



Hunting PLC
 (“Hunting” or “the Company” or “the Group”)

2015 Full Year Results

Hunting PLC (LSE: HTG) the international energy services group today announces its full year results for the year ended 31 December 2015.

Operational Summary

- **Continued development of global operating footprint**
 - commissioning commenced of high throughput premium connections facility at Ameriport, US, in Q4 2015 to serve North American energy markets;
 - Cape Town, South Africa, facility commissioned providing threading, storage and service for sub-Saharan African markets;
 - completion of facility expansion at Houma, US;
 - expansion of Hunting Dearborn facility to reduce customer lead times;
 - AMG manufacturing capability established in Singapore;
 - new Hunting Titan/Drilling Tools shared distribution and service centre opened in Odessa, US.
- **New product innovations developed and commercialised**
 - new H-1 perforating system trialled by customers in the year and commercialised during Q1 2016 by Hunting Titan;
 - WEDGE-LOCK™ and SEAL-LOCK XD™ premium connections sales increased following first roll out in early 2015;
 - new high temperature/high pressure hydraulic couplings developed and launched by Hunting Subsea;
 - new directional drilling tools jointly developed by Drilling Tools, Hunting Specialty and Hunting Titan businesses.
- **Cost reduction programme completed during the year**
 - 30% reduction in headcount in the year;
 - four operating sites closed;
 - three distribution centres being prepared for closure.

Financial Summary

- **Cost reductions and tight cash management achieved in the year**
 - cost saving measures implemented across the Group;
 - capital expenditure reduced to \$81.1m as major projects were completed.
- **Positive free cash flows* generated allowing pay down of net debt***
 - \$118.0m of free cash generated to give closing net debt of \$110.5m;
 - gearing* of 9% reported, even with continued capital investment.
- **Revenue of \$810.5m recorded in the year, with management actions limiting the impact on gross margins**
 - revenue decline in line with reductions in Global drilling and production expenditure;
 - 24% underlying gross margin achieved in the year.
- **Impairment and restructuring charges reflecting current market conditions**
 - charges for restructuring costs and impairment to property, plant and equipment, goodwill and other intangible assets totalling \$259.7m.
- **Underlying profit from operations* of \$16.4m**
 - Reported loss from operations of \$282.2m.
- **Final dividend of 4.0 cents per share proposed, subject to shareholder approval**
 - subject to approval, the dividend will be paid on 6 July 2016, to shareholders on the register on 10 June 2016 with a cash cost of \$5.9m;
 - total dividends for the year 8.0 cents per share, with a total cash cost of \$11.8m.

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

Reported – results for the year under IFRS.

* Non – GAAP measure (“NGM”)

Segmental results from continuing operations

	2015		2014	
	Revenue \$m	Underlying profit (loss) from operations \$m	Revenue \$m	Underlying profit from operations \$m
Hunting Energy Services				
Well Construction	211.4	1.9	378.3	53.0
Well Completion	488.6	14.2	862.6	140.8
Well Intervention	106.3	4.6	135.5	23.8
	806.3	20.7	1,376.4	217.6
Other Activities				
Exploration and Production	4.2	(4.3)	10.1	0.2
Total	810.5	16.4	1,386.5	217.8

An analyst presentation and webcast will be held at 10.30 a.m. today at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN.

An audio webcast will be available on:

<http://vm.buchanan.uk.com/2016/hunting030316/registration.htm>

Commenting on the results, Dennis Proctor, Chief Executive, said:

“Today’s results reflect the severity and speed of the reduction in oil and gas activity, particularly across North America. While this has created challenges for all market participants, the Group has adapted quickly to the changing market environment and remains ready to respond when industry investment recovers.”

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Notes to Editors:

About Hunting PLC

Hunting PLC is an international energy services provider to the world's leading upstream oil and gas companies. Established in 1874, it is a premium listed public company traded on the London Stock Exchange. The Company maintains a corporate office in Houston and is headquartered in London. As well as the United Kingdom, the Company has principal operations in Canada, China, Indonesia, Kenya, Mexico, Netherlands, Norway, Singapore, Saudi Arabia, South Africa, Thailand, United Arab Emirates and the United States of America.

Chairman's Statement

Introduction

Hunting had a challenging year in 2015, with the downturn in oil prices proving deeper and more prolonged than almost anyone was predicting. Despite that, and the resulting need to rein in both replacement and growth capital investment, the Company has retained its manufacturing and production capabilities.

The Group has expanded into new regions, including Saudi Arabia and sub-Sahara Africa, while aligning its existing operations in North America with the current market conditions.

Capital investment during the year totalled \$81.1m (2014 – \$123.5m) which allowed us to finish or continue projects already underway in Texas, Louisiana, Maine and South Africa. Inevitably, in this environment, some projects have been deferred or held at the initial operating capability stage. Nevertheless, our strategy of retaining our core facilities and skills in readiness for the eventual recovery in our markets remains unchanged.

Performance

The year was one of two very different halves. In the first six months, we were able to take advantage of the market momentum and of orders received in 2014; but the decline in business from customers, who were themselves under extreme pressure, meant that the second half was very difficult.

Underlying profit before tax from continuing operations was \$9.4m (2014 – \$212.4m), reflecting the overall difficult operating environment in the year as a whole.

As with many of our peers, Hunting has undertaken a review of the carrying values of property, plant and equipment, goodwill and other intangible assets, leading to a total impairment of \$252.6m being charged to the Group's income statement (2014 – \$60.9m). Amortisation of acquired intangible assets and other exceptional items charged to the income statement in the year totalled \$46.0m (2014 – \$43.0m). This has led to a reported loss before tax from continuing operations of \$289.2m (2014 – \$108.5m profit).

Dividend

The Board is recommending a final dividend of 4.0 cents per share (2014 – 22.9 cents per share), representing a fine balance between loyalty to our shareholders and our wish to maintain a strong balance sheet. Total dividends declared for the year were therefore 8.0 cents per share (2014 – 31.0 cents per share).

Governance

In February 2015 we welcomed two new independent non-executive Directors to the Board, Annell Bay and Jay Glick. Annell has extensive experience in the upstream exploration segment of our industry, having worked previously with integrated majors and large independent exploration companies. Jay has also brought a wealth of energy-related manufacturing experience to the Board, having led one of our US peers for many years, prior to his retirement from executive duties. As both these segments of the industry are Hunting's partners, competitors and customers, their combined insight has been valuable during this volatile year.

The Board remains compact, capable and dedicated and I thank all my fellow Directors for their wisdom during these challenging times.

I am also pleased to note our enhanced Strategic Report which describes how our current strategy creates long-term value, combined with our approach to risk management. While the energy industry is distressed at present, Hunting's position in the industry will be strong when the recovery occurs.

Further, I wish to record my gratitude to all of our people. For those who have had to go, I express my deep regret. For those remaining, I am extremely grateful. We do not know when the return to normality in our markets will come, but come it certainly will.

Richard Hunting, C.B.E.
Chairman

3 March 2016

Chief Executive's Review and Outlook

Introduction

2015 will be remembered in the global energy industry as a generational decline in investment and activity levels. The severity and speed of the reduction in activity, particularly across North America, has created challenges for all market participants. The Group has adapted quickly to the changing market environment, and at the same time prepared for a return to growth, with its manufacturing and service capabilities intact – ready to respond when industry investment recovers.

Hunting's efforts in 2015 have focused on six strategic goals:

- 1) reducing its cost base to align with the short-term outlook for the industry;
- 2) maintaining its global manufacturing capability;
- 3) investing in new facilities where strong future growth is forecast;
- 4) demonstrating technological excellence with new products launched to assist customers with the delivery of projects in a more efficient and productive way;
- 5) maintaining margins where Hunting has product leadership; and
- 6) reducing inventories to generate cash and manage net debt.

While the early part of 2016 continues to indicate a difficult market environment, Hunting remains well placed to deliver quality products and industry leading service to its customer base, which will position the Group well for the eventual recovery.

Market Backdrop

The performance of all the businesses within the Group has been impacted by the macro-economic drivers of the industry during the year. WTI crude oil prices declined 30% in absolute terms during 2015 to \$37 per barrel; global rig counts have reduced 26% and global drilling and production expenditure has been cut by 32% to c.\$267bn during the year, leading to a decrease in demand for Hunting's products and services.

This environment has led to common themes being reported by many businesses within the Hunting group, with industry participants cancelling or deferring orders, demanding aggressive price reductions across all product groups and in-housing production to increase pricing pressure on global vendors.

Our Response

Hunting's response to the current market environment has been clear. The Group has undertaken a major reduction in workforce across all of its operations to align its businesses with these lower activity levels. Headcount has reduced by 30% to 2,784 at the year end (2014 – 4,003).

Management has reviewed the Group's manufacturing operations and in the year closed four facilities including its Canada Drilling Tools operation in Nisku, Canada, the US Manufacturing facility at Woodlawn, Louisiana, and rationalised the US Drilling Tools business. The Group has also initiated plans to close three distribution centres. The Group will also continue to monitor its global operational footprint to maximise its operating efficiency, as new facilities are commissioned.

The Group has been firmly focused on cash generation to allow it to continue to invest for the future, while at the same time managing net debt levels appropriately. In 2015, Hunting generated \$118.0m of free cash flow resulting in year end net debt of \$110.5m to give gearing of 9% (2014 – 9%), even though capital investments absorbed \$81.1m (2014 – \$123.5m) in the year.

In order to capture new business opportunities Hunting completed and commissioned a new facility in Cape Town, South Africa, which will enable the Group to access and serve operators throughout sub-Saharan Africa with manufacturing, service, repair and storage capabilities. A satellite repair facility has been commissioned in Mombasa, Kenya, which will further serve operators on the east coast of Africa, where significant offshore gas discoveries will drive further exploration and development activity in the coming years.

In Q1 2016, the Group also completed its new premium connection manufacturing facility in Ameriport, US. The facility has been designed as a high throughput plant, allowing for the manufacture of premium connections with a wide range of diameters, serving the North American and international markets.

Hunting has also built and commissioned a world-class premium connection test facility to accelerate the in-house development of new connections and thread forms. The facility can test high pressure/high temperature connections, simulating deep water drilling environments, which assists Hunting's technology development that include the recently developed SEAL-LOCK XD™ and WEDGE-LOCK™ premium connection product lines.

The Group's facility at Fryeburg, US, has been expanded to increase its high precision manufacturing capabilities, including MWD/LWD tools and critical aerospace parts. Final commissioning of the facility will occur in Q1 2016.

During 2015, Hunting's Advanced Manufacturing Group ("AMG") commenced operations in Singapore, giving customers in the region access to Hunting's electronics product lines, including MWD/LWD printed circuit boards.

Chief Executive's Review and Outlook (continued)

Hunting Titan has commercialised and launched the H-1 perforating system for use in well completions. The system draws on Hunting's expertise in electronics, pressure control, perforating and premium connections and delivers a safe, reliable and efficient total perforating solution to Hunting's global customers.

While most businesses reported a decline in activity, Hunting Subsea reported a good performance in the year, due to strong momentum in the deep water drilling segment of the industry.

Our threading facility at Marrero, Louisiana, has also seen very strong demand for large diameter threaded pipe for use in deep water projects and had a busy order book in the year, which continued in to the early months of 2016.

While the Group's revenue has reduced in the year, as detailed below, management have defended pricing and margins wherever possible principally through reducing the cost base.

Financial Summary

	Underlying		Reported	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Continuing operations:				
Revenue	810.5	1,386.5	810.5	1,386.5
EBITDA	61.9	269.8	54.8	269.6
Profit (loss) from operations	16.4	217.8	(282.2)	113.9
Profit (loss) before tax	9.4	212.4	(289.2)	108.5
Profit (loss) for the year	4.0	155.2	(231.4)	71.8
Discontinued operations:				
Profit for the year	-	0.3	4.2	1.4
Total profit (loss) for the year	4.0	155.5	(227.2)	73.2
Diluted EPS – continuing operations (cents)	3.1	100.0	(156.1)	44.8

Hunting's performance in the year has seen revenue decline 42% from \$1,386.5m in 2014 to \$810.5m. This is broadly in line with the reduction in industry expenditures reported by leading sector commentators and data sources.

While employee related costs were reduced during the year, total cost of sales and net other operating expenses were \$794.1m (2014 – \$1,168.7m) leading to a decline in underlying profit from continuing operations to \$16.4m (2014 – \$217.8m), with underlying diluted earnings per share reducing from 100.0 cents in 2014 to 3.1 cents.

Given the market backdrop and future market projections, management has undertaken an asset impairment review. As a result, the Board is reporting a number of non-cash impairments: a goodwill impairment charge of \$208.2m for the year in respect of a number of group businesses, an other intangible asset impairment charge of \$11.2m against customer relationships relating to the Electronics and Doffing acquisitions, an impairment charge to property, plant and equipment of \$26.8m within the Drilling Tools business and a \$6.4m impairment charge against the Group's oil and gas related assets. Total exceptional charges, comprising these impairments, together with amortisation of acquired intangible assets of \$38.9m and \$7.1m restructuring costs incurred during the year, were \$298.6m (2014 – \$103.9m).

The reported loss from continuing operations, before interest and tax, in 2015 was therefore \$282.2m (2014 – \$113.9m profit) leading to a reported diluted loss per share of 156.1 cents (2014 – earnings per share 44.8 cents) being recorded.

Outlook

Simply put: not good, certainly for the next few months. The degree and speed of the oil and gas industry contraction, coupled with project delays/cancellations, E&P bankruptcies, currency volatility, full out oil production and geopolitical influences will strain the confidence of industry leaders thus freezing any positive decisions. We are in a wilderness without a single path to guide us.

Certainly, \$145 oil created enough new supply to drive prices to the current \$30 level. With equal certainty, \$30 oil will strangle production enough to drive the price back up. With such an inelastic commodity, the outlook is always the same – a sudden snapback comes when least expected.

