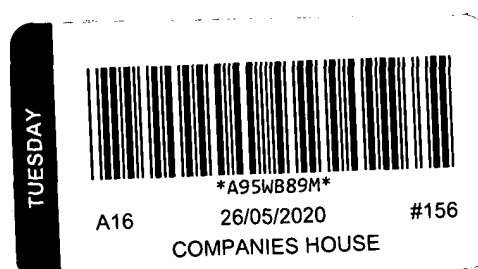


REGISTERED NUMBER 0974568



Precision engineering

Welcome to Hunting

Hunting is a key supplier to the upstream oil and gas industry.

Our strategy is to manufacture products and deliver services to our customers, wherever in the world they are operating.

Hunting's product offering extends across the life cycle of an oil and gas well, and this focus allows us to create, distribute and sustain value for our shareholders and stakeholders.

Hunting is a premium-listed Company, quoted on the London Stock Exchange and is a constituent of the FTSE 250 Share Index.

Highlights

Market			Financial**		
	2019	2018		2019	2018
Average WTI crude oil price	\$57 per barrel	\$65 per barrel	Revenue	\$960.0 million	\$911.4 million
Year-end WTI crude oil spot price	\$61 per barrel	\$45 per barrel	Net cash before lease liabilities*	\$123.1 million	\$61.3 million
Global average onshore rig count	1,844 units	1,982 units	Underlying profit from operations*	\$94.3 million	\$104.7 million
Global average offshore rig count	242 units	201 units	Reported profit from operations	\$46.8 million	\$75.4 million
Global onshore drilling and production expenditure	\$165.8 billion	\$179.8 billion	Underlying diluted earnings per share*	43.9 cents	49.6 cents
Global offshore drilling and production expenditure	\$63.6 billion	\$54.4 billion	Reported diluted earnings per share	23.5 cents	52.3 cents

Source: Bloomberg/Spears & Associates..

* Non-GAAP measure ("NGM") see pages 179 to 183 and note 26.

** 2018 data does not reflect the adoption of IFRS 16 Leases.

Highlights of the Year

Operational and corporate

Good growth within US, EMEA and Asia Pacific operating segments as offshore and international market activity improved.

- Premium connections, accessories and advanced manufacturing and subsea product groups all report strong year-on-year growth within the US segment.
- European OCTG businesses report good growth as North Sea activity improved in the year.
- Improved performance year-over-year in Asia Pacific due to improved activity levels and new customer wins.

Hunting Titan reports lower results in the year as the US onshore market slowed. New products launched in the year, partially offsetting the decline in sales.

- Performance adversely impacted by lower US onshore completion expenditure.
- Proactive actions to address excess inventory levels and convert to cash have impacted margins.
- New perforating and energetics products and setting tools commercialised in the year with good customer adoption.
- Higher efficiency, lower cost automated manufacturing cells commissioned at Milford and Pampa facilities.

Acquisition of RTI Energy Systems Inc. ("RTI") completed in August 2019 to broaden and diversify overall subsea product portfolio.

- RTI manufactures titanium and stainless steel stress joints used in offshore developments.
- \$12.5m consideration paid for the business and assets.
- Integration of business progressing well, with new orders won since year-end.

Acquisition of Enpro Subsea Limited ("Enpro") completed in February 2020.

- Enpro is a leader in subsea production technology, offering low cost, flexible field development solutions including well production and intervention modules to enhance recovery from oil and gas wells.
- \$33.0m cash consideration paid for the business, with an additional maximum earn-out of \$3.0m agreed, subject to key financial milestones being met.

Board changes.

- As announced on 23 January 2020, Peter Rose will retire as Finance Director at the Company's Annual General Meeting ("AGM") on 15 April 2020.
- Bruce Ferguson proposed as successor, with appointment submitted to shareholders for approval at the AGM.

Financial

Revenue increased by 5% to \$960.0m (2018 – \$911.4m).

- Supported by new products and higher levels of offshore activity.
- US and Asia Pacific operating segments increased revenue by 10% and 37% respectively.
- Hunting Titan revenue declined in the year by 10% as onshore completion activity reduced and competition increased, as well as customers moving to lower cost completion products.

EBITDA*.

- Underlying and reported EBITDA of \$139.7m (2018 – \$142.3m and \$141.3m respectively).
- Underlying and reported EBITDA margin of 15% (2018 – 16%).

Profit from operations.

- Underlying profit from operations of \$94.3m (2018 – \$104.7m).
- Reported profit from operations of \$46.8m (2018 – \$75.4m).

Amortisation and exceptional items totalled \$47.5m (2018 – \$29.3m).

- Charge for amortisation \$28.5m (2018 – \$29.3m).
- Impairment of drilling tools rental fleet of \$19.0m (2018 – \$nil).

ROCE*.

- Underlying ROCE in the year 8% (2018 – 9%).

Net cash at year-end of \$77.9m (2018 – \$61.3m)*.

- Cash of \$123.1m (2018 – \$61.3m), less lease liabilities of \$45.2m (2018 – \$nil).
- Lease accounting standard adopted from 1 January 2019.
- Net cash generated in year of \$70.0m (2018 – \$32.0m).

Total dividends declared for 2019 increased by 22% to 11.0 cents per share (2018 – 9.0 cents per share).

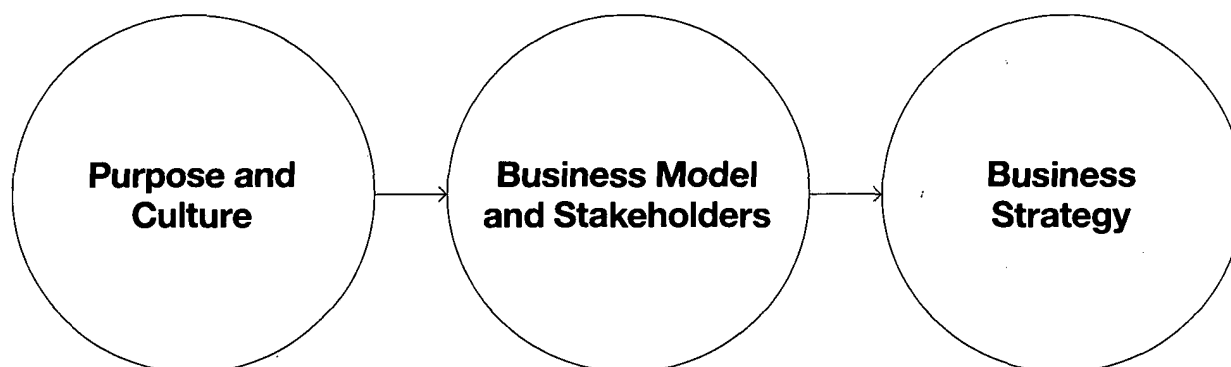
- Subject to shareholder approval, final dividend declared of 6.0 cents per share, absorbing \$9.9m, to be paid on 15 May 2020 to shareholders on the register on 17 April 2020.

* Non-GAAP measure ("NGM") see pages 179 to 183 and note 26.

Contents

To help you navigate this report, we have structured it into six sections:

Strategic Report



Hunting's Purpose and Culture will help you understand the Company's licence to operate and vision. We have also highlighted the key drivers of our business that help us create value for the long term.

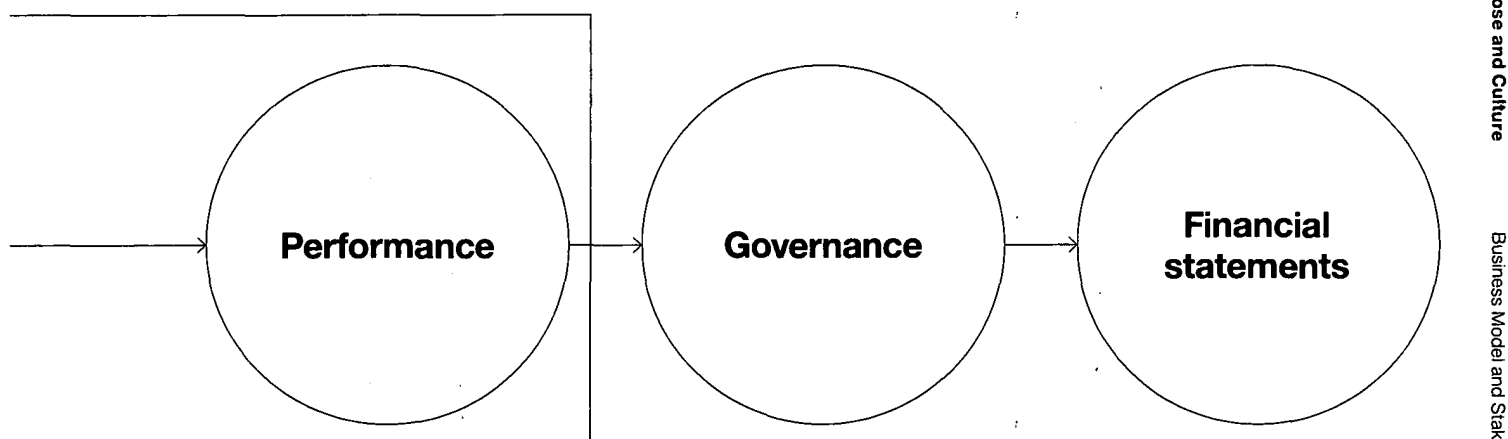
Our business model explains how we create value for our stakeholders and our engagement mechanisms to understand the needs of our key partners.

Our business strategy will tell you about our short- and long-term growth plans, our achievements in the year in delivering on key strategic objectives and the principal risks attached to our plans.

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Our Performance in the year reports on how our business strategy translated into financial results for the year ended 31 December 2019, with details on how each of our operating segments performed in the period.

Our Governance section details how Hunting is managed and governed, through the responsibilities and work of the Board, its Committees and the senior leadership team.

Our Financial Statements report on the Company's performance in the year and position at the end of the year and provides detailed financial information, in line with our statutory reporting responsibilities.

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At a Glance

Global footprint

Our operations

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

- Conventional oil and gas basin
- Unconventional oil and gas basin
- Key operating locations

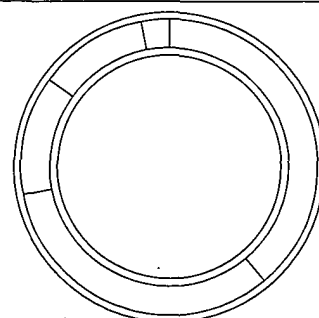
Group overview

Operating sites	36 2019	34 2018
Distribution centres	19 2019	18 2018
Countries of operation	11 2019	11 2018
Patents granted and pending	691 2019	690 2018
Employees	2,956 2019 year-end	2,772 2018 year-end
Internal manufacturing reject rate	0.30% 2019	0.22% 2018

Segmental revenue

Split of external revenue by segment
Year to 31 December 2019

- Hunting Titan 39%
- US 33%
- Asia Pacific 13%
- EMEA 12%
- Canada 3%



Our products and services

Oil Country Tubular Goods ("OCTG")

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

Perforating Systems

Hunting manufactures perforating guns, energetics charges and instrumentation used in well completion activities. Products are manufactured across our global network and sold through distribution points in Canada, China, Indonesia, UAE, UK and US.

Advanced Manufacturing

Advanced Manufacturing includes precision machining and electronics manufacturing, both utilised in MWD/LWD tools. A range of non-oil and gas products are also engineered for the medical, naval, aerospace and space sectors.

Drilling Tools

Hunting's Drilling Tools business provides mud motor rental services for operators in the onshore oil and gas basins of the US.

Intervention Tools

The Group manufactures a range of tools and pressure control equipment used for intervention activities.

Subsea

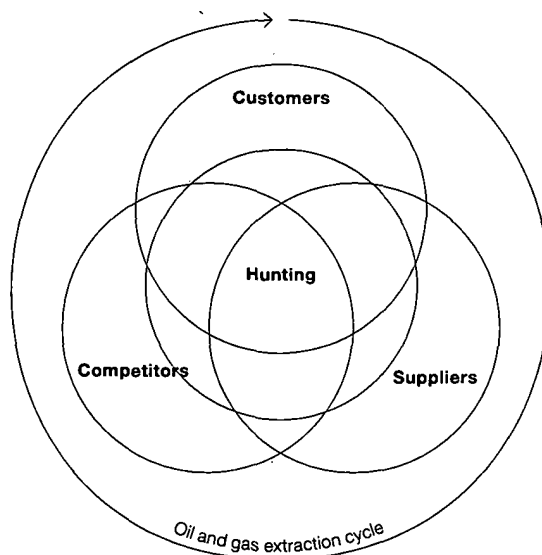
Hunting's Subsea business manufactures hydraulic couplings, valves, stress joints and accessories for application in deep water drilling activities.

Our business relationships

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

Our strategic focus is on the manufacture of products used in the wellbore or those products forming part of the wellbore's infrastructure.

Oil and gas extraction requires a diverse range of products and services. The nature of the sector results in relationships with business partners who can be customers, suppliers and competitors at different points in the value chain.



Investment highlights

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

Sound strategy

Jay Glick
Chairman

Hunting performed well during a very challenging year for the entire oil and gas industry. A strong balance sheet, a sound strategy for growth and an unrelenting focus on quality, service and innovation have positioned the Company for success as market conditions improve.

Introduction

I am pleased to introduce our 2019 Annual Report and Accounts to our shareholders. This has been a very challenging year for the oil and gas industry, one in which activity levels and valuations uncoupled from their historic relationship with commodity prices, which led to the industry focusing on capital discipline and concentrating on generating positive returns on invested capital. Hunting was well positioned for this shift, as demonstrated by our balance sheet and return on capital employed. In a year in which the average US onshore rig count declined by 9% to average 920 active units, the Group's revenue increased 5% demonstrating that the value delivered by Hunting's products and services was recognised and rewarded by our customers.

While competitive pressures were very strong during 2019, the Company was able to maintain market share. Our customers recognised the efficiency and safety advantages offered by Hunting's products, thus enabling the Company to minimise margin erosion. Against this hyper-competitive backdrop, our product development efforts continued during the year. Our ongoing strategy is to deliver value to our customers through improved product technology. It should also be noted that the Company benefited from its broad portfolio of products, together with its access to global markets. As the North American onshore markets softened some of that weakness was offset with sales into the offshore and international markets, which both showed signs of recovery. The resumption in offshore developments, following several years in which the industry focused on unconventional onshore developments, is due in part to the steep production decline rates in shale plays. This has, in turn, led to higher costs and greater service intensity in these plays in an effort to maintain commercially viable production levels. In contrast, offshore developments require larger capital outlays and much longer time-frames before production is brought onstream, but have the advantage of higher volumes of production, with very moderate decline rates. We expect the pivot from onshore to offshore to continue, but also expect unconventional onshore production to be a significant and attractive market in coming years.

The Company's acquisition of RTI Energy Systems Inc. in August 2019 and Enpro Subsea Limited in February 2020 brings core competencies that enhance our subsea capabilities and products that will be critical to developing offshore oil and gas reservoirs, particularly in deeper, more challenging developments.

Financial Performance

Revenue for the Group increased 5% in the year to \$960.0m, compared to \$911.4m in 2018, leading to an underlying profit before tax of \$93.1m (2018 – \$104.0m). Reported profit before tax was \$45.6m (2018 – \$74.7m). Net cash at the year-end, before lease liabilities, increased to \$123.1m (2018 – \$61.3m), which was another excellent result. This leaves Hunting with a strong and flexible balance sheet to meet the demands of the current market environment.

Dividends

At the Group's half-year results in August 2019, the Board declared an interim dividend of 5.0 cents per share, which was paid in October 2019. Given the sustained performance of the Company throughout the year, the Board is recommending a final dividend of 6.0 cents per share absorbing \$9.9m of cash, for approval by shareholders at the Company's Annual General Meeting ("AGM") on 15 April 2020. If approved, the final dividend will be paid on 15 May 2020 to shareholders on the register on 17 April 2020. This distribution will bring the total dividends paid in respect of 2019 to 11.0 cents per share, a year-on-year increase of 22% and a total distribution of \$18.2m. The Board remains committed to delivering sustainable dividends, but will continue to assess each dividend proposal on a case-by-case basis.

Board Changes

As announced on 23 January 2020, Peter Rose, the Company's Finance Director since 2008, will retire at the conclusion of this year's AGM. I would like to recognise Peter's contribution since joining the Company in 1997. His leadership, and that of the team he has built, has been critical to the success of the Company and the very healthy financial condition Hunting enjoys today. While we wish Peter the very best in his retirement, the Board is delighted to recommend Bruce Ferguson to succeed Peter as Finance Director. Bruce has an extensive knowledge of Hunting's global operations and is very familiar with the Company's finances and accounts. In addition, Bruce gained valuable operational management knowledge and experience during his time as Managing Director of the Group's Europe, Middle East and Africa ("EMEA") segment.

Governance

The Board has made significant progress in complying with the 2018 UK Corporate Governance Code. We began reporting progress from 1 January 2019 and target full compliance over time. As evidenced by this year's Annual Report and Accounts, significant attention has been paid by the Board to Hunting's Purpose, Culture and Environmental, Social and Governance ("ESG") responsibilities. Both the Company's experiences, and those of the Board, are focused on a Purpose that acknowledges the breadth of the stakeholders involved in the ongoing and future success of your Company. Specifically, the Company recognises its Purpose is to support our customers, our employees and our suppliers, as well as the communities in which we operate. Meetings occurred during the year between Anell Bay, our designated non-executive Director for employee engagement, and Hunting's workforce. Additionally, the Board made site visits to several operations to improve their understanding of our processes and meet the people who contribute their skills and knowledge to the Company's long-term success. A global employee engagement survey was completed during the year. This, together with a more in-depth talent assessment and development framework undertaken by the Group's Chief HR Officer, reflects the Board's continued focus on Hunting's human capital. On ESG, the Board take their responsibilities seriously and consider efforts across the Company to reduce our carbon footprint. Enhanced reporting within this report and on our corporate website evidence the Board's commitment to this area and will remain a focus going forward.

Conclusion

Hunting performed well during a very challenging year for the entire oil and gas industry. A strong balance sheet, a sound strategy for growth and an unrelenting focus on quality, service and innovation have positioned the Company for success as market conditions improve. On behalf of the Board, I would like to thank all our stakeholders, including employees, shareholders, customers and suppliers, for their support during the past year.



John (Jay) F. Glick
Chairman

27 February 2020

Purpose and Culture

Business Model and Stakeholders

Business Strategy

Performance

Governance

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Our Purpose and Culture

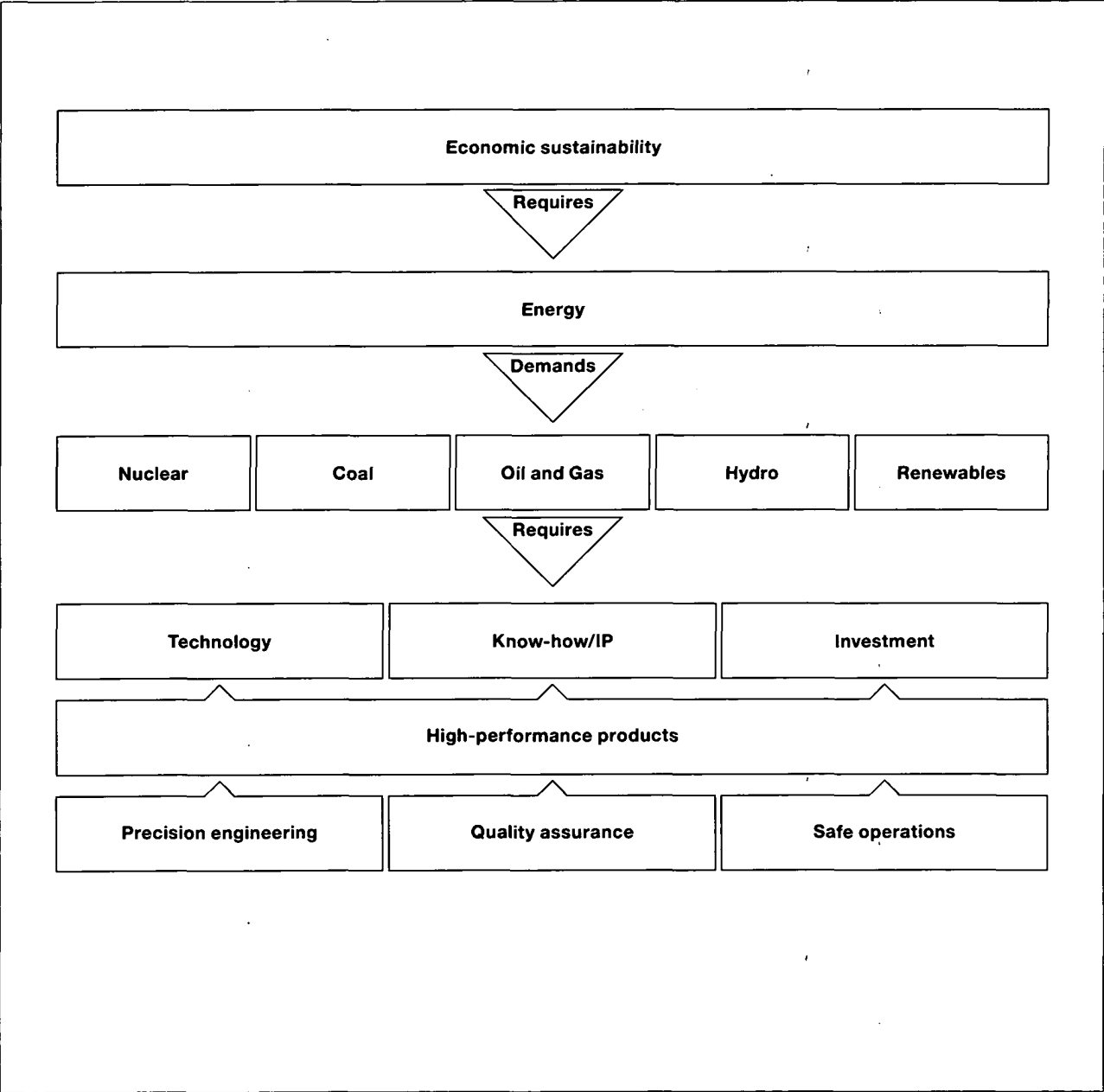
Our purpose

To be a deeply trusted innovator and manufacturer of technology and products that creates sustainable value for our stakeholders.

Since publication of the 2018 UK Corporate Governance Code (the "Code"), the Board of Hunting has explored and discussed the themes being promoted by the Code. At the heart of Hunting's long-term strategy and success is a reputation based on trust and reliability. Hunting's products have to operate in a safe and reliable way, to ensure our customers meet their strategic objectives, while protecting people and the environment. Our strategy aims to offer technically differentiated products that meet these customer demands.

Leading this ideal is value creation and innovation. Our chosen industry is the oil and gas market, which supports the energy demands of today's global community. Our customers are constantly pursuing higher levels of safety and reliability and better efficiencies, leading to a lower cost of operation, while aiming to be good stewards of the environment, through a safe and responsible approach to oil and gas field development. This drives our ambition to deliver leading and innovative technologies and products to enable us to lead the market and be the suppliers of choice.

Our products and services include precision-engineered components that are strongly quality assured to meet the highest levels of industry regulation. Our employees are highly trained to ensure our operations are safe and deliver total customer satisfaction.



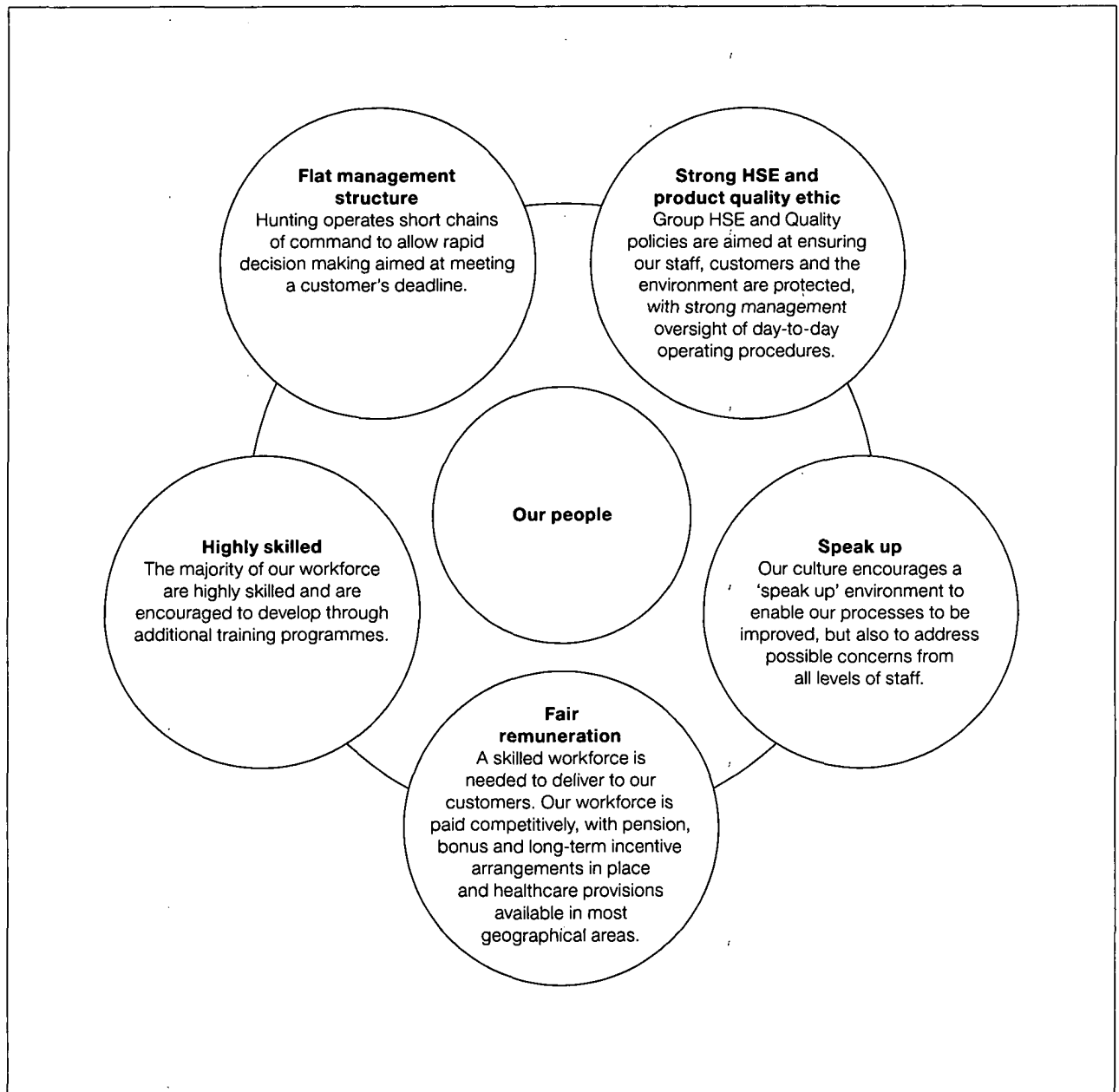
Our culture

At the heart of Hunting's Culture is our people. To ensure we deliver for our customers, we train and develop our people to make sure we maintain a highly skilled workforce ready to deliver quality assured products and services for our clients. To retain our staff, and to address the key demands of the industry, our employees are fairly remunerated, which, in addition to a base salary, can comprise a range of healthcare and pension benefits and can include an annual bonus which reflects performance levels.

The Group's flat management structure has short chains of command, which allows for rapid, considered decision making that empowers and enables our employees to be part of the process to take the Group forward.

Our employees are encouraged to engage in dialogue with management to raise issues of concern. As part of the Group's new procedures, new engagement processes within all business units have begun to enhance transparent two-way dialogue to be maintained between the Board and the Group's employees.

These enhanced engagement procedures are supported by an independent reporting service operated by SafeCall, where confidential matters can be raised with the Board.



Business Model

Creating value

Focusing on the oil and gas extraction cycle

1

Our resources

Financial

Shareholders

For more information see pages 12 to 14.

Lenders

For more information see page 14.

Operational

Facilities

For more information see page 15.

Quality assurance

For more information see page 15.

Intellectual property

For more information see page 15.

Employees

For more information see pages 22 and 23.

2

Our operating segments

Health, safety and environment ("HSE")



Hunting Titan

United States ("US")

Canada

Europe, Middle East and Africa ("EMEA")

Asia Pacific



Quality and operational excellence

For more information see pages 16 to 17.

3

Our products and services

Oil Country Tubular Goods ("OCTG")

Perforating Systems

Advanced Manufacturing

Drilling Tools

Intervention Tools

Subsea

For more information see pages 18 to 19.

