m	Total £m
Other unsecured loans	–	0.6	0.6
Bank overdrafts	35.4	2.4	37.8
Finance lease liabilities	0.2	–	0.2
	35.6	3.0	38.6

Company

The Company has borrowings of £115.3m (2009 – £144.4m) at the year end, all of which are denominated in sterling.

Notes to the Financial Statements continued

28. Changes in Net Cash

The analysis below is provided in order to reconcile the movement in borrowings (note 27) and cash and cash equivalents (note 25) during the year.

	At 1 January 2010 £m	Cash flow £m	Exchange movements £m	At 31 December 2010 £m
Cash and cash equivalents	403.6	(136.2)	1.3	268.7
Bank overdrafts	(37.8)	(18.9)	–	(56.7)
	365.8	(155.1)	1.3	212.0
Investments	–	2.5	–	2.5
Non-current borrowings	(0.6)	(1.7)	–	(2.3)
Finance leases	(0.2)	0.2	–	–
Total net cash	**365.0**	**(154.1)**	**1.3**	**212.2**

29. Derivatives and Financial Instruments

Currency derivatives

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

At 31 December 2010, the total notional amount of the Group's outstanding forward foreign exchange contracts is £12.1m (2009 – £15.2m).

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 £0.2m loss (2009 – £3.0m loss) have been recognised in the income statement during the year for continuing operations.

Certain highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts. These forecast transactions are expected to occur at various dates during the next twelve months. Gains and losses recognised in the hedging reserve on forward foreign exchange contracts at 31 December 2010 will be recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

Gains of £0.6m (2009 – £0.8m gain) were recognised in the hedging reserve (note 34) during the year. Gains of £0.1m (2009 – £2.3m losses) were removed from equity during the year and were included in revenue in the income statement. Ineffectiveness of £nil (2009 – £nil) arose on the cash flow hedges during the year.

Fair values of derivative financial instruments

At 31 December 2010	Total assets £m	Total liabilities £m
Forward foreign exchange – in cash flow hedges	0.5	–
Forward foreign exchange – not in a hedge	–	(0.1)
	0.5	**(0.1)**

At 31 December 2009	Total assets £m
Forward foreign exchange – in cash flow hedges	**0.1**

29. Derivatives and Financial Instruments (continued)

Fair values of financial assets and financial liabilities

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

Group

	2010 Carrying amount						
	Loans and receivables £m	Available for sale financial assets £m	Financial liabilities measured at amortised cost £m	Financial liabilities held for trading £m	Derivatives at fair value through equity (cash flow hedges) £m	Total £m	Fair value Total £m
Non-current assets							
Unlisted equity investments (note 19)	–	0.2	–	–	–	0.2	0.2
Equity warrant (note 19)	–	44.9	–	–	–	44.9	44.9
Other receivables (note 21)	2.1	–	–	–	–	2.1	2.1
Current assets							
Net trade receivables	84.0	–	–	–	–	84.0	84.0
Receivables from associates	0.2	–	–	–	–	0.2	0.2
Other receivables	4.9	–	–	–	–	4.9	4.9
Accrued revenue	3.2	–	–	–	–	3.2	3.2
Derivative financial instruments	–	–	–	–	0.5	0.5	0.5
Investments (note 24)	2.5	–	–	–	–	2.5	2.5
Cash and cash equivalents (note 25)	268.7	–	–	–	–	268.7	268.7
Current liabilities							
Trade payables	–	–	(40.1)	–	–	(40.1)	(40.1)
Payables to associates	–	–	(7.1)	–	–	(7.1)	(7.1)
Accruals	–	–	(43.6)	–	–	(43.6)	(43.6)
Other payables	–	–	(4.8)	–	–	(4.8)	(4.8)
Derivative financial liabilities	–	–	–	(0.1)	–	(0.1)	(0.1)
Provisions	–	–	(39.7)	–	–	(39.7)	(39.7)
Current borrowings (note 27)							
Bank overdrafts	–	–	(56.7)		–	(56.7)	(56.7)
Non-current liabilities							
Other unsecured loans (note 27)	–	–	(2.3)	–	–	(2.3)	(2.3)
Provisions	–	–	(15.0)	–	–	(15.0)	(15.0)
	365.6	**45.1**	**(209.3)**	**(0.1)**	**0.5**	**201.8**	**201.8**

Notes to the Financial Statements continued

29. Derivatives and Financial Instruments (continued)

	2009 Carrying amount					
	Loans and receivables £m	Available for sale financial assets £m	Restated Financial liabilities measured at amortised cost £m	Derivatives at fair value through equity (cash flow hedges) £m	Restated Total £m	Restated Fair value Total £m
Non-current assets						
Unlisted equity investments (note 19)	–	0.2	–	–	0.2	0.2
Equity warrant (note 19)	–	29.6	–	–	29.6	29.6
Other receivables (note 21)	2.2	–	–	–	2.2	2.2
Current assets						
Net trade receivables	49.0	–	–	–	49.0	49.0
Receivables from associates	0.2	–	–	–	0.2	0.2
Other receivables	5.7	–	–	–	5.7	5.7
Accrued revenue	1.2	–	–	–	1.2	1.2
Derivative financial instruments	–	–	–	0.1	0.1	0.1
Cash and cash equivalents (note 25)	403.6	–	–	–	403.6	403.6
Current liabilities						
Trade payables	–	–	(45.6)	–	(45.6)	(45.6)
Payables to associates	–	–	(6.9)	–	(6.9)	(6.9)
Accruals	–	–	(30.2)	–	(30.2)	(30.2)
Other payables	–	–	(3.2)	–	(3.2)	(3.2)
Provisions	–	–	(61.4)	–	(61.4)	(61.4)
Current borrowings (note 27)						
Bank overdrafts	–	–	(37.8)	–	(37.8)	(37.8)
Finance lease liabilities	–	–	(0.2)	–	(0.2)	(0.2)
Non-current liabilities						
Other payables (note 26)	–	–	(2.0)	–	(2.0)	(2.0)
Other unsecured loans (note 27)	–	–	(0.6)	–	(0.6)	(0.6)
Provisions	–	–	(17.5)	–	(17.5)	(17.5)
	461.9	**29.8**	**(205.4)**	**0.1**	**286.4**	**286.4**

Other payables has been restated to reflect an additional payable of £0.8m in relation to the acquisition of the Welltonic group of companies on 10 December 2009.