Chief Executive's Review and Outlook (continued)

Oversupply is driving this painful contraction and this oversupply is driven by oil producing countries seemingly blind to their own destructive actions globally and especially within their own countries. Damage to future supplies requiring long lead times is approaching permanence and any future demand growth will require massive capital and oilfield service capacity.

During this bleak period, we will continue to protect gross margins, emphasise quality and remain focused on health and safety. Absent large volume intake, each of our facilities is measured by free cash generation. Costs will be reduced to maintain free cash until no option exists but to close or, if possible, consolidate the product lines into another facility.

The Group maintains an excellent balance sheet, best of class global manufacturing facilities, producing complex, proprietary components led by an experienced management team. An industry recovery is assured, followed by strong momentum, but timing is elusive. The Group has and will continue to act decisively to safeguard an exciting and profitable future.

Group Performance and Development

Results from Continuing Operations

The Group's revenue in 2015 was \$810.5m, a decline of 42% compared to 2014. This fall in activity levels has significantly impacted profitability with underlying EBITDA falling to \$61.9m (2014 – \$269.8m) and EBITDA margin reducing from 19% in 2014 to 8% in 2015.

Underlying profit from continuing operations reduced to \$16.4m in the year (2014 – \$217.8m) and the underlying profit margin correspondingly reduced to 2% in 2015 (2014 – 16%).

At the half year, management carried out an impairment review, which resulted in a charge to goodwill of \$35.2m. Expectations for a recovery in commodity prices and activity levels have declined markedly since this review and in carrying out its year end assessment, management have decided to reflect an additional \$173.0m impairment charge, bringing the total for the year to \$208.2m (2014 – \$49.6m). Further details can be found in note 10.

Management also carried out a review of the carrying value of other intangible assets, which lead to the Group recognising an impairment charge of \$11.2m (2014 – \$nil) for customer relationships originally recognised on the Electronics and Doffing acquisitions.

Reviews of the carrying value of assets held within the Group's Drilling Tools business were completed in the year, leading to a \$26.8m (2014 – \$nil) impairment charge to property, plant and equipment held by the Group. This assessment has not changed at the year end.

The decline in commodity prices has also impacted the carrying values of the Group's oil and gas assets held by the Exploration and Production business unit. An impairment charge of \$6.4m has been reflected for the year (2014 – \$11.3m).

During the year, management acted to control costs, with the number of employees at December 2015 falling by 30% versus December 2014. In addition, the Drilling Tools business in Canada was closed. These actions gave rise to restructuring costs of \$7.1m (2014 – \$nil).

The charge in the year for the amortisation of acquired intangible assets held by the Group totalled \$38.9m (2014 – \$42.8m).

In total, amortisation, impairments and exceptional items charged to the Group's income statement were \$298.6m in the year (2014 – \$103.9m).

As a consequence of these charges, Hunting has recorded a reported loss from continuing operations of \$282.2m (2014 – \$113.9m profit).

Net finance expense during the year was \$6.8m (2014 – \$4.9m), principally reflecting interest on net borrowings. In October 2015, the Group refinanced its revolving credit facility, leading to a new five year \$350m facility being agreed with a syndicate of five banks. The terms and covenants attached to the new facility are similar to Hunting's old facility, which was due to expire in August 2016.

Underlying profit before tax was \$9.4m (2014 – \$212.4m). Following the charges for asset impairments, intangible asset amortisation and other exceptional items, the reported loss before tax was \$289.2m (2014 – \$108.5m profit), which resulted in a tax credit of \$57.8m for the year (2014 – \$36.7m charge).

Group Performance and Development (continued)

The Group's underlying tax rate has been adversely impacted by the non recognition of tax relief on losses in some overseas jurisdictions and the reversal of US production incentive tax credits from prior years. The underlying effective tax rate was 57% (2014 – 27%).

Underlying diluted earnings per share decreased to 3.1 cents in 2015 (2014 – 100.0 cents) and the reported diluted loss per share was 156.1 cents (2014 – earnings per share 44.8 cents).

Results from Discontinued Operations

The sale of Gibson Shipbrokers concluded on 31 March 2015, with the Group recording a \$3.8m gain on the sale in the 2015 income statement. Other items totalling \$0.4m relating to the sale of Gibson Energy in 2008 have been recorded in the year.

Segmental Trading Review

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

	2015			2014		
	Underlying profit (loss) from continuing operations \$m	Amortisation ⁱ and exceptional items \$m	Reported loss from continuing operations \$m	Underlying profit from continuing operations \$m	Amortisation ⁱ and exceptional items \$m	Reported (loss) profit from continuing operations \$m
Well Construction	1.9	(113.8)	(111.9)	53.0	(57.1)	(4.1)
Well Completion	14.2	(146.8)	(132.6)	140.8	(34.7)	106.1
Well Intervention	4.6	(31.6)	(27.0)	23.8	(0.8)	23.0
Total HES	20.7	(292.2)	(271.5)	217.6	(92.6)	125.0
Exploration and Production	(4.3)	(6.4)	(10.7)	0.2	(11.3)	(11.1)
Total Group	16.4	(298.6)	(282.2)	217.8	(103.9)	113.9

ⁱ Relates to amortisation of acquired intangible assets.

Hunting Energy Services

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

In 2015, Hunting Energy Services reported revenue of \$806.3m (2014 – \$1,376.4m). Underlying profit from continuing operations also declined to \$20.7m (2014 – \$217.6m). Charges for amortisation of acquired intangible assets, impairments and exceptional items recorded in the year totalled \$292.2m (2014 – \$92.6m), leading to a reported loss from continuing operations of \$271.5m (2014 – \$125.0m profit).

Well Construction

		2015	2014
Revenue	\$m	211.4	378.3
Underlying profit from operations	\$m	1.9	53.0
Underlying profit margin	%	1	14
Reported loss from operations	\$m	(111.9)	(4.1)
Capital investment	\$m	49.4	69.0
Average employees		866	1,081
Year end employees		717	1,122

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

During the year the segment reported a 44% decline in revenue to \$211.4m (2014 – \$378.3m). With the exception of the Premium Connections unit and Hunting Dearborn, all businesses within the segment recorded a loss from operations in the year. In addition, the segment absorbed \$3.3m of start-up costs relating to Africa and AMG in Asia (2014 – \$1.6m). This led to a decline in underlying profit from continuing operations of 96% to \$1.9m in the year (2014 – \$53.0m). The impairments recorded against goodwill for this segment totalled \$66.1m (2014 – \$49.6m), the impairment of customer relationships in the Electronics and Doffing businesses was \$11.2m (2014 – \$nil) and impairment of property, plant and equipment within the Drilling Tools business totalled \$26.8m (2014 – \$nil). Charges for the amortisation of acquired intangibles and restructuring were \$9.7m (2014 – \$7.5m). This led to a reported loss from continuing operations for the segment of \$111.9m (2014 – \$4.1m). Capital investment within the segment totalled \$49.4m, mainly associated with the construction of new facilities for the Group's Premium Connections unit and Hunting Dearborn. With the reduction in workforce programme completed within the year, the year end number of employees reduced by 36% to 717 (2014 – 1,122).

Group Performance and Development (continued)

Premium Connections

Hunting's Premium Connection business has reported a reduction in activity levels, with onshore drilling declining rapidly in the early part of the year, while offshore demand for Hunting's range of connections was more robust throughout 2015 but gradually slowed over the course of the year.

Technical activity in the year has been led by the commercialisation and driving of sales of Hunting's SEAL-LOCK XD™ and WEDGE-LOCK™ premium connections. During 2015, a range of diameters within the SEAL-LOCK XD™ range were developed and tested with a view to participating in a range of heavy oil programmes across North America. The WEDGE-LOCK™ premium connection has been utilised by a range of customers for deep water applications and extensive development work has been underway throughout the year to widen, test and certify this family of connections. The commissioning of Hunting's world-class connection test facility late in 2015 will accelerate this process.

Of particular note has been the success at Hunting's Marrero facility, which reported strong demand for large diameter premium connections for use in deep water projects in the Gulf of Mexico. The facility has been busy throughout 2015 and has an order book extending into 2016, as offshore projects in the region continue.

Hunting's new facility at Ameriport US has now been commissioned. This \$48.9m facility allows for high throughput threading activities to be undertaken and will serve activity in the Gulf of Mexico and international deep water drilling programmes. With the opening of this facility, Hunting's Woodlawn manufacturing facility has been closed and prepared for sale, with further threading facilities in the Houston area to be rationalised.

Drilling Tools

Hunting's Drilling Tools business underwent a major restructuring programme during the year to align the business with the lower activity environment, with 63% of the workforce being released in the year to contain costs. In Canada, due to the subdued market for Hunting's drilling tool product and service lines, a decision was taken in October 2015 to close its operations in the country and transfer all tools back to the US. As a consequence of this, the Group's facility in Nisku, Alberta, has been closed.

Construction OCTG

Hunting's OCTG business has also reported a decline in the footage sold or traded in the year compared to 2014. Competition has also been aggressive during the year, as global steel mills have continued to supply product cheaply, in some instances selling at a loss, to maintain production volumes.

In Africa, Hunting has completed and commissioned its manufacturing, repair and storage facility in Cape Town, South Africa. The local management team has marketed Hunting's capabilities across Africa, leading to enquiries being made. To complement this new facility, a satellite service and repair facility has been commissioned in Mombasa, Kenya, this being a 60:40 partnership arrangement with a local energy service group in the country. The facility is aimed at assisting operators to develop the extensive East African offshore gas fields.

Advanced Manufacturing Group

Hunting Dearborn has reported a good performance during the year, as demand for precision machined products, including housings for MWD/LWD measuring tools remained strong, with demand declining as industry activity levels reduced during the year. A strategic goal for the business has been to address the long production lead times associated with the manufacture of its products. To reduce this, the facility has been expanded by 44% during 2015 to give a total manufacturing footprint of 213,600 square feet and the expansion is operational. Further equipment rationalisation will be carried out during 2016 based on the level of demand.

During 2015, Hunting Electronics continued to report subdued activity with end-users continuing to source components from the Far East. To address this shift in purchasing, Hunting opened a facility in Singapore to commence the manufacture of a range of electronic components. In the US, the workforce within the Electronics business was reduced by 41% in the year.

Hunting Specialty

Hunting Specialty has been particularly impacted by the decline in commodity prices and rig counts, leading to customers demanding price reductions for many products. The business has addressed this market environment by reducing headcount by 44% in the year and brought in-house manufacturing processes that were previously outsourced to third parties.

Hunting Trenchless

The Hunting Trenchless business has also reported a difficult year resulting in an employee headcount reduction of 40%. The business has worked with the Drilling Tools business to develop and market a wider range of mud motors and is planning to introduce a WEDGE-LOCK™ thread form to its customers during 2016.

Group Performance and Development (continued)

Well Completion

		2015	2014
Revenue	\$m	488.6	862.6
Underlying profit from operations	\$m	14.2	140.8
Underlying profit margin	%	3	16
Reported (loss) profit from operations	\$m	(132.6)	106.1
Capital investment	\$m	20.0	42.5
Average employees		1,877	2,237
Year end employees		1,574	2,298

The Well Completion segment comprises the Hunting Titan, Manufacturing and Accessories and Hunting's International Completion businesses.

Revenue in the segment declined 43% in the year to \$488.6m (2014 – \$862.6m), with underlying profit from continuing operations reducing by 90% to \$14.2m (2014 – \$140.8m). Impairment to the carrying value of goodwill for the Hunting Titan, US Pipe and Indonesian businesses totalled \$112.2m and other charges, comprising amortisation of acquired intangible assets and restructuring costs, totalling \$34.6m led to a reported loss from continuing operations of \$132.6m (2014 – \$106.1m profit).

Capital investment within the segment totalled \$20.0m, mainly associated with the construction of new facilities. Following the reduction in the workforce, the year end number of employees reduced by 32% to 1,574 (2014 – 2,298).

Hunting Titan

Hunting Titan's performance in the year was impacted by the decline in the number of well completions being finalised in the year. To align the business with the current market environment, 21% of the workforce across the business was released during 2015 and a number of sites are being prepared for closure.

Hunting Titan continues to leverage synergies through the manufacture of perforating guns and associated components throughout the Group's global manufacturing network, including Canada, Mexico and China, where lower production costs can be achieved.

While a rationalisation of the number of distribution centres across North America has been underway since Q4 2015. Hunting Titan has opened two distribution centres, in the US, and Clinterty, Scotland, to capture new opportunities. In Europe, growth opportunities have been identified on the UK Continental Shelf, where plug and abandonment programmes are expected to increase over the coming years, leading to new requirements for Titan's perforating systems and accessories, while in Norway, continued drilling and development activity on the Norwegian Continental Shelf has created new markets for Titan's whole range of products.

During 2015, Hunting Titan completed the development and launch of the H-1 perforating system. The system has the potential to revolutionise perforating procedures completed by customers, as it materially reduces the set up times and personnel required in-field to configure a perforating gun procedure. The technology utilises many of Hunting's core competencies in connections, electronics, perforation and pressure control technologies. The H-1 perforating system completed a number of successful field trials during Q4 2015, with positive feedback being received by customers, leading to full commercialisation and sales efforts being underway since the start of 2016.

Manufacturing and Accessories

Hunting's Manufacturing and Accessories business reported a strong performance in the early months of the year, but this declined as the industry downturn persisted for the balance of 2015.

International Completion

Hunting's international completion businesses extend from Canada through to Europe, the Middle East and Asia Pacific. In the year, Hunting's Asia Pacific businesses remained profitable on an underlying basis, with losses being recorded in Canada and the UK.