4

Our stakeholders

Customers For more information see pages 20 to 21.	Operators	c.20% of revenue
	Service Companies	c.70% of revenue
	Steel Mills and Other	c.10% of revenue
Employees For more information see pages 22 and 23.	2,956 At year-end	In the year we launched our first all-employee engagement survey, with excellent feedback received.
Suppliers For more information see page 24.	c.480 Received the Code of Conduct	Our suppliers are encouraged to adopt the principles contained in the Group's Code of Conduct.
Environment For more information see pages 24 and 25.	37.4 kg CO ₂ /\$k	We are committed to sourcing 10% of our global energy needs from renewable energy by 2030.
Governments For more information see page 26.	\$4.2m Tax charge	In the year, we submitted our first Country-by-Country tax report to HMRC to enhance transparency.
Communities For more information see pages 26 and 27.	\$74.5k Charitable donations	Our charitable donations and community work is managed geographically to address cultural issues.

Investor engagement

Our resources

1

Financial

Our Shareholders

Hunting's shareholders are important stakeholders, providing a key source of capital to allow growth for the longer term.

The Group has one class of Ordinary shares. At 31 December 2019 the total number of Ordinary shares in issue was 166.9m (2018 – 165.1m), and the number of shareholders on the register was 1,454 (2018 – 1,516).

Returns achieved by shareholders, by holding the Company's Ordinary shares, are measured through Total Shareholder Return ("TSR").

In 2019, Hunting PLC's Ordinary shares achieved a TSR of -12% on an annualised basis. TSR forms an important part of the longer-term remuneration paid to the executives of the Group, with demanding vesting targets measured against our industry peers.

Total Shareholder Return

Absolute %

2019		-11.7%
2018		-20.4%
2017		-3.5%

Shareholder distributions in the form of dividends paid twice a year are a feature of Hunting's investment case. Over the years, the Group has targeted a dividend policy which aligns distributions with the performance of the Group.

Between 2015 to 2017 dividend payments were suspended during the downturn of the global energy market; however, distributions were recommenced in 2018 given the improved financial performance of the Group.

The chart below notes the total dividends declared since 2017, which in respect of 2019 equates to a cash distribution of \$18.2m (2018 – \$14.9m).

Dividends declared

Cents

2019		11.0
2018		9.0
2017		0.0

Shareholder Engagement

Regular shareholder engagement meetings are organised through an annual calendar of work coordinated by the Group's Head of Investor Relations and is summarised below. These meetings allow the Board to understand the views of our key investors. In the year, 226 meetings were held (2018 – 194), with 128 institutional investors (2018 – 115) and five investment conferences were attended (2018 – six).

	Event	Roadshows	Conferences	Other
January				Chairman and SID shareholder governance meetings
February	Annual Results	London		
March		Paris	UBS	
		Edinburgh		
April	AGM			
	Q1 Trading Statement			
May				"Sell-side" analyst site visit to US
June	Pre-Close Trading Statement			
July				
August	Half Year Results	London		
		Paris		
		Edinburgh		
September			Berenberg	
October	Q3 Trading Statement	New York		
		Boston		
		Chicago		
November			Goldman Sachs	
			JP Morgan	
			Numis	
December	Pre-Close Trading Statement			

Major Shareholders

The Company's major shareholders, as at 31 December 2019, are listed below:

	Notes	Number of Ordinary shares	Percentage of issued Ordinary shares
Standard Life Aberdeen		15,481,878	9.3
Franklin Resources group of companies	(6)	13,253,975	7.9
Hunting Investments Limited	(1/4/5)	11,003,487	6.6
Man GLG		7,440,750	4.5
Dimensional Fund Advisors		6,569,265	3.9
J O Hambro Capital Management		6,545,677	3.9
Mensarius		6,424,774	3.8
Slaley Investments Limited	(5)	6,411,679	3.8
James Trafford – as Trustee	(2/5)	5,939,483	3.6
Vanguard Group		5,724,812	3.4
BlackRock group of companies		5,617,847	3.4
Lazard Asset Management		5,594,192	3.4
Legal & General Investment Management		5,490,681	3.3
Nordea Investment Management		5,316,812	3.2
David RL Hunting	(5)	194,120	0.1
– as trustee	(2/5)	2,549,117	1.5
– other beneficial	(3/5)	2,484,583	1.5

Notes:

- Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.
- After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 5,939,483 Ordinary shares.
- Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.
- Richard H Hunting (non-executive Director of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.
- In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests"), entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 27 February 2020, the Hunting Family Interests, party to the agreement, totalled 25,358,884 Ordinary shares in the Company, representing 15.2% of the total voting rights.
- On 6 February 2020, the Company announced that Franklin Resources had reduced its holding to 8,296,041 Ordinary shares, or 4.97% of the Company's issued share capital.

Purpose and Culture

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Business Model continued

Dividend Policy

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

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

A company's dividend capacity is typically constrained either by distributable reserves or by liquidity. Hunting PLC has in excess of \$200m of distributable reserves and Hunting Energy Holdings Limited, a direct UK subsidiary of Hunting PLC, which directly or indirectly controls the operating businesses of the Group, has distributable reserves in excess of \$800m. The Board considers that these distributable reserves are capable of servicing dividends for the foreseeable future and that any dividend constraints will be driven by liquidity.

Board Engagement and Decision Making – Shareholders

The Directors of Hunting receive a report on the Company's major shareholders at each Board Meeting, with a briefing by the Chief Executive or Finance Director on meetings that have recently occurred with details being regularly discussed following this engagement.

The Chief Executive and Finance Director meet with major shareholders after the Half-Year and Full-Year Results and during the year following a plan of investor meetings, which include financial centres across North America, Europe and the UK.

The Chairman and Senior Independent Director also meet with institutional investors at least annually to discuss governance, strategy and remuneration or at the request of a particular shareholder. While no shareholder consultations were undertaken in the year, it is the Board's policy to meet with major institutional investors and proxy voting groups on major governance and remuneration issues to ensure alignment between the Company and its members.

During the year, a key area of feedback received from shareholders was in respect of the Group's public disclosures on Environmental, Social and Governance ("ESG") matters. To address this request, enhanced disclosures were prepared and have been published on the Group's corporate website at www.huntingplc.com.

The Board also sets the Company's dividend policy, following a review of the financial performance for the relevant reporting period, and considers proposals by the executive Directors on the level of distribution to be made. The Group's Audit Committee reviews these proposals as part of its regular programme of work and makes a recommendation on whether to approve the dividend proposal and recommend it to the Board. Dividends are declared on the announcement of each set of Group results and are usually paid in May, following shareholder approval at the Company's Annual General Meeting, and in October. Given the proportion of UK shareholders on the share register, the Group's current practice is to pay all dividends in Sterling.

Our Lenders

The Group has access to a multi-currency revolving credit facility, totalling \$160.0m, provided by four banks comprising HSBC, Barclays, DBS and Wells Fargo. In the year, the facility was unutilised given the net cash held throughout the year.

Board Engagement and Decision Making – Lenders

Regular meetings between the Chief Executive, Finance Director and Group Treasurer and members of the lending group were held during the year to brief the banks on the performance and position of the Group. The Directors are briefed at each Board meeting by the Finance Director on the Group's financial position and the relationship with members of the bank lending group. Given the Group's net cash position, which prevailed throughout the year, the revolving credit facility has not been utilised.

Operational

Facilities

We have an established global network of operating sites and distribution centres located close to our customers and within the main global oil and gas producing regions. Over the years, we have continued to refine our operating and manufacturing processes, established a highly specialised workforce and built considerable know-how to enable our business to evolve and meet changing customer needs.

Our operating sites are used for the manufacture, rental, trading and distribution of products. The manufacture of goods and the provision of related manufacturing services is, by far, the main source of income for the Group. A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines. In Hunting's rental businesses, it is critical that an appropriate range of equipment is stored and maintained. Generally, this must be configured to meet specific customer requirements. In certain product lines, particularly OCTG, Hunting holds inventory to support its customers' specific requirements and to take advantage of particular market opportunities. Our distribution centres are primarily utilised by the Hunting Titan, intervention tools and drilling tools business groups, where close proximity to drilling operations is important.

Quality Assurance

The Group's Quality Assurance programme, for all its products, is a key feature of our business strategy, as it supports our standing within our customer base. Detailed policies are implemented within all facilities and, in the year, the Group reported a manufacturing reject rate of 0.30% (2018 – 0.22%).

Operational sites	36
Distribution centres	19
Operating footprint (million square feet)	3.0
Machines	1,277
Net book value of PPE	\$354.7m
% of ISO 9001:2015 (Quality) accredited facilities	72%

Quality Assurance (manufacturing reject rate)

2019		0.30
2018		0.22
2017		0.26

Intellectual Property

There continues to be a strong focus in the industry on technological improvement and process innovation, which can help deliver cost efficiencies for customers while maintaining or improving margins for suppliers. The incorporation of technology in our business illustrates the different ways we partner with participants in the supply chain.

Hunting Proprietary Technology

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio provides us with a competitive advantage and allows us to enjoy better margins and more operational flexibility. In 2019, we filed 39 new patent applications, with 87 new patents granted in the year, bringing the total number of fully-registered patents owned by the Group to 507.

Third-Party Technology

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

No. of patents granted	507
No. of new patents granted in year	87
No. of patents pending	184
No. of new patent applications filed in the year	39

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Our operating segments

2

Management Principles

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

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

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

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

Maintain a Strong Governance Framework
The Group's senior managers and their teams operate within a tight framework with short chains of command to the Chief Executive.

Introduction

Hunting reports its performance based on its key geographic operating regions. Hunting Titan is a large, separate business group, which is reported as a stand-alone segment. A description of each segment is noted below.

Hunting Titan

Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include smart perforating gun systems and shaped charge technologies. The business has four manufacturing facilities in the US and a facility in Mexico, supported by 17 distribution centres, primarily located in Canada and the US.

US

The US businesses supply OCTG, premium connections, drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The US segment has 16 operating facilities, mainly located in Texas and Louisiana.

Canada

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

Europe, Middle East and Africa

The segment derives its revenue primarily from the supply of OCTG and intervention tools to operators in the North Sea. The Group has operations in the UK, Netherlands, Norway, Saudi Arabia and the UAE. Revenue from the Middle East and Africa is generated from the sale and rental of intervention tools across the region, with the operations also acting as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

Asia Pacific

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

Facility ISO Accreditations

The Group is committed to enhancing its production and operational quality, with a number of facilities being certified ISO 9001:2015 (Quality), ISO 14001 (Environment) and ISO 45001 (Occupational Health and Safety Management) compliant, indicating that globally recognised standards and systems are in place.

More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitoring and reducing the environmental impact of its operations and improving health, safety and environmental ("HSE") standards. Hunting's global Quality Management System ("QMS") is certified and accredited for all of these ISO standards and all facilities are operated in accordance therewith.

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

Hunting Titan			US		
Operating sites	5 2019	5 2018	Operating sites	16 2019	15 2018
Distribution centres	17 2019	16 2018	Distribution centres	1 2019	1 2018
Employees	702 2019	659 2018	Employees	1,310 2019	1,202 2018
Canada			EMEA		
Operating sites	1 2019	1 2018	Operating sites	10 2019	9 2018
Distribution centres	1 2019	1 2018	Distribution centres	0 2019	0 2018
Employees	120 2019	123 2018	Employees	299 2019	307 2018
Asia Pacific			Total		
Operating sites	4 2019	4 2018	Operating sites	36 2019	34 2018
Distribution centres	0 2019	0 2018	Distribution centres	19 2019	18 2018
Employees	453 2019	420 2018	Employees	2,956 2019	2,772 2018

Total year-end employees of 2,956 (2018 – 2,772) include 72 (2018 – 61) head office and corporate personnel.

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Broad portfolio

Our products and services

3

Oil Country Tubular Goods ("OCTG")

Operating Basis
Manufacturing
Trading

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 and semi-premium connections and accessories using our own technologies such as SEAL-LOCK™, WEDGE-LOCK™ and TEC-LOCK™. We are licensed to apply a variety of third-party thread forms and generic API threads. We source OCTG products from a significant number of major global steel producers and have strong, long-term relationships in the US, Canada, Europe and Asia Pacific. Hunting also trades pipe, which is a lower margin activity, to help support customer relationships.

Differentiators

Hunting is one of the largest independent providers of OCTG connection technology, including premium connections.

Global Operating Presence
Hunting has extensive machining capacity in the US, Canada, Europe and Asia Pacific

Related Strategic Focus Areas
The TEC-LOCK™ semi-premium connection continued to see good market acceptance in the year, following its launch in 2017.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 44 to 47.

Perforating Systems

Operating Basis
Manufacturing

Overview

Hunting Titan manufactures perforating systems, energetics, firing systems and logging tools. Products are mainly used in the completion phase of a well. The production, storage and distribution of energetics is highly regulated and there are significant barriers for new entrants to the market. The business mainly "manufactures to stock" and hence uses a wide distribution network. Some manufacturing is done to order, sourced from international telesales.

Differentiators

Market-leading position in the US. Strong portfolio of patented and unpatented technology.

Global Operating Presence
Manufacturing centres in the US, Canada, Mexico and China. Distribution centres in the US, Canada and Asia Pacific

Related Strategic Focus Areas
The H-2™ and ESUB™ perforating systems were fully commercialised in the year. New charges and tools were also introduced to customers.

Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

For more information see pages 44 to 47.

Advanced Manufacturing	Drilling Tools	Intervention Tools	Subsea	Purpose and Culture
Operating Basis Manufacturing	Operating Basis Equipment rental and trading	Operating Basis Manufacturing Equipment rental and trading	Operating Basis Manufacturing	Business Model and Stakeholders
<p>Overview</p> <p>Advanced Manufacturing includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex measurement-while-drilling/ logging-while-drilling ("MWD/ LWD") and formation evaluation tool components, and the Hunting Electronics business, which manufactures printed circuit boards capable of operating in extreme conditions. These businesses work collaboratively with customers implementing their designs to their specifications. Hunting Specialty manufactures products used for onshore drilling and completion activities.</p>	<p>Overview</p> <p>Rental of a large portfolio of downhole tools, including mud motors, non-magnetic drill collars, vibration dampeners, reamers and hole openers. Tools are configured to 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.</p>	<p>Overview</p> <p>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.</p>	<p>Overview</p> <p>Produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, valves and weldment services.</p> <p>Following the acquisition of RTI Energy Systems Inc., titanium and stainless steel stress joints and production risers have been added to the Group's subsea portfolio.</p> <p>The addition of Enpro Subsea's product offering also brings additional high technology and know-how to our offshore capabilities.</p>	
Differentiators 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.	Differentiators Leaders in progressive cavity, positive displacement mud motors.	Differentiators Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.	Differentiators For more than 30 years, a provider of high quality metal-to-metal sealing hydraulic coupling solutions that operate in the harshest environments with a strong, long-term patent base.	Business Strategy
Global Operating Presence US	Global Operating Presence US	Global Operating Presence US, Europe, Asia and Middle East	Global Operating Presence US	
Related Strategic Focus Areas Our expertise has been deployed into non-oil and gas markets in the year, including medical, naval, aerospace and space applications.	Related Strategic Focus Areas Introduced mud-lube bearings to the Group's drilling tools mud motor fleet. Offering adversely impacted in the year by lower onshore activity.	Related Strategic Focus Areas Commenced field trials of enhanced oil recovery technology within the EMEA operating segment.	Related Strategic Focus Areas Acquired new products, including titanium and stainless steel stress joints following the acquisition of RTI Energy Systems Inc.	Performance
Related Principal Risks <ul style="list-style-type: none"> Commodity prices Product quality 	Related Principal Risks <ul style="list-style-type: none"> Commodity prices Shale drilling Competition 	Related Principal Risks <ul style="list-style-type: none"> Commodity prices Competition 	Related Principal Risks <ul style="list-style-type: none"> Commodity prices Product quality 	
For more information see pages 44 to 47.	For more information see pages 44 to 47.	For more information see pages 44 to 47.	For more information see pages 44 to 47.	Governance
				Financial statements

Business Model continued

Valued partners

Our stakeholders

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Our Customers

As a member of the oil and gas equipment supply chain, Hunting's broad portfolio of products and services enables the Group to cover a large proportion of the needs of the global energy industry, including onshore and offshore drilling projects and conventional and unconventional resource development, supported by selected high value services to help our customers achieve their strategic objectives.

A common theme across all our businesses is our ability to add value for our customers, which is achieved by providing high technology products that lower the cost of operation, resolve technical problems, or simply enable a job to be completed more quickly or safely, without compromising quality.

Customer Groupings and Channels to Market

Operators	Service Companies	Steel Mills and Other
Operators are the end consumers of our products and related services. These include National Oil Companies, International Oil Companies and Independents. Approximately 20% of our sales are made directly to operators.	Our primary route to market is via other service providers, which generate c.70% of our revenue. These include "1st tier" service companies who can provide project management services to operators. Key customers include Halliburton, Baker Hughes, Schlumberger and Weatherford.	Steel mills are key suppliers to our business; however, in some circumstances we can perform threading services for them or supply OCTG products. Other sales include oil and gas-related sales through agents or intermediaries, together with non-oil and gas sector sales made by our Trenchless, Dearborn and Electronics operations.
Split of Group revenue	Split of Group revenue	Split of Group revenue
c.20%	c.70%	c.10%

Customer Engagement

Client engagement is key to the Group's understanding of the short- to medium-term needs of our various clients. This daily dialogue helps us shape our strategy and focus our product research and development programmes.

In the year, the Group launched or acquired new products that directly addressed customer needs, some of which resulted from close customer collaboration in response to in-field technical challenges.

H-2 Perforating System™

TEC-LOCK™ Wedge Semi-Premium Connection

ESUB Perforating System™

Titanium Stress Joints

As part of our active dialogue and engagement with our customer base, key clients are invited to our facilities to review our production capabilities and processes, review new technology and brainstorm on future projects.

Customer contact reports are a regular feature of our sales function, which often include issues or concerns, in-field performance feedback and overall customer satisfaction.

Hunting's customer-facing sales teams are directly supported by the Group's Engineering, Quality Assurance and Health, Safety and Environmental teams, to assist in the provision of key operational performance information that supports global tenders and the overall sales function.

Further, to embed the Group into our customer base, Hunting is a member of a number of industry and trade association bodies including:

- American Petroleum Institute;
- Society of Petroleum Engineers; and
- International Association of Drilling Contractors.

The Group also attends various industry conferences annually to profile the Group's products and services.

Ethics and Governance

Hunting's close relationship with its customers is also enhanced by our ethical policies and transparent ways of doing business.

All of our major customers receive our Code of Conduct, which includes a commitment to a transparent way of doing business.

Regular due diligence on new customers is also undertaken to ensure the Group complies with international trading and sanctions legislation.

In many cases, we ask our clients to complete "end user" declarations to confirm that Hunting's products do not conflict or breach trading restrictions or sanctions legislation.

Further, the Group has strong entertainment and hospitality policies, which support our commitment to anti-bribery and corruption.

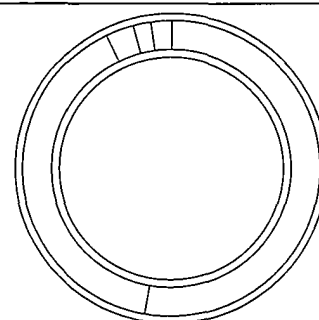
Board Engagement and Decision Making – Customers

In parallel with the commercial dialogue and engagement undertaken by our leadership teams with our customers, the Board of Hunting, in support of its statutory stakeholder duty, has approved the development of the Group's strategy by reviewing and approving capital investment projects that directly support future customer needs.

In the year, the Group invested \$36.0m in production capacity and equipment and \$12.5m was spent on the acquisition of the business and assets of RTI Energy Systems Inc., which completed in August 2019.

Capital investment

- US 53%
- Hunting Titan 40%
- Canada 3%
- EMEA 2%
- Asia Pacific 2%



The Board approved these capital investments, either as part of the approval of the Strategic Plan or Annual Budget process. In each case, the Board was satisfied that there was good alignment between client engagement, the final capital allocation and the Board's consideration of customer matters.

Business Model continued

Our Employees

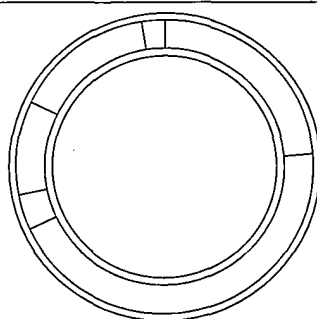
Hunting's reputation, which has been built over many years, is underpinned by its highly skilled workforce, who are key to fulfilling the Group's strategic objectives.

At 31 December 2019, the Group had 2,956 employees (2018 – 2,772) across its global operations. With this backdrop of uncertain markets, controls over recruitment remain in place at all Group operating businesses.

Employees

At 31 December 2019

- Hunting Titan 702
- US 1,310
- Canada 120
- EMEA 299
- Asia Pacific 453
- Central 72



Responsibility for our employees lies with local management, to enable local cultural differences to be taken into account, with all businesses complying with the Group's ethical employment and human rights policies as published in the Hunting PLC Code of Conduct (located at www.huntingplc.com).

Employees are offered benefits on joining the Group, including healthcare cover, post-retirement benefits and, in certain instances, when Group outperformance in terms of operational or financial targets has been delivered, participation in annual bonus arrangements.

The Group is committed to training and developing all employees, which includes health and safety training, professional development and general career development initiatives.

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and workforce turnover rate noted below. In the US, where approximately two-thirds of the Group's workforce is located, the voluntary turnover rate is 10%, compared to a 2018 US national average of 27% (2018 data issued by the Bureau of Labor Statistics), demonstrating Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Average Employee Tenure

8

Years

Group Employee Voluntary Turnover Rate

11%

Training

Throughout 2019, Hunting continued to roll out the Group's Code of Conduct training programme for all employees, to ensure awareness of our published ethics-focused policies. The programme incorporates anti-bribery and corruption, modern slavery, fraud and tax modules to ensure our employees understand their responsibilities on joining the Group.

Hunting targets full compliance with all relevant regional laws covering employment and minimum wage legislation. As a responsible employer, full and fair consideration is given to applications for positions from disabled persons. The Group's ethics policies support equal employment opportunities across all of Hunting's operations. The Group's gender diversity profile for 2019 is detailed on page 81.

Employee Engagement

In 2019, Hunting commissioned its first all-employee survey, to enhance its global workforce engagement initiatives. The survey was coordinated by the Group's Chief HR Officer, utilising a platform operated by Gallup. The results of the survey reported an 80% participation response rate and highlighted the following:

1. Work expectations between Hunting and its workforce are clear;
2. The Group provides good support, in terms of materials and equipment, to excel at a job; and
3. Hunting provides a high quality work environment.

The Board also noted the weaknesses identified by the survey, including the need to improve staff appraisals and feedback. Initiatives to address these areas have been commissioned.

Whistleblowing

The Board of Hunting has established procedures in place whereby employees can raise concerns in confidence, by contacting the Chairman or Senior Independent Director. The Group also uses an independent whistleblowing service operated by SafeCall. Contact information for both these lines of reporting is published on staff noticeboards across the Group's facilities and within the Group's magazine published twice yearly, the "Hunting Review" and is available to all employees.

Health and Safety

Across all of its global operations, the Group is committed to achieving and maintaining the highest standards of safety for its employees and other stakeholders.

Hunting has a culture of aiming for best practice and employs rigorous health and safety practices. Health and safety policies include:

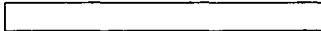

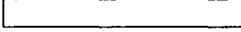
- Regular audit and maintenance reviews of facilities;
- Appropriate training and education of all staff;
- Regular reporting to Board level;
- Seeking accreditation and aligning long-standing internal programmes with internationally recognised standards; and
- Publication of the Group's policy on health,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

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

During the year, there were no fatalities across the Group's operations, with 39 recordable incidents (2018 – 46). The incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA") in the US, was 1.17 compared to 1.49 in 2018. This incident rate reflects a 21% year-on-year decrease, largely due to a lower proportion of new employees joining the Group compared to the prior year. In the year, the number of hours worked increased by 5% to 6.6m hours (2018 – 6.3m hours). The industry average incident rate in 2019 was 4.0 (2018 – 4.0).

Incident Rate

OSHA method

2019		1.17
2018		1.49
2017		0.89

Human Rights

We are committed to upholding the Human Rights of all our employees, which include:

- Providing a safe and comfortable working environment for all employees and contractors;
- Respecting the rights of each individual with a zero tolerance approach to any form of discrimination, harassment or bullying;
- Providing training and development programmes to our global workforce;
- Not employing child labour; and
- Acting with honesty, transparency and integrity in all of our dealings with our workforce.

Board Engagement and Decision Making – Employees

As part of its statutory duty, and in line with the provisions of the 2018 UK Corporate Governance Code, during the year Hunting initiated a global employee engagement survey and appointed Annell Bay as the designated non-executive Director for employee engagement issues.

In December 2019, the Board approved the 2020 Annual Budget, which included base salary increases across the Group's workforce. Further, the Board reviewed the work of the Remuneration Committee, which gave consideration to the fixed and variable incentives to the executive Directors, Executive Committee and other relevant plans for Group-wide employee remuneration.

As part of the work of Annell Bay, meetings with the senior leadership team were organised in the second half of the year to allow for direct feedback to be given to the Company. Ms Bay in turn reported these activities to the Board at the December 2019 and February 2020 Board Meetings. It is anticipated that these meetings will increase in frequency during 2020 as these new employee engagement initiatives are further embedded across the organisation.

As noted above, the Board also received reports from Keith Lough, the Company's Senior Independent Director, on the whistleblowing reports received. In the year, the Group received nine reports from SafeCall (2018 – five reports). The Board noted the actions recommended in respect to each report and were satisfied that each report was resolved appropriately.

Hunting's Director of Health, Safety and Environment ("HSE") reports directly to the Chief Executive and the Directors review a HSE report at each Board meeting. In the year, the Directors requested more information on "near-miss" incidents and remedial actions following these occurrences. The Directors noted the lower number of incidents in the year, which for the most part relates to lower numbers of new employees hired in the year.

Quality Assurance at Hunting Subsea

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Our Suppliers

Hunting's supplier base assists the Group in achieving its purpose of providing high quality products, which our customers can rely on and trust.

The Group has a strategy of ensuring that critical material inputs are not sourced from a single supplier, which provides assurance to our customers that we will always be in a position to deliver. Long lead-time material supplies are regularly reviewed to ensure market pricing remains competitive.

Hunting's strategic sourcing includes working with a wider range of suppliers with regular two-way dialogue on quality expectations. Often, supply chain managers visit the facilities of our suppliers to review procedures, including quality assurance and health and safety performance.

In the case of new suppliers, including those who provide key components, first article inspection procedures are in place prior to issuing the order, to ensure quality and delivery expectations are met.

LED Lighting Installation in Canada

Ethics and Governance

Like the Group's customer base, Hunting completes due diligence on its supplier base and communicates its ethics policies to its major suppliers. The Group's Code of Conduct is copied to its suppliers and specifically our Modern Slavery policy, which highlights the Group's ethical trading and fair labour policies.

Board Engagement and Decision Making – Suppliers

The Board, through the work of the Audit Committee, reviews the Group's supply chain risk profile and reviews regular reports on commercial dialogue with customers and suppliers. This leads to discussion by the Directors.

Our Environment

Hunting is committed to addressing environmental issues and embedding a low carbon culture within our operating facilities and our employees.

New facilities take into account environmental considerations, including extreme weather event protection, such as storms and flooding.

The Group's Quality Management System ("QMS") is compliant with the globally recognised ISO 14001 (Environment) standard and most of our facilities are operated in compliance with this standard as well as ISO 50001 (Energy Management), as we demonstrate our commitment to operating in an environmentally responsible manner with the aim of reducing the environmental impact of our global footprint.

Environmentally responsible initiatives that have been implemented across the Group include:

- Utilising "smart lighting" in new facilities that activate upon detecting movement, thereby saving power;
- Implementing a number of waste recycling programmes across the Group, specifically relating to metal, wood, plastics, rubber and water;
- Low energy LED bulb replacement at facilities; and
- Installing water capture systems, reducing machining coolant water loss.

These initiatives are continuously enhanced to incrementally reduce the Group's overall carbon footprint and environmental impact.

Carbon-Based Emissions

To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas ("GHG") data in accordance with the principles of the Kyoto Protocol. Hunting's 2019 Scope 1 and 2 emissions, as defined by reporting guidelines published by DEFRA in the UK and the International Energy Agency, have been collected and are reported below and on the following page.

The Group's carbon footprint is derived primarily from our operating facilities, where 80% of our total Scope 1 and 2 emissions comprise electricity usage, as noted in the accompanying chart.

In 2019, the Group's total Scope 1 and 2 emissions were 35,874 tonnes of carbon dioxide equivalent compared to 35,171 tonnes in 2018. The increase is predominantly related to the increased activity levels within our facilities in the US and Asia Pacific, which resulted in extra operating shifts being added during the year.