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

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

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

29. Derivatives and Financial Instruments (continued)

	Fair value at 31 December 2009 £m	Level 1 £m	Level 2 £m	Level 3 £m
Available for sale financial assets				
Equity warrant	29.6	–	–	29.6
Unlisted equity investments	0.2	–	–	0.2
Derivatives at fair value through equity				
Derivative financial assets	0.1	–	0.1	–
Total	**29.9**	**–**	**0.1**	**29.8**

The fair value hierarchy has the following levels:
> Level 1 – inputs are quoted prices in active markets for identical assets or liabilities.
> Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
> Level 3 – inputs for the asset or liability that are not based on observable market data.

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

	Available for sale financial assets £m
At 1 January 2010	29.8
Total gains in other comprehensive income	15.3
At 31 December 2010	**45.1**

All of the gains recorded in other comprehensive income relate to assets held at 31 December 2010.

Gibsons started publishing financial information publicly for the first time in 2010, which the Group used to perform a valuation of the equity warrant as at 31 December 2010, based on a multiple applied to Gibsons' reported EBITDA. This valuation technique used a significant number of unobservable inputs, including management's views about the assumptions market participants would use in pricing the equity warrant (see note 19).

Company

	2010 Carrying amount			
	Loans and receivables £m	Financial liabilities measured at amortised cost £m	Total £m	Fair value Total £m
Non-current assets (note 21)				
Receivables from subsidiaries	10.2	–	10.2	10.2
Current assets (note 21)				
Receivables from subsidiaries	2.2	–	2.2	2.2
Other receivables	0.1	–	0.1	0.1
Current liabilities (note 26)				
Payables to subsidiaries	–	(0.8)	(0.8)	(0.8)
Payables to associates	–	(5.6)	(5.6)	(5.6)
Accruals	–	(0.6)	(0.6)	(0.6)
Other payables	–	(0.6)	(0.6)	(0.6)
Current borrowings (note 27)				
Bank overdrafts	–	(37.4)	(37.4)	(37.4)
Non-current borrowings (note 27)				
Payables to subsidiaries	–	(77.9)	(77.9)	(77.9)
	12.5	**(122.9)**	**(110.4)**	**(110.4)**

Notes to the Financial Statements continued

29. Derivatives and Financial Instruments (continued)

Company

	2009 Carrying amount			
	Loans and receivables £m	Financial liabilities measured at amortised cost £m	Total £m	Fair value Total £m
Non-current assets (note 21)				
Receivables from subsidiaries	10.2	–	10.2	10.2
Current assets (note 21)				
Receivables from subsidiaries	1.5	–	1.5	1.5
Other receivables	0.2	–	0.2	0.2
Current liabilities (note 26)				
Payables to subsidiaries	–	(0.8)	(0.8)	(0.8)
Payables to associates	–	(5.6)	(5.6)	(5.6)
Accruals	–	(0.8)	(0.8)	(0.8)
Other payables	–	(0.8)	(0.8)	(0.8)
Current borrowings (note 27)				
Bank overdrafts	–	(16.5)	(16.5)	(16.5)
Non-current borrowings (note 27)				
Payables to subsidiaries	–	(127.9)	(127.9)	(127.9)
	11.9	**(152.4)**	**(140.5)**	**(140.5)**

30. Financial Risk Factors

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

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

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

(a) Foreign exchange risk

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

(i) Transactional risk

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

No speculative positions are entered into by the Group.

30. Financial Risk Factors (continued)

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

At 31 December 2010	Currency of denomination Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities						
Sterling	–	20.9	(41.1)	2.3	(0.4)	(18.3)
US dollars	(1.2)	–	–	–	(3.3)	(4.5)
Canadian dollars	–	2.3	–	–	1.1	3.4
Euro	–	0.1	–	–	–	0.1
Other currencies	–	(5.4)	–	–	–	(5.4)
	(1.2)	**17.9**	**(41.1)**	**2.3**	**(2.6)**	**(24.7)**

At 31 December 2009	Currency of denomination Sterling £m	US dollars £m	Canadian dollars £m	Euro £m	Other currencies £m	Total £m
Functional currency of Group's entities						
Sterling	–	(32.2)	(71.0)	2.4	–	(100.8)
US dollars	(0.6)	–	–	–	1.2	0.6
Canadian dollars	–	1.9	–	–	0.3	2.2
Euro	(0.4)	(0.2)	–	–	–	(0.6)
Other currencies	–	1.3	–	–	–	1.3
	(1.0)	(29.2)	(71.0)	2.4	1.5	(97.3)

The US dollar denominated financial instruments consist mainly of trade receivables and inter-group loans and the Canadian dollar denominated financial instruments consist mainly of tax provisions and inter-group loans.

(ii) Translational risk

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

(b) Interest rate risk

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

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

(c) Credit risk

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

At the year end, the Group had credit risk exposures to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities. Financing transactions are with leading financial institutions, which have Fitch long-term ratings between A+ and AA, and no losses are expected from non-performance of these counterparties.

Cash is only invested with financial institutions approved by the Board. Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions all have a minimum of an A1, P1 or F1 short-term rating and AAA rating for Money Market Funds from Standard and Poors, Moodys or Fitch rating agencies.

Notes to the Financial Statements continued

30. Financial Risk Factors (continued)

Cash and cash equivalents of £268.7m (2009 – £403.6m) and investments of £2.5m (2009 – £nil) have been deposited with banks with Fitch short-term ratings of F1+ and AAA rated Money Market Funds and are expected to be fully recovered.

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument. Net derivative financial assets of £0.5m (2009 – £0.1m) have been taken out with financial institutions, which have Fitch short-term ratings of F1+ and are expected to be fully recovered.

Trade and other receivables are continuously monitored. Credit account limits are primarily based on the credit quality of the customer and past experience through trading relationships. To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions.

The Company operates a pension scheme, which includes a defined benefit section with pension plan assets of £5.5m (2009 – £8.0m). The majority of the Scheme's defined benefits are now covered by insurance company annuity policies, meaning the pensions-related risks have largely been eliminated. The pension buy-in has been affected by using three insurers, so as to spread its credit risk. The credit ratings of these insurers is monitored.

(d) Liquidity risk

The Group needs to ensure that is has sufficient liquid funds available to support its working capital and capital expenditure requirements and to fund acquisitions. All subsidiaries submit weekly, bi-monthly and quarterly treasury reports to the treasury function to enable them to monitor the Group's requirements.

The Group has sufficient net cash and credit facilities to meet both its long- and short-term requirements.