Hunting's Canadian operations reported declining activity as heavy oil and tar sand related programmes became unviable and loss making with the reduced oil price, leading to the number of wells being drilled declining by c.50% compared to 2014. Hunting has aligned its operations with this lower level of activity, with a 52% reduction in workforce during the year. However, Hunting has achieved a number of successes including the continued use of Hunting's premium connection in "Vacuum Insulated Tubing" applications for the transportation of heavier oils. The business has also collaborated with a major steel maker to jointly market threaded pipe utilising Hunting's 4040 premium connection.

In the Middle East, while the pricing environment for oil products and services has been challenging, activity levels have been sustained, with drilling and capital expenditures remaining unchanged compared to 2014. In June 2015, Hunting signed a joint venture agreement with SG Petroleum in Saudi Arabia which will allow Hunting to manufacture certain product lines in the kingdom and sell to the major companies operating in-country. A facility has been commissioned and new personnel hired to increase the Group's business presence in the country.

Group Performance and Development (continued)

In Europe, Hunting's UK operations have been affected by a near decade low in new drilling activity but also the high taxation of operators. Hunting has restructured its operations, including a reduction in the workforce of 17% to align with the current operating environment. While operations in the UK have been depressed, new investment in the Group's Netherlands facility and entry into Norway in the year are targeting ongoing drilling across the whole region, including the increasing number of plug and abandonment programmes planned as production ceases from older fields.

In Asia Pacific, Hunting maintains operations in Singapore, Indonesia, Thailand and China. During the year, activity levels declined with general market conditions. While the performance of the business reduced in the year, which led to a 34% reduction in employees across the region, Hunting has continued to develop its presence in the area, particularly in Singapore. In March 2015, the Hunting Board approved the investment in a major new facility in Singapore, which will consolidate four locations into one campus. The new campus will combine threading, manufacturing and service capabilities and also include the electronics and precision machining capabilities of Hunting's AMG business group. While the phasing of this investment has been moved into late 2016 and 2017, due to the market environment, plans for the consolidation of Hunting's operations continue, with planning applications being secured and early stage investment made throughout the year.

Well Intervention

		2015	2014
Revenue	\$m	106.3	135.5
Underlying profit from operations	\$m	4.6	23.8
Underlying profit margin	%	4	18
Reported (loss) profit from operations	\$m	(27.0)	23.0
Capital investment	\$m	8.6	4.5
Average employees		499	483
Year end employees		428	513

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

Revenue in the segment declined 22% in the year to \$106.3m (2014 – \$135.5m), with underlying profit from continuing operations reducing by 81% to \$4.6m (2014 – \$23.8m). Impairment to the carrying value of goodwill totalled \$29.9m and other charges, comprising amortisation of acquired intangibles and restructuring costs totalling \$1.7m, led to a reported loss from continuing operations of \$27.0m (2014 – \$23.0m profit).

Capital investment within the segment totalled \$8.6m, mainly associated with the construction of new facilities. With the programme to reduce the workforce completed within the year, the year end number of employees reduced by 17% to 428 (2014 – 513).

Hunting Subsea

During the year, the Subsea business reported strong sales and profits as deep water drilling programmes, mainly in the Gulf of Mexico, continued. While business momentum remained strong for the majority of the year, as the business entered Q4 2015, a declining order book, due to the ongoing curtailment of drilling by global operators, led to a reduction in workforce of 19% in the year. The business continued to introduce new coupling products, valves and chemical injector solutions to the market throughout the year, which has contributed to the excellent results being delivered.

Well Intervention

The well intervention business group has also been impacted by the market, however, sales of its pressure control system and Thru Tubing intervention tools have continued throughout the year, with new business being secured across the Middle East.

Hunting's UK-based rental equipment business has been adversely impacted during the year, but plans are being drawn up to focus more on African drilling markets, where better market opportunities are anticipated.

Exploration and Production

Hunting's exploration and production business has oil and natural gas well investments mainly in the Southern US and offshore shallow waters in the Gulf of Mexico, holding equity interests in 47 producing properties. On a Barrel of Oil Equivalent basis ("BOE"), production in the year was 118,000 BOE (2014 – 143,000 BOE), with reserves at 31 December 2015 being 0.6m BOE (2014 – 0.9m BOE).

In 2015, the business reported an underlying loss from operations of \$4.3m (2014 – \$0.2m profit). During 2015, the unit participated in drilling one successful onshore development well and a successful offshore recompletion.

Following a year end valuation of reserves, which requires individual oil and gas properties to be impaired when the estimated realisable value is less than the book value based on future production and commodity prices, the business has taken an impairment charge of \$6.4m (2014 – \$11.3m), which has been shown as an exceptional item, reflecting a reduction in the value of reserve estimates and higher retirement obligation cost estimates. Reported loss from operations for 2015 was \$10.7m (2014 – \$11.1m).

Group Performance and Development (continued)

Summary Group Cash Flow

	2015	2014
	\$m	\$m
EBITDA	61.9	269.8
Working capital movements	96.0	3.8
Net interest paid and bank fees	(7.4)	(5.6)
Tax paid	(10.5)	(26.6)
Restructuring costs	(5.9)	-
Replacement capital investment	(22.0)	(69.0)
Other operating cash and non-cash movements	5.9	9.9
Free cash flow	118.0	182.3
Expansion capital investment	(59.1)	(54.5)
Dividends to PLC equity holders	(39.8)	(44.1)
Other	1.4	(8.9)
Reduction in net debt in the year	20.5	74.8

Cash Flow

EBITDA was \$61.9m (2014 – \$269.8m), reflecting the weakness in the global energy markets, leading to lower revenues and profits for the Group.

Working capital movements generated \$96.0m of cash inflows (2014 – \$3.8m), impacted by the decline in business activity levels, but also reflecting the Group's focus on working capital management.

Net interest paid and bank fees increased in the year to \$7.4m from \$5.6m in 2014, reflecting fees paid on the new five year facility.

Tax paid in the period decreased by \$16.1m, reflecting the lower levels of taxable income generated.

Restructuring costs gave rise to cash outflows of \$5.9m (2014 – \$nil) as a result of workforce reduction programmes.

Replacement capital investment decreased by 68% to \$22.0m in 2015 (2014 – \$69.0m), as the Group cut non-essential expenditures. Key components included \$6.4m on the manufacturing facility at Houma, US, \$6.1m on drilling tools and rental equipment and \$6.3m on machinery and equipment. Exploration and production capital investment totalled \$3.0m during the year.

As a result of the above, free cash flow was \$118.0m in the year (2014 – \$182.3m).

Expansion capital investment during 2015 was \$59.1m (2014 – \$54.5m) as the Group's internal capital investment programme progressed. The Group incurred \$20.2m on its new premium threading and test facility at Ameriport, US, \$9.3m on the new regional facility in Cape Town, South Africa, \$6.4m at Hunting Dearborn, \$1.6m on the new AMG regional facility in Singapore, \$2.9m on drilling tools and rental equipment and \$11.5m on machinery and equipment. Other expansion capital investments totalled \$7.2m.

Total dividends paid in the year to PLC equity shareholders were \$39.8m. This comprises the payment of the final dividend for 2014 of 22.9 cents and the 2015 interim dividend of 4.0 cents. Dividends will continue to be declared in cents, with a Sterling equivalent paid, following a formal process of conversion. The final dividend for 2015 is proposed at 4.0 cents, and, if approved by shareholders, will result in an outflow of \$5.9m.

Net debt has reduced by \$20.5m to \$110.5m (2014 – \$131.0m) at the end of the year.

Group Funding and Position at Year End

Financial Capital Management

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

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

The Group operates in a number of geographic territories and results are generated in a number of different currencies. The US dollar is the most significant functional currency, however, where this is not the case, the Group is subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Currency exposure on the balance sheet is, where practical, reduced by financing assets with borrowings in the same currency. Spot and forward foreign exchange contracts are used to cover the net exposure of purchases and sales in non-domestic currencies.

2015 has been a year of decline for the Group, as activity levels materially decreased within its core markets leading to a reduction in revenues and profits for the Group. However, cash generation has remained strong and sufficient to continue to fund the Group's capital investment programme and reduce net debt by \$20.5m to \$110.5m (2014 – \$131.0m), with gearing being 9% at 31 December 2015 (2014 – 9%).

	2015 \$m	2014 \$m
Total equity	1,168.1	1,438.3
Net debt	110.5	131.0
Capital employed	1,278.6	1,569.3
Gearing	9%	9%

The Group's financial position remains robust, with total credit facilities of \$414.6m in place (2014 – \$649.8m) of which \$350.0m (2014 – \$584.7m or £375.0m) is committed. A new five year \$350m revolving committed facility ("RCF") was agreed in October 2015 with a syndicate of five banks, comprising Lloyds, Barclays, HSBC, Wells Fargo and DBS. The new facility, which expires in October 2020, has similar terms and covenants to the old facility.

The ratio of net debt to EBITDA permitted under the RCF must not exceed a multiple of three times. EBITDA must also cover relevant finance charges by a minimum of four times. For covenant testing purposes, the Group's definition of EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Similarly, net debt and finance expenses are adjusted to accord with the definition within the facility agreement. EBITDA, for covenant test purposes, is based on the previous twelve month period, measured twice yearly at 30 June and 31 December. At 31 December 2015 both these covenants were met.

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

Management's judgement is that the level of headroom provided by the Group's total credit facilities remains adequate to provide ongoing flexibility and to support the investment in key projects.. Return on average capital employed is a KPI management use to assess business unit performance. The Group's underlying return on average capital employed has decreased to 1% in 2015, reflecting the decline in trading (2014 – 13%).

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

Further detail on financial risks is provided within note 26 of the 2015 Annual Report and Accounts.

Balance Sheet

	2015 \$m	2014 \$m
Goodwill	230.6	440.6
Other intangible assets	180.4	224.8
Property, plant and equipment	460.8	473.0
Working capital	365.8	470.6
Taxation (current and deferred)	10.7	(55.2)
Provisions	(18.0)	(24.7)
Other net assets	48.3	40.2
Capital employed	1,278.6	1,569.3
Net debt	(110.5)	(131.0)
Net assets	1,168.1	1,438.3
Non-controlling interests	(26.2)	(30.2)
Equity attributable to owners of the parent	1,141.9	1,408.1

Group Funding and Position at Year End (continued)

Given the severe downturn across the energy industry in 2015, management undertook an impairment review exercise ahead of the Group's half and full year results, as noted previously. Both exercises analysed the carrying value of goodwill for each relevant cash generating unit across the Group, based on future cash projections, while adopting appropriate discount rates. Impairment to goodwill recorded in the year totalled \$208.2m. Further details of the impairment are detailed in note 10. Other changes to goodwill relate to an adverse impact from foreign exchange of \$1.8m. As a result, the Group's goodwill has decreased by \$210.0m compared to 2014.

Other intangible assets have reduced by \$44.4m, the main movements being an amortisation charge for the year of \$40.8m, an impairment charge of \$11.2m and foreign exchange of \$0.4m, offset by the capitalisation of technology and software development costs of \$8.0m.

Property, plant and equipment has decreased by \$12.2m. Additions of \$77.1m were offset by depreciation of \$43.6m, impairment of assets held within the Group's Drilling Tools business unit totalling \$26.8m, impairment of oil and gas assets of \$6.4m and \$0.2m transferred to inventories. The net book value on disposals amounted to \$5.9m and adverse foreign exchange adjustments totalled \$6.4m.

Working capital has decreased by \$104.8m. The reduction in activity levels, together with management's focus on working capital led to cash inflows of \$96.0m. Foreign exchange had \$12.3m favourable impact on working capital, but this was offset by \$3.5m of non-cash adjustments.

Tax balances show net assets of \$10.7m at 31 December 2015 (2014 – \$55.2m net liabilities). This reflects the move from taxable profits in 2014 to a recovery of tax paid in prior years utilising tax losses generated during 2015.

Provisions have reduced by \$6.7m principally due to the settlement of vacant leasehold property obligations.

As a result of the above changes, capital employed in the Group has reduced by \$290.7m to \$1,278.6m.

Cash generation has been well managed during the year, resulting in an overall cash inflow in 2015 reducing net debt by \$20.5m to \$110.5m at 31 December 2015.

Net assets at 31 December 2015 were \$1,168.1m, which, after non-controlling interests of \$26.2m, result in equity shareholders' funds of \$1,141.9m (2014 – \$1,408.1m). This is a decrease of \$266.2m over 31 December 2014, which reflects the loss for the year attributable to equity shareholders of \$226.6m and \$39.8m of dividend payments, offset by other items of \$0.2m.

Supplementary Information

The following disclosures can be found at the end of this announcement

- Our Business Model
- Our Business Strategy
- Principal Risks
- Viability Assessment and Going Concern Basis
- Key Performance Indicators
- Selected non-GAAP measures

Statement of Directors' Responsibilities

The Directors confirm that the 2015 Annual Report and Accounts, which will be issued on 10 March 2016, complies with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority in respect of the requirement to produce an annual financial report.

The Directors confirm that to the best of their knowledge and belief:

- the financial statements have been prepared in accordance with International Financial Reporting Statements ("IFRSs") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company;
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy;
- the Strategic Report in the 2015 Annual Report and Accounts, from which this narrative is extracted, includes a fair review of the development and performance of the Group's operations and the year-end position of the Group, together with a description of the principal risks and uncertainties they face. The Strategic Report also details the Group's policies on human rights, gender balance and its Scope 1 and 2 greenhouse gas emissions.

A list of current Directors is maintained on the Hunting PLC website: www.huntingplc.com.

This responsibility statement has been prepared in connection with the 2015 Annual Report and Accounts of the Group for the year ended 31 December 2015. Certain parts of the Annual Report and Accounts are not presented within this announcement.

By order of the Board

Ben Willey
Company Secretary
3 March 2016

Forward-looking statements

This announcement contains certain forward-looking statements. The forward-looking statements are not intended to be guarantees of future performance but are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements.