In the year, the Group submitted data to the Carbon Disclosure Project, to increase its transparency of its carbon reporting practices.

Given our presence in 11 countries, electricity consumption is still primarily derived from coal and gas-fired generation; however, all businesses within the Group are encouraged to appoint suppliers who can provide renewable energy sourced power generation.

The Group also participates in a number of other initiatives, including the Energy Saving Opportunity Scheme, which requires Hunting's UK facilities to be audited for energy efficiency, with recommendations provided to reduce energy usage.

CO₂(e) Emissions

Tonnes

○ Scope 1 ○ Scope 2

2019	7,100	28,774
2018	7,087	28,084
2017	9,379	22,224

The Group's intensity factor is based on total carbon dioxide equivalent emissions divided by the Group's revenue in 2019, and was 37.4 kg/\$k of revenue, compared to 38.6 kg/\$k of revenue in 2018.

Intensity Factor

2019		37.4
2018		38.6
2017		43.6

Hunting's global and UK electricity consumption is also detailed in the charts below.

Global Electricity Consumption

GWh

2019		55.7
2018		54.7
2017		45.2

UK Electricity Consumption

GWh

2019		1.6
2018		1.9
2017		1.4

The Group now collects information on the sources of its electricity and in 2019 2.1 GWh of the total electricity consumed was sourced from renewable energy equating to 4% of the Group's global electricity consumption. In the UK, 0.5 GWh or 27% of the Group's UK electricity was sourced from hydro or renewable sources, with the electricity at Hunting's London Headquarters being 100% sourced from renewable energy.

Water usage in the year was 319k cubic metres compared to 221k cubic metres in 2018.

Climate Change Risk

The Directors of Hunting have considered climate change and its potential impact on the Group's operations. As described on page 16, the Group has a concentration of its facilities close to the Gulf of Mexico coast in Texas and Louisiana, which periodically suffer from windstorms. The Group has a risk assessment framework in place, which, among other operational risks, assesses its ability to operate should a strong windstorm impact a location. Given the geographic spread of its operations across the US and globally, the Board is satisfied that Hunting can operate normally even if a weather event were to hit a particular facility.

Further, facilities are designed with windstorm risk in mind and storm water flooding designs are a key feature of new facility construction programmes. The Directors therefore believe that climate-change weather-related risk is mitigated to a satisfactory degree. Further information on climate change can be found on page 41 within Risk Management.

Sustainability

At Hunting we are committed to making the broader development goals of the United Nations, particularly the Sustainable Development Goals, part of our culture, strategy and day-to-day operations of the Company. We also align ourselves with the ten principles of the UN Global Compact and are taking the necessary steps to formally subscribe to this framework.

Waste Management and Recycling

All of Hunting's facilities are encouraged to introduce recycling and waste reduction programmes. At 31 December 2019, 94% of the Group's facilities had at least one recycling programme in place. In 2019, the Group initiated a new process to quantitatively collect recycling information on metal, paper/wood and plastics. The following table shows the data collected in the year.

Metal recycling	4,489 Tonnes
Wood / paper recycling	122 Tonnes
Plastics recycling	19 Tonnes

Other Initiatives

The Group has also started donations to "Trees for Houston" a non-profit organisation dedicated to tree planting in urban areas of Houston, Texas.

Board Engagement and Decision Making – Environment

The Directors have reviewed the Group's environmental matters in the year, and have increased ESG-related disclosures. These can be found on the Group's website at www.huntingplc.com. Further, the Board has introduced carbon reduction targets based on the data collected over the last seven years. Hunting has committed to sourcing 10% of its global energy needs from renewable sources by 2030 (currently 4%) and aiming for an Intensity Factor of less than 30.0 (currently 37.4). The primary strategy will be through securing energy contracts which supply higher proportions of green energy, which will reduce the Group's total scope 2 tonnage. Further, other efficiency programmes are planned to be implemented to reduce over time the Group's total scope 1 tonnage. The Directors anticipate that this target is realistic in the context of a more stable operating environment compared to 2015 to 2017.

Business Model continued

Governments

Hunting's global operating footprint extends across 11 countries and includes 36 operating facilities and 19 distribution centres and at 31 December 2019 employed 2,956 people (2018 – 2,772). As a consequence of this, the Group interacts with a number of global regulators, governments and tax authorities to ensure that Hunting retains a high reputation and business standing within each region of operation and seeks to comply with all applicable and relevant local laws and regulations.

As a UK premium-listed public company, the Financial Conduct Authority ("FCA") is the Group's primary regulator; however, each operating segment retains a close relationship with the relevant local tax and legal authority. With the assistance of the Group's brokers and legal advisers, the relationship with the FCA is closely managed as and when relevant matters arise.

Given the sensitivity of interacting with government officials, with respect to the risk of bribery, the Group's internal procedures include analysis of which customers and suppliers are government owned, with all externally-facing employees trained in the Group's anti-bribery and corruption policies.

Tax Strategy

Hunting is committed to acting with integrity and transparency in all tax matters relating to the countries in which we operate. Simply put, our tax strategy is to comply with local tax regulation, and pay taxes when due.

The tax contributions from Hunting's global activities includes the following sources:

- Corporate income taxes;
- Employment taxes;
- Social security taxes;
- Property taxes;
- State taxes;
- Consumption taxes (Value Added Taxes, Goods and Services Taxes and Insurance Premium Taxes);
- Carbon taxes; and
- Fuel duties.

When evaluating how we should organise our business affairs, a wide variety of factors are considered, including operational efficiency, risk management and taxation. If the intention of tax regulation allows us to organise our commercial business affairs in a manner which reduces tax costs, while meeting our overall objectives, we will do so but we will not carry out tax avoidance or create artificial structures. If necessary, we engage professional tax or legal advisers to ensure that we have interpreted tax law correctly. We will not enter into transactions that have a main purpose of interpreting tax law that is opposed to its original intention or spirit.

Board Engagement and Decision Making – Governments

The Group's tax governance is managed as follows:

- The Board reviews the Group's tax strategy and policies on an ongoing basis with regular updates on the tax position provided at each Board Meeting;
- Day-to-day matters are delegated to the Group Tax Manager and a small team of in-house tax professionals who hold a combination of accounting and tax qualifications;
- Annual review of tax policies as part of our internal Group Manual updates;
- Monitor and discuss changes to tax legislation that will have an impact on us and discuss with advisers as required; and
- Engage specialist advisers when appropriate.

Our Communities

The Board delegates community initiatives to the Executive Committee, which allows for local cultural practices to be integrated into community focused activities and projects. Local community sponsorships or charitable donations are encouraged, following approval by a member of the Board or Executive Committee.

Most businesses within the Group host "Open House" days at facilities to allow customers, suppliers, employees' families and other members of the local community to see our operations.

Community initiatives are regularly reported in the Group's magazine, the "Hunting Review", which profiles the Group's operations, employees and community work.

The following graphics illustrate community initiatives within each operating segment.

Hunting Titan is a major employer in Pampa and Milford, Texas, US and, given its operational focus, engages regularly with local emergency services who are there to provide operational support in case of an incident. Each year Titan hosts an annual luncheon and facility tour for the emergency response teams.

Hunting Subsea hosted its twice yearly blood donation drive which has been held over 11 consecutive years for the Gulf Coast Regional Blood Centre.

Purpose and Culture	
Business Model and Stakeholders	
In Indonesia, staff regularly raise money and offer practical support to local charities and orphanages.	
Business Strategy	
In the UK, fundraising events are regularly held, such as this family day in support of a national charity.	
Performance	
Governance	
Financial statements	
In Singapore and China, International Women's Day is celebrated.	

Well positioned

Jim Johnson
Chief Executive

The Group's mix of products and markets shows the strength of Hunting's business strategy, as the Group's diverse product portfolio and innovation enables us to adapt to take advantage of opportunities that exist in an uncertain market.

Introduction

Hunting's trading performance during 2019 has been influenced by a number of factors, including reduced US onshore drilling and completion activity, a sector-wide focus on capital discipline leading to budgeting constraints, compensated by improved international and offshore activity. These factors have resulted in revenue increasing year-on-year, particularly driven by our international and offshore businesses; however, the impact on our higher margin US onshore focused operations has resulted in a consequential decline in Group operating profits.

Given this market environment, the Group has performed well in the year, as Hunting's broad product offering has meant that certain businesses have benefited from the growing offshore market, while those businesses focused on onshore markets have been adversely impacted.

The Group's mix of products and markets shows the strength of Hunting's business strategy, as the Group's diverse product portfolio and innovation enables us to adapt to take advantage of opportunities that exist in an uncertain market.

A key part of our strategy has been to retain a strong balance sheet and drive financial discipline throughout all our businesses as the industry changes around us. Our year-end net cash position of \$77.9m (cash of \$123.1m, less lease liabilities of \$45.2m) (2018 – cash of \$61.3m), provides the Group with financial and operational flexibility, which includes reviewing acquisition opportunities to broaden further our product offering, while providing a sustained dividend to shareholders.

Another key aspect, which supports the Group's strong reputational standing in the global oil and gas industry, is the focus on safety and quality assurance of our products. In the year, our incident rate decreased by 21% reflecting our unrelenting focus on the safety of our employees. These rates remain well below the industry average. Also, our manufacturing reject rate was 0.30% (2018 – 0.22%) demonstrating the skill and commitment of the Group's workforce to deliver world-class, quality-assured products and the quality of our processes.

Group Summary

Hunting reports a 5% increase in revenue to \$960.0m for 2019 compared to \$911.4m in the prior year. This increase has been due to a number of factors including strong growth within the Group's global OCTG and Subsea businesses, the successful launch of new products, particularly within the Hunting Titan business, and renewed investment by clients in downhole measurement tools, which has enabled strong growth to be recorded within the Group's Advanced Manufacturing business.

A general trend throughout the whole Group has been increased levels of sales bound for offshore projects, which supported growth within our premium connections, accessories and subsea businesses, which has enabled good growth to be recorded within our US, EMEA and Asia Pacific operating segments.

Operating profits have, however, been adversely impacted by margin pressure within a number of product groups. Within Hunting Titan, strong competition within the more commoditised product lines sold by the business led to targeted price reductions being implemented to reduce excess inventory in early 2019.

Coupled with this has been a shift by onshore clients to lower cost completion products in the year. This adversely impacted margins and overall profits recorded in the year.

As part of the preparations for the year-end accounts, we reviewed the carrying values of all current and non-current assets. This has led to an impairment charge of \$19.0m being recorded against the Group's drilling tools mud motor fleet, given the medium-term outlook for a number of tool product lines. This charge has been reported as an exceptional item. A summary of the Group performance in the year is shown in the following table:

	Underlying ^{i/ii}		Reported	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Revenue	960.0	911.4	960.0	911.4
EBITDA ⁱⁱⁱ	139.7	142.3	139.7	141.3
Profit from operations ⁱⁱⁱ	94.3	104.7	46.8	75.4
Profit before tax ⁱⁱⁱ	93.1	104.0	45.6	74.7
Profit for the year ⁱⁱⁱ	76.1	82.0	41.4	85.7
Diluted EPS – cents	43.9	49.6	23.5	52.3

- Results for the year, as reported under IFRS, adjusted for amortisation of intangible assets recognised as part of a business combination and exceptional items.
- Non-GAAP measure (see pages 179 to 183).
- 2019 financial data incorporates the adoption of IFRS 16 Leases. 2018 financial data has not been restated.

Strategic Initiatives

As part of an approved strategic plan, which the Board has refined during the year, Hunting has delivered a number of key operational milestones during 2019. These objectives can be summarised as follows:

1. Expand global presence;
2. Broaden the Group's product offering, through the launch of new technology and via acquisition;
3. Operate on a leaner operating structure, delivered by higher efficiency manufacturing and new production techniques; and
4. Refine the Group's product portfolio to enhance returns.

Expand Global Presence

At the end of the year, the Group reported 36 operating sites compared to 34 in 2018, following the expansion of our Saudi Arabia operations and the acquisition of the business and assets of RTI Energy Systems Inc., in August 2019. The Saudi expansion allows the operations to address increased demand as local sourcing becomes a key requirement of operating in the Kingdom. In the year, the Group moved its operations in Norway to a larger facility to allow for the local storage of products.

Hunting's distribution centres numbered 19 at the end of 2019 (2018 – 18 centres), reflecting better alignment to the US onshore market, in addition to new instrumentation products being stocked, following the partnership agreement with Well-sun noted below.

Broaden the Group's Product Offering

Hunting has delivered an enhanced product offering through the launch of many initiatives to bring new technology to our customers. Our strategy includes a regular review of product and technology gaps in our chosen areas of excellence.

Chief Executive's Statement and Outlook continued

Hunting Titan has developed and commercialised new products for its client base, as the onshore market continued to drive for more efficient drilling, completion and production techniques, without compromising on health and safety. In the year, the business commercialised the ESUB Perforating System™ (the "ESUB") that allows customers to modify conventional perforating systems to enable "smart" operation of a hydraulic fracturing procedure. The ESUB™ system sits alongside and complements our smart perforating gun systems offering.

In addition to new perforating systems, new energetics charges have been introduced to clients including a new EQUAfrac™ charge and a new Rock charge, which provide more efficient fracturing within a variety of geological formations.

During the year, Hunting Titan also commercialised the T-Set One™ setting tool. This innovative product combines four separate completion and setting tools into a single device, allowing for significant cost savings to be captured by clients.

Hunting Titan has also partnered with Xi'an Well-sun Technology PLC, a Chinese-based well logging technology company, to offer a wider range of logging tools and instruments to our US and international client base. Further, to address product gaps within the Hunting Titan portfolio, the business has started to manufacture power charges used in the hydraulic fracturing process and also sold its first pre-loaded perforating system to clients during Q4 2019.

A further initiative, commenced in 2019, has been the construction of a production line for detonation cord production. Machinery was delivered early in 2020, with manufacturing expected to commence by the middle of the year.

Through the acquisition of the business and assets of RTI Energy Systems Inc. ("RTI"), which completed in August 2019, Hunting has added another strong portfolio of products to its subsea offering. RTI manufactures stress joints and risers used in offshore production, which are made from either titanium or stainless steel. This business was purchased as the offshore drilling market showed clear signs of a return to growth after the market downturn between 2014 and 2017.

In February 2020, Hunting completed the acquisition of Enpro Subsea Limited ("Enpro") to broaden further the Group's presence in the subsea market segment of the industry. Enpro's high technology, flexible field development solutions have been adopted in the Gulf of Mexico, the North Sea and West Africa and enables the quicker delivery of hydrocarbons.

The Group's premium connections business has continued to introduce new size variants to its proprietary connection portfolio. The TEC-LOCK™ semi-premium connection has seen a strong increase in market acceptance during 2019, with new size variants introduced to the offering. The TEC-LOCK™ Wedge has been a particularly successful variant of the Group's semi-premium connections portfolio, with efforts being undertaken to introduce this to the Group's international customers.

Leaner Operating Platform

In the first half of the year, the Group commissioned automated production lines for its conventional perforating systems and charge manufacturing processes. These new production lines are located at Hunting Titan's Pampa and Milford production facilities in Texas, US, which has enabled the business to reduce manufacturing costs across a number of key product groups. This has contributed to the strategic objective of maintaining market share in the US market, as cheaper product variants have been introduced by a variety of competitors.

The Group has also implemented cost management initiatives in the year, including the consolidation of the Group's Europe, Middle East and Africa operations. This has led to a reduction in overheads in the Middle East. Further, in June 2019 the Group completed a restructuring of the Canada segment, which also reduces overheads and aligns the cost base with the current market outlook.

Refining Product Offering

In the year, the business completed the sale of its Thru-Tubing business in the Middle East, which was predominantly a service driven offering for customers across the region. The Group also concluded the sale of the Clear-Run™ technology.

Outlook

Our results reflect the Group's commitment to strong capital discipline, while delivering a solid performance in difficult market conditions. Our focus on customer service and delivery, while driving further operational efficiencies along with an excellent safety record, is testament to the performance delivered in the year.

The tough trading environment experienced during 2019 continues to confront the oil and gas industry as we enter 2020. North American onshore rig count statistics continue to deteriorate, oil and gas commodity prices remain challenging, corporate budgets and access to project funding continues to be constrained and numerous geopolitical events around the globe continue to encourage caution among investors and our clients. The impact of the coronavirus continues to be assessed by our Asia Pacific businesses, given the continuing restrictions in place in China.

However, Hunting remains well positioned to address our markets with a solid geographic footprint, an extensive portfolio of products and services and a highly experienced and committed management team and workforce. Our balance sheet remains solid, with a significant net cash position, with an ambition to expand our product offering with complementary bolt-on acquisitions, without pushing the Group into a net debt position remaining one of our core strategic goals.

Despite these challenges, we were able to deliver a creditable set of financial results in 2019 and we enter the new decade with a determination to continue delivering shareholder value.



Jim Johnson
Chief Executive

27 February 2020

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**A Chemical Injection System
undergoing pressure testing.**

Market Analysis

Clear insight

Global market indicators

Hunting manufactures products and provides services to the global oil and gas industry, a highly dynamic sector with many factors that influence overall demand. At the macroeconomic level, commodity prices remain a key driver for our products and services, as the strength or weakness in pricing influences key investment and project decisions within our customer base and the quantity of equipment required to complete drilling plans.

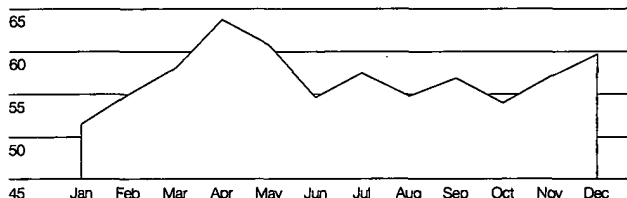
In addition, commodity prices influence global and regional rig counts and industry capital expenditures. Each of the Group's operating segments closely monitor these market key performance indicators. Within capital expenditure budgets are onshore and offshore drilling allocations. While a typical onshore well drilling budget is much lower than an offshore well, the number of onshore wells completed, particularly in North America, means that onshore drilling remains a significant component of global activity.

Product demand is also a function of the technological evolution of global drilling practices. For example, US onshore drilling has evolved over the past decade, leading to increases in footage drilled per well, frac-intensity and the number of frac stages in any given onshore unconventional well.

Commodity Prices

WTI Oil Price

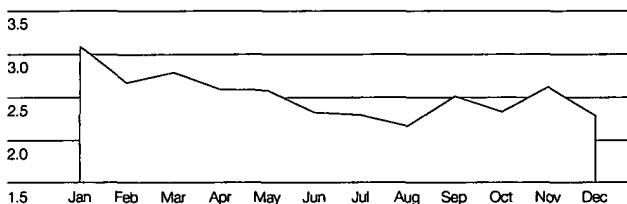
\$/barrel



During the year, the WTI oil price averaged \$57 per barrel (2018 – \$65 per barrel) and traded in the range \$47 to \$66. The weakening in the price in the second half of the year, due to a range of factors including geopolitical instability and the global economic outlook, served to dampen capital expenditure expectations. The oil price has also influenced general budget plans, as many independent operators, particularly in North America, contained drilling plans to within cash flows, adversely impacting sentiment and general drilling momentum.

Gas Price

\$/mmBtu



The average US Henry Hub natural gas price declined in the year to \$2.53 per mmBtu (2018 – \$3.05 per mmBtu), due to the oversupply of natural gas from oil-related drilling within shale developments in North America.

Global Rig Count

○ Onshore ○ Offshore f Forecast

2020f	1,729	253	1,982
2019	1,844	242	2,086
2018	1,982	201	2,183

Global Onshore Rig Counts

Due to the strong capital discipline seen across the industry during 2019, particularly in respect of North American independent operators, the global onshore rig count has declined in the year by 7%. Industry technology has continued to evolve and now multiple wells are drilled from a single rig location, thus increasing productivity. However, the overall trend in 2019 has been a reducing rig count, which has impacted Hunting Titan and other US businesses focused on the onshore market. In 2020, it is currently forecast that a further 6% decline will occur.

Global Offshore Rig Counts

The global offshore rig count has been steadily increasing from the low point in 2017, and in the year, increased by 20% to average 242 units. In the US, the offshore rig count has increased steadily, while the international market has also improved, as the oil price stabilised in 2018, coupled with a shift from higher intensity onshore drilling. 2020 is forecast to increase by c.5% to average 253 active units.

Global Industry Spend

(\$bn)

○ Onshore ○ Offshore f Forecast

2020f	149.8	67.5	217.3
2019	165.8	63.6	229.4
2018	179.8	54.5	234.3

Global Onshore Capital Investment

In 2019, there was a shift from onshore to offshore drilling, driven by strong capital discipline within many onshore operators. Global onshore capital expenditure has declined 8% in the year to \$165.8bn, leading to lower results within Hunting Titan, US Drilling Tools and Hunting Specialty. 2020 is forecasting a further decline in expenditure of c.10% to \$149.8bn.

Global Offshore Capital Investment

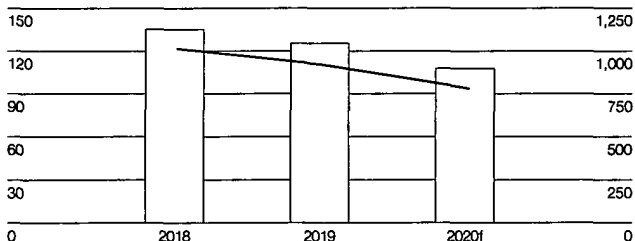
During 2019, global investment in offshore drilling projects has increased 17%, which has supported Hunting's US, EMEA and Asia Pacific business units, who all report stronger results in the year. In 2020, offshore expenditures are anticipated to increase further by c.6% to \$67.5bn.

Regional market indicators

US Onshore Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast

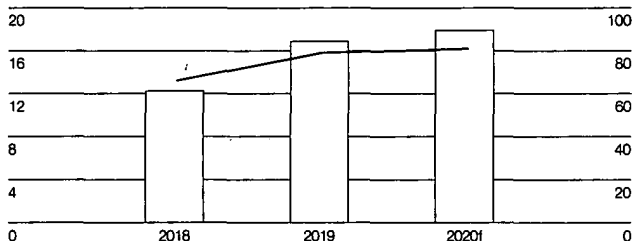


The US onshore market environment contracted in 2019, due to the lower average WTI oil price, production capacity constraints within the Permian basin and the shift back to offshore drilling. In the year, rig counts declined 9% and industry spend declined 7% from \$135.1bn to \$125.3bn. This market environment has impacted our onshore focused businesses in the year. In 2020, the outlook is indicating a further contraction in the market.

Europe Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast

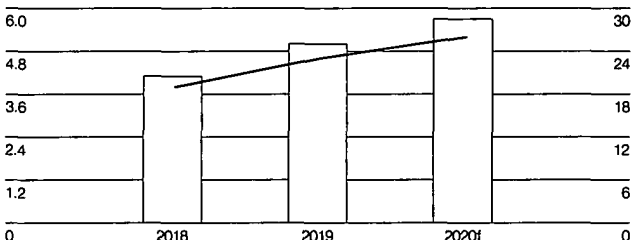


The European drilling market has seen a good improvement in 2019, with industry spend increasing 38% to \$17.9bn compared to 2018. The Group's European businesses have improved, in both the UK and the Netherlands, as the North Sea rig count on the UKCS doubled to 15 rigs, compared to seven in the prior year. Looking forward, European drilling expenditure is projected to increase marginally to \$19.0bn in 2020.

US Offshore Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast

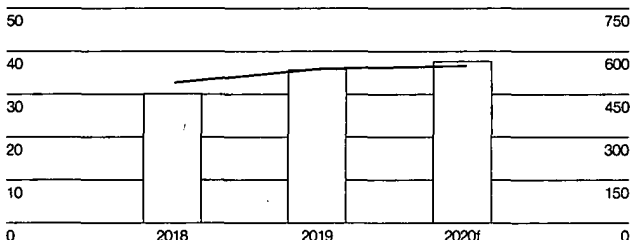


The US offshore market increased investment by 22% in 2019 to \$5.0bn compared to \$4.1bn in 2018, with the rig count increasing by 21%. This has favourably impacted our premium connections, accessories manufacturing and other offshore orientated business units. It is anticipated that this growth will extend into 2020 where a further increase in spend of 14% is projected.

Middle East and Africa Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast

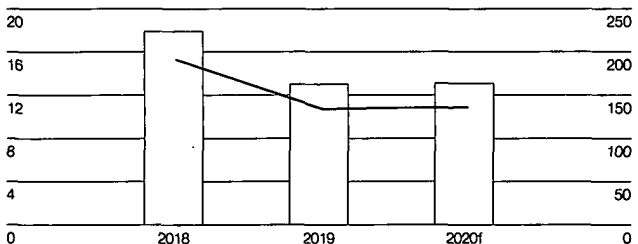


In the Middle East and sub-Saharan Africa, activity levels continue to stabilise and increase with investment totalling \$35.7bn in the year. The largest increase in activity has been reported by Libya, Iraq and Qatar, where the rig counts have doubled with modest improvements in Angola and Gabon. Further, increases to drilling spend across these regions are also being projected in 2020.

Canada Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast

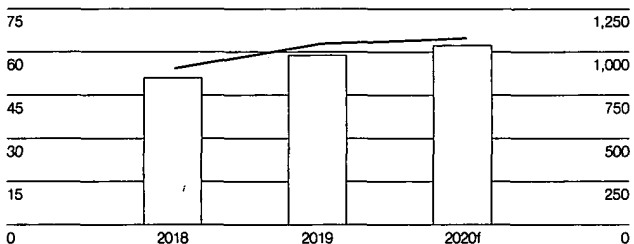


Drilling activity in Canada declined in the year due to severe weather in the early part of 2019, coupled with the government mandated slowdown in production, which reduced activity. Industry investment was \$13.0bn in the year, a decline of 28% compared to \$17.9bn in 2018. 2020 is currently projecting activity to be similar to 2019, with rig counts forecast to average 136 units and investment being \$13.1bn.

Asia Pacific Market Indicators

Spend (\$bn)/Average rig count

○ Spend \$bn — Average rig count f Forecast



In Asia Pacific, which includes the Far East and China, a 15% increase in spend has been reported in 2019 to \$58.8bn. This has assisted in the good performance of the Group's Asia Pacific operating segment. In 2020, investment is forecast to increase further by 6% to \$62.2bn.

Source: Spears & Associates.

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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

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.

Strategic Focus Areas

- Extend global presence
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

2019 Progress

- In the year, we opened an additional manufacturing facility in Saudi Arabia and moved to a larger distribution facility in Norway to address anticipated regional demand.
- In August, the Group completed the acquisition of RTI Energy Systems Inc., which broadened our subsea product portfolio.
- In the year, the Group launched new perforating systems to clients to address the evolving hydraulic fracturing market.

Related KPIs

Revenue	\$960.0m	\$911.4m
	2019	2018
Underlying profit before tax	\$93.1m	\$104.0m
	2019	2018
Operational footprint (sq ft)	3.0m	2.9m
	2019	2018

Related Risks

- Geopolitics
- Investment
- Competition
- Product quality
- Commodity prices
- Shale drilling

Strategic Priority

Operational excellence

We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver reliable products, which are strongly quality assured and which offer better cost efficiencies.

Strategic Focus Areas

- Leverage strong brand
- Enhance quality control
- Maintain operational flexibility
- Leverage lean manufacturing
- Strengthen relationships with customers and suppliers

2019 Progress

- Hunting Titan has partnered with Well-sun, a China-based logging tools company, to distribute products within Hunting's US and international client base.
- Hunting Titan commissioned automated manufacturing cells at its Pampa and Milford facilities to increase efficiencies.
- In August, the Group entered into a partnership with Jindal SAW in India to strengthen Hunting's presence in this market.

Related KPIs

ISO 9001:2015 (Quality) accredited operating sites	72%	71%
	2019	2018
Quality assurance – manufacturing reject rate	0.30%	0.22%
	2019	2018
Countries in which we operate	11	11
	2019	2018

Related Risks

- Product quality
- Key executives
- Competition

Strategic Priority

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 and good returns on capital leading to growing dividends to shareholders.

Strategic Focus Areas

- Extend global presence
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

2019 Progress

- Hunting Titan launched a new setting tool and energetics charges to clients to address product gaps and the evolving well completion market.
- Lean manufacturing initiatives continued across the Group in the year, capturing significant cost savings within many business units.

Related KPIs

Underlying gross margin	28% 2019	30% 2018
Free cash flow	\$149.4m 2019	\$80.7m 2018
Return on average capital employed	8% 2019	9% 2018

Related Risks

- Commodity prices
- Competition

Strategic Priority

Corporate responsibility

We are committed to acting with high standards of integrity and creating positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.

Strategic Focus Areas

- Retain experienced senior management team
- Skilled workforce
- Safe operations
- Protect the environment
- Compliance

2019 Progress

- The Group launched an all-employee engagement survey in July 2019, in line with new UK Corporate Governance Code.
- The Group has set its first carbon emissions targets, to be achieved over the next decade, through the purchase of cleaner electricity and enhanced operating efficiencies.
- New governance procedures introduced in the year to address Purpose and Culture requirements.