The credit facilities totalled £153.9m (2009 – £181.9m) and comprise £120.0m (2009 – £135.0m) of committed facilities and £33.9m (2009 – £46.9m) of uncommitted facilities. All of these facilities are unsecured and are provided by a variety of funding sources.

The committed facilities comprise a £120.0m multi-currency loan facility from a syndicate of three banks. The £120.0m multi-currency loan facility expires on 25 October 2013. A commitment fee of 0.6% is payable on the undrawn amount.

The Group has the following undrawn committed borrowing facilities available at the year end:

	2010 £m	2009 £m
Floating rate:		
Expiring within one year	–	135.0
Expiring between two and five years	120.0	–
	120.0	**135.0**

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

The tables below analyse the Group's and Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities and the amounts are the contractual, undiscounted cash flows. The carrying amounts in the balance sheet are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

Group

	2010			
	On demand or within one year £m	Between two and five years £m	After five years £m	Total £m
Non-derivative financial liabilities:				
Trade payables	40.1	–	–	40.1
Payables to associates	7.1	–	–	7.1
Accruals	43.6	–	–	43.6
Other payables	4.8	–	–	4.8
Provisions	39.7	8.3	8.7	56.7
Other unsecured loans	–	–	2.3	2.3
Unsecured bank overdrafts	56.7	–	–	56.7
Total financial liabilities	**192.0**	**8.3**	**11.0**	**211.3**

The Group had no net-settled financial liabilities at the year end.

30. Financial Risk Factors (continued)

	Restated 2009			
	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	45.6	–	–	45.6
Payables to associates	6.9	–	–	6.9
Accruals	30.2	–	–	30.2
Other payables	3.2	2.0	–	5.2
Provisions	61.4	9.8	10.9	82.1
Other unsecured loans	–	0.6	–	0.6
Unsecured bank overdrafts	37.8	–	–	37.8
Finance lease liabilities	0.2	–	–	0.2
Total financial liabilities	**185.3**	**12.4**	**10.9**	**208.6**

At the end of 2009, the Group did not have any net-settled financial liabilities.

Other payables has been restated to reflect an additional payable of £0.8m in relation to the acquisition of the Welltonic group of companies on 10 December 2009.

Company

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

	2009		
	On demand or within one year £m	Between two and five years £m	Total £m
Payables to subsidiaries	0.8	127.9	128.7
Payables to associates	5.6	–	5.6
Accruals	0.8	–	0.8
Other payables	0.8	–	0.8
Bank overdrafts	16.5	–	16.5
Total financial liabilities	**24.5**	**127.9**	**152.4**

The Company did not have any derivative financial liabilities.

Group

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

	On demand or within one year	
	2010 £m	2009 £m
Currency derivatives – held for trading		
– inflows	27.4	22.4
– outflows	(25.9)	(23.6)

Notes to the Financial Statements continued

30. Financial Risk Factors (continued)

(e) Sensitivity analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's and Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2010.

The sensitivity analysis has been prepared on the basis that the amount of net cash, the ratio of fixed to floating interest rates of the cash and derivatives and the proportion of financial instruments in foreign currencies remain unchanged from the hedge designations in place at 31 December 2010.

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

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

> Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Group's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates.

> The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(i) Interest rate sensitivity

Group

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

	2010 Income statement £m	2009 Income statement £m
US interest rates +0.5% (2009 +1%)	–	0.1
US interest rates –0.5% (2009 –1%)	–	(0.1)
UK interest rates +0.5% (2009 +1%)	0.3	1.3
UK interest rates –0.5% (2009 –1%)	(0.3)	(1.3)
Canadian interest rates +0.75% (2009 +1%)	–	(0.1)
Canadian interest rates –0.75% (2009 –1%)	–	0.1

The movements in the income statement are mainly attributable to short-term deposits and Money Market Funds.

There is no impact on equity for a change in interest rates.

Company

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

	2010 Income statement £m	2009 Income statement £m
UK interest rates +0.5% (2009 +1%)	(0.4)	(0.9)
UK interest rates –0.5% (2009 –1%)	0.4	0.9

The movements arise from the sterling loans from subsidiaries and bank overdrafts.

There is no impact on equity for a change in interest rates.

30. Financial Risk Factors (continued)

(ii) Foreign exchange rate sensitivity

Group

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

	2010		2009	
	Income statement £m	**Equity £m**	Income statement £m	Equity £m
US dollar exchange rates +10% (2009 +15%)	(0.9)	(13.7)	4.3	(12.2)
US dollar exchange rates –10% (2009 –15%)	1.0	16.8	(5.7)	16.4
Canadian dollar exchange rates +10% (2009 +10%)	2.8	(5.4)	3.6	(4.4)
Canadian dollar exchange rates –10% (2009 –10%)	(3.4)	6.7	(4.6)	5.6

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

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

Company

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

	2010 Income statement £m	2009 Income statement £m
US dollar exchange rates +10% (2009 +15%)	(0.1)	–
US dollar exchange rates –10% (2009 –15%)	0.1	–

The movement arises from US dollar denominated receivables.

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

31. Provisions

Group

	Onerous contracts £m	**Asset decommissioning and remediation obligations £m**	**Warranties and tax indemnities £m**	**Other £m**	**Total £m**
At 1 January 2010	19.5	0.8	58.5	0.1	78.9
Exchange adjustments	–	–	4.5	–	4.5
Charged to income statement	1.0	–	2.6	–	3.6
Charged to property, plant and equipment	–	0.6	–	–	0.6
Provisions utilised	(2.6)	–	(25.2)	–	(27.8)
Unutilised amounts reversed	(1.6)	–	(3.7)	–	(5.3)
Unwinding of discount	0.5	–	–	–	0.5
Change in discount rate	0.8	–	–	–	0.8
Transfer	–	–	0.3	–	0.3
At 31 December 2010	**17.6**	**1.4**	**37.0**	**0.1**	**56.1**

Provisions are due as follows:

	2010 £m	2009 £m
Current	39.8	61.4
Non-current	16.3	17.5
	56.1	78.9

Notes to the Financial Statements continued

31. Provisions (continued)

The Group has commitments in respect of leasehold properties, some of which are not used for Group trading purposes and are vacant or sub-let to third parties. The provision for onerous contracts reflects the uncertainty of future conditions in the sub-letting market. It is expected that £2.4m of the provision will be utilised in 2011, £2.6m in 2012 and the remaining balance of £12.5m utilised from 2013 to 2023. Provision is made on a discounted basis, at a risk-free rate of between 1% and 4% pa, for the net rental deficit on these properties to the end of the lease term.