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015			2014		
		Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items (note 5) \$m	Total \$m	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items (note 5) \$m	Total \$m
Revenue	4	810.5	-	810.5	1,386.5	-	1,386.5
Cost of sales		(615.3)	(37.9)	(653.2)	(942.6)	(11.3)	(953.9)
Gross profit		195.2	(37.9)	157.3	443.9	(11.3)	432.6
Other operating income		3.8	-	3.8	9.5	-	9.5
Operating expenses		(182.6)	(260.7)	(443.3)	(235.6)	(92.6)	(328.2)
Profit (loss) from continuing operations	3	16.4	(298.6)	(282.2)	217.8	(103.9)	113.9
Finance income		3.3	-	3.3	7.5	-	7.5
Finance expense		(10.1)	-	(10.1)	(12.4)	-	(12.4)
Share of associates' post-tax losses		(0.2)	-	(0.2)	(0.5)	-	(0.5)
Profit (loss) before tax from continuing operations		9.4	(298.6)	(289.2)	212.4	(103.9)	108.5
Taxation	6	(5.4)	63.2	57.8	(57.2)	20.5	(36.7)
Profit (loss) for the year:							
From continuing operations		4.0	(235.4)	(231.4)	155.2	(83.4)	71.8
From discontinued operations	7	-	4.2	4.2	0.3	1.1	1.4
Profit (loss) for the year		4.0	(231.2)	(227.2)	155.5	(82.3)	73.2
Profit (loss) attributable to:							
Owners of the parent		4.6	(231.2)	(226.6)	151.5	(82.3)	69.2
Non-controlling interests		(0.6)	-	(0.6)	4.0	-	4.0
		4.0	(231.2)	(227.2)	155.5	(82.3)	73.2
Earnings (loss) per share		cents		cents	cents		cents
Basic							
- from continuing operations	8	3.1		(156.1)	102.6		45.9
- from discontinued operations	8	-		2.8	0.2		1.0
Group total		3.1		(153.3)	102.8		46.9
Diluted							
- from continuing operations	8	3.1		(156.1)	100.0		44.8
- from discontinued operations	8	-		2.8	0.2		1.0
Group total		3.1		(153.3)	100.2		45.8

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 \$m	2014 \$m
Comprehensive income		
(Loss) profit for the year	(227.2)	73.2
Components of other comprehensive income after tax		
<i>Items that have been reclassified to profit or loss:</i>		
Fair value gains and losses:		
- gains transferred to income statement on disposal of cash flow hedges	-	(1.3)
- gain transferred to income statement on redemption of available for sale investment	-	(0.2)
Release of foreign exchange losses	0.6	3.8
	0.6	2.3
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange adjustments	(17.1)	(17.9)
Fair value gains and losses:		
Losses originating on cash flow hedges arising during the year	-	(0.1)
	(17.1)	(18.0)
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit pension schemes	9.2	1.5
Other comprehensive expense after tax	(7.3)	(14.2)
Total comprehensive (expense) income for the year	(234.5)	59.0
Total comprehensive (expense) income attributable to:		
Owners of the parent	(231.9)	57.2
Non-controlling interests	(2.6)	1.8
	(234.5)	59.0
Total comprehensive (expense) income attributable to owners of the parent arises from:		
Continuing operations	(236.5)	56.0
Discontinued operations	4.6	1.2
	(231.9)	57.2

Consolidated Balance Sheet

As at 31 December 2015

	Notes	2015 \$m	2014 \$m
ASSETS			
Non-current assets			
Property, plant and equipment	9	460.8	473.0
Goodwill	10	230.6	440.6
Other intangible assets	11	180.4	224.8
Investments in associates		3.7	4.4
Investments		9.1	8.9
Retirement benefit assets		41.4	30.9
Trade and other receivables		4.0	3.3
Deferred tax assets		2.0	1.2
		932.0	1,187.1
Current assets			
Inventories		331.2	381.8
Trade and other receivables		140.2	285.6
Current tax assets		33.5	1.6
Investments		4.6	3.8
Cash and cash equivalents		54.4	88.5
Assets classified as held for sale		-	20.3
		563.9	781.6
LIABILITIES			
Current liabilities			
Trade and other payables		104.2	197.7
Current tax liabilities		14.6	20.9
Borrowings		52.3	65.4
Provisions		5.4	10.6
Liabilities classified as held for sale		-	15.5
		176.5	310.1
Net current assets			
		387.4	471.5
Non-current liabilities			
Borrowings		117.2	157.9
Deferred tax liabilities		10.2	37.1
Provisions		12.6	14.1
Trade and other payables		11.3	11.2
		151.3	220.3
Net assets			
		1,168.1	1,438.3
Equity attributable to owners of the parent			
Share capital		61.7	61.6
Share premium		153.0	151.9
Other components of equity		15.7	30.7
Retained earnings		911.5	1,163.9
		1,141.9	1,408.1
Non-controlling interests			
		26.2	30.2
Total equity			
		1,168.1	1,438.3

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	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	61.6	151.9	30.7	1,163.9	1,408.1	30.2	1,438.3
Loss for the year	-	-	-	(226.6)	(226.6)	(0.6)	(227.2)
Other comprehensive (expense) income	-	-	(14.5)	9.2	(5.3)	(2.0)	(7.3)
Total comprehensive expense	-	-	(14.5)	(217.4)	(231.9)	(2.6)	(234.5)
Dividends	-	-	-	(39.8)	(39.8)	(2.0)	(41.8)
Shares issued							
- share option schemes and awards	0.1	1.1	-	-	1.2	-	1.2
Treasury shares							
- Purchase of Treasury shares	-	-	-	(1.4)	(1.4)	-	(1.4)
Share options and awards							
- value of employee services	-	-	6.2	-	6.2	-	6.2
- discharge	-	-	(6.7)	6.5	(0.2)	-	(0.2)
- taxation	-	-	-	(0.3)	(0.3)	-	(0.3)
Investment by non-controlling interest	-	-	-	-	-	0.6	0.6
Total transactions with owners	0.1	1.1	(0.5)	(35.0)	(34.3)	(1.4)	(35.7)
At 31 December	61.7	153.0	15.7	911.5	1,141.9	26.2	1,168.1

Year ended 31 December 2014

	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	61.3	150.6	41.6	1,130.4	1,383.9	30.9	1,414.8
Profit for the year	-	-	-	69.2	69.2	4.0	73.2
Other comprehensive (expense) income	-	-	(13.5)	1.5	(12.0)	(2.2)	(14.2)
Total comprehensive (expense) income	-	-	(13.5)	70.7	57.2	1.8	59.0
Dividends	-	-	-	(44.1)	(44.1)	(2.5)	(46.6)
Shares issued							
- share option schemes and awards	0.3	1.3	-	-	1.6	-	1.6
Treasury shares							
- purchase of Treasury shares	-	-	-	(7.5)	(7.5)	-	(7.5)
Share options and awards							
- value of employee services	-	-	7.2	-	7.2	-	7.2
- discharge	-	-	(4.6)	11.3	6.7	-	6.7
- taxation	-	-	-	3.1	3.1	-	3.1
Total transactions with owners	0.3	1.3	2.6	(37.2)	(33.0)	(2.5)	(35.5)
At 31 December	61.6	151.9	30.7	1,163.9	1,408.1	30.2	1,438.3

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 \$m	2014 \$m
Operating activities			
(Loss) profit from operations		(282.2)	113.9
Acquisition amortisation and exceptional items	5	298.6	103.9
Depreciation and non-acquisition amortisation		45.5	52.0
Underlying EBITDA		61.9	269.8
Loss on disposal of property, plant and equipment		1.8	6.0
Decrease (increase) in inventories		39.4	(3.1)
Decrease (increase) in receivables		143.5	(34.7)
(Decrease) increase in payables		(86.9)	41.6
Decrease in provisions		(6.7)	(3.4)
Restructuring costs	5	(5.9)	-
Taxation paid		(10.5)	(26.6)
Proceeds from disposal of property, plant and equipment held for rental		2.9	7.0
Purchase of property, plant and equipment held for rental		(9.0)	(28.9)
Other non-cash flow items		10.8	2.5
Discontinued operations		1.0	(0.9)
Net cash inflow from operating activities		142.3	229.3
Investing activities			
Interest received		1.1	2.0
Dividends received from associates		0.1	4.5
Purchase of subsidiaries		-	(3.0)
Proceeds from disposal of associates		-	0.2
Net movement on loans to and from associates		(0.2)	0.6
Proceeds from disposal of property, plant and equipment		1.3	0.6
Purchase of property, plant and equipment		(72.1)	(94.6)
Purchase of intangible assets		(8.0)	(5.0)
Increase in bank deposit investments		(1.1)	(2.0)
Net proceeds from disposal of subsidiaries		0.7	3.9
Net cash in subsidiaries sold	14	(3.9)	-
Indemnity receipts in respect of disposed subsidiaries		0.4	0.2
Net cash outflow from investing activities		(81.7)	(92.6)
Financing activities			
Interest and bank fees paid		(8.5)	(7.6)
Equity dividends paid		(39.8)	(44.1)
Non-controlling interest dividend paid		(2.0)	(2.5)
Investment by non-controlling interest		0.6	-
Share capital issued		1.2	1.6
Purchase of Treasury shares		(1.4)	(7.5)
Proceeds from new borrowings		7.6	70.2
Repayment of borrowings		(36.3)	(155.9)
Net cash outflow from financing activities		(78.6)	(145.8)
Net cash outflow in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		38.0	52.4
Effect of foreign exchange rates		(1.9)	(1.5)
Reclassified from (to) held for sale		3.8	(3.8)
Cash and cash equivalents at the end of the year		21.9	38.0
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand		54.4	88.5
Bank overdrafts included in borrowings		(32.5)	(50.5)
		21.9	38.0

Notes to the Consolidated Financial Statements

1. Basis of Preparation

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

The financial statements have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) Interpretations as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of available-for-sale financial assets, the defined benefit pension asset and those financial assets and financial liabilities held at fair value through profit or loss. The Board’s consideration of the applicability of the going concern basis is detailed further on pages 48 and 49.

The principal accounting policies applied in the preparation of these financial statements are set out in note 37 of the 2015 Annual Report and Accounts. These policies have been consistently applied to all the years presented.

Adoption of New Standards, Amendments and Interpretations

The following standards, amendments and interpretations have been adopted and are effective for the Group’s accounting period beginning on or after 1 January 2015:

- Annual Improvements to IFRSs 2011–2013 Cycle

Although the adoption of these amendments represents a change in accounting policy, comparative figures for 2014 have not been restated for these, as the changes do not impact the financial performance or position of the Group.

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

- IFRS 9 Financial Instruments*
- IFRS 15 Revenue from Contracts with Customers*
- IFRS 16 Leases*
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7: Disclosure Initiative*
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2012–2014 Cycle

* Not yet endorsed by the European Union.

Notes to the Consolidated Financial Statements (continued)

2. Critical Accounting Estimates and Judgements

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

Asset/liability	Nature of estimates
<p>Goodwill</p> <p>Carrying value at 31 December 2015 \$230.6m (2014 – \$440.6m)</p>	<ul style="list-style-type: none"> – The Group comprises a number of cash generating units (“CGUs”) with each one having independent business profiles and cash flows. When goodwill is initially recognised upon a business combination, it is allocated to the CGUs that are expected to benefit from the combination. – The goodwill of each CGU is subsequently reviewed for impairment at least annually by comparing its carrying value with the recoverable amount based on the estimated future gross cash flows that are expected to be generated by the CGU. – The estimated future gross cash flows are based on the Directors’ view of their future trading prospects and are discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. – Any shortfall in the recoverable amount is charged to the income statement immediately. – During the year, the estimated future gross cash flows expected from a number of CGUs were revised downwards to reflect the severity of the downturn in the oil and gas sector and its impact on business activity levels. Consequently, goodwill was impaired by \$208.2m during the year to reflect these revised estimates. – Further details of goodwill are disclosed in note 10.
<p>Property, plant and equipment and other intangible assets</p> <p>Combined carrying value at 31 December 2015 \$641.2m (2014 – \$697.8m)</p>	<ul style="list-style-type: none"> – The Group’s property, plant and equipment and intangible assets (except goodwill) are depreciated/amortised at rates that are intended to spread the irrecoverable cost of the assets over their useful lives. The Directors must therefore estimate the useful lives of the assets, their residual values and the pattern of consumption of their carrying values. Each asset is also regularly reviewed to ensure it remains consistent with the Directors’ assumptions and, when required, adjustments are made prospectively. – In addition, the carrying value of each asset must not be less than the minimum future benefits that are expected to be generated by that asset. As part of the impairment exercise referred to above, a number of property, plant and equipment assets in the Drilling Tools business have been impaired during the year to reflect a reduction in the estimated future cash flows arising from the sustained current downturn in the oil and gas sector. – Further details of the Group’s property, plant and equipment and the other intangible assets are disclosed in notes 9 and 11 respectively.
<p>Taxation</p> <p>Carrying value of the net tax asset at 31 December 2015 \$10.7m (2014 – \$55.2m net liability)</p>	<ul style="list-style-type: none"> – In determining current tax estimates, management has to consider the likelihood of tax authority challenges and estimates tax payable accordingly. Management base their estimates in relation to current taxes by considering the enacted and substantively enacted tax laws and rates at the balance sheet date. This incorporates territories in which the Group operates and any uncertainty in interpretation of those laws and their assessment of the tax risks and exposures and judgement of likely outcome, taking into account their past experience of enquiries from tax authorities and other relevant information. – The deferred tax balances at 31 December 2015 represent an estimate of the amounts that are expected to be paid or recovered from the tax authorities in future periods if assets and liabilities in the balance sheet were recovered at their carrying values based on tax laws and rates that have been substantively enacted by the balance sheet date. Measurement of deferred tax balances therefore requires management to assess the substantively enacted tax laws and rates, the timing of the reversal of existing taxable and deductible temporary differences and the nature, timing and amount of taxable income which would potentially be available to support the recognition of deferred tax assets. Management base their estimates of recoverability of deferred tax assets using these criteria for each separate significant category of deductible temporary difference and losses carried forward.
<p>Oil and gas exploration and development assets</p> <p>Carrying value at 31 December 2015 \$4.8m (2014 – \$12.5m)</p>	<ul style="list-style-type: none"> – The carrying value of the Group’s oil and gas exploration and development assets is subject to the value in use of the Group’s oil and gas reserves. – The value in use is determined by applying a present value to the estimated future producible reserves at a given forecast market price. – The estimate of producible reserves is principally extracted using a combination of geological data and production performance records. – The estimate of market prices is based on the medium-term futures prices (four to six years) issued by NYMEX. – The discount rate is based on the activity’s cost of capital and specific risk premium, which is estimated to be 12% pre-tax.