Related KPIs

Incident rate (OSHA method)	1.17 2019	1.49 2018
CO ₂ emissions intensity factor (kg/\$k of revenue)	37.4 2019	38.6 2018
CO ₂ tonnes equivalent emitted	35,874 2019	35,171 2018

Related Risks

- Key executives
- Health, safety and environment

Case Study

Operational excellence

Perforating technology has evolved rapidly over the past decade. Hunting Titan has been a pioneer in introducing innovative technology to the market, particularly the ControlFire® switching technology and plug-and-play “smart” perforating systems.

The H-1® Perforating Gun System, launched in 2017, was the first of Hunting Titan's smart guns. The H-1 continues to reflect a greater share of Titan's overall gun sales as the efficiency, safety and productivity benefits gain traction with operators.

Timeline

1980

2010

Product evolution

EBFire® Switches (Mechanical)
EBFire® switches are disposable and cost effective mechanical switches designed to allow multiple, sequentially fired, perforating guns in a single string. As a gun fires, the pressure of the detonation triggers the next gun in the sequence to fire. The EBFire® has no addressable technology to confirm integrity of the gun string. If a gun does not fire or its status is unknown, the gun string must be retrieved.

ControlFire® Switches (Addressable)
The ControlFire® switch is the most widely used addressable select-fire switch available. It is safe from stray voltage, electrostatic discharge and radio frequencies and allows for firing of perforating guns individually and in a selected sequence, providing skip-over capabilities in the event of a misfire. The ControlFire® Switch has been run in excess of five million times, with a success rate nearing 100%.

Changes over time

Switches
Perforating Guns
Shaped Charges
Bridge Plugs
Stages Per Well
Lateral Lengths

Beginning (1980-2010)

Mechanical 97% / Addressable 3%
Lengths (feet) – 3', 4' and 5' (Fewer gun selections per stage)
Deep penetrating, big hole diameter, good hole
Cast iron (Longest time to drill out)
5 to 10+
3,000 ft – 4,000 ft

T-Set One™ is Hunting's new plug setting tool. Plugs create the zones that make up staged perforating operations (plug and perf).

T-Set One™ is the first setting tool that only requires one tool and one size of power charge for the four most common plug setting applications. T-Set One™ can be run with Hunting's firing head and Plug Shoot.

The Efficiency Sub™ "ESUB", introduced in 2019, provides customers with a cost effective semi-premium "smart" perforating gun system option, alongside the other product offerings.

2015

2019

H-1® Perforating Gun System
The H-1 Perforating Gun System was the first modular plug-and-play system that eliminated field wiring. The H-1 can be armed without the need to wire a switch and detonator. Instead, the ControlFire® Cartridge containing the switch and detonator is simply screwed into the bottom end of the gun.

EQUAfrac® Consistent Hole Shaped Charges
With longer laterals, the size and uniformity of the perforation entry hole within the casing is critical to optimise well productivity. Conventional charges have a variance of up to 50% in entry hole diameters. Hunting's EQUAfrac® consistent hole shaped charges reduce entry hole variance to as low as 5%.

Efficiency Sub™ "ESUB"
The ESUB is a semi premium, cost efficient plug-and-play solution for the conventional perforating gun system user. The ESUB is installed in a conventional gun to provide a degree of "smart gun" capability. ESUB utilises ControlFire® Cartridge technology, allowing for simple, wire-free arming and assembly.

H-2™ Perforating Gun System
The H-2 Perforating Gun System is the shortest, multi-shot perforating gun system available. At just 7.5 inches in length, the H-2 can fire up to three shots on a single plane, delivering a high intensity fracturing operation, and requires no wiring or detonating cord.

Intermediate (2015)

Mechanical 80% / Addressable 20%

Lengths (feet) – 3' and 2' (More gun selections per stage)

Deep penetrating, consistent hole diameter

Cast iron and composite (Faster to drill out)

15 to 30+

4,000 ft – 8,000 ft

Current (2019)

Mechanical 30% / Addressable 70%

Lengths (feet) – 2', 1', and Less (Most gun selections per stage)

Consistent hole diameter, super deep penetrating

Composite and dissolvable (Requires no drilling out)

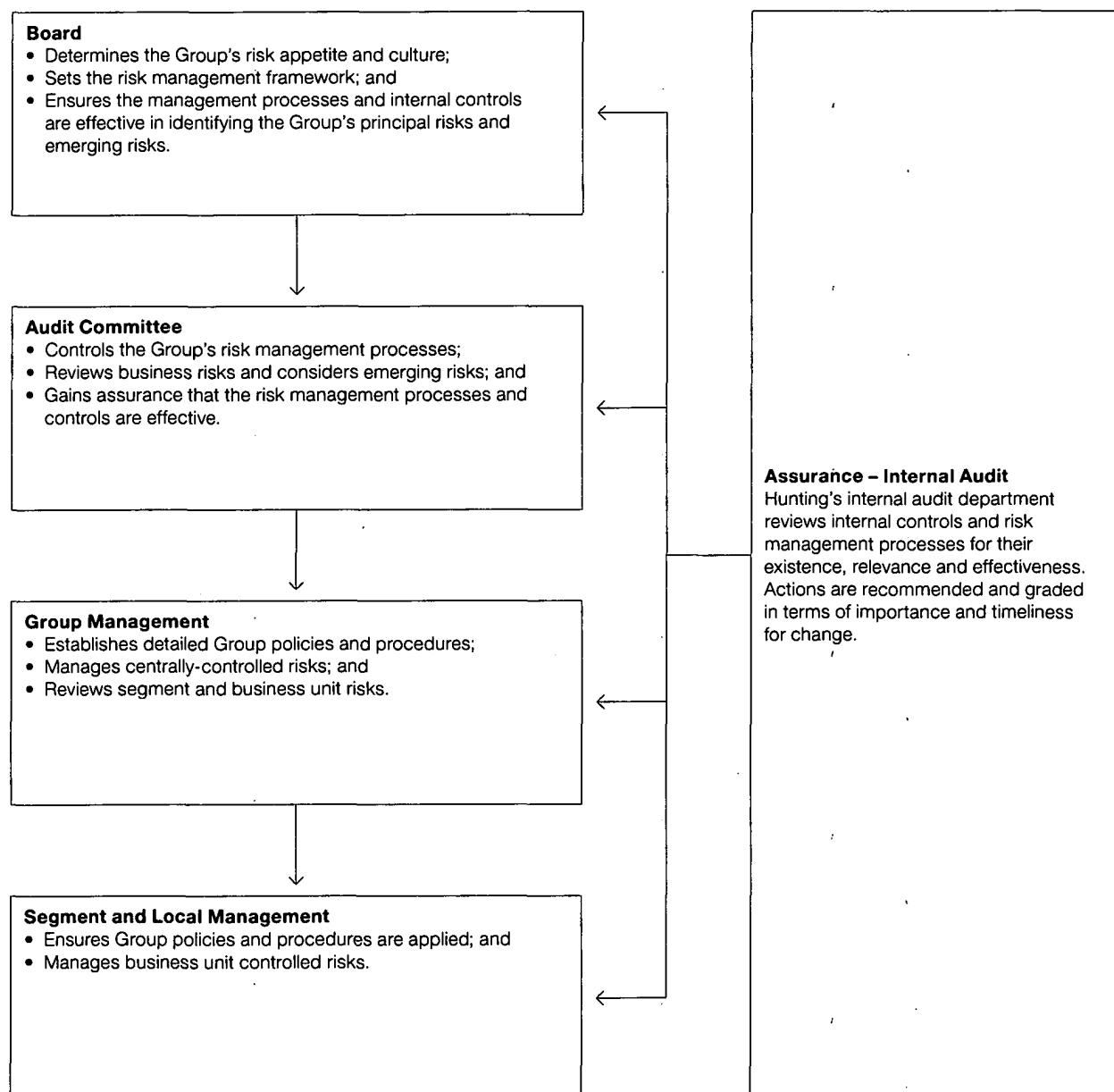
25 to 100+

5,000 ft – 10,000+ ft

Risk Management

Roles and responsibilities

The Board has set risk management roles and responsibilities as illustrated below.



Introduction

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

The Board

The Board of Hunting has responsibility for developing and maintaining a robust risk management framework and for monitoring the Group's system of internal control to ensure it remains effective and fit for purpose.

The Board is also responsible for developing the Group's strategic objectives. The balance between the Board's desire to meet these strategic objectives and its appetite for risk creates the risk culture within the Group.

The Board's appetite for risk is key to establishing effective systems of internal control and risk management processes.

The Board's review and debate of risk follows detailed discussions by the Chief Executive and Finance Director with members of the Executive Committee. By reviewing and debating the relevant evidence, the Board then develops an appreciation for the contributory factors that generate a particular risk.

Subsequently, through delegation, the Board establishes the extent to which the risk should be mitigated and at what cost to the Group. The Board, for example, has little appetite for high levels of exposure to geopolitical risk and, consequently, the Group's expansion strategy has avoided countries that are considered to be significantly unstable or too high risk to maintain a physical presence, notwithstanding the potential benefits that may be generated. Advice on risk management is sought by the Board from both internal and external sources.

The risk management processes are further supported by:

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

Audit Committee

Segment and business unit management establish and undertake risk management processes that are relevant to the risk profile of each business unit.

The key risks and emerging risks are identified and reported to Group management three times a year, from which a Group Risk Register is maintained covering the key risks to the Group, including all financial, operational and compliance matters.

On behalf of the Board, the Audit Committee seeks to ensure that risk management processes are established within the framework set out by the Board and, as part of this assessment, it conducts a formal review of the Group's Risk Register three times a year.

The Group's Principal Risks are disclosed on pages 44 to 47. In addition, once a year, the Audit Committee seeks assurance with regard to the effectiveness of the internal financial controls based on a self-assessment exercise carried out by local management. The appropriateness of the self assessments is checked by internal audit, on a sample basis, as part of its routine programme of work. The Internal Audit department reports directly to the Audit Committee. The relationship with the external auditor is monitored by the Audit Committee, which is responsible for completing the review of the effectiveness of the external auditors.

Group Management

All Group business units operate in accordance with the Hunting Group Manual, which sets out Group policies and procedures, together with related authority levels, and identifies matters requiring approval or notification to central management or to the Board.

Included within the Group Manual are policies covering general finance requirements, taxation responsibilities, information on Hunting's internal control and risk management framework, legal compliance and governance. Compliance is also monitored and subject to checks by the Internal Audit department. The Group Manual also incorporates and mandates the Group's accounting policies. This is periodically supported by documents that are prepared centrally and circulated throughout the Group in order to advise local management of, and establish, major accounting and policy changes on a timely basis. Group management are responsible for ensuring the risk management processes approved by the Audit Committee are implemented across the Group. Group management is also responsible for identifying treasury-related risks, such as currency exposures, that are subsequently managed by Group Treasury, in accordance with the treasury risk management policies contained in the Group Manual. Group management is also responsible for managing the global insurance programme.

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Segment and Business Unit Management

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

Assurance

The Board use a number of functions and reporting procedures to provide assurance that the risks identified by management are appropriate for the Group as a whole.

Hunting's Internal Audit department reviews the Group's businesses covering operational areas including:

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

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

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's insurance broker, who arranges the annual renewal of a worldwide credit insurance policy for the Group. Compliance with the policy requires each business unit to undertake certain procedures, including vetting new customers and maintaining appropriate creditworthiness data that further strengthens the Group's credit management processes.

Hunting's external auditor provides assurance to the Board of the accuracy and probity of Hunting's financial statements. The auditor also reads all of Hunting's non-financial statements, including governance disclosures included in the Annual Report, and provides recommendations on the financial controls in operation across the Group based on the external audit.

Hunting's legal advisers assist the Board in ensuring that Hunting is compliant with the Financial Conduct Authority's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and UK Company Law, and that there is an understanding across the Group of its obligations under current sanctions legislation.

Additionally, Hunting relies on market and investor advice from its corporate brokers and financial advisers. The Board is satisfied that the above sources of assurance have sufficient authority, independence and expertise to enable them to provide objective advice and information to the Board and also takes this into account when assessing the robustness of the risk management and control process.

Risk management procedures

The Board has reviewed its risk management and internal control procedures and confirms that the procedures in place are robust and proportionate to Hunting's global operations and position in its chosen market.

Hunting's internal control system, which has been in place throughout 2019 and up to the date of approval of these accounts, is designed to identify, evaluate and manage the principal risks to which the Group is exposed, as well as identify and consider emerging risks to which the Group may be exposed in the future. Internal controls are regularly assessed to ensure they remain appropriate and effective.

This system of internal control is designed to manage rather than eliminate risks, therefore it can only provide reasonable, but not absolute, assurance against material misstatement or loss in the financial statements and of meeting internal control objectives.

The Directors have reviewed the effectiveness of the Group's system of internal control and have taken into account feedback from the Audit Committee for the period covered by the financial statements. No significant failings or weaknesses were identified in the review process.

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

Business Risk Reporting

Three times a year, local management formally reviews the specific risks faced by their businesses, based on current trading, future prospects and the local market environment. The review is a qualitative assessment of the likelihood of a risk materialising and the probable financial impact if such an event were to arise. All assessments are performed on a pre- and post-controls basis, which allows management to continually assess the effectiveness of its internal controls with separate regard to mitigating the likelihood of occurrence and the probable financial impact. The risks are reported to Group management.

The local risks that have the greatest potential impact on the Group are identified from these assessments and incorporated into the Group Risk Register, which is also reviewed by the Audit Committee three times a year, and is scrutinised and challenged by the Board. An appropriate Director, together with local management, is allocated responsibility for managing each separate risk identified in the Group Risk Register.

Emerging Risks

Alongside the process of identifying the Group's principal risks, management are challenged three times a year to identify and consider emerging risks that may face the Group at some point in the future. Resulting from this process, management and the Board have identified climate change as an emerging risk facing the Group.

Climate change is a wide-ranging and complex topic that potentially brings with it a number of interlinked risks that could impact the Group's activities. The Board will continue to monitor climate change as an emerging risk.

Financial Controls Self-assessment

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

Reporting and Consolidation

All subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable. This includes weekly, bi-monthly and quarterly treasury reports, annual budgets, monthly management accounts, periodic short-term and mid-term forecasts, together with half-year and annual statutory reporting. The Group's financial accounting consolidation process is maintained and regularly updated, including distribution of the Group Manual to all reporting units. All data is subject to review and assessment by management through the monitoring of key performance indicators and comparison with targets and budgets. The Group monitors and reviews new UK Listing Rules, the Disclosure Guidance and Transparency Rules sourcebook, accounting standards, interpretations and amendments, legislation and other statutory requirements.

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Strategic Planning and Budgeting

Strategic plans, annual budgets and long-term viability financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance.

Quality Assurance

Most of the business sectors in which the Group operates are highly regulated and subsidiaries are invariably required to be accredited, by the customer or an industry regulator, to national or international quality organisations. These organisations undertake regular audits and checks on subsidiary procedures and practices, ensuring compliance with regulatory requirements. The Board monitors compliance by receiving Quality Assurance reports at each meeting from the Director of Quality Assurance. The Group has received accreditations from many organisations including the American Petroleum Institute (for example API Spec 5CT and API Spec Q1 certifications), the International Organization for Standardization (for example ISO 9001:2015 and ISO 14001 certifications) and the Occupational Health and Safety Assessment Series (for example OHSAS 18001 certification).

Health, Safety and Environment ("HSE")

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

Expenditure Assessment and Approval Limits

All significant capital investment (business acquisitions and asset purchases) and capital divestment require approval by the Chief Executive up to certain thresholds. Major capital investment or divestment require approval by the Board. Detailed compliance and assurance procedures are completed during a capital investment programme and project reviews and appraisals are completed to compare actual returns achieved with those projected within capital investment proposals.

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

Current status of the Group's principal risks

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

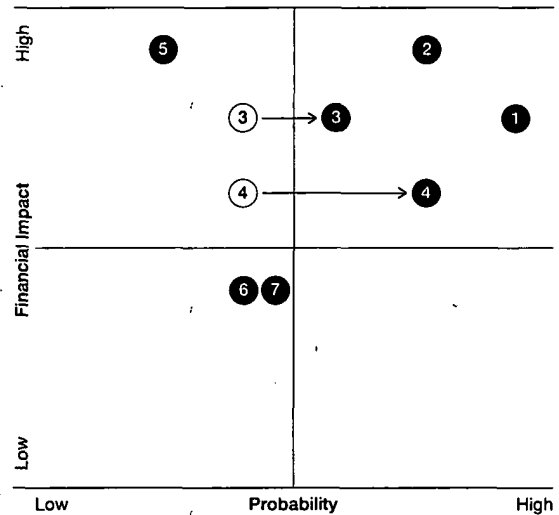
The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the profile of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

A detailed description of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

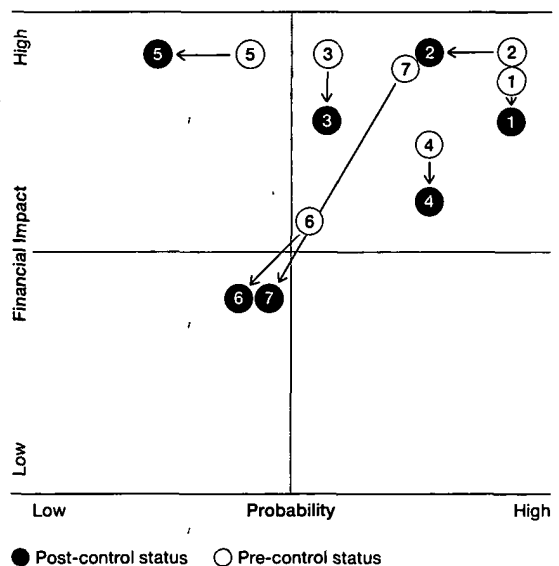
UK Leaving the European Union ("Brexit")

The Board continues to consider the potential consequences to the Group of the United Kingdom's decision to withdraw from the European Union and remains of the opinion that, given its limited exposure to this market, Brexit will not have a material impact on the business. Consequently, this is not a principal risk to the Group.

Movement in risks (post-controls) during the year



Effectiveness of internal controls



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Principal risks

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

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

1. Competition**Nature of the risk**

The provision of goods and services to oil and gas drilling companies is highly competitive. In current market conditions, pricing pressures remain a feature of the trading environment. Competitors may also be customers and/or suppliers, which can increase the risk of any potential impact.

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

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

Movement in the year

During the year, the competitive environment within the markets that Hunting serves remained strong and, therefore, Hunting's exposure to this risk is unchanged since last year.

Controls and actions

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

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

The Group's operating activities are described in detail on pages 10 to 27.

2. Commodity prices**Nature of the risk**

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

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

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

Movement in the year

Hunting's exposure to this risk has remained high during the year due to the continuing instability and volatility in spot oil prices. WTI has ranged between \$47 and \$66 per barrel over the last 12 months and prices are expected to remain within this range over the next 12 months.



Controls and actions

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

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

In addition, management continues to reduce production costs and develop new technologies, including automation and robotics, that help mitigate the impact of any further downturn in commodity prices in the future.

Further information on the movement in commodity prices during the year is detailed on page 32.

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3. Shale drilling		4. Geopolitics 
Nature of the risk The Group provides products to the oil and gas shale drilling industry. Oil and gas produced from shale remains a relatively expensive source of hydrocarbons, despite advances in technology that have reduced these costs. Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources, so it is more likely to be curtailed and therefore negatively impact what has become a steadily increasing revenue stream for the Group (see the risks associated with commodity prices).		Nature of the risk The location of the Group's markets are determined by the location of Hunting's customers' drill sites – Hunting's products must go where the drilling companies choose to operate. To compete effectively, Hunting often establishes a local operation in those regions; however, significantly volatile environments are avoided. The Board has a strategy to develop its global presence and diversify geographically. Operations have been established in key geographic regions around the world, recognising the high growth potential these territories offer. The Group carefully selects which countries to operate from, taking into account the differing economic and geopolitical risks associated with each geographic territory.
Movement in the year Shale drilling activity slowed during 2019 as operators sought to remain within their budgets and targeted to remain cash generative. The risk of further adverse movement in shale drilling activity has increased as US shale operators announced capital spend budget cuts and face more restricted access to capital in the year ahead.		Movement in the year Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. The frequency and number of geopolitical issues in the world have escalated over the past year. The Board monitors geopolitical events around the world through media channels and assesses these relative to Hunting's operations. These events have heightened over the past year. The Group has relatively little exposure to the European market and consequently the Board believes that the economic uncertainties associated with Brexit will not have a materially adverse impact on the Group's trading activities. Consequently, the Board has concluded that there has been no reportable movement in the Group's geopolitical risk.
Controls and actions The Board monitors rig count and general completion activities within the US shale industry. In addition, local management maintain an ongoing dialogue with key customers operating within the US markets. 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 reconfigure their manufacturing processes to meet a change in the pattern of demand. The Group's operating activities are described in detail on pages 10 to 27.		Controls and actions Areas exposed to high political risk are noted by the Board and are strategically avoided. Global sanctions are also closely monitored with compliance procedures in place to ensure Hunting avoids high risk countries. The Board and Management closely monitor projected economic trends in order to match capacity to regional demand. The Group's exposure to different geographic regions is described on page 16.

Risk Management 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.

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

5. Health, safety and the environment ("HSE")



Nature of the risk

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

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

Movement in the year

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

Controls and actions

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

Every Group facility is overseen by a health and safety officer with the responsibility for ensuring compliance with current and newly issued HSE standards.

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

The Group's HSE performance is detailed on page 23.

6. Key executives



Nature of the risk

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

Movement in the year

This risk is unchanged from last year. The Group has fair and balanced remuneration schemes in place, which attract and retain executive management.

Controls and actions

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

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

Details of executive Director remuneration are provided in the Remuneration Committee Report on pages 84 to 103.

7. Product quality



Nature of the risk

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

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

Movement in the year

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

Controls and actions

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

The Group's commitment to product quality is detailed on page 15.

Case Study

Connections technology

Designed for the world's most challenging wellbore applications.

A product range built upon decades of experience. As downhole requirements have evolved, Hunting remains a market leader in connection technology.

Product growth

1991

1995

2011

2015

SEAL-LOCK HC

HC – High Compression

Hunting acquired Interlock Technologies Inc, inheriting the SEAL-LOCK® product line and focused on the development of technology for more challenging applications.

SEAL-LOCK SF

SF – Semi Flush

Hunting expanded the SEAL-LOCK® product line with SEAL-LOCK SF® and SEAL-LOCK APEX® in addition to acquiring ThreadMasters Inc and introducing the first semi-premium product line "TKC".

WEDGE-LOCK SF

SF – Semi Flush

Following increased regulatory constraints and more demanding requirements for deep water well designs, Hunting continued the evolution of industry leading technology with the launch of WEDGE-LOCK®, designed for the most critical, High Pressure High Temperature ("HPHT") deep water well environments.

SEAL-LOCK XD

XD – Extreme Duty

Hunting continues to complete extensive testing on WEDGE-LOCK SF® and SEAL-LOCK XD® to satisfy the latest and most stringent industry requirements. In 2015, Hunting commissioned a test facility at Ameriport in order to accelerate our ability to develop, test and bring to market new thread forms.

2017

2019

2019

TEC-LOCK BTC*BTC – Buttress Connection*

With more challenging markets affecting deep water activity, Hunting adapted its focus on connection technology to develop the TEC-LOCK™ family of connections, a leading semi-premium product offering for the onshore market.

TEC-LOCK WEDGE

TEC-LOCK Wedge™ continues to gain market share. Multiple records have been set for technical applications and operational cost savings.

TEC-LOCK FJ*FJ – Flush Joint*

Hunting expanded the TEC-LOCK™ family with the launch of TEC-LOCK FJ™ to address customer requirements and expand Hunting's coverage into more intermediate casing applications.

Group Review

Solid financial footing

Peter Rose
Finance Director

Jim Johnson
Chief Executive

The Group remains on a solid financial footing with a strong balance sheet supported by an excellent net cash position at the year-end, which has enabled an increase in the final dividend to be declared, subject to approval by shareholders.

Introduction

The Group's performance in the year has been underpinned by an improving offshore and international market, against a slowing onshore market in North America. This market environment has allowed the Group to deliver a creditable set of financial results based on its geographical footprint and extensive range of products and services, driven by a strong and experienced management team. The Group remains on a solid financial footing, with a strong balance sheet supported by an excellent net cash position at the year-end, which, with the Board's confidence in the prospects for the Group, has enabled an increase in the final dividend to be declared, subject to approval by shareholders.

Market Summary

The average WTI crude oil price was c.12% lower in the year at \$57 per barrel, compared to an average price of \$65 per barrel in 2018, leading to clients containing drilling expenditures to within their operating cash flows, with the aim of retaining strong capital discipline and improving investor returns. This market feature has led to a declining onshore market environment in the US and Canada, which has led to an overall lower financial performance for the Group during 2019, compared to the prior year.

Results from Operations

The Group has adopted IFRS 16 Leases with effect from 1 January 2019, which has led to the recognition of \$36.7m of right-of-use assets and \$45.2m of lease liabilities on the consolidated balance sheet at 31 December 2019. The 2018 financial statements have not been restated, as the Company elected to adopt the standard on a modified retrospective basis, as permitted by the standard. For further information on the adoption of IFRS 16, please see note 41.

The Group reports an increase in revenue of 5% to \$960.0m (2018 – \$911.4m). Segment revenue within Hunting Titan declined 10% from \$418.2m to \$375.5m as activity levels within the North American onshore drilling market reduced and competitive pressures adversely impacted trading and margins. Within the US segment, a 10% increase in revenue has been recorded, which in part reflects an increase in offshore and international focused projects. The improving international market also led to revenue increases within the EMEA and Asia Pacific operating segments of 15% and 37% respectively. In Canada, in line with declining drilling investment in the year, segment revenue reduced to \$35.7m. Inter-segment revenue reduced to \$83.7m in 2019 compared to \$95.6m in the prior period, reflecting the slowing of the global manufacture of conventional perforating guns on behalf of Hunting Titan.

Group Segment Summary

Business Unit	2019			2018		
	Segment revenue \$m	Underlying ¹ result from operations \$m	Reported ¹ result from operations \$m	Segment revenue \$m	Underlying ¹ result from operations \$m	Reported ¹ result from operations \$m
Hunting Titan	375.5	68.6	42.1	418.2	106.9	80.8
US	363.2	26.9	5.9	329.7	14.2	11.0
Canada	35.7	(4.3)	(4.3)	44.8	(1.8)	(1.8)
Europe, Middle East and Africa	123.0	(1.3)	(1.3)	107.3	(13.8)	(13.8)
Asia Pacific	146.3	4.4	4.4	107.0	(0.8)	(0.8)
Inter-segment elimination	(83.7)	–	–	(95.6)	–	–
Group segment total	960.0	94.3	46.8	911.4	104.7	75.4

1. Results for the year, as reported under IFRS, adjusted for amortisation of intangible assets recognised as part of a business combination and exceptional items.

With the overall decline in the US onshore market environment, a shift to lower cost products by certain customers and increased competition within Hunting Titan's customer base has been recorded, leading to some targeted price reductions being implemented in the year to eliminate slow moving stock. This led to a decline in the Group's underlying gross margin from 30% to 28%. Underlying gross profit declined 3% from \$275.1m in 2018 to \$266.4m in 2019.

Given the decline within Hunting Titan, the Group reports an underlying profit from operations of \$94.3m (2018 – \$104.7m), with the underlying operating margin decreasing from 11% in 2018 to 10% in 2019.

The charge in the year for the amortisation of intangible assets recognised as part of a business combination totalled \$28.5m, compared to \$29.3m in 2018.

Given the decline in the medium-term outlook for the Group's onshore drilling tools business, a \$19.0m impairment against the unit's drilling tools fleet has been charged as an exceptional item. The net impact of exceptional items in 2018 was \$nil. The reported profit from operations was therefore \$46.8m (2018 – \$75.4m).

The net finance expense during the year was \$1.2m (2018 – \$0.7m), leading to an underlying profit before tax of \$93.1m (2018 – \$104.0m). After charges for exceptional items and intangible asset amortisation acquired as part of a business combination, the reported profit before tax was \$45.6m (2018 – \$74.7m).

The 2019 underlying tax rate was 18% (2018 – 21%), which largely reflects the influence of US corporate tax rates and the recognition of \$3.0m of US State deferred tax assets following a corporate reorganisation in the US allowing relief for historical tax losses. The Group's underlying effective tax rate ("ETR") for 2020 is expected to be in the range of 21% to 23%, depending on the regional mix of results.

Underlying profit after tax was \$76.1m (2018 – \$82.0m) and reported profit after tax was \$41.4m (2018 – \$85.7m).