Asset decommissioning and remediation obligations relate to the Group's obligation to dismantle, remove and restore items of property, plant and equipment. The provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation. The provision is expected to be utilised over a period of one to fifteen years.

Following the disposal of Gibson Energy in 2008, the Group recognised a provision for tax indemnities. These provisions are expected to be utilised in 2011.

The Group expects the other provisions of £0.1m to be fully utilised in 2011.

32. Post Employment Benefits

Pensions

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

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

A valuation of the defined benefit section of the Scheme is produced and updated annually to 31 December 2010 by independent qualified actuaries.

The present value of the defined benefit obligation assumes that benefits at present continue to be linked to the RPI measure of inflation. The Trustees of the Scheme are seeking clarification on how the Government's recent announcement relating to the minimum level of increases that must be provided will impact the Scheme.

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

	2010	2009
Annual rates		
Rate of increase in salaries	5.6%	5.7%
Rate of increase in pensions	3.6%	3.7%
Discount rate	5.4%	5.6%
Inflation	3.6%	3.7%

The post-employment mortality assumptions allow for future improvements in mortality. The mortality table implies that a 65 year old male currently has an expected future lifetime of 24.1 years (2009 – 24.0 years) and an expected future lifetime of 27.3 years (2009 – 27.1 years) for a male reaching 65 in 20 years time. The mortality table implies that a 65 year old female currently has an expected future lifetime of 25.7 years (2009 – 25.6 years) and an expected future lifetime of 27.6 years (2009 – 27.5 years) for a female reaching 65 in 20 years time. Based upon past experience, pension increases have been assumed to be in line with inflation.

Long-term rates of return expected at 31 December:

	2010	2009
Annual rates		
Insurance annuity policies	5.4%	5.6%
Equities	n/a	8.2%
Bonds	4.2%	4.4%
Other	4.2%	4.4%

The expected rate of return on pension plan assets is determined as management's best estimate of the long-term return on the major asset classes – insurance annuity policies, bonds and other – weighted by the actual allocation of assets at the measurement date. The expected rate of return on the insurance policies has been set equal to the discount rate.

32. Post Employment Benefits (continued)

Other information

The defined contribution section of the Scheme held assets, equal to its liabilities, of £5.1m as at 31 December 2010 (2009 – £3.6m).

Scheme assets

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

	2010	2009
Insurance annuity policies	95%	92%
Equities	0%	2%
Bonds	5%	6%
	100%	**100%**
Employer contributions made during year (£m)	**1.9**	**1.9**

During the year to 31 December 2010, contributions by the Group of £1.0m (2009 – £0.7m) were also made to the defined contribution section of the Scheme. For 2011, the Group will pay estimated contributions of £3.3m to the defined benefit section of the Scheme. Contributions to the defined contribution section of the Scheme are in addition.

Surplus in the plan

The following amounts were measured in accordance with IAS 19:

	2010 £m	2009 £m
Total fair value of plan assets	223.9	222.5
Present value of obligations	(218.4)	(214.5)
Asset recognised in the balance sheet	**5.5**	**8.0**

Movements in the present value of the defined benefit obligation

	2010 £m	2009 £m
Change in present value of obligation:		
Present value of obligation at the start of the year	214.5	175.0
Current service cost (employer)	1.9	1.3
Interest cost	11.8	10.9
Contributions by plan participants	0.4	0.4
Actuarial losses	0.6	39.0
Benefits paid	(10.8)	(12.1)
Present value of obligation at end of the year	**218.4**	**214.5**

Movements in the fair value of plan assets

	2010 £m	2009 £m
Change in plan assets:		
Fair value of plan assets at the start of the year	222.5	182.6
Expected return on plan assets	12.2	11.1
Actuarial (loss) gain on plan assets	(2.3)	38.6
Contributions by plan participants	0.4	0.4
Contributions by employer	1.9	1.9
Benefits paid	(10.8)	(12.1)
Fair value of plan assets at the end of the year	**223.9**	**222.5**

Notes to the Financial Statements continued

32. Post Employment Benefits (continued)

For 2010 the actual return on the plan's assets amounted to a gain of £9.9m (2009 – £49.7m). The gain arising as a result of the increase of the value placed on the insurance annuity policies is offset by a corresponding increase in the value placed on the corresponding liabilities. The effect is seen in the actuarial losses on the defined benefit obligations stated above.

Total expense recognised in the Income Statement

	2010 £m	2009 £m
Current service cost (employer)	1.9	1.3
Interest cost	11.8	10.9
Expected return on assets	(12.2)	(11.1)
Total expense included within staff costs (note 6)	**1.5**	**1.1**

In addition, employer contributions of £3.0m (2009 – £3.0m) for defined contribution arrangements are recognised in the income statement.

Total expense recognised in the Statement of Comprehensive Income

	2010 £m	2009 £m
Actuarial losses	**2.9**	**0.4**

The cumulative actuarial gains and losses recognised in the Statement of Comprehensive Income at 31 December 2010 is a loss of £35.0m (2009 – £32.1m loss).

Amounts to be shown for the current and previous periods

	2010	2009	2008	2007	2006
Difference between the expected and actual return on plan assets:					
Amount (£m)	(2.3)	38.6	(35.3)	(12.0)	2.8
As a percentage of plan assets	1%	17%	(19)%	(5)%	1%
Experience (losses) and gains on obligations:					
Amount (£m)	7.0	(0.2)	(0.2)	0.5	(0.3)
As a percentage of the present value of the obligations	3%	0%	0%	0%	0%

	£m	£m	£m	£m	£m
Present value of defined benefit obligation	(218.4)	(214.5)	(175.0)	(198.5)	(195.3)
Fair value of plan assets	223.9	222.5	182.6	222.1	222.8
Surplus in the plan	**5.5**	**8.0**	**7.6**	**23.6**	**27.5**

The Company has no employees and therefore does not participate in any of the above schemes.

33. Share Capital and Share Premium

	Number of Ordinary shares of 25p each Number	Ordinary shares of 25p each £m	Share premium £m	2010 Total £m	2009 Total £m
At 1 January	132,216,351	33.1	90.2	123.3	123.0
Shares issued – share option schemes	302,617	–	0.7	0.7	0.2
Shares issued – share awards	956	–	–	–	–
Share options – discharge	–	–	–	–	0.1
Transfer between reserves	–	–	(5.1)	(5.1)	–
At 31 December	**132,519,924**	**33.1**	**85.8**	**118.9**	**123.3**

33. Share Capital and Share Premium (continued)

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

At 31 December 2010, the Group held 971,723 (2009 – 969,687) Treasury shares. Details are set out in note 35.