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting

The Group reports on seven operating segments, three of which are discontinued operations, in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The Group's continuing operating segments are strategic business units that offer different products and services to international oil and gas companies and undertake exploration and production activities.

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

(a) Continuing Operations

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

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

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

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

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

(b) Discontinued Operations

The discontinued operations comprise Gibson Shipbrokers, which was sold on 31 March 2015, Field Aviation, which was sold in 2012, and Gibson Energy, which was sold in 2008. Gibson Energy and Field Aviation continue to generate accounting entries due to sale-related transactions and are required for reconciliation purposes.

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting (continued)

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

(c) Results from Operations

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

i. Relates to amortisation of acquired intangible assets.

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting (continued)

(c) Results from Operations

	Year ended 31 December 2014					
	Total gross revenue \$m	Inter-segmental revenue \$m	Total revenue \$m	Profit from operations before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items \$m	Total \$m
Continuing operations:						
Hunting Energy Services						
Well Construction	384.3	(6.0)	378.3	53.0	(57.1)	(4.1)
Well Completion	877.6	(15.0)	862.6	140.8	(34.7)	106.1
Well Intervention	135.8	(0.3)	135.5	23.8	(0.8)	23.0
	1,397.7	(21.3)	1,376.4	217.6	(92.6)	125.0
Other Activities						
Exploration and Production	10.1	-	10.1	0.2	(11.3)	(11.1)
Total from continuing operations	1,407.8	(21.3)	1,386.5	217.8	(103.9)	113.9
Net finance expense				(4.9)	-	(4.9)
Share of associates' post-tax losses				(0.5)	-	(0.5)
Profit before tax from continuing operations				212.4	(103.9)	108.5
Discontinued operations:						
Gibson Shipbrokers	47.4	-	47.4	0.5	-	0.5
Gibson Energy	-	-	-	-	0.2	0.2
Field Aviation	-	-	-	-	0.9	0.9
Total from discontinued operations	47.4	-	47.4	0.5	1.1	1.6
Net finance income				0.2	-	0.2
Taxation				(0.4)	-	(0.4)
Profit from discontinued operations				0.3	1.1	1.4

i. Relates to amortisation of acquired intangible assets.

(d) Other Segment Items

	2015			2014		
	Depreciation \$m	Amortisation of intangible assets \$m	Impairment \$m	Depreciation \$m	Amortisation of intangible assets \$m	Impairment \$m
Continuing operations:						
Hunting Energy Services						
Well Construction	14.1	7.7	106.8	21.7	7.5	49.6
Well Completion	18.4	32.4	118.7	19.2	34.5	-
Well Intervention	7.3	0.7	30.0	6.3	0.8	-
	39.8	40.8	255.5	47.2	42.8	49.6
Other Activities						
Exploration and Production	3.8	-	6.4	4.8	-	11.3
Total - continuing operations	43.6	40.8	261.9	52.0	42.8	60.9
Discontinued operations:						
Gibson Shipbrokers	-	-	-	0.3	-	-

Notes to the Consolidated Financial Statements (continued)

3. Segmental Reporting (continued)

(e) Geographical Information

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

	External revenue		Profit from operations before amortisation ⁱ and exceptional items		Non-current assets	
	2015	2014	2015	2014	2015	2014
	\$m	\$m	\$m	\$m	\$m	\$m
Continuing operations:						
Hunting Energy Services						
US	507.0	867.3	31.7	170.0	748.4	985.6
Canada	56.1	95.5	(3.6)	3.8	9.1	25.6
<i>North America</i>	563.1	962.8	28.1	173.8	757.5	1,011.2
UK	119.4	163.5	(2.7)	8.4	66.3	75.0
Rest of Europe	15.2	30.7	(1.5)	2.5	4.7	4.4
<i>Europe</i>	134.6	194.2	(4.2)	10.9	71.0	79.4
Singapore	67.2	149.0	1.6	27.4	10.8	11.8
Rest of Asia	22.9	50.5	(1.9)	3.6	17.3	22.4
<i>Asia Pacific</i>	90.1	199.5	(0.3)	31.0	28.1	34.2
<i>Middle East, Africa and Other</i>	18.5	19.9	(2.9)	1.9	25.6	14.6
	806.3	1,376.4	20.7	217.6	882.2	1,139.4
Other activities						
US	4.2	10.1	(4.3)	0.2	6.4	15.6
	810.5	1,386.5	16.4	217.8	888.6	1,155.0
Discontinued operations:						
UK	9.9	40.4	(0.2)	(1.4)	-	-
Other	1.7	7.0	0.2	1.9	-	-
	11.6	47.4	-	0.5	888.6	1,155.0
Unallocated assets:						
Deferred tax assets					2.0	1.2
Retirement benefit assets					41.4	30.9
Total non-current assets					932.0	1,187.1

i. Relates to amortisation of acquired intangible assets.

(f) Major Customer Information

The Group received \$86.3m (2014 – \$155.5m) of revenue from the Halliburton Company Group, which is 11% (2014 – 11%) of the Group's revenue from external customers. The revenue is included within the Well Construction, Well Completion and Well Intervention segments.

Notes to the Consolidated Financial Statements (continued)

4. Revenue

	2015	2014
	\$m	\$m
Sale of goods	687.0	1,154.5
Revenue from services	72.3	110.3
Rental revenue	51.2	121.7
Continuing operations	810.5	1,386.5

5. Amortisation and Exceptional Items

	2015	2014
	\$m	\$m
Impairment of property, plant and equipment (note 9)	33.2	9.6
Dry hole costs (note 9)	-	1.7
Restructuring costs	4.7	-
Charged to cost of sales	37.9	11.3
Amortisation of acquired intangible assets (note 11)	38.9	42.8
Impairment of goodwill (note 10)	208.2	49.6
Impairment of other intangible assets (note 11)	11.2	-
Restructuring costs	2.4	-
Release of foreign exchange on liquidation of subsidiaries	-	4.8
Excess property provision release	-	(4.6)
Charged to operating expenses	260.7	92.6
Amortisation and exceptional items	298.6	103.9
Taxation on amortisation and exceptional items (note 6)	(63.2)	(20.5)
Continuing operations	235.4	83.4

Plant and equipment impairment of \$26.8m (2014 – \$nil) was recognised in the Drilling Tools business following a review of the carrying value given current trading conditions and future expectations and an impairment charge of \$6.4m (2014 – \$11.3m) for oil and gas exploration and development expenditure was recorded. Dry hole costs of \$1.7m were incurred and paid during 2014 from Exploration and Production activities. Further details can be found in note 9.

A goodwill impairment charge of \$208.2m (2014 – \$49.6m) has been recognised. Further details can be found in note 10.

Restructuring costs of \$7.1m (2014 – \$nil) have been recognised in the year, reflecting the reduction in the Group's workforce and the closure of the Canada Drilling Tools business. Restructuring costs gave rise to cash outflows of \$5.9m (2014 – \$nil) in the year.

Foreign exchange losses of \$4.8m relating to cumulative foreign exchange differences previously recognised in the currency translation reserve were transferred to the income statement following the voluntary liquidation of central non-operating companies in 2014.

Property provisions of \$4.6m were released in 2014 as they were no longer required following the signing of a lease termination agreement with the owner of a leasehold property. During the year, payments of \$4.6m were made.

Notes to the Consolidated Financial Statements (continued)

6. Taxation

	2015			2014		
	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items \$m	Total \$m	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items \$m	Total \$m
Current tax						
- current year (credit) expense	(0.7)	(26.8)	(27.5)	58.4	(19.1)	39.3
- adjustments in respect of prior years	(0.4)	-	(0.4)	(6.5)	-	(6.5)
	(1.1)	(26.8)	(27.9)	51.9	(19.1)	32.8
Deferred tax						
- origination and reversal of temporary differences	6.1	(36.4)	(30.3)	2.6	(1.4)	1.2
- change in tax rate	0.1	-	0.1	-	-	-
- adjustments in respect of prior years	0.3	-	0.3	2.7	-	2.7
	6.5	(36.4)	(29.9)	5.3	(1.4)	3.9
Taxation charge (credit) - continuing operations	5.4	(63.2)	(57.8)	57.2	(20.5)	36.7

i. Relates to amortisation of acquired intangible assets.

The weighted average applicable tax rate for continuing operations before amortisation and exceptional items is 57% (2014 – 27%).

The tax credit in the income statement of \$63.2m (2014 – \$20.5m) for amortisation and exceptional items comprises credits of \$15.1m (2014 – \$16.4m) on the amortisation of acquired intangible assets, \$9.2m (2014 – \$nil) on the impairment of plant, machinery and motor vehicles, \$2.6m (2014 – \$3.7m) on the impairment of oil and gas development expenditure, \$3.1m (2014 – \$nil) on the impairment of other intangible assets, \$31.9m (2014 – \$nil) on the impairment of goodwill, \$1.3m (2014 – \$nil) relating to restructuring costs, \$nil (2014 – \$0.7m) for dry hole costs, \$nil (2014 – \$0.7m) on the release of foreign exchange on liquidation of subsidiaries and a charge of \$nil (2014 – \$1.0m) on the excess property provision release.

The total tax credit for the year is lower (2014 – the total tax charge was higher) than the standard rate of UK corporation tax of 20.25% (2014 – 21.5%) for the following reasons:

	2015 \$m	2014 \$m
(Loss) profit before tax from continuing operations	(289.2)	108.5
Tax at 20.25% (2014 – 21.5%)	(58.6)	23.3
Permanent differences including tax credits	2.1	(4.0)
Recognition of previously unrecognised deferred taxes	-	(0.1)
Non-tax deductible (untaxed) exceptional items	41.4	11.1
Higher rate of tax on overseas profits	(45.8)	10.2
Current year losses not recognised	3.1	-
Change in tax rates	0.1	-
Adjustments in respect of prior years	(0.1)	(3.8)
Taxation - continuing operations	(57.8)	36.7

Notes to the Consolidated Financial Statements (continued)

6. Taxation (continued)

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

	2015			2014		
	Before tax \$m	Tax (charged) credited \$m	After tax \$m	Before tax \$m	Tax (charged) credited \$m	After tax \$m
Exchange adjustments	(17.2)	0.1	(17.1)	(19.4)	1.5	(17.9)
Release of foreign exchange losses	0.6	-	0.6	4.8	(1.0)	3.8
Fair value gains and losses:						
- gain transferred to income statement on redemption of available for sale investment	-	-	-	(0.2)	-	(0.2)
- losses originating on cash flow hedges arising during the year	-	-	-	(0.1)	-	(0.1)
- gains transferred to income statement on disposal of cash flow hedges	-	-	-	(1.7)	0.4	(1.3)
Remeasurement of defined benefit pension schemes	10.9	(1.7)	9.2	1.7	(0.2)	1.5
	(5.7)	(1.6)	(7.3)	(14.9)	0.7	(14.2)

In respect of the tax on the remeasurement of defined benefit pension schemes, a \$2.0m charge (2014 – \$0.2m) arises on the current year's movement and a credit of \$0.3m (2014 – \$nil) is due to a change in tax rates. The \$1.7m charge comprises \$1.5m deferred tax and \$0.2m current tax.

In July 2013, the UK Government enacted a change in the UK corporation tax rate from 21% to 20% effective from 1 April 2015. The impact of the change in rate to 20% has been recognised in calculating the effective tax rate for the year ended 31 December 2015.

A number of changes to the UK corporation tax system were announced in the Summer 2015 Budget Statement, whereby from 1 April 2017 the main rate of corporation tax will reduce from 20% to 19%, with a further reduction from 19% to 18% on 1 April 2020. The Finance Bill which included these changes received Royal Assent on 18 November 2015. The changes have not had a material impact on the Group's UK deferred tax balances.

Notes to the Consolidated Financial Statements (continued)

7. Discontinued Operations

The results from discontinued operations were as follows:

	2015			2014			
	Gibson Shipbrokers \$m	Gibson Energy \$m	Total \$m	Gibson Shipbrokers \$m	Field Aviation \$m	Gibson Energy \$m	Total \$m
Trading results:							
Revenue	11.6	-	11.6	47.4	-	-	47.4
Gross profit	11.6	-	11.6	47.4	-	-	47.4
Other operating income	0.1	-	0.1	0.4	-	-	0.4
Other operating expenses	(11.7)	-	(11.7)	(47.3)	-	-	(47.3)
Profit from operations	-	-	-	0.5	-	-	0.5
Finance income	0.1	-	0.1	0.2	-	-	0.2
Profit before tax	0.1	-	0.1	0.7	-	-	0.7
Taxation	(0.1)	-	(0.1)	(0.4)	-	-	(0.4)
Profit for the year	-	-	-	0.3	-	-	0.3
Gain on disposal:							
Gain on sale before tax	4.9	0.4	5.3	-	0.9	0.2	1.1
Taxation	(1.1)	-	(1.1)	-	-	-	-
Gain on sale after tax	3.8	0.4	4.2	-	0.9	0.2	1.1
Total profit from discontinued operations	3.8	0.4	4.2	0.3	0.9	0.2	1.4

Gibson Shipbrokers

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

Field Aviation

On 27 April 2012, the Group sold its aviation engineering services business, Hunting Canadian Airport Holdings Ltd and its subsidiaries, including Field Aviation Company Inc. (together referred to as "Field Aviation"). Under the terms of the sale, Hunting PLC and the purchaser established an environmental escrow account to address ongoing site condition costs relating to Field Aviation's hangar facilities in Calgary. Additionally, part of the consideration was deferred in the form of an interest-bearing promissory note issued to Hunting PLC, repayable by the purchaser on or before 31 December 2018. On 30 September 2014, the promissory note was repaid in full and the environmental escrow account was wound up, with remaining funds distributed between Hunting PLC and the purchaser. This resulted in a gain of \$0.9m included within discontinued items in 2014.