Underlying diluted earnings per share was 43.9 cents in the year (2018 – 49.6 cents). Reported diluted earnings per share was 23.5 cents (2018 – 52.3 cents).

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Cash Flow

Summary Group Cash Flow	2019 \$m	2018 \$m
Underlying EBITDA (NGM A)	139.7	142.3
Share-based payments	9.1	13.2
	148.8	155.5
Working capital movements (NGM H)	7.6	(96.6)
Net interest, bank fees and tax paid	(7.6)	(4.6)
Proceeds from disposal of assets	8.9	16.4
Gains on business and asset disposals	(5.8)	(1.0)
Pension scheme refund	–	10.6
Other operating cash and non-cash movements (NGM J)	(2.5)	0.4
Free cash flow (NGM K)	149.4	80.7
Capital investment (NGM I)	(36.0)	(30.1)
Intangible assets investment	(10.2)	(6.6)
Dividends paid to equity shareholders	(16.6)	(6.6)
Acquisition of business	(12.5)	–
Purchase of treasury shares	(5.0)	(5.7)
Other	0.9	0.3
Net cash flow	70.0	32.0
Initial recognition of lease liabilities	(49.0)	–
New lease financing and interest	(5.9)	–
Foreign exchange	1.5	(1.1)
Movement in net cash (note 26)	16.6	30.9

The Group's underlying EBITDA declined by \$2.6m in the year to \$139.7m (2018 – \$142.3m); however, the adoption of IFRS 16 gave rise to a \$9.3m benefit, giving a like-for-like decline of \$11.9m and a margin reduction of 2% points. As noted above, Hunting Titan's performance reduced in the year, but this was partially offset by the improved performance of the US, EMEA and Asia Pacific segments.

When adjusted for non-cash share-based payment charges of \$9.1m (2018 – \$13.2m), operating inflow of \$148.8m was recorded in the year compared to \$155.5m in 2018.

Working capital inflows were \$7.6m during the year (2018 – \$96.6m outflow) reflecting strong capital discipline and efforts by management to contain working capital and inventory. At 31 December 2019, inventory days were 214 compared to 185 in 2018, reflecting the weaker trading in Q4. Receivable days were 79 in 2019 compared to 78 in the prior year.

Net interest was a receipt of \$0.1m compared to a payment of \$2.0m in 2018 due to the lower level of borrowing in the year.

Net tax paid in the year was \$7.7m compared to \$2.6m in 2018 – this continues to be modest, sheltered by the use of historical tax losses.

Proceeds from the disposal of assets were \$8.9m (2018 – \$16.4m). Property, plant and equipment ("PPE") disposals were \$3.6m, the sale of the Clear-Run™ intangible technology raised \$2.3m and consideration from the sale of businesses, principally Thru-Tubing rentals in Dubai, was \$3.0m. In 2018, the majority of the proceeds received from the disposal of assets related to the Group's former facility in Cape Town.

Free cash flow in the year was \$149.4m compared to \$80.7m in the prior period. This improvement is predominantly related to the net working capital inflow, compared to the prior year's outflow.

In addition, there was a benefit of \$10.6m following the adoption of IFRS 16. Other items totalled a net cash outflow of \$2.5m (2018 – \$0.4m net inflow).

Capital investment increased to \$36.0m in 2019 (2018 – \$30.1m) as the expansion programmes at the Group's Milford and Pampa facilities completed early in the year, in addition to the commissioning of the power charge and pre-loaded gun production lines within the Hunting Titan business.

Investment in intangible assets increased to \$10.2m from \$6.6m in 2018, mainly in relation to the capitalisation of technology and software development costs.

Dividends paid in the year totalled 10.0 cents per share (2018 – 4.0 cents) equating to a cash outflow of \$16.6m (2018 – \$6.6m).

The Group acquired the business and assets of RTI Energy Systems Inc. on 16 August 2019 for a consideration of \$12.5m.

Further, the Group purchased 752,466 Ordinary Hunting PLC shares in the year (2018 – 750,000 Ordinary shares), for a consideration of \$5.0m (2018 – \$5.7m) to partially satisfy future share awards. Other items in the year totalled \$0.9m (2018 – \$0.3m).

The Group generated a net cash inflow of \$70.0m (2018 – \$32.0m) in the year. The recognition of lease liabilities following the adoption of IFRS 16 on 1 January 2019, together with the commencement of new leases during the year, plus lease interest and foreign exchange differences, resulted in a net cash inflow of \$16.6m for 2019 (2018 – \$30.9m).

Balance Sheet

Summary Group Balance Sheet	2019 \$m	2018 \$m
Property, plant and equipment	354.7	360.2
Right-of-use assets	36.7	–
Goodwill	230.2	229.9
Other intangible assets	78.5	99.8
Working capital (NGM C)	433.3	436.5
Taxation (current and deferred)	19.8	13.7
Provisions	(8.4)	(14.2)
Other net assets (NGM F)	1.1	3.9
Capital employed (NGM G)	1,145.9	1,129.8
Net cash before lease liabilities	123.1	61.3
Lease liabilities	(45.2)	–
Net cash	77.9	61.3
Net assets	1,223.8	1,191.1
Non-controlling interests	(15.9)	(14.0)
Equity attributable to owners of the parent	1,207.9	1,177.1

PPE has decreased by \$5.5m during the year to \$354.7m at December 2019. Additions in the year of \$35.9m, together with \$12.3m of PPE recognised on the acquisition of the assets of RTI Energy Systems Inc., were offset by depreciation of \$33.7m, an impairment of \$19.0m to the Group's mud motor fleet and other net movements of \$1.0m.

With the adoption of IFRS 16, right-of-use assets have been recognised on the balance sheet at 1 January 2019 at \$39.7m.

During the year, lease additions and modifications of \$4.3m and foreign exchange of \$0.6m were more than offset by depreciation charged on these assets in the period of \$7.9m and the resulting balance at 31 December 2019 was \$36.7m.

Goodwill was materially unchanged at \$230.2m. Other intangible assets have decreased by \$21.3m, with the main movement being the amortisation charge for the year of \$32.3m, which was partly offset by the capitalisation of technology and software development costs of \$10.3m.

Working capital has decreased by \$3.2m during 2019. IFRS 16 resulted in a \$2.1m increase on 1 January 2019. During the year, a decrease in trade and other receivables of \$27.5m more than offset a decrease in trade and other payables of \$19.6m and an increase in inventories of \$2.6m.

Tax balances show net assets of \$19.8m (2018 – \$13.7m). This is made up of net current tax liabilities of \$9.3m and net deferred tax assets of \$29.1m. The deferred tax assets mainly relate to US tax losses.

Other net assets have reduced by \$2.8m during the year, mainly due to an increase in derivative liabilities by \$1.7m.

As a result of the above changes, capital employed in the Group has increased by \$16.1m to \$1,145.9m. Net assets at 31 December 2019 were \$1,223.8m, which, after non-controlling interests of \$15.9m, result in equity shareholders' funds of \$1,207.9m (2018 – \$1,177.1m). This is an increase of \$30.8m over 31 December 2018 and reflects the reported profit for the year attributable to equity shareholders of \$39.7m, a net \$9.1m credit in relation to share awards and foreign exchange gains of \$4.8m being offset by dividends paid of \$16.6m, the purchase of treasury shares of \$5.0m, the net reduction of \$1.1m on the adoption of IFRS 16 and other net charges of \$0.1m.

The underlying return on average capital employed was 8% in 2019 compared to 9% in 2018.

Financial Capital Management

Hunting ended 2019 with a robust balance sheet and net cash, before lease liabilities, of \$123.1m (31 December 2018 – \$61.3m). After deducting lease liabilities of \$45.2m, net cash at 31 December 2019 was \$77.9m. While the Group maintained a net cash position throughout the year, the Group retained its \$160m multi-currency revolving credit facility, with the bank covenants and terms remaining unchanged. These terms, which exclude the impact of IFRS 16 adoption for covenant testing purposes, include:

- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of three times.
- Consolidated 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 cash/debt and finance expenses are adjusted to accord with the definition within the facility agreement and accordingly exclude the lease liabilities recognised following the adoption of IFRS 16. EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December. At 31 December 2019, both these covenants were met.

The Group's \$160m committed revolving credit facility has a maturity date of 2022. The facility includes an accordion feature that allows for the facility to be increased to \$235m, subject to the approval of its lending group. The facility also includes an extension option, which allows the Company to extend the maturity to 2023. The Group's funding position remains robust, with total borrowing facilities of \$164.2m in place (2018 – \$164.9m), of which \$160.0m (2018 – \$159.5m) is committed.

Further details of the facility, including the terms and conditions, are in note 30.

	2019 \$m	2018 ⁱ \$m
Total equity	1,223.8	1,191.1
Net cash before lease liabilities	(123.1)	(61.3)
Lease liabilities	45.2	–
Net cash	(77.9)	(61.3)
Capital employed	1,145.9	1,129.8

i. 2018 financial information does not incorporate the adoption of IFRS 16 Leases.

Capital employed is managed in order to ensure an appropriate level of financing is available for the Group's day-to-day operations. 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, 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. Individual entities are generally required to borrow from the central treasury function in their functional currency. The treasury function's strategy is to manage its own currency exposure by using currency swaps to convert US dollars into the different currencies required by the entities. Spot and forward foreign exchange contracts are also used to cover the exposure of purchases and sales in non-domestic currencies. The Group's liquidity is monitored by the central treasury function on a daily basis and a variety of cash forecasts, looking at different time horizons, are prepared on a periodic basis. Management's judgement is that the level of headroom available under the Group's total credit facilities provides ongoing flexibility and continues to support the business as outlined in this Strategic Report. Further detail on financial risks is provided within note 30.

On behalf of the Board



Jim Johnson
Chief Executive

27 February 2020



Peter Rose
Finance Director

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Hunting Titan

	2019	2018
Market indicators*		
US onshore – average rig count	# 920	1,013
Canada – average rig count	# 134	191
Revenue		
Perforating guns and hardware	\$m 116.6	123.2
Energetics	\$m 102.2	140.6
Instruments	\$m 140.4	134.6
Perforating Systems	\$m 359.2	398.4
Other product lines	\$m 12.0	12.9
External revenue	\$m 371.2	411.3
Inter-segment revenue	\$m 4.3	6.9
Segment revenue	\$m 375.5	418.2
Profitability		
Reported operating profit	\$m 42.1	80.8
Acquisition amortisation and exceptional items	\$m 26.5	26.1
Underlying operating profit	\$m 68.6	106.9
Underlying operating margin	% 18	26
Cash flow		
Capital investment	\$m 14.3	12.6
Balance sheet		
Property, plant and equipment	\$m 60.4	52.4
Inventory	\$m 123.2	140.0
Operational		
Headcount (year-end)	# 702	659
Headcount (average)	# 684	646
Operating sites	# 5	5
Service and distribution centres	# 17	16
Operational footage	Kft ² 696	660

* Source: Spears & Associates.

Introduction

Hunting Titan's business focuses predominantly on the US and Canadian onshore drilling and completion markets. The segment has five main operating sites, with four in the US and one in Mexico. The business has a network of distribution centres throughout the US and Canada, from which the majority of the business' sales are derived. Hunting Titan utilises the global manufacturing footprint of the Hunting Group to assist in meeting customer demand. In the year, perforating guns continued to be manufactured in Canada, China, Mexico and in the US, while other components were manufactured by the Group's Hunting Electronics, Hunting Specialty and US Manufacturing businesses.

Market Overview

As anticipated at the start of 2019, the North American drilling market softened due to the lower average oil price recorded in late 2018. During the year, the average US onshore rig count declined 9% to average 920 active units compared to 1,013 units in 2018. The year-end US onshore rig count was 782 units compared to 1,059 units in 2018, or 26% lower.

In Canada, the average rig count declined by 30% to 134 units. This materially lower rig count was driven in part by the lower oil price, but also the government mandated slowdown in oil production at the start of the year.

Drilling and completion expenditure also declined during the year, with US onshore capital expenditures reducing 7% to \$125.3bn and Canadian drilling expenditure reducing 27% to \$13.0bn.

Given this declining market environment, competition between vendors, from both domestic and international suppliers intensified in the year, as customers, in part, purchased lower cost components, leading to margin pressures across product lines, in particular more commoditised products manufactured by the segment.

Segment Performance and Development

Segment revenue decreased 10% to \$375.5m (2018 – \$418.2m) with underlying operating profit declining 36% from \$106.9m in 2018 to \$68.6m in 2019.

While sales in Hunting Titan's domestic markets of the US and Canada declined, international sales have increased in the year from \$13.2m in 2018 to \$23.6m in 2019, reflecting increased demand across all regions, except Europe.

Hunting Titan's revenue streams are divided into four sub-groups: (i) perforating guns and hardware; (ii) energetics; (iii) instruments; and (iv) other.

Perforating Guns and Hardware

Sales of perforating guns and hardware reduced in the year from \$123.2m in 2018 to \$116.6m, as market conditions deteriorated, coupled with increased competition in certain product lines. The year commenced with a concerted effort by the business to unwind excess inventory, which was slow moving due to the lower WTI oil price at the end of 2018. This initiative impacted margins for the year as a whole; however, margins firmed in the second half of the year, despite the continuing decline in sales in line with the onshore rig count.

In the year, the ESUB Perforating System™ has seen excellent sales growth with 180k units sold in the year. This product was successfully introduced to clients in 2019, as a hybrid “smart” system. This product received good customer acceptance and complements other proprietary perforating systems sold by the business.

The business commissioned its automated perforating gun manufacturing cells in the first half of 2019 at the Pampa facility. The cells have initially been configured to manufacture smaller diameter perforating guns, allowing manufacturing costs to be reduced. The business has also moved forward with its strategy to offer pre-loaded perforating systems to clients, with first delivery of this offering occurring in Q3 2019.

The T-Set One Setting Tool – launched in 2019.

Energetics

Sales of Energetics charges and associated products have declined from \$140.6m in 2018 to \$102.2m. With a lower average rig count, fewer consumable products have been purchased by clients, again in line with the general onshore US market environment leading to a lower result for the year.

This product group has also seen increased competition, with volumes of ControlFire™ assemblies reducing as customers opted to purchase and assemble individual components to save costs. Further, there has also been a trend in completion techniques to use fewer charges per gun, leading to the lower revenue reported.

As noted below, Hunting Titan has continued to introduce new charges to customers, including new EQUAFrac™ and Rock charges, which are seeing good acceptance by customers.

New automated manufacturing cells have also been commissioned, which have lowered manufacturing costs for certain products.

Instruments

Sales of Hunting Titan's Instruments product lines have increased in the year by 4%, which includes sales of the business' ControlFire™ panels and switches, from \$134.6m in 2018 to \$140.4m in 2019.

In 2019, the Group entered into a strategic agreement with China based Xi'an Well-sun Electronic Technology PLC (“Well-sun”) to market Well-sun's product offering of downhole logging tools in the international market. The agreement has seen the combination of Hunting and Well-sun logging products and has led to a broader offering to the Group's client base.

New Technology

Hunting Titan has continued to introduce new products and technology to clients as the onshore drilling market continued to evolve throughout the year.

The business introduced the T-Set One™ setting tool to customers in the year, which has seen good acceptance. This product combines four separate setting tools into a single product.

Hunting Titan introduced the PowerSet™ charge product to clients, which had previously been identified as a product gap in the Group's overall offering.

Other products commercialised in the year include other new charges as noted above.

Looking ahead, Hunting Titan will seek to continue developing new products. In Q3 2019 the business commenced an investment programme to construct a detonation cord production line. This again addresses a product gap in Hunting Titan's portfolio, with commercialisation targeted for mid-2020.

Manufacturing and Distribution

The segment's manufacturing footprint has remained materially unchanged during the year, with five main operating sites in the US and Mexico, supported by perforating gun manufacturing across the wider Group. The manufacture of electronic components continued at the segment's Wichita Falls facility, with further production outsourced to the Group's Electronics business.

The segment had 17 distribution centres at the year-end (2018 – 16), adding a distribution centre at Greeley, Colorado, during 2019 to address regional demand.

Other Financial Information

During the year, Hunting Titan recorded capital investment of \$14.3m (2018 – \$12.6m) mainly relating to the new product lines introduced in the year, coupled with the completion of the automation projects at the segment's Pampa and Milford facilities.

Inventory decreased by \$16.8m to \$123.2m in the year, reflecting Group-wide efforts to contain inventories held.

At the year-end headcount was 702 compared with 659 in 2018, as a proportion of contracted labour was moved to permanent positions.

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US

	2019	2018 ¹
Market indicators*		
US onshore – average rig count	# 920	1,013
US offshore – average rig count	# 23	19
US E&P spend	\$bn 130.3	139.2
Revenue		
OCTG & Premium Connections	\$m 125.9	104.2
Advanced Manufacturing	\$m 99.2	91.9
Subsea	\$m 43.6	30.0
Drilling Tools	\$m 21.8	27.6
Intervention Tools	\$m 11.5	14.2
Other product lines	\$m 16.7	18.8
External revenue	\$m 318.7	286.7
Inter-segment revenue	\$m 44.5	43.0
Segment revenue	\$m 363.2	329.7
Profitability		
Reported operating profit	\$m 5.9	11.0
Acquisition amortisation and exceptional items	\$m 21.0	3.2
Underlying operating profit	\$m 26.9	14.2
Underlying operating margin	% 7	4
Cash flow		
Capital investment	\$m 19.3	15.7
Balance sheet		
Property, plant and equipment	\$m 241.5	249.8
Inventory	\$m 127.4	110.4
Operational		
Headcount (year-end)	# 1,310	1,202
Headcount (average)	# 1,262	1,145
Operating sites	# 16	15
Service and distribution centres	# 1	1
Operating footage	Kft ² 1,434	1,334

* Source: Spears & Associates.

¹ Please note Exploration and Production, previously reported separately, has been included in the US segment for 2019 (see note 2). 2018 data has therefore been restated.

Introduction

Hunting's US operations are the most diverse in the Group, generating revenues from all the Group's product lines. In addition, the segment includes the Trenchless business, which mainly services the telecommunications sector.

The main area of focus for most businesses in the segment is the domestic US market, which accounts for c.85% of external revenues, with Subsea and Advanced Manufacturing more internationally focused. In addition, the US segment manufactures perforating guns and switches for sale to Hunting Titan.

Market Overview

The US drilling market has seen an overall contraction in activity levels and drilling expenditure during the year, led by the decline in onshore drilling in the year. As noted previously, the average US onshore rig count declined 9% from 1,013 active units to 920 units in the year. Onshore drilling spend also declined 7% from \$135.1bn in 2018 to \$125.3bn in 2019. This market environment has adversely impacted the performance of the segment's Drilling Tools and Specialty businesses.

Partially offsetting this decline has been the return to growth of the US offshore and international markets. In the year, the average US offshore rig count increased 21% from 19 to 23 active units, with offshore spend increasing 22% to \$5.0bn. Outside of the US, drilling expenditure also increased compared to 2018. This improvement has led to growth in those businesses focused on the offshore market, including the Subsea and Premium Connections businesses.

Segment Performance and Development

Segment revenue increased 10% from \$329.7m in 2018 to \$363.2m in 2019. The primary drivers for the increase in revenue have been within the Group's Premium Connections and Manufacturing businesses, which sell into both the offshore and onshore market segments. Further, the performance of the Electronics business has been buoyant in the year, driven by measurement tool replacement programmes by key customers, in addition to good growth in non-oil and gas sales. The Subsea business also reports revenue growth driven by the improvement in the US offshore and international drilling market environment.

Underlying operating profit for the segment was \$26.9m compared to \$14.2m in 2018. As noted in the Group Review, management completed a detailed analysis of the carrying values of current and non-current assets as part of the Group's year-end procedures. Given the medium-term outlook of the segment's Drilling Tools business and a move by the industry to newer mud motor technologies, a \$19.0m impairment to the value of the Group's mud motor fleet has been recorded. The amortisation charge recorded in the year was \$2.0m (2018 – \$3.2m). Reported operating profit for the segment was therefore \$5.9m (2018 – \$11.0m).

OCTG and Premium Connections

During the year, the Group's OCTG and Premium Connections businesses have seen a good increase in sales as the offshore and international drilling markets returned to growth. This has been coupled with continued market penetration of Hunting's TEC-LOCK™ semi-premium connection, which has seen further customer acceptance within the major US onshore basins. In 2019, the Group produced 97k connections compared to 50k connections in 2018. To meet growing demand for the TEC-LOCK™ connection, two new threading lines have been commissioned at the Group's Ramsey Road and Ameriport facilities in Houston, Texas.

With the return to growth of offshore drilling, new clients have been won in the year, who utilise the Group's SEAL-LOCK™ and WEDGE-LOCK™ premium connections for use in the shallow and deep water regions of the Gulf of Mexico. The business has seen a strong increase in orders for 14, 15 and 16 inch variants within these proprietary connection families.

The Group's US Manufacturing business has also seen strong increases in sales to the major international oil and gas service groups for both US and international offshore projects.

Advanced Manufacturing

The Group's Advanced Manufacturing group comprises the Hunting Dearborn, Hunting Electronics and Specialty business units. During the year, the Group reported an increase in demand for downhole measuring tools, as the capital investment cycle saw old tools being retired and new electronics and steel housings being replaced. This has led to the Hunting Dearborn and Hunting Electronics businesses reporting results ahead of management expectations for the year and contributing strongly to the profitability of the segment in the year.

Electronics Assembly in Houston, Texas.

A further success of the business has been the notable increase in orders for integrated tools, with Hunting Dearborn manufacturing the tool housing and Hunting Electronics providing the electronic circuitry.

Of note has been the increase in non-oil and gas sales within the group, with Hunting Dearborn successfully winning new aerospace and naval orders, while Hunting Electronics has secured new medical clients in the year, in addition to completing work for the Hunting Titan segment.

The Specialty business usually tracks US onshore activity and, despite delivering profits in the year, saw a significant reduction in activity as the rig count and drilling spend declined in the year.

Subsea

Hunting's Subsea business has benefited from the increased activity in the Gulf of Mexico as well as in the international drilling arena, which has led to new orders being completed for clients in Europe, the Middle East, South America and South East Asia. Major product lines sold in the year include subsea relief valves and couplings.

In August 2019, the Group completed the acquisition of RTI Energy Systems Inc., which has added steel and titanium stress joints to Hunting's product portfolio. While these product lines have been in recession since 2014, with the improved average oil price in 2018 and 2019 and the return to offshore drilling by the major exploration and production companies, the short- to medium-term outlook for the business looks promising, given the new enquiries received since completion of the acquisition.

Drilling Tools

The Group's Drilling Tools business has tracked the US onshore market environment during the year and reported reduced activity as the US rig count declined and customer budgets were reined in. This has led to the business reporting a small underlying loss for 2019.

As noted above, an impairment to the value of the business' mud motor fleet has been recorded, following a review of the carrying values and the medium range forecasts for the business. The business has continued to convert its mud motor fleet to utilise mud-lube bearings, which reduces refurbishment times and costs, allowing for improved fleet utilisation.

Intervention Tools

Well intervention tools sales declined in the year by 19% to \$11.5m mainly due to the decline in onshore rig counts.

Trenchless

The Trenchless business has seen good growth in the year as the business' mud motors and drill pipe product lines benefited from good sales demand through its key distributors.

The business has expanded its presence internationally during 2019, with a range of products now being stocked at the Group's Netherlands facility, which has led to new customers being secured in Europe.

Other Financial Information

During the year, the US had capital investment of \$19.3m (2018 – \$15.7m), primarily due to the purchase of new machinery within US Manufacturing and Hunting Dearborn and new mud lube motors for the Drilling Tools business.

Inventory increased to \$127.4m mainly due to raw materials for firm orders.

The year-end headcount increased to 1,310 (2018 – 1,202), as offshore drilling activity increased demand for products and services. The data also incorporates the employees of the Group's exploration and production business.

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Canada

		2019	2018
Market indicators*			
Canada – average rig count	#	134	191
Canada E&P spend	\$bn	13.0	17.9
Revenue			
OCTG & Premium Connections	\$m	27.1	35.2
External revenue	\$m	27.1	35.2
Inter-segment revenue	\$m	8.6	9.6
Segment revenue	\$m	35.7	44.8
Profitability			
Reported operating loss	\$m	(4.3)	(1.8)
Acquisition amortisation and exceptional items	\$m	–	–
Underlying operating loss	\$m	(4.3)	(1.8)
Underlying operating margin	%	(12)	(4)
Cash flow			
Capital investment	\$m	1.0	0.9
Balance sheet			
Property, plant and equipment	\$m	2.8	2.7
Inventory	\$m	14.3	22.8
Operational			
Headcount (year-end)	#	120	123
Headcount (average)	#	127	133
Operating sites	#	1	1
Service and distribution centres	#	1	1
Operating footage	Kft ²	113	113

* Source: Spears & Associates.

Introduction

The Group's Canadian business comprises an OCTG threading and accessories manufacturing facility in Calgary, Alberta and a service facility in Nisku, Alberta. Canada's external sales are almost exclusively to the domestic market; however, as noted in the Hunting Titan segment review, the Calgary facility has been modified to support the manufacture of perforating guns for distribution across Canada and into the US.

Market Overview

The Canadian oil and gas market saw a contraction during 2019, primarily driven by the lower average oil price at the end of 2018, adverse weather, but also due to the government mandated oil production slowdown implemented in the early months of the year. These factors led to a 30% decline in the average rig count and a 27% decline in capital expenditure from \$17.9bn to \$13.0bn.

Segment Performance and Development

As a consequence of the Canadian market environment, external segment revenue from OCTG, premium connection product lines declined 23% from \$35.2m in 2018 to \$27.1m. Inter-segment revenue also decreased in the year from \$9.6m in 2018 to \$8.6m in 2019, as perforating gun production was slowed due to US onshore market conditions. Segment revenue, therefore, declined to \$35.7m in the year compared to \$44.8m in 2018. The loss from operations therefore widened from \$1.8m in 2018 to \$4.3m in 2019.

As a consequence of the lower activity levels in Canada, at the end of H1 2019, a reduction-in-workforce exercise was completed within the segment, to re-align the cost base with the short-to medium-term market outlook.

Further, the business has also exited from the casing supply market, which traditionally has been a low margin offering.

Following this restructuring, the business has focused on building new distributor relationships within Canada and, in particular, to market the Group's TEC-LOCK™ Wedge semi-premium connection to operators.

Other Financial Information

Equipment purchases of \$1.0m were made in the year, predominantly to renew threading machinery.

The level of inventory also reduced in the year, as the segment shifted away from the casing and pipe supply business.

The restructuring in June 2019 resulted in a workforce reduction of 19%. However, there has been a shift from the use of contractors to employed staff and the year end headcount has only reduced from 123 at December 2018 to 120 at December 2019.

EMEA

(Europe, Middle East and Africa)

	2019	2018
Market indicators*		
North Sea – average rig count	# 33	24
North Sea – spend	\$bn 15.6	10.6
Total Europe – well count	# 784	631
Middle East – spend	\$bn 26.2	22.6
Sub-Sahara Africa – spend	\$bn 6.3	4.6
Revenue		
OCTG & Premium Connections	\$m 72.6	53.7
Intervention Tools	\$m 38.2	38.1
Perforating Systems	\$m 3.4	5.0
Other product lines	\$m 1.6	0.6
External revenue	\$m 115.8	97.4
Inter-segment revenue	\$m 7.2	9.9
Segment revenue	\$m 123.0	107.3
Profitability		
Reported operating loss	\$m (1.3)	(13.8)
Acquisition amortisation and exceptional items	\$m -	-
Underlying operating loss	\$m (1.3)	(13.8)
Underlying operating margin	% (1)	(13)
Cash flow		
Capital investment	\$m 0.6	0.5
Balance sheet		
Property, plant and equipment	\$m 21.8	13.7
Inventory	\$m 57.9	44.4
Operational		
Headcount (year-end)	# 299	307
Headcount (average)	# 292	326
Operating sites	# 10	9
Operating footage	Kft ² 264	237

* Source: Spears & Associates.

Introduction

In January 2019, the Group's Europe and Middle East and Africa segments were combined into a single reporting segment, reflecting a restructuring of the senior leadership team.

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

Hunting's Middle East and Africa manufacturing operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group also retains a sales presence in South Africa. The Group's operations in Saudi Arabia are through a 60% joint venture arrangement with Saja Energy.

Market Overview

During 2019, the North Sea has reported an increase in activity levels and committed drilling expenditure, which has led to a positive performance for the Group's OCTG businesses in the UK and the Netherlands.

The North Sea rig count averaged 33 units in the year, compared to 24 units in 2018 and drilling spend increased 47% to \$15.6bn in 2019 compared to \$10.6bn in 2018.

In the Middle East, drilling spend increased 16% to \$26.2bn, compared to \$22.6bn in 2018, supporting the Group's activities in the region, in addition to the Asia Pacific operating segment, which supplies OCTG products.