34. Other Components of Equity

Group

	Year ended 31 December 2010			
	Hedging reserve £m	Foreign currency translation reserve £m	Other reserves £m	Total £m
At 1 January	0.1	21.1	6.8	28.0
Exchange adjustments	–	7.6	–	7.6
– taxation	–	(0.3)	–	(0.3)
Fair value gain on cash flow hedges	0.6	–	–	0.6
– taxation	(0.1)	–	–	(0.1)
Release of fair value gain on cash flow hedges	(0.1)	–	–	(0.1)
Fair value gain on available for sale financial assets	–	–	15.3	15.3
Share options and awards				
– value of employee services	–	–	1.6	1.6
– discharge	–	–	(0.4)	(0.4)
Other	(0.1)	0.1	–	–
At 31 December	**0.4**	**28.5**	**23.3**	**52.2**

	Year ended 31 December 2009			
	Hedging reserve £m	Foreign currency translation reserve £m	Other reserves £m	Total £m
At 1 January	(2.7)	33.9	7.5	38.7
Exchange adjustments	–	(12.0)	–	(12.0)
– taxation	–	2.3	–	2.3
Release of foreign exchange on disposal of subsidiary	–	(3.1)	–	(3.1)
Fair value gain on cash flow hedges	0.8	–	–	0.8
– taxation	(0.2)	–	–	(0.2)
Release of fair value loss on cash flow hedges	2.3	–	–	2.3
– taxation	(0.1)	–	–	(0.1)
Fair value gain on available for sale financial assets	–	–	1.3	1.3
Share options				
– value of employee services	–	–	1.0	1.0
– discharge	–	–	(1.6)	(1.6)
Transfer between reserves	–	–	(1.4)	(1.4)
At 31 December	**0.1**	**21.1**	**6.8**	**28.0**

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

Notes to the Financial Statements continued

34. Other Components of Equity (continued)

Company

	2010 £m	2009 £m
At 1 January	4.3	4.9
Reserve for cost of share options and awards	1.6	1.0
Transfer between reserves	(0.4)	(1.6)
Other	0.1	–
At 31 December	**5.6**	4.3

Other reserves include share option reserves.

35. Retained Earnings

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 January	397.2	383.4	48.4	40.1
Profit for the year	21.8	28.7	44.3	24.6
Actuarial loss on defined benefit pension schemes	(2.9)	(0.4)	–	–
– taxation	0.9	0.1	–	–
Dividends paid	(14.1)	(13.8)	(14.1)	(13.8)
Purchase of Treasury shares	(0.4)	(7.9)	(0.4)	(7.9)
Disposal of Treasury shares	0.2	4.0	0.2	4.0
– taxation	0.1	0.2	–	–
Share options and awards				
– discharge	0.4	1.5	0.4	1.5
– taxation	1.0	–	–	–
Other	–	–	0.1	(0.1)
Transfer between reserves	5.1	1.4	5.1	–
At 31 December	**409.3**	397.2	**84.0**	48.4

In respect of the tax on the actuarial loss on defined benefit pension schemes, £0.8m (2009 – £0.1m) arises on the current year's movement and £0.1m (2009 – £nil) is due to a change in tax rates.

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Cost:				
At 1 January	(5.5)	(7.4)	(5.5)	(7.4)
Purchase of Treasury shares	(0.4)	(7.9)	(0.4)	(7.9)
Disposal of Treasury shares	0.4	9.8	0.4	9.8
At 31 December	**(5.5)**	(5.5)	**(5.5)**	(5.5)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings was:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Loss on disposal	**(0.2)**	(5.8)	**(0.2)**	(5.8)

36. Non-controlling Interests
Group

	2010 £m	2009 £m
At 1 January	13.3	12.2
Exchange adjustments	(0.1)	(0.1)
Profit after tax attributed to non-controlling interests	2.5	3.0
Dividends paid	(1.5)	(1.8)
At 31 December	**14.2**	13.3

37. Capital Risk Management
The Group's capital consists of equity. At the year end, total equity was £594.6m (2009 – £561.8m).

It is managed with the aim of maintaining an appropriate level of financing available for the Group's activities, having due regard to interest rate and currency risks and the availability of borrowing facilities. The gearing ratio, which is net debt expressed as a percentage of total equity, is monitored regularly against both internal targets and external covenant requirements. However, the Group had net cash at 31 December 2010 and 31 December 2009.

The Group needs to ensure that banking and other borrowing covenants are complied with to ensure that borrowing facilities remain in place. The covenants are monitored on a monthly basis and all external covenant requirements were met during the year.

Changes in equity arise from the retention of earnings and, from time to time, rights issues of share capital. The Group's net cash/debt is monitored on a daily basis and is managed by the control of working capital, dividend and capital expenditure payments and the purchase and disposal of assets and businesses.

38. Dividends Paid
Group and Company

	2010		2009	
	Pence per share	£m	Pence per share	£m
Ordinary dividends:				
2010 interim paid	3.7	4.9	–	–
2009 second interim paid*	7.0	9.2	–	–
2009 interim paid	–	–	3.5	4.6
2008 final paid	–	–	7.0	9.2
Total dividends paid	**10.7**	**14.1**	10.5	13.8

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

A final dividend of 8.3p per share has been proposed by the Board, amounting to a distribution of £10.9m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 20 April 2011 and has not been provided for in these financial statements.

39. Share-based Payments
Executive Share Options
The Company operates an executive share option scheme which grants options to eligible employees. Vesting of options granted is subject to the achievement of performance targets, as described in the Remuneration Committee's Report, over a three year period. Thereafter the employee, subject to continued employment, has seven years in which to exercise the option.