Gibson Energy

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

Notes to the Consolidated Financial Statements (continued)

8. 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:

	2015 \$m	2014 \$m
Basic and diluted (loss) earnings attributable to Ordinary shareholders		
From continuing operations	(230.8)	67.8
From discontinued operations	4.2	1.4
Total	(226.6)	69.2
Basic and diluted (loss) earnings attributable to Ordinary shareholders before amortisationⁱ and exceptional items		
From continuing operations	(230.8)	67.8
Add: amortisation ⁱ and exceptional items after taxation (note 5)	235.4	83.4
Total	4.6	151.2
From discontinued operations	4.2	1.4
Less: exceptional items after taxation	(4.2)	(1.1)
Total	-	0.3
	millions	millions
Basic weighted average number of Ordinary shares	147.8	147.3
Dilutive outstanding share options	0.1	0.6
Long term incentive plans	2.0	3.2
Adjusted weighted average number of Ordinary shares	149.9	151.1
	cents	cents
(a) Reported (Loss) Earnings per Share		
Basic EPS		
From continuing operations	(156.1)	45.9
From discontinued operations	2.8	1.0
	(153.3)	46.9
Diluted EPSⁱⁱ		
From continuing operations	(156.1)	44.8
From discontinued operations	2.8	1.0
	(153.3)	45.8
(b) Underlying Earnings per Share		
Basic EPS		
From continuing operations	3.1	102.6
From discontinued operations	-	0.2
	3.1	102.8
Diluted EPSⁱⁱ		
From continuing operations	3.1	100.0
From discontinued operations	-	0.2
	3.1	100.2

i. Relates to amortisation of acquired intangible assets.

ii. For the year ended 31 December 2015, the effect of dilutive share options and long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

Notes to the Consolidated Financial Statements (continued)

9. Property, Plant and Equipment

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

The Drilling Tools business experienced a decline in revenue of over 68% and a reduction in workforce of 63% in 2015, with a major restructuring programme completed at the business unit in the year to align with lower activity levels. Following a review of the carrying value of property, plant and equipment, given current trading conditions and future expectations, completed mid-year, an impairment of \$26.8m (2014 – \$nil) was recognised in the Drilling Tools business relating to rental tools of \$26.2m (2014 – \$nil), land and buildings of \$0.5m (2014 – \$nil) and plant, machinery and motor vehicles of \$0.1m (2014 – \$nil). Although remaining property, plant and equipment at Drilling Tools is being utilised in the business, at the year end their carrying value remains sensitive to further decline in projected business performance. In the review of carrying value at the year end, a fair value less costs to sell model was used with cash flows discounted using a nominal pre-tax rate of 13% and long-term growth of 2%, with revenue expected to recover to approximately 55% of revenue reported in 2014 by the end of the five year projection period in 2020. If the discount rate was increased by 25 basis points and revenue only recovered to 50% of the 2014 level by 2020, a further impairment charge of \$11.4m would be required.

Productive assets are tested for impairment, at least annually. Following a valuation of oil and gas reserves at 31 December 2015, performed for impairment purposes, an impairment charge of \$6.4m (2014 – \$11.3m) for property, plant and equipment was incurred in the year reflecting a decline in the oil price and a reduction in reserve estimates compared to those at 31 December 2014. The recoverable amount of oil and gas development expenditure is based on value in use. These calculations use discounted cash flow projections based on estimated oil and gas reserves, future production and the income and costs in generating this production. Cash flows are based on productive lives between one and fifteen years and are discounted using a nominal pre-tax rate of 12% (2014 – 13%).

Included in the net book amount is expenditure relating to assets in the course of construction of \$50.2m (2014 – \$60.1m) for land and buildings, \$nil (2014 – \$0.7m) for oil and gas exploration and development, \$26.3m (2014 – \$20.2m) for plant and machinery and \$2.5m (2014 – \$0.8m) for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to \$4.8m (2014 – \$23.3m).

The net book amount of land and buildings of \$238.8m (2014 – \$218.8m) comprises freehold land and buildings of \$234.1m (2014 – \$215.4m) and short leasehold land and buildings of \$4.7m (2014 – \$3.0m).

Notes to the Consolidated Financial Statements (continued)

9. Property, Plant and Equipment (continued)

Year ended 31 December 2014					
	Land and buildings \$m	Plant, machinery and motor vehicles \$m	Rental tools \$m	Oil and gas exploration and development \$m	Total \$m
Cost:					
At 1 January	192.1	281.5	135.2	171.3	780.1
Exchange adjustments	(3.7)	(6.6)	(1.6)	-	(11.9)
Additions	56.0	36.3	25.7	7.1	125.1
Disposals	(0.1)	(4.6)	(19.7)	-	(24.4)
Classified as held for sale	(2.0)	(1.3)	-	-	(3.3)
Reclassification	1.3	(1.1)	(0.2)	-	-
At 31 December	243.6	304.2	139.4	178.4	865.6
Accumulated depreciation and impairment:					
At 1 January	22.7	133.3	42.5	149.8	348.3
Exchange adjustments	(0.8)	(4.1)	(0.9)	-	(5.8)
Charge for the year*	4.4	28.6	14.5	4.8	52.3
Impairment of assets	-	-	-	11.3	11.3
Disposals	(0.1)	(4.2)	(6.4)	-	(10.7)
Classified as held for sale	(1.6)	(1.2)	-	-	(2.8)
Reclassification	0.2	(0.2)	-	-	-
At 31 December	24.8	152.2	49.7	165.9	392.6
Net book amount	218.8	152.0	89.7	12.5	473.0

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

10. Goodwill

	2015 \$m	2014 \$m
Cost:		
At 1 January	522.5	529.2
Exchange adjustments	(5.4)	(3.7)
Classified as held for sale	-	(3.0)
At 31 December	517.1	522.5
Accumulated impairment:		
At 1 January	81.9	34.0
Exchange adjustments	(3.6)	(0.5)
Charge for the year	208.2	49.6
Classified as held for sale	-	(1.2)
At 31 December	286.5	81.9
Net book amount	230.6	440.6

The net book amount of goodwill at 1 January 2014 was \$495.2m.

Notes to the Consolidated Financial Statements (continued)

10. Goodwill (continued)

(a) Impairment Tests for Goodwill

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

CGU	2015 \$m	2014 \$m
Titan	180.4	288.4
Hunting Stafford "Subsea" (formally National Coupling Company)	15.0	32.7
Electronics	-	28.7
Dearborn	12.5	25.5
Welltonic	5.2	18.0
Drilling Tools	-	4.4
Hunting Specialty	5.0	17.0
US Manufacturing	12.5	12.5
US Pipe	-	2.3
Canada Pipe	-	8.9
PT Hunting Energy Asia	-	2.2
At 31 December	230.6	440.6

The downturn of the oil and gas sector continued to worsen during 2015. Likewise, the general view on the outlook for commodity prices remains progressively "lower for longer". Hence, in addition to the \$35.2m charge reflected in the half year report, a further \$173.0m impairment charge has been recognised at the year end, bringing the total charge for the year to \$208.2m.

The recoverable amount for each CGU has been determined based on a fair value less costs to sell approach, thereby including currently approved capital projects which are in progress and deducting appropriate selling costs. The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied.

For 2016 and 2017, projections are based on management's latest forecasts. For 2018 to 2020 management has made revenue projections using Spears and Associates "Drilling and Production Outlook" reports as a basis, selecting the most appropriate geographic market and driver (rig count, footage drilled or E&P spend) for each CGU. Management has then applied judgemental decreases to reflect the worsening of expectations and has then modelled the expected impact on margin and cash flow from the resulting revenue projections.

Market conditions remain volatile, difficult to predict and will impact CGUs differently. The compound annual growth rates ("CAGR") for revenue for the CGUs between 2015 and 2020 vary between minus 7% and positive 12%. After 2020 a terminal value has been calculated assuming growth above inflation between 35 and 50 basis points, giving nominal growth rates between 2% and 6%.

Cash flows have been discounted using nominal pre-tax rates between 8% and 14%. The discount rates reflect current market assessments of the time value of money, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

(b) Impairment of Goodwill and Sensitivities

Titan – An impairment charge of \$107.6m (2014 – \$nil) has been recognised reflecting the downturn in the sector, and in particular relates to the impact for onshore US shale which is Titan's primary market. Titan represents 78% of the goodwill balance at 31 December 2015 (2014 – 65%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of \$503.0m (2014 – \$654.0m). Projected annual growth rates vary between minus 13% and positive 11%. Cash flows have been discounted at a nominal pre-tax rate of 10%. If the expected upturn is delayed from 2017 to 2018 and if discount rates increase by a further 25 basis points, then a further \$13.8m of impairment would be incurred.

Hunting Stafford ("Subsea") – An impairment charge of \$17.7m (2014 – \$nil) has been recognised reflecting the downturn in the sector. Cash flows have been discounted at a nominal pre-tax rate of 12%. If the expected upturn is delayed from 2017 to 2018 and if discount rates increase by a further 25 basis points, then a further \$10.5m of impairment would be incurred.

Hunting Dearborn – An impairment charge of \$13.0m (2014 – \$nil) has been recognised reflecting the downturn in the sector. Cash flows have been discounted at a nominal pre-tax rate of 9%. If the expected upturn is delayed from 2017 to 2018 and if discount rates increase by a further 25 basis points, then a further \$8.6m of impairment would be incurred.

Welltonic – An impairment charge of \$12.2m (2014 – \$nil) has been recognised reflecting the downturn in the sector. Cash flows have been discounted at a nominal pre-tax rate of 9%. If the expected upturn is delayed from 2017 to 2018 and if discount rates increase by a further 25 basis points, then a further \$2.2m of impairment would be incurred.

Hunting Specialty – An impairment charge of \$12.0m (2014 – \$nil) has been recognised reflecting the downturn in the sector. Cash flows have been discounted at a nominal pre-tax rate of 8%. If the expected upturn is delayed from 2017 to 2018 and if discount rates increase by a further 25 basis points, then a further \$1.3m of impairment would be incurred.

Notes to the Consolidated Financial Statements (continued)

10. Goodwill (continued)

Canada Pipe - An impairment charge of \$8.1m (2014 – \$nil) has been recognised reflecting the downturn in the sector, which reduced the balance on goodwill to \$nil (2014 – \$9.0m). Cash flows have been discounted at a nominal pre-tax rate of 9%.

US Pipe - An impairment charge of \$2.3m (2014 – \$nil) has been recognised reflecting the downturn in the sector, which reduced the balance on goodwill to \$nil (2014 – \$2.3m). Cash flows have been discounted at a nominal pre-tax rate of 11%.

Electronics - An impairment charge of \$28.7m was incurred in the first half of 2015 following a prolonged period of customer de-stocking, increased competition, in particular from the Far East, and as a result of the sector downturn. Cash flows have been discounted at a nominal pre-tax rate of 10%. This fully impaired the goodwill leaving the balance at \$nil (2014 – \$28.7m).

Drilling Tools – An impairment charge of \$4.3m was incurred in the first half of 2015 as a result of increased competition, higher maintenance costs and the significant impact of the downturn on the US shale and Canadian markets in which this CGU operated. Cash flows have been discounted at a nominal pre-tax rate of 13%. This fully impaired the goodwill leaving the balance at \$nil (2014 – \$4.4m). The Canadian Drilling Tools business has been closed in the year.

PT Hunting Energy Asia - An impairment charge of \$2.2m was incurred in the first half of 2015 as a result of the sector downturn. This fully impaired the goodwill leaving the balance at \$nil (2014 – \$2.2m).

US Manufacturing - No impairment charge has been incurred as a result of the downturn (2014 – \$nil). Cash flows have been discounted at a nominal pre-tax rate of 11%. If the expected upturn is delayed from 2017 to 2018, and if discount rates increase by a further 25 basis points, no impairment is required.

11. Other Intangible Assets

	2015				
	Customer relationships \$m	Unpatented technology \$m	Patents & Trademarks \$m	Other \$m	Total \$m
Cost:					
At 1 January	247.6	60.2	50.7	22.6	381.1
Exchange adjustments	(0.2)	(0.2)	-	(0.3)	(0.7)
Additions	-	4.4	3.2	0.4	8.0
Disposals	-	-	-	(0.3)	(0.3)
At 31 December	247.4	64.4	53.9	22.4	388.1
Accumulated amortisation and impairment:					
At 1 January	92.1	17.5	28.6	18.1	156.3
Exchange adjustments	(0.2)	0.1	-	(0.2)	(0.3)
Charge for the year	25.8	5.9	7.6	1.5	40.8
Impairment of assets	11.2	-	-	-	11.2
Disposals	-	-	-	(0.3)	(0.3)
At 31 December	128.9	23.5	36.2	19.1	207.7
Net book amount	118.5	40.9	17.7	3.3	180.4

Notes to the Consolidated Financial Statements (continued)

11. Other Intangible Assets (continued)

	2014				
	Customer relationships \$m	Unpatented technology \$m	Patents & Trademarks \$m	Other \$m	Total \$m
Cost:					
At 1 January	247.8	53.4	53.2	22.7	377.1
Exchange adjustments	(0.2)	(0.1)	-	(0.4)	(0.7)
Additions	-	3.9	0.2	0.9	5.0
Classified as held for sale	-	-	-	(0.3)	(0.3)
Reclassification	-	3.0	(2.7)	(0.3)	-
At 31 December	247.6	60.2	50.7	22.6	381.1
Accumulated amortisation:					
At 1 January	66.3	12.2	21.1	14.5	114.1
Exchange adjustments	(0.2)	-	-	(0.1)	(0.3)
Charge for the year	26.0	5.3	7.5	4.0	42.8
Classified as held for sale	-	-	-	(0.3)	(0.3)
At 31 December	92.1	17.5	28.6	18.1	156.3
Net book amount	155.5	42.7	22.1	4.5	224.8

The net book amount of other intangible assets at 1 January 2014 was \$263.0m.