Segment Performance and Development

The combined Europe, Middle East and Africa ("EMEA") segment reported revenue of \$123.0m in the year compared to \$107.3m in the prior period. Activity levels in both Europe and the Middle East improved in the period, benefiting the segment and leading to a loss from operations of \$1.3m reported in the year compared to a loss from operations in 2018 of \$13.8m.

Activity in the North Sea has improved during the period as private-equity backed independent oil and gas companies increased their drilling commitments. The segment reports strong demand for chrome-based OCTG and has completed a number of high value ad-hoc orders for clients in the year, which has led to the increase in revenue and a return to profitability for Hunting OCTG businesses in the UK and the Netherlands.

The Group's Well Testing business in the Netherlands has reported a performance similar to 2018 and has seen an increase in customers from the Middle East during the year, while Hunting's Well Intervention businesses in the UK reported a small loss in the year.

In Norway, the Group opened a larger distribution and service facility in the first half of the year, giving the Group a greater degree of flexibility in the country.

In the Middle East, the Group has reported a break-even result in the year. In H1 2019, the Group sold its Thru-Tubing Service and Rental business as part of a restructuring of the operations in the region, which included reducing the headcount to better align the cost base with the regional revenue profile.

The Group's joint venture in Saudi Arabia continues to grow its profile in the Kingdom, with orders being received for OCTG and well intervention product lines. In the year, a second adjacent facility was opened to provide additional capacity.

Further, in the year the segment sold the Group's Clear-Run™ technology for a total consideration of \$2.3m.

New Technology

The Group's TEK-HUB™, which operates from Aberdeen, also successfully developed a number of its technology projects in the year. An organic oil recovery product, which enhances production profiles of end-of-life fields, has been field trialled in a number of projects in Europe and the Middle East. To support this product line, a sales presence in Dubai has been established to increase the profile of the product across the region.

Other Financial Information

During the year, investment in property, plant and equipment was \$0.6m. Inventory at the year-end increased by \$13.5m to \$57.9m driven by changes in consignment stock arrangements and year-end orders.

To reduce costs, the segment's headcount has reduced from 307 in 2018 to 299 at the year-end.

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Asia Pacific

		2019	2018
Market indicators*			
Far East – average rig count	#	212	214
Far East – spend	\$bn	17.1	18.2
Central Asia – spend	\$bn	2.0	2.0
Middle East – spend	\$bn	26.2	22.6
Revenue			
OCTG & Premium Connections	\$m	126.8	80.6
Other product lines	\$m	0.4	0.2
External revenue	\$m	127.2	80.8
Inter-segment revenue	\$m	19.1	26.2
Segment revenue	\$m	146.3	107.0
Profitability			
Reported operating profit (loss)	\$m	4.4	(0.8)
Acquisition amortisation and exceptional items	\$m	–	–
Underlying operating profit (loss)	\$m	4.4	(0.8)
Underlying operating margin	%	3	(1)
Cash flow			
Capital investment	\$m	0.7	0.2
Balance sheet			
Property, plant and equipment	\$m	9.6	12.3
Inventory	\$m	33.0	34.7
Operational			
Headcount (year-end)	#	453	420
Headcount (average)	#	443	415
Operating sites	#	4	4
Operating footage	Kft ²	533	533

* Source: Spears & Associates.

Introduction

Hunting's Asia Pacific business covers four operating facilities across China, Indonesia and Singapore. In China, the Group operates from a facility in Wuxi, which has OCTG threading and perforating gun manufacturing capabilities. In Indonesia and Singapore, Hunting manufactures OCTG, premium connections and accessories. Our Asia Pacific segment also supplies OCTG products to markets across the Middle East.

Market Overview

While average rig counts and drilling spend during 2019 remained broadly similar to 2018 within the Far East region, drilling spend in the Middle East, which is a growth region for the Group's Asia Pacific segment, grew by 16% from \$22.6bn to \$26.2bn.

Segment Performance and Development

Segment revenue in the year increased 37% to \$146.3m, compared to \$107.0m in the prior period. OCTG and Premium Connections sales led the segment's revenue growth, as new clients were secured in Kuwait, Oman, Iraq, India, Pakistan and China. Underlying profit from operations was \$4.4m compared to a loss from operations of \$0.8m in 2018.

In August 2019, the Group entered into a strategic partnership with Jindal SAW ("Jindal"), the India focused tubular and pipe supply group. The partnership will see Hunting provide to Jindal a premium threading licence for certain of the Group's premium connections, to give access to the growing Indian OCTG market. India has mandated in-country sourcing of tubular products from 2021, and this agreement provides Hunting with the necessary local content requirement to actively pursue future OCTG tenders issued by the major exploration companies operating in the country. As an indication of the potential for the Group, Hunting received its first order from Reliance Industries, to supply Hunting's proprietary Annular Pressure Release System valves, in the second half of the year.

The market in Australia and New Zealand has also improved in the year, with a number of offshore and onshore developments being advanced, leading to new sales being secured, primarily for OCTG product lines. Evaluation of onshore shale deposits in the Northern Territory of Australia has continued in the year, with progress being made with a number of regional developers.

Due to the slowing US onshore market, inter-segment sales of perforating guns reduced 27% from \$26.2m in 2018 to \$19.1m in 2019, as demand for conventional perforating guns slowed.

Research and Development

A new initiative outside of the Group's traditional oil and gas market has also been progressed during the year. Hunting Asia Pacific has collaborated in the prototype manufacturing of micro generators and has now supplied a number of early products to our development partner in California for further evaluation.

Other Financial Information

Inventory decreased marginally during the year to \$33.0m (2018 – \$34.7m).

Additions to PPE in the year were minimal.

The headcount was increased in the year in line with activity, with 453 employees at the year-end (2018 – 420).

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Corporate sustainability

Hunting's Environmental, Social and Governance ("ESG") policies are embedded across the Group. Our Chief Executive leads the Group's stance on ESG, which addresses stakeholder engagement including supporting and developing our people, commitment to safety, how we work with our customers, suppliers and communities and managing our environmental impact. Our website now includes extensive details on our ESG credentials.

Customers and Suppliers

- We engage with our customers and suppliers to provide products and services.
- Client relationships are key to our success. We work closely with our customers to understand and satisfy their requirements.
- Research and development projects are undertaken in collaboration with our customers to develop new technologies and improve efficiencies and reduce costs.
- For new customers and suppliers, due diligence is undertaken to ensure compliance with international trading laws and regulations.
- Customers and suppliers are provided with key ethics documents, which outline Hunting's strong stance on ethical business dealings.

Employees

- All our employees complete a Code of Conduct training course.
- All business units are required to comply with the Group's Code of Conduct, Ethical Employment, Modern Slavery and Health and Safety policies.
- Our ethics policies support equal employment opportunities across the Group.
- An employee survey was completed in 2019 to evaluate levels of employee satisfaction across the Group.
- Regular roundtable style meetings between management and employees are now held to provide a forum for open discussion and feedback.
- Training and development programmes exist, including advanced leadership and skills, in order to improve productivity and retention.
- Recognition is given to key career milestones.

Community

- We are committed to our social responsibilities in the communities where we operate.
- Community projects include:
 - Partnership with the Gulf Coast Regional Blood Center;
 - Fundraising for the Royatul Qur'an and Istana Al-Yupri orphanages in Batam;
 - Fundraising for the St John's Home for the Elderly in Singapore; and
 - Sponsored events in London and Aberdeen for Macmillan Cancer Support, Make a Wish, Save the Children and Crisis and Combat Stress initiatives.
- Employee-driven events across the Group include:
 - Donations to various charitable organisations; and
 - Food drives.

Environmental Management and Climate Change

- New facilities are commissioned taking their environmental impact into account.
- Our Quality Management System is compliant with the globally recognised ISO 14001 (Environment) and ISO 50001 (Energy Management) standards.
- Environmentally responsible initiatives that have been implemented include:
 - Motion sensitive "smart lighting" in our new facilities;
 - Waste recycling programmes for metal, wood, plastics, rubber and water;
 - LED bulb replacement at facilities;
 - Installing water capture systems, reducing machining coolant water loss; and
 - Replacing windows at our Canadian facility with heat and light reflective glass, reducing energy consumption.
- We record and measure our carbon emissions and submit an annual return to the UK's Carbon Disclosure Project ("CDP").

Key Performance Indicators

Our progress

A number of key performance indicators are used to compare the business performance and position of the Group.

These are regularly reviewed to ensure they remain appropriate. For details on the movements of these metrics, please refer to the Group Review on pages 50 to 53.

Financial performance is measured on an underlying basis from operations and, other than revenue, are non-GAAP measures (further information on financial Non-GAAP Measures ("NGM") can be found on pages 179 to 183).

Countries with active operations	11	11
	2019	2018

Countries in which Hunting has an active operating site or distribution centre.

Operating footprint (sq ft)	3.0m	2.9m
	2019	2018

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

Year-end employees	2,956	2,772
	2019	2018

The year-end headcount for employees includes part-time staff (see note 8).

ISO 9001:2015 (Quality) accredited operating sites	72%	71%
	2019	2018

Percentage of operating sites with ISO 9001:2015 accreditation.

No. of recordable incidents	39	46
	2019	2018

An incident is recordable if it results in death or serious injury resulting in absence from work.

Incident rate (OSHA method)	1.17	1.49
	2019	2018

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

CO₂ intensity factor (kg/\$k of revenue)	37.4	38.6
	2019	2018

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

Internal manufacturing reject rate	0.30%	0.22%
	2019	2018

Percentage of parts rejected during manufacturing processes.

Revenue			Capital Investment*		
\$m			\$m		
2019		960.0	2019		36.0
2018		911.4	2018		30.1
2017		724.9	2017		11.4
Revenue is earned from products and services sold to customers from the Group's principal activities (see notes 2 and 3).			Cash spend on tangible non-current assets (see NGM I).		
Underlying EBITDA*			Inventory Days*		
\$m					
2019		139.7	2019		214
2018		142.3	2018		185
2017		56.0	2017		167
Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation (see NGM A).			Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days (see NGM D).		
Underlying Profit from Operations*			Return on Average Capital Employed*		
\$m			%		
2019		94.3	2019		8
2018		104.7	2018		9
2017		14.3	2017		1
Underlying profit from operations before net finance costs and tax (see consolidated income statement and note 2).			Underlying profit before interest and tax, adjusted for the share of associates' post-tax results, as a percentage of average gross capital employed (see NGM N).		
Underlying Operating Margin*			Free Cash Flow		
%			\$m		
2019		10	2019		149.4
2018		11	2018		80.7
2017		2	2017		49.3
Underlying profit from operations as a percentage of revenue.			All cash flows before transactions with shareholders and tangible and intangible capital investment (see NGM K).		
Underlying Diluted Earnings Per Share*			Net Cash (Debt)*		
Cents			\$m		
2019		43.9	2019		77.9
2018		49.6	2018		61.3
2017		8.0	2017		30.4
Underlying earnings attributable to Ordinary shareholders, divided by the weighted average number of Ordinary shares in issue during the year adjusted for all potentially dilutive Ordinary shares (see note 11).			Net cash (debt) comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current lease liabilities, current and non-current borrowings (see note 26).		

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* Non-GAAP measure ("NGM") (see pages 179 to 183).

Directors' Report and Compliance Statements

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and parent Company financial statements in accordance with IFRSs as adopted by the European Union. Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent Company's position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 72 and 73 confirm that, to the best of their knowledge:

- the parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with 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 Strategic Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent Company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent Company's auditor are aware of that information.

Companies Act 2006

Section 415

In compliance with section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2019.

The Strategic Report incorporates the Chairman's Statement, Chief Executive's Statement and Outlook, Market Analysis, Key Performance Indicators, Group Review, Segmental Review, Stakeholder Engagement disclosures, Business Model and Strategy and Risk Management and is located on pages 6 to 69. As permitted by legislation, the Board has chosen to set out, within the Strategic Report and Corporate Governance Report, some of the matters required to be disclosed in the Directors' Report, which it considers to be complementary to communicating Hunting's performance and position, as follows:

- changes in the Group and its interests (pages 29 and 30);
- future developments (page 30);
- risk management, objectives and policies (pages 38 to 42);
- bribery and corruption (pages 21, 22 and 109);
- ethnicity and diversity (pages 80 and 81); and
- greenhouse gas emissions and environmental matters (pages 24 and 25).

On 21 February 2020, the Group announced the completion of the acquisition of Enpro Subsea Limited for a consideration of \$33.0m. Further details on this transaction can be found in note 42.

In addition, information relating to the Directors' indemnity provisions and dividend waivers, AGM, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholders' Information section located on pages 185 to 188.

The Companies (Miscellaneous Reporting) Regulations 2018 As required by The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), the Board of Hunting PLC has prepared a section 172(1) statement, which can also be found on the Group's website www.huntingplc.com.

The Directors' Stakeholder Engagement and decision making disclosures, are summarised within the Strategic Report on pages 12 to 27, which includes cross references to the various engagement activities across the Group's operations. Additional disclosures in respect of customers, suppliers and other key business relationships can also be found within the Strategic Report.

Section 172(1) Statement

This statement has been prepared in compliance with the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Hunting PLC considers that, in complying with their statutory duty during 2019 and under section 172 of the Companies Act 2006 (the "Act"), they have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole. The Board also engages with its stakeholders when considering major strategic decisions, in the following ways:

- Each year the Board reviews its short- and long-term strategy. In recent years these have remained consistent, with a focus on maintaining a firm financial foundation, improving facilities, investing in the development of new technology and in our workforce.
- The Board aims to ensure that our employees work in a safe environment, that they receive appropriate training and are sufficiently rewarded for their efforts.
- Over the years we have fostered long-standing relationships with our customers, suppliers and our external advisers. We base our philosophy on sharing our core values with our key stakeholders throughout the supply chain and by keeping in regular contact with suppliers and customers advising them of our market strategy and product innovation.

- As a company operating in the oil and gas industry, we regularly monitor the impact of our activities on the environment and on the communities in which we operate and, particularly, where we maintain active manufacturing facilities.
- As a Board, we endeavour to operate responsibly and to make carefully considered decisions. We encourage high standards of business conduct from our employees and try to lead by example.

The following sections and cross references provides a summary of where details of key stakeholder and associated engagement and decision making is located within the 2019 Annual Report and Accounts and also some of the considerations taken by the Board in fulfilling their duty under section 172(1) of the Act:

- Shareholders (pages 12 to 14);
- Lenders (page 14);
- Customers (pages 20 and 21);
- Employees (pages 22 and 23);
- Suppliers (page 24);
- Environment (pages 24 and 25);
- Governments (page 26); and
- Communities (pages 26 and 27).

Non-Financial Information Statement

In accordance with section 414CA of the Companies Act 2006, the Company is required to provide a non-financial information statement. The Company has chosen to present this information throughout the Strategic Report as follows:

- business model (pages 10 to 27);
- environmental matters, including impact of the Company's business on the environment (pages 24 to 25);
- employees (pages 22 to 23);
- respect for human rights (page 23); and
- anti-corruption and anti-bribery matters (pages 21, 22 and 109).

Included within these disclosures are details of policies, including outcomes, risks factors and related key performance indicators.

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Directors' Report and Compliance Statements continued

Viability Statement

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 risk management processes described on pages 41 and 42 and include a review of the Group's exposure to the oil and gas industry, competitor action, customer plans and the robustness of the supply chain.

Assessment Period

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

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

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 44 to 47. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on pages 41 and 42 given the Board's appetite for risk as described on pages 39 and 40. The Board has further considered their potential impact within the context of the Group's viability.

Assumptions

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

- Demand for energy service products improves in the medium to long term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services which enable the extraction of oil and gas;
- The Group's reduced cost base enables the business to remain competitive within the weaker sectors of the global energy markets, particularly within the offshore and international markets;
- Global E&P spend in 2020 will be down 3% compared with 2019 due to a 10% reduction in US onshore spend. After 2020, global spend is expected to rise by 8-9% pa; and
- The Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits derived from politically stable regions such as North America, Europe and South East Asia.

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

Conclusion

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

Going Concern Statement

Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is 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 overall market conditions, the variety of its products and its 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 2019, 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.

The Group has access to sufficient financial resources, including \$160m of secured committed credit facilities, which were undrawn throughout the whole of 2019. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next 12 months.

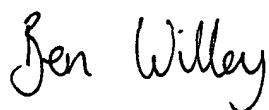
Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. The Board is satisfied that no material uncertainties have been identified.

Conclusion

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

By order of the Board



Ben Willey
Company Secretary

27 February 2020

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Strong governance

The Company's governance framework has been reviewed in the year, as compliance with the new UK Corporate Governance Code was evaluated. Over time, it is the intention of the Board to comply with all aspects of the new Code.

Chairman's Introduction

On behalf of the Board, I am pleased to provide an overview of the Company's governance framework during 2019. New initiatives were implemented in the year to align with the principles of the 2018 UK Corporate Governance Code (the "new Code").

The Board appointed Annell Bay in early 2019 as the Company's non-executive Director with responsibility for employee engagement. Annell, along with the rest of the Board, has overseen the roll out of the all-employee engagement survey, the results of which are reported within this Annual Report. Annell has also held meetings with the senior leadership team to discuss engagement practices across the Group and has met with employees as part of the new engagement initiatives. Excellent feedback has been received by the Board and we are encouraged that the foundations of a solid process have been established.

On behalf of the Board, I want to thank our shareholders, customers, employees, suppliers and other important stakeholders for their support.

Introduction

The Company's governance framework has been reviewed in the year, as compliance with the new UK Corporate Governance Code was evaluated. Over time, it is the intention of the Board to comply with all aspects of the new Code. Stakeholder engagement has been a key theme developed in the year within the Group's governance framework, which is described in more detail below. It is the intention to further evolve and enhance our engagement practices over time.

UK Corporate Governance Code

The new Code requires the Board and the senior leadership team to report on the Company's Purpose and Culture, as well as how we engage with our key stakeholders. As noted above, the Company introduced an all-employee engagement survey that provided feedback to the Board and saw an 80% response rate. I am pleased to report that stakeholder engagement reporting has improved with our customers, employees and suppliers. The Company is compliant with all aspects of the new Code, with the exception of two remuneration-related provisions. A review of the Directors' Remuneration Policy will be undertaken in 2020, as we seek to fully comply with the new Code.

Board Evaluation

The Directors completed an internally facilitated Board and Committee effectiveness review in December 2019. The Directors considered the Company's performance and the new governance initiatives introduced in the year, in compliance with the new Code, and were satisfied that the Group's governance framework was sound and was operating effectively.

Appointment of new Auditor

In accordance with auditor rotation regulations, Deloitte LLP was appointed as the Company's auditor at Hunting's 2019 Annual General Meeting, replacing PricewaterhouseCoopers LLP ("PwC"). I would like to take this opportunity to thank PwC again for their support and professionalism during their term as auditor to the Group. The audit relationship with Deloitte has started well, mainly due to the advanced planning and preparation undertaken by the Group's finance function and the Deloitte team.

Appointment of Finance Director

On 23 January 2020, we announced the retirement of Peter Rose as Group Finance Director and proposed the appointment of Bruce Ferguson as Peter's successor, subject to election by shareholders at the Company's Annual General Meeting in April 2020. We would like to thank Peter for his many years of service to the Group and strong leadership of the finance function since 2008. We wish him well in his retirement. Further, disclosures on this process are located in the Nomination Committee Report on pages 104 and 105.

Remuneration

The performance of the Company, of the executive Directors and senior leadership team has been commendable, given the market challenges and geopolitical risks faced by the global energy industry. Management report a creditable set of financial results and annual bonuses being paid are commensurate with the Group's performance, together with the strong personal performance by the executive Directors. The 2017 awards under the Hunting Performance Share Plan also show a modest vesting, reflecting earnings growth and improving returns over the three-year performance period. On behalf of the Board, I would like to thank Jim Johnson and his team for delivering another good result for shareholders.

Succession Planning

The Board has also overseen a process to improve the Group's talent management procedures. In the year, an enhanced succession planning framework was introduced, which will enable the Board to monitor key employees who may be the future leaders of your Company.

In summary, the Group has made a number of positive improvements to governance in the year, as encouraged by the new Code and we look forward to building on these foundations in future years.



John (Jay) F. Glick
Chairman

27 February 2020

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Board of Directors and Company Secretary

John (Jay) F. Glick

Non-executive Chairman

Nationality
American.

Length of Service
5 years; appointed to the Board as a non-executive Director in 2015. In 2017, Jay was appointed non-executive Chairman. Age 67.

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

External Appointments
Jay is currently a non-executive director of TETRA Technologies Inc and Weatherford International plc.

Committee Membership
Nomination Committee (Chair) and by invitation.

Arthur James (Jim) Johnson

Chief Executive

Nationality
American.

Length of Service
28 years; appointed to the Board as a Director and Chief Executive in 2017. Age 59.

Skills and Experience
Jim held senior management positions within Hunting from 1992 up to his appointment as Chief Operating Officer of the Group in 2011. In this role, he was responsible for all day-to-day operational activities of the Company. Jim is a member of, and chairs, the Executive Committee.

External Appointments
None.

Committee Membership
By invitation.

Peter Rose

Finance Director

Nationality
British.

Length of Service
23 years; appointed to the Board as Finance Director in 2008. Age 61. Peter will retire from the Board on 15 April 2020.

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

External Appointments
None.

Committee Membership
By invitation.

Annell Bay

Non-executive Director

Nationality
American.

Length of Service
5 years; appointed to the Board as a non-executive Director in 2015. In August 2018, Annell was appointed Chair of the Remuneration Committee and is also the Company's designated non-executive Director for employee engagement. Age 64.

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

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

Committee Membership
Nomination Committee.
Remuneration Committee (Chair).
Audit Committee.

Carol Chesney

Non-executive Director

Nationality

Joint American and British citizenship.

Length of Service

2 years; appointed to the Board as a non-executive Director and Chair of the Audit Committee in April 2018. Age 57.

Skills and Experience

Carol is a Fellow of the Institute of Chartered Accountants in England and Wales. Carol was formerly the Group Financial Controller and, latterly, the Company Secretary of Halma PLC.

External Appointments

Carol is currently a non-executive director of Renishaw plc, IQE plc and Biffa plc.

Committee MembershipNomination Committee.
Remuneration Committee.
Audit Committee (Chair).**Richard Hunting, CBE**

Non-executive Director

Nationality

British.

Length of Service

47 years; elected an executive Director in 1989 and was Chairman from 1991 to 2017. In 2017, Richard retired as Chairman, and remains on the Board as a non-independent, non-executive Director. Age 73.

Skills and Experience

Richard has previously held a variety of management positions around the Hunting Group.

External Appointments

None.

Committee Membership

By invitation.

Keith Lough

Senior Independent Non-executive Director

Nationality

British.

Length of Service

2 years; appointed to the Board as a non-executive Director in April 2018 and appointed Senior Independent Director in August 2018. Age 61.

Skills and Experience

Keith was formerly the non-executive Chairman of Gulf Keystone Petroleum plc and previously held a number of executive positions within other energy-related companies, including British Energy plc and LASMO plc.

External Appointments

Keith is currently the non-executive Chairman of Rockhopper Exploration plc and Southern Water and a non-executive director of Cairn Energy plc.

Committee MembershipNomination Committee.
Remuneration Committee.
Audit Committee.**Ben Willey**

Company Secretary

Nationality

British.

Length of Service

10 years; joined Hunting in 2010 and was appointed Company Secretary in 2013. Age 46.

Skills and Experience

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

External Appointments

None.

Committee MembershipAudit Committee (Secretary).
Nomination Committee (Secretary).
Remuneration Committee (Secretary).

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Executive Committee

Rick Bradley

Chief Operating Officer

Nationality

American.

Length of Service

9 years; joined Hunting in 2011 and was appointed Chief Operating Officer in 2017. Age 60.

Jason Mai

Managing Director – Hunting Titan

Nationality

American.

Length of Service

5 years; joined Hunting in 2015 and was appointed Managing Director in 2017. Age 51.

Scott George

Managing Director – US Operations

Nationality

American.

Length of Service

10 years; joined Hunting in 2010 and was appointed Managing Director in 2011. Age 46.

Randy Walliser

Managing Director – Canada Operations

Nationality

Canadian.

Length of Service

1 year; joined Hunting and appointed Managing Director in 2019. Age 59.

Bruce Ferguson

Managing Director – EMEA Operations

Nationality

British.

Length of Service

26 years; joined Hunting in 1994 and was appointed Managing Director in 2011. Age 48.

Daniel Tan

Managing Director – Asia Pacific Operations

Nationality

Singaporean.

Length of Service

12 years; joined Hunting in 2008 and was appointed Managing Director in 2011. Age 57.

Corporate Governance Report

Compliance

The Board of Hunting PLC has adopted governance principles aligned with the 2018 UK Corporate Governance Code (the "new Code"), which can be found at www.frc.org.uk. The Company is reporting its corporate governance compliance against this Code. The new Code replaces the 2016 Code, to which Hunting was fully compliant. The Board has assessed its compliance with the new Code and notes the following provisions to which it is not compliant:

- The Remuneration Committee has reviewed the requirement of provision 36 of the Code to develop an executive Director post-employment shareholding policy and, at this stage, has decided to defer implementation until the next Remuneration Policy vote in 2021; and
- The pension contribution rates of the executive Directors currently do not align with the workforce as required by provision 38 of the Code. As noted in the Remuneration Committee Report, the Board has committed to the principle of aligning pension contribution rates of new executive Directors with the general workforce, for the relevant geographic location.

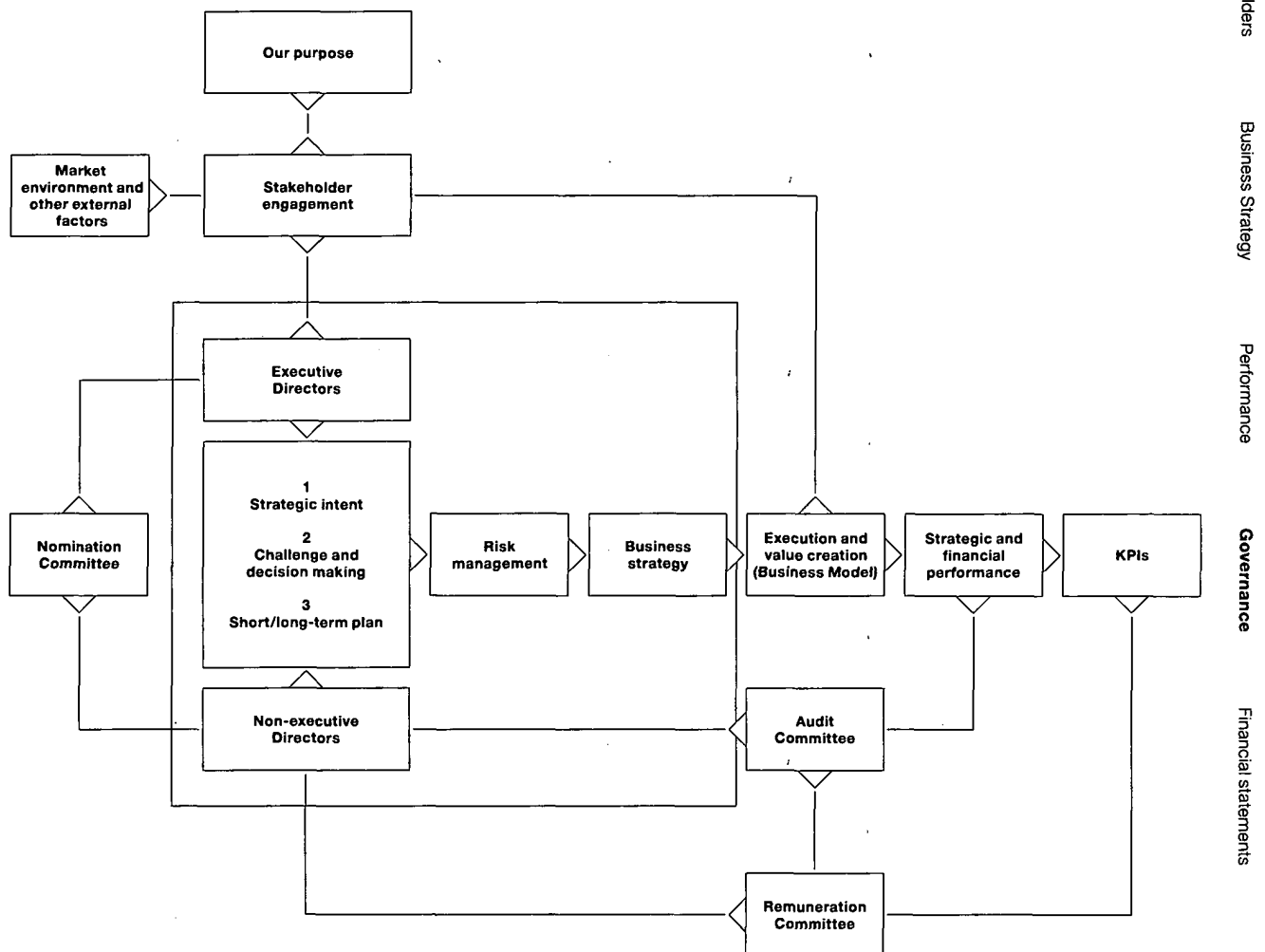
Governance Framework

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Hunting PLC Board ("the Board").