Notes to the Financial Statements continued

39. Share-based Payments (continued)

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

Date of grant	04.03.2008	06.03.2007	08.03.2006	09.03.2005
Exercise price (p)	784.5	640.0	383.0	220.7
Share price at grant (p)	784.5	640.0	383.0	236.0
Expected volatility (% pa)	32	36	38	38
Dividend yield (% pa)	1.1	1.17	1.31	1.59
Risk-free interest rate (% pa)	4.3	4.9	4.3	4.9
Turnover rates (% pa)	5	5	5	5
Fair value at grant (p)	294.9	248.4	149.8	91.0
Fair value adjusted for rights issue (p)	n/a	n/a	n/a	85.1
Assumed likelihood of satisfying performance condition at:				
31 December 2009	75%	75%	100%	100%
31 December 2010	75%	100%	100%	100%

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

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

The charge to the income statement attributable to Executive Share Options is £0.6m (2009 – £0.6m) and is recognised as part of operating expenses.

Share option movements during the year

	2010		2009	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at beginning of the year	3,627,438	321	5,742,815	311
Exercised during the year	(377,094)	259	(1,816,760)	231
Lapsed during the year	(45,193)	714	(298,617)	685
Outstanding at the end of the year	**3,205,151**	**322**	**3,627,438**	**321**
Exercisable at the end of the year	**2,873,236**	**269**	**2,852,839**	**215**

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

The weighted average share price at the date of exercise was 676.6p (2009 – 505p).

Share options outstanding at the end of the year

	2010 Number of options	2009 Number of options	Exercise price range (p)	Exercise period
Executive Share Options 2001 – vested	441,392	449,582	194.0	28.03.04–27.03.11
Executive Share Options 2002 – vested	189,389	189,389	167.4	15.04.05–14.04.12
Executive Share Options 2003 – vested	81,421	109,262	79.0	14.03.06–13.03.13
Executive Share Options 2004 – vested	675,402	755,780	116.9	31.03.07–30.03.14
Executive Share Options 2005 – vested	594,418	731,268	220.7	09.03.08–08.03.15
Executive Share Options 2006 – vested	514,658	617,558	383.0	08.03.09–07.03.16
Executive Share Options 2007 – vested	375,791	407,666	640.0	06.03.10–05.03.17
Executive Share Options 2008 – vested	765	–	784.5	06.04.10–05.04.11
Executive Share Options 2008	331,915	366,933	784.5	04.03.11–03.03.18
	3,205,151	**3,627,438**		

39. Share-based Payments (continued)

Performance Share Plan ("PSP")

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

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

Details of the PSP award movements during the year are set out below:

	2010 Number of awards	2009 Number of awards
Outstanding at beginning of the year	182,038	–
Granted during the year	288,135	182,038
Vested during the year	(1,294)	–
Lapsed during the year	(18,767)	–
Outstanding at the end of the year	**450,112**	**182,038**

Details of each PSP award outstanding at 31 December 2010 are as follows:

	Number of shares 2010	Number of shares 2009	Normal vesting date
Date of grant:			
29 April 2009	167,977	182,038	28.04.12
26 February 2010	282,135	–	25.02.13
Outstanding at the end of the year	**450,112**	**182,038**	

The fair value of the PSP award granted in 2010 was calculated using the Stochastic pricing model (also known as the "Monte Carlo" model), which incorporates the effect of the TSR performance condition.

The assumptions used in the model were as follows:

	2010	2009
Assumptions:		
Weighted average share price at grant	587.5p	444.25p
Expected volatility – Hunting PLC	44.4%	44.4%
Expected volatility – Comparator group	58.3%	57.1%
Risk free rate	1.8%	1.9%
Expected life	3 years	3 years
Fair value	401.64p	251.47p

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

The expected life of the award has been calculated as three years, commensurate with the vesting period. The risk free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.

Participants are entitled to a dividend equivalent over the number of shares which make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance condition. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.

The weighted average share price at the date of vesting was 645.0p.

The accounting charge of the PSP is adjusted for an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period and forfeit a proportion of their award. The estimate of the expected forfeiture lapse rate is 2.5% per annum.

The charge to the income statement attributable to the PSP is £0.4m (2009 – £0.1m), which is recognised in operating expenses.

Notes to the Financial Statements continued

39. Share-based Payments (continued)

Restricted Share Plan ("RSP")

Under the RSP, annual conditional awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached to these awards. The RSP is a share award scheme and as such there is no exercise price.

Details of the RSP award movements during the year are set out below:

	2010 Number of awards	2009 Number of awards
Outstanding at beginning of the year	243,134	–
Granted during the year	218,586	253,275
Vested during the year	(956)	(2,124)
Lapsed during the year	(28,345)	(8,017)
Outstanding at the end of the year	**432,419**	243,134

The weighted average share price at the date of vesting was 502.0p (2009 – 565.9p).

Details of each RSP award outstanding at 31 December 2010 are as follows:

	Number of shares 2010	Number of shares 2009	Normal vesting date
Date of grant:			
29 April 2009	225,138	243,134	28.04.12
26 February 2010	207,281	–	25.02.13
Outstanding at the end of the year	**432,419**	243,134	

The fair value of the RSP award granted in 2010 was calculated using the Black Scholes pricing model. The assumptions used in the model were as follows:

	2010	2009
Assumptions:		
Weighted average share price at grant	587.5p	444.25p
Expected volatility	44.4%	44.4%
Risk free rate	1.8%	1.9%
Expected life	3 years	3 years
Fair value	587.5p	444.25p

The expected volatility was calculated using historic weekly volatility over three years to grant, equal in length to the remaining portion of the performance period at the date of grant.

The expected life of the award has been calculated as three years, commensurate with the vesting period. The risk free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.

Participants are entitled to a dividend equivalent over the number of shares which make up their award. It is accumulated over the vesting period and released subject to the employee remaining in employment. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.

The accounting charge of the RSP is adjusted for an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period and forfeit a proportion of their award. The estimate of the expected forfeiture lapse rate is 2.5% per annum.

The charge to the income statement attributable to the RSP is £0.6m (2009 – £0.3m), which is recognised in operating expenses.

Long-term Incentive Plan

The Group operates a Long-term Incentive Plan ("LTIP") for key executives.

LTIP awards may be settled in shares or cash. Details of awards made under this plan are contained within the Remuneration Committee's Report on page 35.

39. Share-based Payments (continued)

The fair value charge to the income statement attributable to the LTIP is £0.5m (2009 – £2.6m).

The liability in relation to the LTIP at the year-end is £0.5m (2009 – £2.6m).

40. Acquisitions

The Group acquired 100% of the share capital of Innova-Extel Acquisition Holdings Inc. (“Innova”), a leading supplier of harsh environment electronics technology, on 3 September 2010 for a cash consideration of £80.3m. This business has been classified as part of the Well Construction segment.