A review of the carrying value of other intangible assets was undertaken, which led to the impairment of customer relationships arising on the acquisition of the Electronics and Doffing businesses of \$11.2m (2014 – \$nil).

Other intangible assets include software of \$2.7m (2014 – \$3.7m).

Internally generated intangible assets have been included within unpatented technology. Additions during the year amounted to \$1.1m (2014 – \$3.2m). The carrying value at the beginning of the year was \$5.9m (2014 – \$2.7m) and at the end of the year was \$6.4m (2014 – \$5.9m).

All intangible assets are regarded as having a finite life and are amortised accordingly. All amortisation charges relating to intangible assets have been charged to operating expenses.

Individual Material Intangible Assets

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

	2015	
	Customer relationships - Dearborn \$m	Customer relationships - Titan \$m
Cost:		
At 1 January and 31 December	14.7	190.2
Accumulated amortisation:		
At 1 January	6.2	62.6
Charge for the year	1.9	19.0
At 31 December	8.1	81.6
Net book amount	6.6	108.6
Remaining amortisation period at 31 December - years	3.5	5.8

Notes to the Consolidated Financial Statements (continued)

12. Financial Instruments: Fair Values

The carrying value of investments, non-current trade and other receivables, net trade receivables, accrued revenue, other receivables, deposits maturing after three months, cash and cash equivalents, assets classified as held for sale, trade payables, accruals, other payables, provisions, liabilities classified as held for sale, bank overdrafts, unsecured bank loans and other unsecured loans approximates their fair value. Drawdowns under the multi-currency loan facility are typically for periods of one month or less, and as a result, the carrying value and the fair value are considered to be the same.

The following tables present the Group's other financial assets and liabilities that are measured at fair value at the year end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

	Fair value at 31 December 2015	Level 1	Level 2
	\$m	\$m	\$m
Non-current investments			
Listed equity investments and mutual funds	9.1	9.1	-
Derivatives held for trading			
Derivative financial liabilities	(0.1)	-	(0.1)
	9.0	9.1	(0.1)

	Fair value at 31 December 2014	Level 1	Level 2
	\$m	\$m	\$m
Non-current investments			
Listed equity investments and mutual funds	8.9	8.9	-
Derivatives held for trading			
Derivative financial assets	0.1	-	0.1
	9.0	8.9	0.1

The fair value hierarchy has the following levels:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.

The fair value of forward foreign exchange contracts is determined by comparing the cash flows generated by the contract with the coterminous cash flows potentially available in the forward exchange market on the balance sheet date. The fair value of listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year end exchange rate.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement can be categorised in Level 2 of the fair value hierarchy. The fair value of listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement can be categorised in Level 1 of the fair value hierarchy.

13. Dividends Paid

	2015		2014	
	Cents per share	\$m	Cents per share	\$m
Ordinary dividends:				
2015 interim paid	4.0	5.9	-	-
2014 final paid	22.9	33.9	-	-
2014 interim paid	-	-	8.1	12.0
2013 final paid	-	-	21.8	32.1
	26.9	39.8	29.9	44.1

A final dividend of 4.0 cents per share has been proposed by the Board, amounting to an estimated distribution of \$5.9m. The dividend will be paid in Sterling on 6 July 2016, to shareholders on the register on 10 June 2016, and the Sterling value of the dividend payable per share will be fixed and announced approximately two weeks prior to the payment date based on the average spot exchange rate over the three business days preceding the announcement date. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 13 April 2016 and has not been provided for in these financial statements.

Notes to the Consolidated Financial Statements (continued)

14. Business Disposals

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

Details of the net assets disposed and consideration are set out below:

	\$m
Property, plant and equipment	0.5
Goodwill	1.8
Investments	0.7
Deferred tax assets	0.1
Trade and other receivables	10.4
Cash and cash equivalents*	3.9
Trade and other payables	(13.2)
Current tax liabilities	(0.5)
Net assets disposed	3.7
Gain on curtailment of pension obligations	(5.5)
Release of foreign exchange adjustments	0.6
Gain on disposal (note 7)	4.9
Consideration	3.7
The consideration comprised the following:	
Net cash proceeds	0.7
Deferred consideration	3.0
	3.7

* Cash and cash equivalents of \$3.8m were classified as held for sale at 31 December 2014.

As part of the consideration, the Group subscribed to a loan note, which is carried as a receivable at amortised cost. The note is repayable by 31 March 2019 and is unsecured.

Supplementary Information (continued)

Our Business Model (continued)

Our Operating Activities and Product Groups

HUNTING'S SIX MAJOR PRODUCT GROUPS	OIL COUNTY TUBULAR GOODS ("OCTG")	PERFORATING SYSTEMS	ADVANCED MANUFACTURING GROUP ("AMG")
HUNTING'S THREE MAIN OPERATING ACTIVITIES	Manufacturing, Trading	Manufacturing	Manufacturing
OVERVIEW	OCTG are steel alloy products and comprise casing and tubing used in the construction and completion of the wellbore. Hunting machines threads to connect OCTG using flush or semi-flush joints and can manufacture premium connections and accessories using our own technologies such as SEAL-LOCK™ and WEDGE-LOCK™. We are licensed to apply a variety of competitor thread forms and generic API threads. We source OCTG products from a significant number of the major global steel producers and have strong, long-term relationships in the US, Europe and Asia. Hunting trades pipe, which is a lower margin activity, to help support customer relationships.	Hunting Titan manufactures perforating guns, energetics, firing systems and logging tools. Products are mainly used in the completion phase of a well. The production, storage and distribution of energetics is highly regulated and there are significant barriers for new entrants to the market. Hunting Titan mainly 'manufactures to stock' and hence uses a wide distribution network. Some manufacturing is done to order, including international telesales.	This division includes the Hunting Dearborn business unit which carries out deep hole drilling and precision machining of complex MWD, LWD and formation evaluation tool components, and the Hunting Electronics division which produces printed circuit boards capable of operating in extreme conditions. The division works collaboratively with customers implementing their designs to their specification.
DIFFERENTIATORS	Hunting is one of the largest independent providers of OCTG connection technology, including premium connections.	Market leading position in the US. Strong portfolio of patented and unpatented technology.	Hunting Dearborn is a world leader in the deep drilling of high grade, non-magnetic components. As a Group, Hunting has the ability to produce fully integrated advanced downhole tools and equipment, manufactured, assembled and tested to the customer's specifications using its proprietary know-how.
GLOBAL OPERATING PRESENCE	Hunting has extensive machining capacity in the US, Canada, Europe, Asia and Africa.	Manufacturing centres in the US, Canada, Mexico and China. Distribution centres in the US, Canada, UK and Asia.	US, Asia.
RELATED STRATEGIC FOCUS AREAS	<p>New products – develop the full WEDGE-LOCK™ range, complete the production and test facility at Ameriport, US.</p> <p>Enhance existing capacity, lean manufacturing – new threading facility at Ameriport, US.</p> <p>Develop global presence – establishing presence in Africa.</p>	<p>Sales synergies – enhancing European distribution network.</p> <p>Develop global presence – developing sales organisation in Australia.</p> <p>New products – H-1 perforating system.</p>	<p>Develop global presence – AMG facility established in Singapore.</p> <p>Enhance existing capacity – Dearborn campus expansion.</p>
RELATED PRINCIPAL RISKS	Commodity prices, Shale drilling, Competition, Product quality.	Commodity prices, Shale drilling.	Commodity prices, Competition, Product quality.

Supplementary Information (continued)

Our Business Model (continued)

Our Operating Activities and Product Groups (continued)

HUNTING'S SIX MAJOR PRODUCT GROUPS	DRILLING TOOLS	INTERVENTION TOOLS	SUBSEA
HUNTING'S THREE MAIN OPERATING ACTIVITIES	Equipment Rental, Trading	Manufacturing, Equipment Rental and Trading	Manufacturing
OVERVIEW	Rental of a large portfolio of downhole tools including mud motors, non-magnetic drill collars, vibration dampners, reamers and hole openers. Tools are configured to the customers' specifications. This business is capital intensive and results are dependent on fleet utilisation and rental rates. In limited instances rental equipment is sold outright.	A range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment. This business is capital intensive and results are dependent on asset utilisation and rental rates.	Produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, specialty valves and weldment services.
DIFFERENTIATORS	Leaders in progressive cavity, positive displacement mud motors.	Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.	For more than 30 years a provider of high quality metal-to-metal sealing hydraulic coupling solutions to operate in the harshest environments with a strong, long-term patent base.
GLOBAL OPERATING PRESENCE	US.	US, Canada, Europe, Asia, Middle East.	US.
RELATED STRATEGIC FOCUS AREAS	Cost control – closure of Canadian operations in 2015.	Develop global presence – developing operating presence in Africa, enhancing presence in Asia. New products – lightweight pressure control equipment system.	New products – extreme high pressure / high temperature subsea tree hydraulic coupling.
RELATED PRINCIPAL RISKS	Commodity prices, Shale drilling.	Commodity prices.	Commodity prices, Product quality.

Oil and Gas extraction focus on the Wellbore

- Well Construction**
 The well construction phase includes all activities related to setting up the infrastructure of the wellbore. Hunting supplies OCTG, AMG and Drilling Tool products from this segment.
- Well Completion**
 Well completion is the process of initiating the flow of hydrocarbons to the surface. Hunting supplies OCTG and Titan products from this segment.
- Well Intervention**
 Well intervention occurs while a well is in production to enable the flow to be maintained and to operate efficiently. In this segment Hunting supplies intervention tools to be used downhole and provides hydraulic subsea equipment.

Supplementary Information (continued)

Our Business Model (continued)

Our customers and channels to market

Hunting has a broad range of customers and a number of channels to market.

- **Operators**
Operators are the end consumers of our products and related services. These include National Oil Companies (“NOCs”), International Oil Companies (“IOCs”) and Independents. Approximately 30% of our sales are made directly to operators. Key direct customers include Chevron, Apache and Maersk.
- **Service Companies**
Our primary route to market is via other service providers which generate c.60% of our revenue. These include “1st tier” service companies who can provide project management services to the operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.
- **Steel Mills/Other**
Steel mills are key suppliers to our business, however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas related sales through agents or intermediaries together with non oil and gas sector sales made by our Trenchless, Dearborn and Electronics operations.

Our Operations and Markets

Our business need to be close to our customers and are therefore based in or near the main oil and gas producing regions.

US

\$511.2m
REVENUE

2,032
AVERAGE
EMPLOYEES

21
OPERATING SITES

1,707k
SQUARE FEET

22
DISTRIBUTION
CENTRES

302k
SQUARE FEET

The US is our primary market and has the broadest product portfolio. Our products are used both onshore and in the Gulf of Mexico. The US has the highest profitability due to benefits of scale, the impact of the Hunting Titan product lines and a higher use of proprietary technologies. Through the Hunting Titan acquisition in 2011 a broad distribution network is available and synergies are now being found with other product lines.

CANADA

\$56.1m
REVENUE

180
AVERAGE
EMPLOYEES

1
OPERATING SITES

96k
SQUARE FEET

9
DISTRIBUTION
CENTRES

66k
SQUARE FEET

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

EUROPE

\$134.6m
REVENUE

468
AVERAGE
EMPLOYEES

8
OPERATING SITES

206k
SQUARE FEET

3
DISTRIBUTION
CENTRES

85k
SQUARE FEET

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

ASIA PACIFIC

\$90.1m
REVENUE

565
AVERAGE
EMPLOYEES

7
OPERATING SITES

530k
SQUARE FEET

1
DISTRIBUTION
CENTRE

5k
SQUARE FEET

Asia Pacific is now our second largest region and we have operations in Singapore, China, Indonesia and Thailand. The region is now expanding from its OCTG base and is developing intervention tool and Hunting Titan product sales. Plans are in place to develop AMG capabilities.

MIDDLE EAST, AFRICA AND OTHER

\$18.5m
REVENUE

66
AVERAGE
EMPLOYEES

5
OPERATING SITES

154k
SQUARE FEET

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

Supplementary Information (continued)

Our Management Approach

DEVELOP OUR PEOPLE

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

Hunting has established regional training centres in North America and Asia Pacific to ensure its workforce is at the forefront of new industry developments.

EMPOWER OUR OPERATING BUSINESS UNITS

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

APPLY UNIFIED OPERATING STANDARDS AND PROCEDURES

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

MAINTAIN A STRONG GOVERNANCE FRAMEWORK

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

Supplementary Information (continued)

Our Business Strategy

Hunting's strategic priorities are based on a business model designed to deliver sustainable long-term shareholder value while recognising our corporate responsibilities.