The Board is responsible for the management and strategic direction of the Company and to ensure its long-term success by generating value for its shareholders, while giving due consideration to other stakeholders, as prescribed by UK law.

Hunting's governance framework is driven by its Purpose, Culture and Values, which are noted on pages 8 and 9, and are derived from engagement with its shareholders and principal stakeholders.

Hunting Governance Framework



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Introduction

The Board discusses strategic planning and long-term growth objectives. Supporting these discussions, the executive Directors prepare strategic plans annually, which are tabled for discussion at Board meetings. Strategic plans consider the future direction of the Group, taking into account Environmental, Social and Governance ("ESG") matters. Once the Board has agreed the strategic plans, these are embedded within Group operations and relayed to key stakeholders more generally. Embedded within strategic planning is the Group's appetite for risk. The Group's Risk Management framework and procedures help the Board refine its decision making, as the opportunities and risks for long-term success and growth are evaluated against their risk appetite and the risk culture of the Group. Following this, the Group's Business Strategy and Model are put into action.

The Board has three subcommittees to which it delegates governance and compliance procedures: the Remuneration Committee, whose report can be found on pages 84 to 103; the Nomination Committee, whose report can be found on pages 104 and 105; and the Audit Committee, whose report can be found on pages 106 to 109.

The Board Committees support the Directors in their decision making. The Audit Committee's responsibilities include reviewing the Group's financial results and challenging the work and performance of the external and internal auditors. The Remuneration Committee ensures the executive Directors remain motivated and incentivised, as the senior leadership team execute the approved strategy on a day-to-day basis. The Remuneration Committee ensures that executive pay remains aligned with Company performance and the broader shareholder experience. The work of the Nomination Committee supports the Board's responsibility for ensuring that a framework of recruitment and retention of talent is in place to run the Company and that succession is well planned and executed in a timely manner.

The Board and its Committees are further supported by an Executive Committee, comprising the executive Directors and managing directors of each operating segment of the Group. Operational management is agreed by the Executive Committee, who oversees implementation of the Group's growth objectives and ensures the risks and opportunities presented are actively managed.

Responsibilities of the Board

The Board of Hunting PLC has clearly defined areas of responsibility, which are separate to those of the Chairman, executive Directors and the Committees of the Board. The non-executive Directors approve the strategic goals and objectives of the Company, as proposed by the executive Directors. The Board approve all major acquisitions, divestments, dividends, capital investments, annual budgets and strategic plans.

The Board has overall leadership of the Company, setting the values of the Hunting Group and providing a strong tone from the top, to which all businesses within the Group and its employees are encouraged to adopt. Governance principles of the Company are set by the Board and key Group-level policies are reviewed and approved by the Directors.

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

The internal control and risk management framework and associated procedures are reviewed by the Board; however, key monitoring procedures are delegated to the Audit Committee. Remuneration of the executive Directors is set by the Remuneration Committee, who also review and monitor the remuneration of the Executive Committee, as well as monitoring remuneration of the wider workforce.

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

Board Activities

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

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

The Group's governance framework includes the Board and the Executive Committee. Medium-term planning initiatives are formalised within the Executive Committee, which are reviewed regularly by the Board and supported by periodic presentations by members of the Executive Committee.

During 2019, topics for discussion at the Board meetings included the following business:

	Feb	Apr	Jun	Aug	Oct	Dec
Standing items						
Chief Executive Report	•	•	•	•	•	•
Finance Director Report	•	•	•	•	•	•
Operational Reports	•		•	•		•
Quality Assurance, Health, Safety and Environmental Reports	•		•	•		•
Shareholder Report	•	•	•	•	•	•
Other items						
Annual/Interim Report and Accounts	•			•		
Board Evaluation	•					•
Risk Review	•					
AGM Preparation		•				
Trading Statement			•		•	
Strategy			•			•
Organisation and Personnel Review, Development and Succession			•			•
Annual Budget						•
Chairman/Senior Independent Director						
Investor Feedback	•					

During 2019, the Directors received the following presentations from senior management and external advisers:

- Asia Pacific – segment overview and detailed management briefing (April);
- Investor Relations – global strategy briefing (June);
- Corporate Broker Strategy – adviser briefing (June);
- Human Resources and Succession – new initiatives briefing (December);
- IT Strategy – update briefing (December); and
- Cyber Security – external briefing (December).

The Board met six times in 2019, with a 100% attendance record as noted in the table below:

Number of meetings held	6
Number of meetings attended (actual/possible):	
Annell Bay	6/6
Carol Chesney	6/6
Jay Glick	6/6
Richard Hunting	6/6
Jim Johnson	6/6
Keith Lough	6/6
Peter Rose	6/6

Board Leadership and Company Purpose (Section 1 of the Code)

Culture and Purpose

The Group has been operating since 1874 and, as such, has a long history, with a strong culture, including support for employees across all of its global operations. The underlying Culture of the Group extends to maintaining high business standards, creating value for investors, by building strong and lasting relationships with its core stakeholders. More information on engagement with, and support to, the Group's key stakeholders can be found on pages 20 to 27.

Our Purpose is to be a deeply trusted innovator and manufacturer of technology and products that creates sustainable value for our stakeholders.

The Board, during the year, gave consideration to the Group's Purpose. Hunting's core businesses are focused on the manufacture of products which deliver oil and gas. The Directors have approved Hunting's continued focus on energy-related markets, given that energy demand is projected to increase steadily between now and 2040.

The Group's disclosures on Purpose and Culture can be found on pages 8 and 9 within the Strategic Report. As noted in the disclosures, the Culture of the Group is based on:

- a flat organisational structure;
- strong HSE and quality assurance policies;
- a highly skilled workforce;
- providing fair remuneration; and
- engagement and dialogue with all key stakeholders.

In the year, the Directors reviewed the organisational structure of the Group, noting its simplicity, with short chains of command to allow for rapid business decision making. It was noted that this also allowed all levels of the workforce to communicate with the senior management team directly. As part of its regular Board meeting schedule, the Directors review HSE and Quality Assurance reports from the Group's global operations. The Board also noted reports submitted to the Remuneration Committee in respect of base salary increases implemented across the major business units of the Group, the senior management team and the executive Directors, to ensure the workforce remained fairly remunerated.

In line with the recommendations of the new Code, the Board has established procedures to monitor Culture and to ensure the views of the Group's workforce are understood by the Directors. In July 2019, the Group launched a global, all-employee engagement survey. The results of the survey were reviewed by the Directors, with appropriate actions being undertaken, following a number of areas of feedback that were received. Supporting this initiative has been a process of formalising other employee engagement initiatives including management briefings and introducing roundtable employee discussion forums.

Shareholder Views

The Chairman and Senior Independent Director met with shareholders in January 2019 and January 2020 to discuss governance, strategy and other matters. As a result of these meetings, Hunting has enhanced its public disclosures on ESG matters. These disclosures can be reviewed on the Group's website www.huntingplc.com. Regular shareholder reports were submitted to the Board throughout the year, which included an Investor Relations and Corporate Broker briefing at its June Board meeting. During the year, the Chief Executive and Finance Director also met shareholders to discuss performance and strategy. Investor meeting feedback reports are also prepared by the Group's advisers and are circulated to the Directors.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company is the primary mechanism for all shareholders to meet the Directors and to ask questions about the strategy and performance of the Group. The formal business of the AGM includes receiving the Annual Report and Accounts, approving Remuneration Policies and Outcomes, re-electing Directors and providing the Directors with powers to transact company business on behalf of its members. The Chief Executive also provides a presentation of the Group's performance and answers questions from shareholders.

At the Company's Annual General Meeting in April 2019, all resolutions were passed with strong majorities, with no resolutions receiving greater than 20% of votes against. Details of the resolutions put to shareholders at the meeting can be found within the Notice of Meeting located within the "General Meetings" section of the Company's website www.huntingplc.com.

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Stakeholder Engagement

Details of engagement activities with all our key stakeholders and the Board can be found, within the Strategic Report, on pages 21 to 27.

Speak Up/Whistleblowing Service

An independent and anonymous whistleblowing reporting service has been in place for a number of years, allowing any employee access to the Board to raise matters of concern. During the year, there were nine reports received through the SafeCall service (2018 – five reports), all of which are seen by Keith Lough, the Group's Senior Independent Director, who also receives and approves all investigation reports and corrective actions. Mr Lough verbally reports these activities to the Board during the year.

Conflicts of Interest

Each Director is required to declare any potential conflict of interest that exists, or which may arise. These are formally recorded by the Company Secretary.

Appropriate decision making, in light of this declaration, is undertaken, which could include a Director not participating in a Board decision or vote. Each Director is required to complete a declaration of known conflicts of interest annually.

Division of Responsibilities (Section 2 of the Code)

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

The profiles and experience of each Director are found on pages 72 and 73. In line with the new Code's recommendation, the Notice of Annual General Meeting, to be published in March 2020, will incorporate details of the contribution in the year and the Board's reasons for proposing the re-election of each Director.

There is a clear division of responsibilities between the Chairman and Chief Executive, with the Chairman required to lead the Board, while the Chief Executive runs the Group's businesses as shown below:

Responsibilities of the Chairman

- lead and build an effective and balanced Board;
- chair meetings of the Board, ensuring the agenda and materials are fit for purpose;
- ensure the Directors are provided with accurate, timely and relevant information;
- encourage good dialogue between all Directors, with strong contributions encouraged from all Board members;
- meet the non-executive Directors without the executive Directors present;
- discuss training and development with the non-executive Directors;
- arrange Director induction programmes;
- arrange an annual Board evaluation and act on its findings; and
- ensure shareholders and other stakeholders are communicated with effectively.

Responsibilities of the Chief Executive

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

To ensure an effective relationship between the Chairman and the Chief Executive and other members of the Board, the responsibilities of the Senior Independent Director, as shown below, have been revised and approved by the Board during 2019:

Responsibilities of the Senior Independent Director

- provide a sounding board for the Chairman and serve as an intermediary to other Directors when required;
- be available to shareholders, should the normal channels through the Chairman and Chief Executive not be appropriate;
- chair meetings of the Board, in the absence of the Chairman;
- lead an annual performance evaluation of the Chairman, supported by the other non-executive Directors; and
- attend meetings with shareholders, to develop a balanced understanding of any issues or concerns.

Responsibilities of the non-executive Directors

- provide independent challenge to executive management on the proposed strategy;
- monitor the execution of the approved Strategy and of the financial performance of the Company on an ongoing basis;
- ensure executive management remain motivated and incentivised through a responsible remuneration policy; and
- ensure the integrity of financial information and internal control and risk management are effective and defensible.

Responsibilities of the Company Secretary

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

Directors' and Officers' Liability Insurance

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

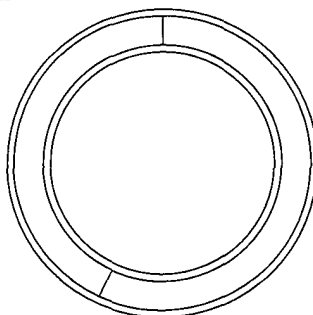
Board Independence

As at 31 December 2019, excluding the Chairman, the Board comprised 50% independent non-executive Directors. Including the Chairman, 57% of the Board comprises independent Directors.

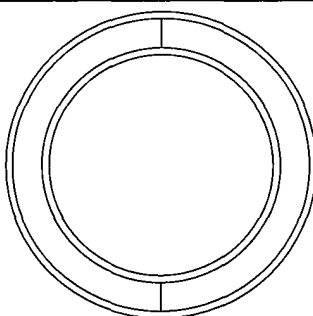
The Board, including the Chairman, have access to professional advisers, at the Company's expense, to fulfil their various Board and Committee duties.

Board Independence (including Chairman)

- Independent 57%
- Non-Independent 43%

**Board Independence (excluding Chairman)**

- Independent 50%
- Non-Independent 50%

**External Appointments**

The Group has procedures in place that permits the executive Directors to join other company boards. In the year, neither the Chief Executive nor the Finance Director held any external board appointments.

Executive Committee

The Group has an Executive Committee ("ExCo") comprising the regional managing directors of the Group and the executive Directors. During 2019, the ExCo met four times, to discuss the performance of each operating segment, strategic initiatives, including the progress of capital investment programmes, quality assurance and HSE performance, in addition to Human Resources and Risk Management reports. The Company Secretary and Head of Investor Relations are also invited to meetings of the ExCo.

In the year, the ExCo was briefed on the 2018 UK Corporate Governance Code requirements in addition to the new stakeholder reporting initiatives to be implemented. Each managing director submitted reports to the Board in the year, to enable an in-depth understanding of the Group's engagement initiatives to be made.

Composition, Succession and Evaluation (Section 3 of the Code)**Board Appointments**

All appointments to the Board are in accordance with the Company's Articles of Association and the Code and are made on recommendation by the Nomination Committee. Recruitment of new Directors follows Group policy, including the formulation of a detailed description of the role that gives consideration to the required skills, experience and diversity requirements for the process. The Directors usually review a list of candidates, prior to a shortlist being recommended by the Nomination Committee, ahead of face-to-face interviews with each Director.

Board Skills and Experience

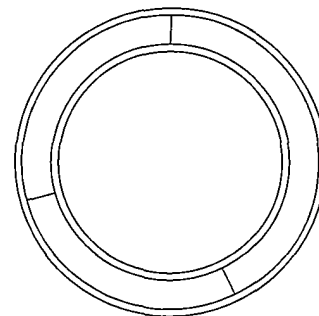
The expertise and competencies of the non-executive Directors are noted in the table below, and underpin the balance of skills and knowledge of the Board:

Director	Expertise
Annell Bay	Upstream oil and gas, US energy market development and US quoted companies.
Carol Chesney	Accounting, UK Corporate Governance, Ethics Compliance and UK quoted companies.
Jay Glick	Oilfield services and manufacturing, US energy market development and US quoted companies.
Richard Hunting	UK Corporate Governance, Investor Relations.
Keith Lough	Accounting, upstream oil and gas, UK energy regulation and market development and UK quoted companies.

The activities of the Nomination Committee are reported on pages 104 and 105. No new Board appointments were made in 2019, given the process of refreshing completed in 2018. The tenure of the Board of Directors, as at 27 February 2020, is noted in the chart below.

Board Tenure

- < 3 years 43%
- 3 to 9 years 28%
- > 9 years 29%



None of the independent non-executive Directors have been in the role for greater than nine years. Jay Glick was appointed to the Board in 2015 and appointed Chairman in 2017.

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For the appointment of executive Directors, the Company enters into a Service Contract with the Director, which reflects the terms of employment, remuneration and termination, taking into account country of residence and local employment laws applicable at the time of appointment. For more information on the Service Contracts of the current executive Directors, please see the 2017 Remuneration Committee Report located at www.huntingplc.com.

On appointment, each non-executive Director is provided with a letter of appointment, outlining the time commitments, responsibilities and fiduciary duties required under Company Law and, following Company policy, appointed for a three-year term. All appointment letters are available for inspection at the Company's AGM or at Hunting's registered office. Due to the small size of the Hunting Board, non-executive Directors are paid fees that are above the UK market median, reflecting a high level of time commitment required for Company matters.

Senior management appointments are reported to the Board by the executive Directors.

Further, when the succession of the Company Chairman is being considered, the Senior Independent Director chairs the Nomination Committee.

Annual Re-Election

At the 2019 AGM, all Directors were re-elected by shareholders. All Directors will retire and submit themselves for annual re-election at the 2020 AGM, with the exception of Peter Rose who is retiring from the Board.

Board Succession

Succession planning has become an area of increased focus, following the formation of the Executive Committee in 2018 and in line with best practice.

In November 2018, the Group appointed a global Chief HR Officer who has reviewed the Group's succession planning arrangements. As part of this review process, procedures to formalise the development and continuity of executive talent were enhanced and presented to the Board at its December 2019 meeting.

Board Evaluation

The Directors undertake an internal effectiveness evaluation of the Board and its Committees annually, which includes completion of a detailed questionnaire on the operation and governance responsibilities in relation to the Company's governance framework. Both the executive and non-executive Directors are appraised collectively and individually, with the results of the process reported to the Board through the Chairman.

The 2019 Board evaluation process was enhanced, following the publication of the 2018 UK Corporate Governance Code and Guidance on Board Effectiveness. Following completion of the process and further Board discussion, the Chairman and the Board concluded that all Directors, all Committees and the Board itself remained effective.

In addition to the internal evaluation, the non-executive Directors, led by the Senior Independent Director Keith Lough, completed a Chairman's performance evaluation in December 2019 and concluded that Mr Glick had been an effective and capable Chairman of the Company.

The Board organises an externally facilitated Board effectiveness evaluation every three years, the last being completed in 2018 by Clare Chalmers Limited. Areas of improvement were identified, with the process scheduled to be repeated externally in 2021.

Board Induction and Training

Following new Board appointments, internal briefings are usually organised to introduce key finance and operational personnel and to present the structure and operation of each major business within the Group. Facility visits to the Group's operations are also organised and key members of the Group's leadership team give presentations on each operating segment.

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

Diversity

The Group's diversity policy can be found at www.huntingplc.com. Hunting's policies promote prejudice-free decision making, ensuring all stakeholder interests are taken into consideration and commits Hunting to building a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit.

Furthermore, the policy focuses on recruitment, training and development, conditions of work and disciplinary procedures.

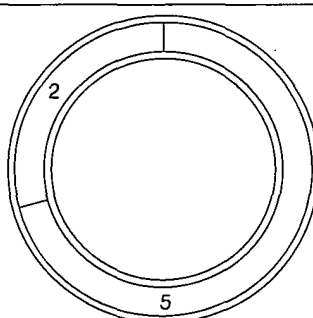
Gender

Gender diversity data of Hunting's Board, senior management and workforce is noted on the opposite page.

Gender and ethnicity suggestions made in the Hampton-Alexander and Parker reviews have been noted by the Board and will be taken into consideration as the Board is refreshed over the coming years.

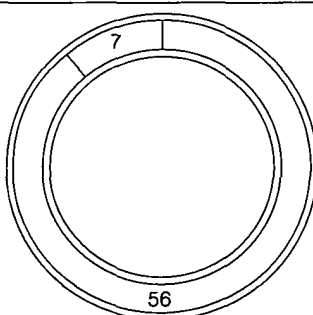
Board

- Male 71% (2018 – 71%)
- Female 29% (2018 – 29%)

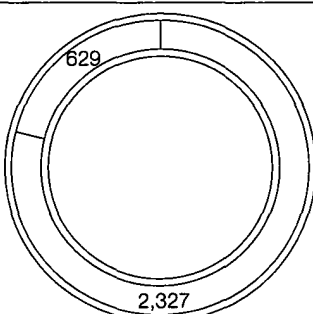
**Senior Management**

(defined as members of the Executive Committee and their Direct Reports)

- Male 89% (2018 – 91%)
- Female 11% (2018 – 9%)

**Workforce**

- Male 79% (2018 – 79%)
- Female 21% (2018 – 21%)

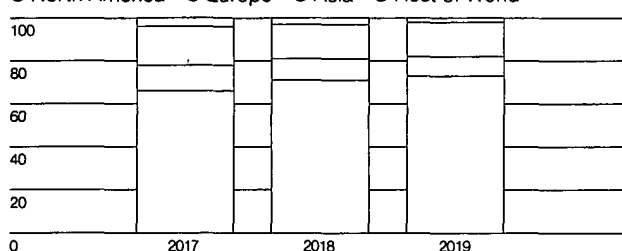
**Ethnicity**

Hunting is committed to an ethnically diverse workforce and extends its global operating footprint to 11 countries. The Group remains North American focused, with over 72% of employees from that region at 31 December 2019.

Group ethnicity

%

○ North America ○ Europe ○ Asia ○ Rest of World

**Audit, Risk and Internal Control (Section 4 of the Code)**

The Group's policies, procedures and approach to audit, risk and internal control is described within the Risk Management (pages 39 to 42) and Audit Committee Report (pages 106 to 109) sections of the Annual Report and Accounts. The Risk Management section includes information on the Group's principal risks and emerging risks, as required by the Code.

Fair, Balanced and Understandable Assessment

The Board has delegated the responsibility of reviewing the Fair, Balanced and Understandable Assessment to the Audit Committee, which reviewed assessments of the half- and full-year results and made recommendations to the Directors in February and August.

Going Concern Basis and Viability Statement

The Audit Committee and Board review the Going Concern Basis twice a year and the Group's Viability Statement annually, in parallel with supporting reports from the executive Directors and the Group's central finance function. On 25 February 2020, the Board approved the Going Concern Basis and Viability Statement for the 2019 year-end, which is detailed on pages 68 and 69.

Risk Management Procedures

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

At the Board's February 2020 meeting, the Directors completed a robust assessment and review of the Group's risk management framework and the principal risks facing the Company.

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Remuneration (Section 5 of the Code)

The Group's remuneration principles align with the Code and are clearly linked to the long-term success of the Company.

Clarity and Simplicity

The Directors Remuneration Policy is based on fixed and variable emoluments. Fixed emoluments are benchmarked against other global energy services companies and the UK listed environment, to ensure the Company can attract and retain talent. Variable emoluments are based on two structures, an annual bonus and long-term incentive plan. Both variable structures are based on the Group's disclosed key performance indicators, including both financial and non-financial measures, and only pay out when performance has been achieved. The Chief Executive's remuneration is benchmarked against global peers, who are mostly headquartered in the US, while the Finance Director is benchmarked against UK listed companies of similar size.

Non-executive Director fees are set at levels that take into account the time commitment and responsibilities of each role. The non-executive Directors do not receive cash bonuses or other variable emoluments. The fees are benchmarked against other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors. The Chairman's fee is set by the Remuneration Committee.

The pay structures of the senior management team and wider workforce are generally based on the Company's shareholder approved Remuneration Policy, and can include pension and healthcare benefits as well as annual bonus and long-term incentives.

Shareholder engagement is a key theme of Directors' Remuneration Policy, with proactive engagement occurring whenever major changes to Policy or Committee decision making are contemplated. The Committee is satisfied that, over time, shareholder feedback has been incorporated into the Directors' Remuneration Policy.

Risk, Predictability and Proportionality

The Committee believes that the Directors' Remuneration Policy aligns with the risk profile of the Company, encouraging growth in the long term and discouraging excessive risk taking. The Policy is weighted towards variable pay on the delivery of long-term growth.

As noted on page 83 of the Corporate Governance Report, the remuneration paid over time has aligned well with the Group's performance, with annual bonus and long-term incentives only vesting on the delivery of performance.

Alignment

The Board and the Remuneration Committee have reviewed the Company's Purpose, Values and Culture and believes that the remuneration framework operated by the Company encourages strong performance, based on a culture of honesty and integrity and putting stakeholder needs at the forefront of our strategic priorities.

The current Directors' Remuneration Policy was approved by shareholders on 18 April 2018, with a revised policy due to be tabled at the Company's Annual General Meeting in April 2021.

More information on compliance with the provisions of the Code and the emoluments paid to the Directors can be found in the Remuneration Committee Report on pages 84 to 103.

In respect of the current Directors' Remuneration Policy and the new Code, the Committee notes the following:

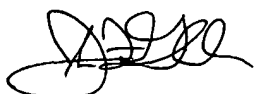
- The Company's long-term incentive arrangements extend to a five-year timeframe, with a three-year vesting period and two-year post-vesting holding period;
- Implementation of a post-employment shareholding policy has been deferred until the next Policy vote in 2021, as noted in the introduction of this report;
- Malus and clawback provisions are in place for all variable remuneration, with the triggers amended in the year in line with the recommendations of the Code;
- The Committee has flexibility within the Directors' Remuneration Policy to exercise appropriate discretion; and
- Pension provisions for new executive Directors will align with the workforce in the future; however, at present the pension provisions for the current executive Directors do not comply with the Code.

The chart below summarises the components of executive remuneration and the key performance indicators that are inputs to the remuneration outcomes.

Summary of Remuneration Structure and KPI

Fixed			Variable	
Base Salary	Benefits	Pension Provision	Annual Bonus	Long-Term Incentive
			KPIs Profit before tax ROCE Personal Objectives	KPIs ROCE TSR EPS Safety Quality assurance

The Board believes that the remuneration framework aligns with the Purpose, Values and Culture of the Group, which is based on fair remuneration and reflects performance in the long term. This framework is also in place for the senior management of the Group, with participation in annual bonuses and inclusion in the long-term incentive scheme operated by the Company also featuring in emolument structures in many levels of the workforce. The long-term incentive scheme operated by the Group operates on a five-year timeframe, with a three-year performance period, followed by a two-year holding period for vested shares. The Remuneration Committee sets executive Director remuneration and reviews policies for the senior management and the wider workforce.

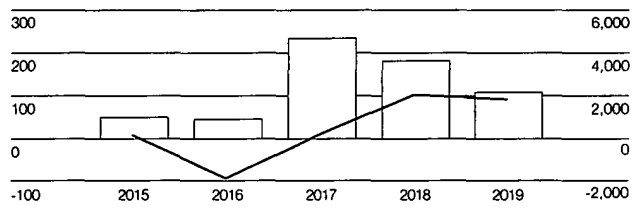


John (Jay) F. Glick
Chairman

27 February 2020

Profit before Tax (\$m) vs Chief Executive Remuneration (\$k)

○ CEO Pay — PBT



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Remuneration Committee Report

For the year ended 31 December 2019

The Company's financial outturn for 2019 reflects a creditable performance, despite heightened levels of market volatility and increased geopolitical risk during the year, which impacted commodity prices, industry capital expenditures and the general outlook for growth. The profits delivered by management, coupled with a strong cash position at year-end, has underpinned the remuneration paid, and reflects a strong personal performance by the executive Directors, despite the challenging market environment.

The Annual Bonus awards reflect the Group's financial results achieved, together with delivery of personal objectives. The personal targets were set by the Committee in early 2019 and were measured and the outcomes agreed as part of the year-end deliberations of the Committee.

The award under the Hunting Performance Share Plan ("HPSP") also records a modest level of vesting, based on the delivery of targets set in 2017. The EPS and ROCE performance conditions record an above threshold vesting, while the TSR performance condition reflects an upper quartile performance and therefore a full vesting of this portion of the HPSP award.

The Committee has reviewed the new UK Corporate Governance Code and has put in place measures to enable the Company to become fully compliant over time.

2019 has been a positive year for Hunting. The Committee believes that the outcomes reported are a fair reflection of both Company and individual performance.

Annell Bay

Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee Report to shareholders for the year ended 31 December 2019. This report provides a summary of the work completed by the Remuneration Committee (the "Committee") in the year, including the major decisions taken and details of how the approved Directors' Remuneration Policy was implemented during the year.

Major Decisions Made by the Committee

Base salary and fee review: In April 2019 the Committee reviewed globally benchmarked emolument data, prepared by Mercer/Kepler ("Kepler") in respect to the executive Directors. Following discussion, the base salary of the Chief Executive was increased by 5.0% (equating to an annualised increase of c.3.8%). In coming to this conclusion, the Committee noted that no changes to Mr Johnson's salary had been made since his appointment in 2017, a period over which he has demonstrated strong leadership, and that his salary was below many other executives within the Group's international peer group. Further, the Committee reviewed base salary increases for the Executive Committee and following discussion with the Chief Executive and Chairman, the base salary of the Finance Director was increased by 4.0%. The Committee noted this was within the range which had been awarded to members of the Executive Committee in 2019 and reflected a strong performance by Mr Rose as the Group reported a solid balance sheet, supported by strong capital discipline. The base salary increases were implemented with effect from 1 April 2019. As noted in last year's report, in December 2018, the Board reviewed the fees paid to the non-executive Directors with no changes implemented. The Committee reviewed the Chairman's fee and following discussion, agreed a 5% increase to the annual fee to £183,750, effective from 1 January 2019.

Annual bonus: The Group reported a creditable performance in 2019, despite challenging market conditions. For the year ended 31 December 2019, underlying profit before tax ("PBT") was \$93.1m and underlying return on capital employed ("ROCE") was 7.9%. The annual targets agreed by the Board contained within the Group's Annual Budget were PBT of \$104.7m and ROCE of 9.3% and therefore an "Above Threshold" vesting has been recorded. In February 2020, the Committee met to discuss the delivery of the personal performance targets set for the executive Directors and as noted on page 96 of this report, the Committee agreed that each executive Director had delivered on their respective personal objectives and so agreed to pay this portion in full.