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

	Pre-acquisition carrying values £m	Provisional fair values £m
Property, plant and equipment	9.6	9.6
Other intangible assets	–	20.9
Inventories	10.9	10.8
Trade and other receivables	8.0	8.0
Deferred tax asset	0.5	0.5
Deferred tax liabilities	(1.9)	(9.0)
Trade and other payables	(4.5)	(4.5)
Current tax	(1.0)	(1.0)
Cash and cash equivalents	0.7	0.7
Net assets acquired	22.3	36.0
Goodwill		44.3
Consideration		**80.3**

Consideration comprised £80.3m cash.

Goodwill on the acquisition of Innova represents the value of the assembled workforce at the time of acquisition, specific knowledge and technical skills that will enhance Hunting’s facilities, and the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services to the Group’s customers. None of the goodwill is expected to be deductible for tax purposes.

Intangible assets recognised on acquisition include £2.3m for production backlog, £17.5m for customer relationships, £0.4m for non-compete agreements and £0.7m for trade names (note 17).

The fair value of trade and other receivables is £8.0m and includes trade receivables with a fair value of £8.0m. The gross contractual amount for trade receivables due is £8.1m, of which £0.1m is expected to be uncollectable.

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

Acquisition-related costs of £1.9m have been included in administrative expenses in the income statement for the year ended 31 December 2010.

Post-acquisition performance

Innova contributed the following to the Group’s performance from the date of acquisition to 31 December 2010:

	£m
Revenue	17.4
Profit from continuing operations	0.7
Profit before tax from continuing operations	0.7

Full year performance

If the acquisition had been made on 1 January 2010, the Group’s performance during 2010 would have been as follows:

	£m
Revenue	491.7
Profit from continuing operations	38.1
Profit before tax from continuing operations	39.8

Notes to the Financial Statements continued

41. Operating Leases

The Group as lessee

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

	2010 Property £m	2010 Others £m	2010 Total £m	2009 Property £m	2009 Others £m	2009 Total £m
Operating lease payments in income statement for continuing operations						
Lease and rental payments	**6.7**	**0.7**	**7.4**	5.2	0.6	5.8

Total future operating lease payments

Total future aggregate minimum lease payments under non-cancellable operating leases expiring:

	2010 Property £m	2010 Others £m	2010 Total £m	2009 Property £m	2009 Others £m	2009 Total £m
Within one year	8.7	0.8	9.5	6.6	0.4	7.0
Between two to five years	25.1	0.9	26.0	17.2	0.8	18.0
After five years	16.5	–	16.5	18.2	–	18.2
Total lease payments	**50.3**	**1.7**	**52.0**	42.0	1.2	43.2

The Group as lessor

Property rental earned during the year was £2.3m (2009 – £1.7m). A number of the Group's leasehold properties are sublet under existing lease agreements.

Total future operating lease income

Total future minimum sublease income receivable under non-cancellable operating leases expiring:

	2010 Property £m	2009 Property £m
Within one year	0.7	0.7
Between two to five years	1.3	1.8
Total lease income receivable	**2.0**	2.5

42. Obligations under Finance Leases

Group

	2010 £m	2009 £m
Total of minimum lease payments:		
Within one year	–	0.1
Between two to five years	–	0.1
Total of gross finance lease liabilities	–	0.2
Less: Future finance charges on finance leases	–	–
Present value of finance lease liabilities	**–**	0.2
The present value of finance lease liabilities is as follows:		
Within one year	**–**	0.2

43. Capital Commitments

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for in these financial statements amounted to £18.3m (2009 – £8.5m).

44. Exploration and Evaluation Activities

The assets, liabilities, income, expense and cash flows arising on the Group's exploration for and evaluation of oil and gas resources are as follows:

The Group had no assets (2009 – £nil) and £3.0m liabilities (2009 – £nil) relating to the exploration for and evaluation of oil and gas reserves.

	2010 £m	2009 £m
Income	–	–
Expense	(3.2)	(0.4)
Taxation	1.1	0.1
Net expense	**(2.1)**	**(0.3)**
Cash (outflow) inflow from operating activities	(0.2)	1.6
Cash outflow from investing activities	(0.3)	–
Cash inflow from financing activities	0.5	–
Net cash flow	**–**	**1.6**

Expenses comprise £3.1m (2009 – £nil) for dry hole costs and £0.1m (2009 – £nil) finance expense.

45. Related Party Transactions

Company

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

	2010 £m	2009 £m
Transactions:		
Royalties receivable	1.2	0.8
Management fees payable	(2.3)	(3.2)
Recharges:		
IFRS 2 share option charge	0.9	1.2
Administrative expenses	0.7	0.8
Loans received	–	10.9
Loan from subsidiary repaid	(50.0)	(10.7)
Interest payable on inter-company loans	(1.5)	(2.5)
Interest receivable on inter-company loans	0.2	0.3
Dividends received from subsidiaries	50.0	30.0
Year end balances:		
Amounts owed to subsidiaries	(78.7)	(128.7)
Amounts owed by subsidiaries	12.4	11.7

All balances between the Company and its subsidiaries have no fixed term for repayment and are unsecured.

The Company owed £5.6m (2009 – £5.6m) on an interest free loan from an associate.

The Company also serves as the Group's intermediary for the provision of UK group tax relief, VAT and certain group insurances. At the year end, the outstanding balance receivable for these services was £1.2m (2009 – £2.1m).

Notes to the Financial Statements continued

45. Related Party Transactions (continued)

Group

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

	2010 £m	2009 £m
Transactions:		
Sales of goods and services	1.8	1.7
Purchase of goods and services	(1.0)	(0.4)
Royalties receivable	0.1	0.1
Management and other fees receivable	–	0.1
Loans from associates repaid	(0.2)	(0.5)
Loans to associates repaid	–	1.0
Loans from associates	0.4	–
Dividends received from associates	0.2	0.2
Year end balances:		
Interest bearing loans owed to associates	(1.3)	(1.3)
Interest free loans owed to associates	(5.6)	(5.6)
Receivables from associates	0.2	0.2
Payables from associates	(0.2)	–

The outstanding balances at the year end are unsecured and have no fixed date for repayment. No expense has been recognised in the period for bad or doubtful debts in respect of amounts owed by associates.

All interests in associates are in the equity shares of those companies.

The key management of the Company comprises the executive and non-executive Directors only. The details of the Directors' compensation are disclosed in note 6. The Directors of the Company had no material transactions other than as a result of their service agreements.