STRATEGIC PRIORITY	STRATEGIC FOCUS AREAS	2015 PROGRESS
<p>GROWTH Our aim is to continue to develop our global presence and supply a comprehensive range of products for use in the wellbore. We will grow through capital investment in existing businesses and through acquisitions.</p>	<ul style="list-style-type: none"> • Extend global presence. • Acquire complementary businesses. • Enhance existing capacity. • Develop new products. 	<ul style="list-style-type: none"> • New facility in Cape Town, South Africa, became operational. • Joint venture in Saudi Arabia established and trading commenced. • Expansion at Houma, US, completed, to serve the Gulf of Mexico. • Final commissioning of premium connection and test facility commenced at Ameriport, US, in December. • AMG operation established in Singapore.
<p>OPERATIONAL EXCELLENCE We operate in a highly competitive and cyclical sector which is high profile and strongly regulated. To be successful we must deliver high quality and reliable products and services cost effectively.</p>	<ul style="list-style-type: none"> • Leverage strong brand. • Enhance quality control. • Maintain operational flexibility. • Leverage lean manufacturing. • Increase strong relationships with customers and suppliers. 	<ul style="list-style-type: none"> • Global supply arrangements being negotiated with key customers. • Development of Hunting Titan H-1 perforating system which will increase safety and reduce on site assembly times. • WEDGE-LOCK™ premium connections being sold in commercial volumes, additional sizes being developed. • Product catalogues rationalised and consistent Hunting branding applied.
<p>STRONG RETURNS In normal phases of the oil and gas cycle our business has the capability to produce high levels of profitability, strong cash generation, growing dividends for shareholders and good returns on capital.</p>	<ul style="list-style-type: none"> • Introduce new and proprietary products. • Develop sales synergies. • Increase market share. • Maintain close cost controls. 	<ul style="list-style-type: none"> • Returns in 2015 were adversely impacted by the significant downturn in activity levels. • Cost reduction programmes have been implemented with staffing levels reduced by 30% resulting in annualised savings. • Four operating sites have been closed as part of the rationalisation as new sites have become active. • Three distribution centres are shortly to be closed within Hunting Titan as a result of the downturn.
<p>CORPORATE RESPONSIBILITY We are committed to act with high standards of integrity and to create positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.</p>	<ul style="list-style-type: none"> • Retain experienced senior management team. • Skilled workforce. • Safe operations. • Protect the environment • Compliance. 	<ul style="list-style-type: none"> • Awards granted under Hunting PSP. • Implementing new legislative requirements. • Environmental initiatives implemented at new facilities.

Supplementary Information (continued)

Principal Risks

The Group's principal risks are identified below.

While we have presented these as separately identified risks, discrete events will often affect multiple risks and this is considered by the Board when assessing the impact on the Group.

1. COMMODITY PRICES

MOVEMENT IN THE YEAR

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

Nature of the risk

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

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

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

Controls & actions

Working capital, and in particular inventory levels, are closely managed to ensure the Group remains sufficiently adaptable to meet changes in demand.

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

The decline in oil and gas prices over the last 18 months has impacted the industry worldwide. Management has sought to mitigate the impact by introducing a number of cost reduction programmes throughout the Group and continues to adapt the business to meet new challenges generated by the current trading environment.

2. SHALE DRILLING

MOVEMENT IN THE YEAR

Shale drilling activity has experienced a significant slowdown during 2015 due to the protracted decline in oil and gas prices. Consequently the Group's risk exposure increased during the year.

Nature of the risk

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

In addition, oil and gas produced from shale is a relatively expensive source of hydrocarbons. Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources and is more likely to be curtailed (see the risks associated with commodity prices).

Controls & actions

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

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

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

Supplementary Information (continued)

Principal Risks (continued)

3. COMPETITION

MOVEMENT IN THE YEAR

During the year, the Group's competitors did not introduce new products or processes or open new sites that would threaten Hunting's local operations. However, due to the tough trading conditions, competitors have submitted to customer pressure and have reduced prices, often substantially. This has increased pressure from Hunting's own customer base and pricing has been amended in local markets. Consequently this risk has heightened during the year.

Nature of the risk

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

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

Controls & actions

Hunting has a number of high specification proprietary products that offer operational advantages to its customers. The Group continually invests in research and development that enables it to provide a strong product offering and technological advancement.

Hunting's operations are established close to their markets which enables the Group to offer reduced lead times and a focused product range appropriate to each region.

Local management maintains an awareness of competitor pricing and product offering. In addition, senior management maintains close relationships with key customers and seeks to maintain the highest level of service to preserve Hunting's reputation for quality.

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

4. KEY EXECUTIVES

MOVEMENT IN THE YEAR

Changes have arisen during 2015 at the senior management level with all vacated positions being filled by competent individuals who are anticipated to proactively contribute to the success of the Group.

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

Nature of the risk

The Group is highly reliant on the continued service of its key executives and senior management, who possess commercial, engineering, technical and financial skills that are critical to the success of the Group.

Controls & actions

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

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

Supplementary Information (continued)

Principal Risks (continued)

5. HEALTH, SAFETY AND THE ENVIRONMENT (“HS&E”)

MOVEMENT IN THE YEAR

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

Nature of the risk

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

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

Controls & actions

The Board targets to achieve a record of nil incidents and maintains a policy of full compliance with the laws and regulations in each jurisdiction in which the Group operates.

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

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

6. GEOPOLITICS

MOVEMENT IN THE YEAR

Due to the Group’s already strong presence worldwide, the start up programme in Africa has not had a noticeable impact on the Group’s exposure to geopolitical risk.

Nature of the risk

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

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

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

Controls & actions

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

In order to mitigate geopolitical risk arising from the Group’s current expansion programme in Africa, the new facility in Mombasa, Kenya, is to be jointly operated in partnership with a locally established business.

Supplementary Information (continued)

Principal Risks (continued)

7. INVESTMENT

MOVEMENT IN THE YEAR

During 2015 the Board remained focused on organic expansion and a number of major programmes were completed through the year. No acquisitions were made. The Board continues to assess opportunities for growth and consequently this risk has not changed during the year.

Nature of the risk

Investment through acquisitions and organic capital spend forms the basis of the Group's strategy of expansion and development.

If investments are not properly considered then lower returns than anticipated may be made.

In addition, such activity incurs the potential for business disruption, management distraction and interruption to IT systems if these issues are not controlled properly.

Controls & actions

The Board reviews and challenges each potential investment, either organic or through an acquisition, prior to approval and frequently engages consultants to provide expert analysis of the key issues.

The Board and senior management follow a rigorous process of approving, managing and monitoring capital investments along with planning for contingencies.

The success of each investment decision is assessed through a formal post-investment review process that provides a learning platform for future expansion projects.

8. PRODUCT QUALITY

MOVEMENT IN THE YEAR

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

Nature of the risk

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

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

Controls & actions

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

Supplementary Information (continued)

Viability Assessment and Going Concern Basis

Viability Assessment

Introduction

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

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

Assessment Period

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

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

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks which are noted on pages 44 to 47. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions. The Board has further considered their potential impact within the context of the Group's viability.

Assumptions

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

- The raw material pricing environment within the energy industry remains weak in the short-term and becomes positive in the medium to long-term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services which enable the extraction of oil and gas.
- Actions taken in 2015 to reduce the Group's cost base enable the business to endure the period of weak commodity prices and reduced shale drilling activity.
- The development of the global shale drilling industry remains focused in the US where government support remains positive.
- The Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits derived from politically stable regions such as North America, Europe and South East Asia. In addition, the three-year financial projections were stress tested to simulate a further deterioration in market conditions.

Conclusion

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

Going Concern Basis

Introduction

The Group's principal cash outflows include capital expenditure, labour costs, inventory purchases and dividends. The timing and extent of these cash flows are controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on the variety of its products and ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that at 31 December 2015 covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer-term funding needs through effective cash management programmes.

Supplementary Information (continued)

Viability Assessment and Going Concern Basis (continued)

The Group has access to sufficient financial resources including a \$350m committed bank facility of which \$233.9m was undrawn at 31 December 2015. The two main financial covenants attached to this facility are: EBITDA (as defined in the bank facility agreement) should not be less than four times net finance charges, and net debt should be no more than three times adjusted EBITDA. At 31 December 2015, the Group had sufficient headroom over both covenants.

Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. The Board is satisfied that all material uncertainties have been identified and they are not considered to be sufficiently material to adversely impact the Group.

Conclusion

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

Supplementary Information (continued)

Key Performance Indicators

A number of metrics are used to compare the development, business performance and position of the Group. KPI's are regularly reviewed to ensure they remain appropriate measure of the Groups performance.

Financial

	Unit	2015	2014	2013
Revenue	\$m	810.5	1,386.5	1,293.6
Underlying EBITDA*	\$m	61.9	269.8	244.0
Underlying profit from operations*	\$m	16.4	217.8	200.0
Underlying operating margin*	%	2	16	15
Underlying diluted earnings per share*	cents	3.1	100.0	94.5
Dividend per share declared	cents	8.0	31.0	29.5
Capital investment	\$m	81.1	123.5	94.8
Free cash flow*	\$m	118.0	182.3	145.6
Inventory days*		196	148	157
Net debt*	\$m	110.5	131.0	205.8
Gearing ratio*	%	9	9	15
Return on average capital employed*	%	1	13	12

Operational

	Unit	2015	2014
Countries with active operations		15	12
Operating footprint	m sq ft	3.2	2.8
Year end employees		2,784	4,003
ISO 9001 (quality) accredited operating sites	%	50	51
No. of recordable incidents		36	81
Incident rate (OSHA method)		1.13	1.92
Carbon dioxide emissions	Kg/sq ft	10.4	15.0
Internal manufacturing reject rate	%	0.81	0.81

* Non – GAAP measure.

Supplementary Information (continued)

Selected non-GAAP Measures

A. EBITDA

Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities.

Calculation Definition: Underlying earnings before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation for continuing operations.

	2015	2014
	\$m	\$m
Reported (loss) profit from continuing operations (consolidated income statement)	(282.2)	113.9
Add:		
Depreciation charge for the year on property, plant and equipment (note 9)	43.6	52.0
Impairment of property, plant and equipment (note 9)	33.2	11.3
Impairment of goodwill (note 10)	208.2	49.6
Amortisation of intangible assets (note 11)	40.8	42.8
Impairment of intangible assets (note 11)	11.2	-
Reported EBITDA	54.8	269.6
Add: Exceptional items impacting EBITDA		
Restructuring costs (note 5)	7.1	-
Release of foreign exchange on liquidation of subsidiaries (note 5)	-	4.8
Excess property provision release (note 5)	-	(4.6)
Underlying EBITDA	61.9	269.8

B. Net Debt

Purpose: Hunting operates a centralised Treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of interest offsetting arrangements and other such measures. As the Group manages funding on a net debt basis, internal reporting focuses on changes in net debt and this is presented in the Strategic Report. The net debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items.

Calculation Definition: Net debt comprises bank overdrafts, current and non-current borrowings less cash and cash equivalents and bank deposits maturing after more than three months.

	2015					
	At 1 January 2015	Cash flow	Exchange movements	Amortisation of loan facility fees	Reclassified from held for sale*	At 31 December 2015
	\$m	\$m	\$m	\$m	\$m	\$m
Cash and cash equivalents (consolidated balance sheet)	88.5	(35.0)	(2.9)	-	3.8	54.4
Bank overdrafts	(50.5)	17.0	1.0	-	-	(32.5)
	38.0	(18.0)	(1.9)	-	3.8	21.9
Current investments	3.8	1.1	(0.3)	-	-	4.6
Non-current borrowings	(157.9)	36.3	4.7	(0.3)	-	(117.2)
Current unsecured bank loans	(14.9)	(7.6)	2.7	-	-	(19.8)
	(131.0)	11.8	5.2	(0.3)	3.8	(110.5)

*The net assets of Gibson Shipbrokers disposed of on 31 March 2015 included \$3.9m of cash and cash equivalents that were classified as held for sale at 31 December 2015.

	2014					
	At 1 January 2014	Cash flow	Exchange movements	Amortisation of loan facility fees	Classified as held for sale	At 31 December 2014
	\$m	\$m	\$m	\$m	\$m	\$m
Cash and cash equivalents (consolidated balance sheet)	167.4	(71.9)	(3.2)	-	(3.8)	88.5
Bank overdrafts	(115.0)	62.8	1.7	-	-	(50.5)
	52.4	(9.1)	(1.5)	-	(3.8)	38.0
Current investments	2.0	2.0	(0.2)	-	-	3.8
Non-current borrowings	(239.3)	80.5	2.7	(1.8)	-	(157.9)
Current unsecured bank loans	(20.9)	5.2	0.8	-	-	(14.9)
	(205.8)	78.6	1.8	(1.8)	(3.8)	(131.0)

Supplementary Information (continued)

Selected non-GAAP Measures (continued)

C. CAPITAL EMPLOYED

Purpose: Used in the calculation of the return on average capital employed.

Calculation Definition: Capital employed is the amount of capital that the Group has invested in its business and comprises the historic value of total equity plus net debt at amortised cost.

The Group's capital comprised:

	2015	2014
	\$m	\$m
Total equity (consolidated balance sheet)	1,168.1	1,438.3
Net debt (NGM B)	110.5	131.0
	1,278.6	1,569.3

D. GEARING

Purpose: This ratio indicates the relative level of debt funding, or financial leverage, that the Group is subject to with higher levels indicating increasing levels of financial risk.

Calculation Definition: Gearing is calculated as net debt as a percentage of total equity (see NGM C).

	2015	2014
Gearing	9%	9%

E. FREE CASH FLOW

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate after replacement capital investment, which is required to maintain existing levels of operating activity. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders.

Calculation Definition: Underlying profit from continuing operations adjusted for working capital, tax, replacement capital investment and interest.

	2015	2014
Underlying EBITDA (NGM A)	61.9	269.8
Working capital movements	96.0	3.8
Interest paid and bank fees (consolidated statement of cash flows)	(7.4)	(5.6)
Tax paid (consolidated statement of cash flows)	(10.5)	(26.6)
Restructuring costs (consolidated statement of cash flows)	(5.9)	-
Replacement capital investment	(22.0)	(69.0)
Other operating cash and non-cash movements	5.9	9.9
	118.0	182.3