46. Principal Subsidiaries and Associates

Subsidiaries and associates	Country of incorporation and operations	Business
Oil and gas activities		
Hunting Energy Corporation	USA	Oilfield services
Hunting Energy Services Inc.	USA	Oilfield and trenchless drilling products and services
Hunting Energy Services (Drilling Tools) Inc.	USA	Drilling equipment
Hunting Energy Services (International) Limited	England and Scotland	Oilfield services
Hunting Energy Services (UK) Limited (60%)	Scotland and Netherlands	Oilfield services
Hunting Energy Services Limited	Scotland	Oilfield services
Hunting Energy Services (Well Intervention) Limited	Scotland, USA and Singapore	Oilfield services
Hunting Energy Services (Canada) Limited	Canada	Oilfield services
Hunting Energy Services (Drilling Tools) Limited	Canada	Drilling equipment
Hunting Energy Services (International) Pte Limited	Singapore	Oilfield services
Hunting Energy Services Pte Limited	Singapore	Oilfield services
Hunting Energy Services (Wuxi) Co. Ltd (70%)	China	Oilfield services
Hunting Welltonic Ltd	Scotland	Oilfield services
Hunting Welltonic LLC (49%)$	Dubai	Oilfield services
National Coupling Company Inc.	USA	Oilfield services
Hunting Innova Inc.	USA	Oilfield services electric component manufacturer
PT SMB Industri	Indonesia	Oilfield services
Hunting Airtrust Tubulars Pte Limited (50%)≠	Singapore and China	Oilfield services
Tubular Resources Pte Ltd (30%)≠+	Singapore	Oilfield services
Tenkay Resources Inc.	USA	Oil and natural gas exploration
Other activities		
E.A. Gibson Shipbrokers Limited	England, Hong Kong, Singapore and Norway	Shipbroking, LPG broking
Field Aviation Company Inc.	Canada	Aviation engineering services
Corporate activities		
Hunting Energy Holdings Limited*	England	Holding company
Huntaven Properties Limited	England	Group properties
Hunting Knightsbridge Holdings Limited*	England	Finance
Hunting U.S. Holdings Inc.	USA	Holding company
Hunting America Corporation	USA	Finance

Notes
1 Certain subsidiaries and associates have been excluded from the above where in the opinion of the Directors they do not have a material bearing on the profits or assets of the Group.
2 Except where otherwise stated companies are wholly-owned being incorporated and operating in the countries indicated.
3 Interests in companies marked * are held directly by Hunting PLC.
4 Subsidiaries and associates marked + are audited by firms other than PricewaterhouseCoopers LLP.
5 Associates are marked ≠ above.
6 All interests in subsidiaries and associates are in the equity shares of those companies.
7 Hunting Welltonic LLC (marked $) is a subsidiary by virtue of a shareholders' agreement.

Shareholder Information

Financial Calendar 2011

20 April	Annual General Meeting
1 July	Final Ordinary Dividend Payment
August	Announcement of Interim Results
November	Interim Ordinary Dividend Payment

In common with many public companies in the UK, the Company will no longer publish a printed version of its half year report. In future, the half year report will only be available online from the Company's website at www.huntingplc.com.

Analysis of Ordinary Shareholders

At 31 December 2010, the Company had 2,291 Ordinary shareholders (2009 – 2,527) who held 132.5 million (2009 – 132.2 million) Ordinary shares analysed as follows:

	2010		2009	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
Size of holdings				
1 – 4,000	74.7	1.3	75.9	1.5
4,001 – 20,000	12.3	1.9	12.3	2.1
20,001 – 40,000	3.1	1.5	2.8	1.5
40,001 – 200,000	5.4	9.0	5.1	9.1
200,001 – 500,000	2.5	13.8	2.0	12.5
500,001 and over	2.0	72.5	1.9	73.3

Share Information

The Ordinary shares of the Company are quoted on the London Stock Exchange.

The Company's registrars, Equiniti, offer a range of shareholder information and dealing services on www.shareview.co.uk.

Financial Record*

	2010 £m	Restated 2009 £m	2008 £m	2007 £m	2006 £m
Revenue	461.6	359.9	418.5	376.2	365.4
Profit from continuing operations	47.7	35.8	58.8	48.6	39.1
Finance income (charges)	1.3	1.8	(3.4)	(6.4)	(4.6)
Share of post-tax profits in associates	1.0	0.9	1.2	2.2	2.6
Profit before taxation from continuing operations	50.0	38.5	56.6	44.4	37.1
Taxation	(15.0)	(12.2)	(18.7)	(17.2)	(12.8)
Profit from continuing operations	35.0	26.3	37.9	27.2	24.3
Profit from discontinued operations	1.9	0.9	40.9	37.2	32.0
Profit for the year	**36.9**	**27.2**	**78.8**	**64.4**	**56.3**
Basic earnings per share:					
Continuing operations	24.7p	17.7p	26.4p	17.0p	15.9p
Continuing and discontinued operations	26.2p	18.4p	57.6p	45.5p	40.8p
Dividend per share#	12.0p	10.5p	9.9p	8.25p	7.5p
Balance Sheet					
Non-current assets	352.8	238.3	204.5	373.9	292.3
Net current assets	286.0	362.0	386.0	104.2	82.1
	638.8	**600.3**	**590.5**	**478.1**	**374.4**
Financed by:					
Shareholders' funds (including non-controlling interests)	594.6	561.8	557.3	251.1	202.6
Non-current liabilities	44.2	38.5	33.2	227.0	171.8
	638.8	**600.3**	**590.5**	**478.1**	**374.4**
Net assets per share	**448.8p**	**425.0p**	**422.2p**	**191.0p**	**154.5p**

* Information is stated before exceptional items.
\# Dividend per share is stated on a declared basis.

The financial information for 2009 has been restated to reflect the additional goodwill and other payables of £0.8m on the acquisition of the Welltonic group of companies on 10 December 2009.

Notes

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Professional Advisers

SOLICITORS
CMS Cameron McKenna LLP

AUDITORS
PricewaterhouseCoopers LLP

BROKERS
RBS Hoare Govett Limited

FINANCIAL ADVISERS
DC Advisory Partners Limited

INSURANCE BROKERS
Willis Limited

PENSION ADVISERS & ACTUARY
Lane Clark & Peacock LLP

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Printed by Park Communications on paper
Manufactured from Elemental Chlorine Free (ECF)
pulp sourced from sustainable forests

Park Communications is certified to ISO 14001:2004
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