In determining the final outcome for the Annual Bonus paid to the executive Directors, the Committee has applied discretion by ring-fencing the impact of the acquisition of RTI Energy Systems Inc., totalling \$1.6m, leading to an adjusted profit before tax of \$94.7m and ROCE of 8.0%. The Committee agreed that the acquisition was a key strategic milestone delivered by management but was not incorporated within the approved 2019 Annual Budget, with the short-term trading losses and acquisition costs adversely impacting the overall underlying profit result delivered by management in the year.

Mr Johnson was therefore awarded an annual bonus of \$567k and Mr Rose was awarded \$250k. In line with the 2018 Directors' Remuneration Policy, 25% of the post-tax value of the bonus will be delivered in Ordinary shares in the Company to be held for two years from 27 February 2020.

Vesting of HPSP Awards: On 24 February 2020, the Committee reviewed the final vesting report for the 2017 share awards granted under the Hunting Performance Share Plan ("HPSP"). The EPS and ROCE performance measures were both based on absolute targets to be delivered in the year ended 31 December 2019, and given the performance in the year, delivered an "Above Threshold" vesting.

The TSR performance condition was independently measured by Kepler resulting in an upper quartile ranking against Hunting's peer group comprising of 14 companies leading to a full vesting of this portion of the 2017 grant.

Peter Rose, as an executive Director on the date of grant, is entitled to receive 63,890 Ordinary shares on 3 March 2020, being the vesting date of the 2017 award, which reflects a 55.1% vesting of the performance conditions noted above.

Jim Johnson, serving as Chief Operating Officer a non-Board level position on the date of grant, was subject to a fourth performance condition, based on the Group's internal manufacturing reject rate vesting. Based on this outcome, Mr Johnson's 2017 award will record a 66.4% vesting, and he will be entitled to receive 148,314 Ordinary shares on the vesting date. Dividends paid by the Company during the performance period, totalling 14.0 cents per share, will be added to the final award, in line with the rules of the HPSP.

2019 AGM Result

At the Company's AGM held on 17 April 2019, the Company received 95.6% of the resolution to approve the 2018 Annual Report on Remuneration.

Context of Remuneration Awarded in 2019

The Group's financial performance in the year, as noted above, has led to an "Above Threshold" vesting of the annual bonus and an "Above Target" vesting of the HPSP award. The single figure remuneration paid to Jim Johnson was \$2.2m in 2019 (2018 – \$3.7m) and the remuneration paid to Peter Rose was \$1.2m (2018 – \$2.1m).

In 2018, the remuneration paid to the executive Directors reflected a Maximum annual bonus award and an Above Target vesting of the HPSP. The Committee is satisfied that total pay outcomes are appropriate in the context of Group performance across the periods covered by these short- and long-term incentives.

2018 UK Corporate Governance Code Compliance and Other Best Practice Changes

The Committee has reviewed the contents of the 2018 UK Corporate Governance Code and notes that it is fully compliant to most remuneration-related provisions and principles.

The Committee deliberated on the provision which requires a Post-Employment Shareholding Policy to be implemented for executive Directors and will develop a policy as part of the next Remuneration Policy vote in 2021. The Committee also noted the provision which requires executive Director pension contribution rates to align to the average of the workforce and has decided to address this recommendation for new executive appointments to the Board. The Committee will formalise its compliance to this provision at its next Policy review. Any new executive Director appointments made to the Board in the interim period will be provided with a pension provision which aligns to the majority of the workforce in the country of domicile. With regards to incumbent executive Directors, the Committee agreed with Peter Rose in August 2019 to freeze the annual Sterling contribution he receives with effect from 1 January 2020.

Finally, and noting recommendations from the Investment Association, the Committee reviewed the recovery provisions applying to the Group's short- and long-term incentives and resolved to expand the list of possible triggers by including one relating to "Actions which cause reputational damage to the Company".

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Activities Undertaken by the Remuneration Committee During 2019

The Committee remains satisfied with the internal processes around recovery provisions and confident that these provisions would be enforceable if required. For further information on the Company's compliance with the 2018 UK Corporate Governance Code please see pages 75 to 83.

Overall remuneration

	Dec	Aug	Feb	Apr	
Annual base salary review					
Review senior management annual emoluments paid					
Review total remuneration against benchmarked data					
Items specific to annual bonus					
Approve annual bonus including delivery of personal performance targets					
Review Annual Bonus Plan Rules					
Agree personal performance targets for year ahead					
Items specific to long-term incentives					
Approve HPSP vesting and new annual grant					
Review HPSP performance conditions					
Review HPSP grant performance targets					
Governance and other matters					
Approve Annual Report on Remuneration					
Review and approve Remuneration Policy (if required)					
Review governance voting reports					
Review AGM proxy votes received for Annual Statement of Remuneration and Policy					
Review Committee Effectiveness and Terms of Reference					

Anneli Bay
Chair of the Remuneration Committee

27 February 2020

Remuneration at a Glance

Remuneration Policy

A summary of the Directors' Remuneration Policy is found on pages 88 to 92.

The Policy was approved by shareholders on 18 April 2018, following a comprehensive review of Hunting PLC's remuneration framework.

At the Annual General Meeting of the Company on 17 April 2019, the resolution to approve the Annual Report on Remuneration was supported by a 95.6% vote in favour.

Link to Strategy and KPIs

The Group's Key Performance Indicators are noted on pages 64 and 65 and include financial measures including profit before tax, return on capital employed and net earnings growth. Non-financial measures are incorporated into HPSP awards and include the Group's Quality Assurance and Safety performance. Both these metrics underpin Hunting's standing and reputation in the global energy industry which, in turn, support the Group's long-term strategy.

The Company's chosen financial and non-financial KPIs are therefore central to measuring Hunting's long-term success and are fully integrated into the remuneration framework approved by shareholders. The Committee also believes that these KPIs help align executive remuneration to the broader shareholder experience.

Base Salaries

Jim Johnson was appointed Chief Executive on 1 September 2017 and from 1 April 2019, the Remuneration Committee agreed to increase his base salary by 5.0% to \$735,000. The Committee also reviewed changes to the base salaries of the Executive Committee and workforce and following discussion with the Chief Executive and Chairman increased the base salary of Peter Rose by 4.0% to £338,553. Both increases were implemented from 1 April 2019; therefore Mr Johnson's salary received in the year was \$726,250 and Mr Rose's was \$427,907 (or a year-on-year increase in salaries paid of 3.8% and 3.0% respectively).

Chief Executive	\$735,000 +5%
Finance Director	£338,553 +4%

Company Performance Summary

The performance of the Group in the year, as noted in the Letter from the Chair of the Remuneration Committee, reported a sustained performance compared to 2018, despite increased market volatility and global geopolitical tensions.

The 2019 outturn recorded an "Above Threshold" performance in respect to the Annual Budget agreed in December 2018 and an "Above Target" vesting of the HPSP. 2019 remuneration has been lower than the prior year due to a lower vesting of variable pay. In 2018 the Group exceeded both short- and long-term objectives, which resulted in higher levels of vesting of the annual bonus and the long-term incentive.

Annual Bonus Policy

The annual bonus combines profit before tax, return on capital employed and personal performance targets as the basis of the short-term awards to the executive Directors. As noted in the report from the Chair of the Remuneration Committee, adjusted results have been applied, reversing the \$1.6m impact of the acquisition of RTI Energy Systems Inc.

Adjusted Profit before tax	\$94.7m 90.4% of target
Adjusted ROCE	8.0% 86.0% of target

Annual Bonus

The underlying PBT and ROCE targets, as agreed by the Board in December 2018, were \$104.7m and 9.3% respectively. Achieved underlying PBT was \$93.1m and ROCE was 7.9%. Adjusted PBT and ROCE was \$94.7m and 8.0%, with a vesting of 90.4% and 86.0% of budget for PBT and ROCE respectively. The Committee set personal performance objectives for the Chief Executive and Finance Director and, as noted on pages 96 and 97 of the Annual Report on Remuneration, both executives achieved a full vesting. Based on these outcomes, a 39% vesting of the maximum bonus opportunity was recorded with \$567k and \$250k paid to the Chief Executive and Finance Director.

Chief Executive	\$567k -60%
Finance Director	\$250k -62%

Hunting Performance Share Plan ("HPSP")

The Group's 2017 HPSP grant incorporated EPS, ROCE and relative TSR performance targets, divided equally into a one-third portion for each performance metric. Absolute EPS and ROCE targets, to be delivered by 31 December 2019, were set along with a three-year TSR target.

Relative TSR
(3-year) **33%**

Diluted EPS
(Absolute target) **33%**

Diluted ROCE
(Absolute target) **33%**

2017 Hunting Performance Share Plan Outcome

The outcomes are presented below:

TSR
(3-year) **Upper quartile**
100% vesting

EPS
(Absolute target to be delivered by 31.12.19) **44.1**
cents per share
40.4% vesting

ROCE
(Absolute target to be delivered by 31.12.19) **8.0%**
25.0% vesting

Internal manufacturing reject rate
(3-year) **0.26%**
100% vesting

The vesting outcome reflects the Group's results under IAS 17 Leases, in line with the terms of the 2017 grant. On this basis, 55.1% of the share awards to Peter Rose will vest and he will receive 63,890 Ordinary shares.

Jim Johnson's 2017 award (which was granted before his appointment to the Board) incorporated a fourth performance condition, based on the internal manufacturing reject rate, which has vested in full. Mr Johnson's award will therefore vest at 66.4% and he will receive 148,314 Ordinary shares.

Dividends paid by the Company during the vesting period, totalling 14.0 cents per share, will be added to the award.

Chief Executive **148,314**
Shares will vest

Finance Director **63,890**
Shares will vest

Shareholder Returns

Total shareholder return is measured against a peer group of 14 companies, all focused on upstream oil and gas services. For the three years ended 31 December 2019, Hunting had an upper quartile ranking with a TSR of -22.6%, compared to the peer group median performance of -46.1%.

Pay Scenarios**Chief Executive**

● Fixed ● Annual Bonus ● HPSP

Maximum \$5,700k

Target \$3,267k

Fixed \$834k

Finance Director

● Fixed ● Annual Bonus ● HPSP

Maximum \$2,121k

Target \$1,343k

Fixed \$565k

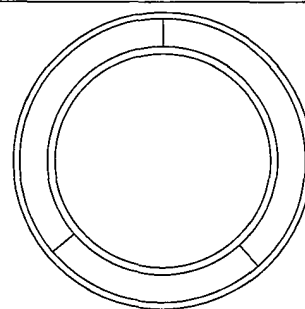
Assuming a 50% appreciation of the share price, the Target and Maximum pay to Mr Johnson would increase to \$4,094k and \$7,354k respectively and the Target and Maximum pay to Mr Rose would increase to \$1,570k and \$2,575k respectively. Actual pay is noted in the charts below.

Pay In the Year Summary

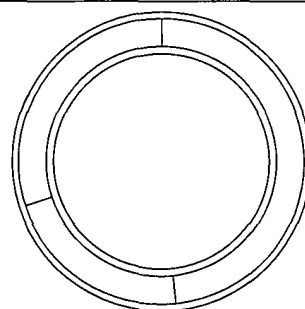
The actual remuneration paid to the executive Directors are as follows:

Chief Executive

- Fixed \$859k
- Annual Bonus \$567k
- HPSP \$803k
- Total \$2,229k**

**Finance Director**

- Fixed \$562k
- Annual Bonus \$250k
- HPSP \$346k
- Total \$1,158k**



Directors' Remuneration Policy Summary

Policy Overview

The Hunting PLC Directors' Remuneration Policy (the "Policy"), was approved by shareholders on 18 April 2018. The full Policy can be found at www.huntingplc.com/investors/corporate-governance.

The Policy is designed to comply with the principles of the 2016 UK Corporate Governance Code and the Companies Act 2006 regarding remuneration and to ensure that the Company can attract, retain and motivate talented executive Directors to promote and deliver long-term success for the Group. The package comprises fixed and variable incentives and is structured to link total reward to both corporate and individual performance.

The Remuneration Committee is planning to submit its next Directors' Remuneration Policy to shareholders in April 2021, where the Committee expects to be able to report full compliance with all provisions of the 2018 UK Corporate Governance Code related to remuneration.

The Policy tables which follow below provide an overview of each element of the Directors' Remuneration Policy.

Remuneration Committee Discretion

The Committee has defined areas of discretion within the Directors' Policy framework. Where discretion is applied, the Committee will disclose the rationale for the application of discretion. The Committee will operate the Annual Bonus Plan and HPSP in accordance with the relevant plan rules and this Policy. The Committee retains discretion as to the operation and administration of these plans as follows:

Annual Bonus

- Discretion to adjust the amount of any bonus to reflect any fact or circumstance that the Committee considers to be relevant, and to ensure that the outcome is a fair reflection of performance.
- The assessment of part-year performance in the event of the exit of a Director, including but not limited to, reviewing forecast financial performance of the Group and the outlook of the business in the context of wider market conditions. Bonus awards for good leavers will generally be pro-rated for the proportion of the performance period completed.
- The Committee may apply discretion to vary the percentage of an award settled in cash or shares.
- The annual bonus plan contains malus and clawback provisions for reasons including material misstatement and gross misconduct. In 2019, the Committee reviewed these triggers and added "actions which cause reputational damage to the Company".

HPSP

- Selection of the TSR comparator group for the HPSP. The Committee reviews the comparator group annually ahead of each grant made to the executive Directors under the HPSP. The Committee also retains the discretion to make adjustments to the comparator group for subsisting awards if it believes that a constituent of the comparator group has distorted the vesting outcome if, for example, a constituent company has been subject to a material corporate action.
- The Committee may amend the performance conditions applying to an award in exceptional circumstances if the new performance conditions are considered fair and reasonable, and are neither materially more nor materially less challenging than the original performance conditions when set. The oil and gas industry is a highly cyclical industry, where sentiment is driven by oil and gas commodity prices and activity levels across the industry. Given that these market conditions are outside management's control, the Committee retains the discretion to partially adjust the performance targets of the performance conditions adopted for the HPSP, to align with the general market outlook, while continuing to be a demanding and stretching incentive. Any upward discretion would be subject to prior shareholder consultation.
- The HPSP contains malus and clawback provisions for reasons including material misstatement and gross misconduct. In 2019, the Committee reviewed these triggers and added "actions which cause reputational damage to the Company".

Other

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy outlined above where the terms of the payment were agreed either:

- before the Policy came into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

Relevance to Employee Pay

The Policy tables summarise the remuneration structure that operates within Hunting and which also applies to senior executives of the Group. While bonus and pension arrangements are in place for most of the Group's employees, lower aggregate remuneration operates at below the executive Director and senior manager level, with total remuneration driven by market comparatives and the individual responsibilities of each role.

Consideration of Employment Conditions Elsewhere in the Group

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

Other Information

Details of the terms of employment of the Directors, including Service Contracts, Letters of Appointment, New Director Recruitment and Leaver Policies are located in the 2017 Annual Report and Accounts and on the Company's website at www.huntingplc.com. Jim Johnson and Peter Rose have a one-year notice period contained within their respective Service Contracts. Further, while Mr Johnson and Mr Rose do not hold any external directorships, the shareholder-approved Directors' Remuneration Policy makes provision for them to retain any fees for such directorships.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Base Salary <ul style="list-style-type: none"> To attract, retain and reward executives with the necessary skills to effectively deliver the Company strategy. 	<ul style="list-style-type: none"> Base salaries are set at competitive rates, which take into account the individual's country of residence and primary operating location as well as pay for comparable roles in comparable companies. Aimed at the market mid-point. Annual increases take into account Company performance, inflation in the UK, US and increases across the wider workforce. Relocation and tax equalisation agreements are also in place for employees working across multiple geographic jurisdictions. 	<ul style="list-style-type: none"> There is no prescribed maximum annual increase. Increases will normally be guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in responsibility and/or specific retention issues. 	<ul style="list-style-type: none"> Individual and Group performance are taken into account when determining appropriate salaries. 	<ul style="list-style-type: none"> None.
Pension <ul style="list-style-type: none"> To provide normal pension schemes appropriate to the country of residence. 	<ul style="list-style-type: none"> The Group contributes on behalf of the Chief Executive (currently resident in the US), to a US 401K deferred savings plan and an additional deferred compensation scheme. The Finance Director (currently resident in the UK) receives an annual cash sum in lieu of contributions to a company pension scheme. Additional benefits may be provided to ensure the Group remains competitive within the relevant local market. 	<ul style="list-style-type: none"> Pension contributions vary based on individual circumstances. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> While no formal changes are being proposed to the policy this year, the Committee commits that any future appointments to the Board will receive a pension contribution in line with the majority of the workforce in the country of domicile. This commitment will be formalised as part of the next Policy review in 2021.
Benefits <ul style="list-style-type: none"> To provide normal benefits appropriate to the country of residence. 	<ul style="list-style-type: none"> Each executive Director is provided with healthcare insurance and the option of a company car with fuel benefits. Additional benefits may be provided to ensure the Group remains competitive within the relevant local market. 	<ul style="list-style-type: none"> There is no maximum value set on benefits. They are set at a level that is comparable to market practice. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.

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Directors' Remuneration Policy Summary continued

Variable Emoluments

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Annual Bonus				
<ul style="list-style-type: none"> To incentivise annual delivery of financial and operational targets. To provide a high reward potential for exceeding demanding targets. 	<ul style="list-style-type: none"> Awards are subject to the Annual Bonus Plan rules adopted by the Board in 2010 and amended in 2018. Bonus begins to accrue when 80% of the Annual Budget targets are achieved and increases on a straight-line basis to a maximum when 120% of Budget is achieved. For an on-target performance, defined as actual results equal to the Budget, the Chief Executive is paid 100% of base salary and the Finance Director is paid 75% of base salary. 25% of the post-tax value of the annual bonus is payable in Hunting shares. These shares are required to be held for two years from the vesting date. Malus and clawback provisions are incorporated and allow the Committee to reduce the bonus, potentially down to zero, in cases of material financial misstatement, calculation error or gross misconduct. 	<ul style="list-style-type: none"> The Chief Executive and Finance Director have a maximum annual bonus opportunity of 200% and 150% of salary, respectively. 	<ul style="list-style-type: none"> The annual bonus is based 60% on underlying PBT, 20% on underlying ROCE and 20% on the delivery of Personal Performance objectives. The vesting of the Personal Performance component is subject to a financial underpin. Should the financial targets not be met, a 50% vesting cap of the Personal Performance component will be implemented. 	<ul style="list-style-type: none"> While not currently in the approved Policy, the Committee reviewed the malus and clawback triggers in the year and added reputational damage.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Hunting Performance Share Plan ("HPSP")				
<ul style="list-style-type: none"> To align the interests of executives with shareholders in growing the value of the business over the long term. 	<ul style="list-style-type: none"> The HPSP provides for annual awards of performance shares or nil cost options to eligible participants. Vesting is based on a three-year performance period. On vesting, awards are subject to an additional two-year holding period (subject to settlement of any tax charges on vesting). Awards are subject to clawback and malus provisions. The Committee has the ability to exercise discretion to override the HPSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. Any upward discretion would be subject to prior shareholder consultation. 	<ul style="list-style-type: none"> Chief Executive: 550% of base salary. Finance Director: 450% of base salary. The policy limit provides the Committee with flexibility in cases such as recruitment. The Committee has set the current award levels for the Chief Executive and Finance Director of 450% and 210% of salary, respectively, and does not currently intend to increase these. Achievement of a threshold performance target results in a 25% vesting for any portion of the award. 	<ul style="list-style-type: none"> Awards vest on achievement of financial and strategic performance measures, measured over a three-year performance period. Financial measures include EPS, ROCE and TSR and amounts for an aggregate weighting of 85% of each award. A fourth measure, in the form of a Strategic Scorecard, comprises a number of sub-measures having an aggregate weighting of 15% of each award. HPSP awards are based 35% on ROCE, 25% on EPS, 25% on relative TSR and 15% on a Strategic Scorecard. The Scorecard measures for 2020 will include the Group's Quality Assurance and Safety outcome across the performance period. 	<ul style="list-style-type: none"> While not currently in the approved Policy, the Committee reviewed the malus and clawback triggers in the year and added reputational damage.
Minimum Stock Ownership Requirement				
<ul style="list-style-type: none"> To encourage the retention of shares under award to the executive Directors. To align the long-term interests of the executive with shareholders. 	<ul style="list-style-type: none"> Directors have five years to achieve the required holding level from the date of their appointment to the Board. The Board has discretion to extend this time period if warranted by individual circumstances. 	<ul style="list-style-type: none"> The target holding of the Chief Executive is equal to the market value of 500% of base salary and for the Finance Director 200% of base salary. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.

Directors' Remuneration Policy Summary *continued*

Chairman and Non-executive Director Fees

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Change to policy for 2020
Non-executive Director Remuneration Policy Table				
<ul style="list-style-type: none"> To attract and retain high-calibre non-executive Directors by offering a market competitive fee. 	<ul style="list-style-type: none"> Fees for the Chairman and non-executive Directors are determined by the Board as a whole, following receipt of <i>external fee information</i> and an assessment of the time commitment and responsibilities involved. The Chairman is paid a single consolidated fee of £183,750 (\$234,502) for his responsibilities including chairing the Nomination Committee. The non-executive Directors are paid a basic fee of £60,000 (\$76,572). The Directors who chair the Board's Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee of £10,000 (\$12,762) to reflect their extra responsibilities. The non-executive Directors and Chairman do not participate in the Group's share plans and do not receive a cash bonus or any other benefits. 	<ul style="list-style-type: none"> Fees paid to the non-executive Directors are benchmarked to other UK companies of a similar size and profile to the Group. Given the small size of the Board, each non-executive Director is expected to give an above average time commitment to Group matters and fees are based on this increased commitment. The Company's Articles of Association prescribe aggregate maximum fees for all non-executive Directors which is set at £750,000 (c.\$1.0m). 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.
Minimum Stock Ownership Requirement				
<ul style="list-style-type: none"> To align the non-executive Directors' interests with the long-term interests of shareholders. 	<ul style="list-style-type: none"> Non-executive Directors are required to build up a holding of shares in the Company and have five years to achieve the required holding level from the date of their appointment to the Board. 	<ul style="list-style-type: none"> The target holding for the Chairman and non-executive Directors is equal to 100% of the annual fee. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> None.



Ansell Bay
Chair of the Remuneration Committee

27 February 2020

Annual Report on Remuneration

Introduction

The principles set out in the Directors' Remuneration Policy (the "Policy"), approved by shareholders in April 2018, have been applied throughout the year.

Role

The Committee is responsible for developing and implementing the remuneration policy for the Company and has direct oversight of the remuneration of the executive Directors and the Company Chairman.

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

During the year and, in compliance with the new UK Corporate Governance Code, the Committee reviewed and monitored the remuneration framework of the Company's Executive Committee and also monitored base salary increases across the Company's workforce.

The remuneration of the non-executive Directors is agreed by the Board as a whole and follows the Articles of Association of the Company which were last approved by shareholders on 18 April 2018.

The full scope of the role of the Committee is set out in its terms of reference, which are reviewed annually, and can be found on the Group's website at www.huntingplc.com.

Membership and Attendance

The Committee consists entirely of independent non-executive Directors. Ms Bay and Mr Lough have relevant sector expertise, while Mrs Chesney has relevant financial expertise. Ms Bay was appointed to the Committee on her appointment to the Board on 2 February 2015 and was appointed Chair on 30 August 2018.

The Committee met four times during the year and attendance details are shown in the table below:

	Member	By invitation
Number of meetings held	4	
Number of meetings attended (actual/possible):		
Annell Bay (Committee Chair)	4/4	–
Carol Chesney	4/4	–
Jay Glick	–	4/4
Richard Hunting	–	4/4
Jim Johnson	–	4/4
Keith Lough	4/4	–
Peter Rose	–	4/4

At 31 December 2019 and up to the date of signature of the accounts, the members of the Committee and their unexpired term of office were:

Director	Latest appointment date	Unexpired term as at 27 February 2020
Annell Bay	2 February 2018	11 months
Carol Chesney	23 April 2018	14 months
Keith Lough	23 April 2018	14 months

External Advisers

During the year, Mercer/Kepler ("Kepler") was engaged by the Committee to provide remuneration consultancy services. Kepler's appointment was subject to a formal tender and is regarded as independent, having been appointed by and acting under direction of the Committee. The total cost of advice to the Committee during the year to 31 December 2019 was \$58,877 (2018 – \$104,727) and includes fees paid in respect of review work in relation to the adoption of the 2018 UK Corporate Governance Code, benchmarked salary and fee data share plans and remuneration reporting disclosure requirements.

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Director Remuneration (audited)

	Fixed remuneration				Variable remuneration			2019 Total remuneration \$000
	Base salary/fees ⁱ \$000	Benefits ⁱⁱ \$000	Pension ⁱⁱⁱ \$000	Sub total \$000	Annual bonus ^{iv} \$000	HPSP awards ^v \$000	Sub total \$000	
2019								
Executives								
Jim Johnson	726	55	78	859	567	803	1,370	2,229
Peter Rose	428	27	107	562	250	346	596	1,158
Non-executives								
Annell Bay ^{viii}	89	-	-	89	-	-	-	89
Carol Chesney ^{ix}	89	-	-	89	-	-	-	89
Jay Glick ^x	235	-	-	235	-	-	-	235
Richard Hunting	77	-	-	77	-	-	-	77
Keith Lough ^{xi}	89	-	-	89	-	-	-	89
Total	1,733	82	185	2,000	817	1,149	1,966	3,966

	Fixed remuneration				Variable remuneration			2018 Total remuneration \$000
	Base salary/fees ⁱ \$000	Benefits ⁱⁱ \$000	Pension ⁱⁱⁱ \$000	Sub total \$000	Annual bonus ^{iv} \$000	HPSP awards ^v \$000	Sub total \$000	
2018								
Executives								
Jim Johnson	700	51	126	877	1,400	1,438	2,838	3,715
Peter Rose	431	31	108	570	651	891	1,542	2,112
Non-executives								
Annell Bay ^{viii}	84	-	-	84	-	-	-	84
Carol Chesney (from 23 April) ^{ix}	64	-	-	64	-	-	-	64
Jay Glick ^x	233	-	-	233	-	-	-	233
John Hofmeister (to 30 August) ^{xii}	71	-	-	71	-	-	-	71
Richard Hunting	80	-	-	80	-	-	-	80
Keith Lough (from 23 April) ^{xi}	60	-	-	60	-	-	-	60
John Nicholas (to 18 April) ^{xii}	28	-	-	28	-	-	-	28
Total	1,751	82	234	2,067	2,051	2,329	4,380	6,447

Notes:

- Jim Johnson was appointed Chief Executive on 1 September 2017, with an annual base salary of \$700,000. The Committee met on 16 April 2019 to discuss base salary adjustments for the executive Directors and following these deliberations increased Mr Johnson's base salary by 5.0% to \$735,000. The Committee took into account that Mr Johnson had shown strong progress in the role over his first 19 months, and had received no adjustments to his salary over this period. The Committee also reviewed the base salary increases awarded to the Executive Committee, which were between 3.0% and 4.2% for 2019 and following consultation with the Chief Executive agreed to increase Mr Rose's base salary by 4.0% to £338,553 / \$432,061 (2018 - £325,532 / \$434,032). The average base salary increase for the workforce in the year was 2.7%. The average £:\$ exchange rate in the year was 1.2762 (2018 - 1.3333). These increases were implemented from 1 April 2019.
- Benefits include the provision of healthcare insurance, a company car and fuel benefits.
- Jim Johnson's single figure pension remuneration represents Company contributions payable to his US pension arrangements. Peter Rose's pension figure represents a cash sum in lieu of Company pension contribution, which was 25% of his annual base salary in both 2018 and 2019.
- As noted in the Letter from the Chair of the Remuneration Committee, the financial performance of the Company was marginally below the Annual Budget agreed in December 2018, leading to an "Above Threshold" pay out. In February 2020, the Committee reviewed the delivery of the personal performance objectives of the executive Directors and concluded that both Mr Johnson and Mr Rose had completed their objectives in full. On this basis, Mr Johnson's and Mr Rose's annual bonuses vested at 39% of maximum with Mr Johnson being awarded a bonus of \$567k, and Peter Rose being awarded \$250k. Under the rules of the Annual Bonus Plan, 25% of the post-tax value of the bonus is to be delivered to the executive Directors in Hunting shares.
- In 2018, both executive Directors received a maximum bonus, given their personal performance and the performance of the Company in the year. Jim Johnson received a bonus totalling \$1.4m and Peter Rose received a bonus totalling \$651k.
- The share awards granted in 2017 under the HPSP had a three-year performance period to 31 December 2019. The awards were measured on this date against the performance conditions, with a 40.4% vesting recorded for the EPS performance condition and a 25.0% vesting for the ROCE performance condition. The TSR performance condition was measured by Kepler in line with the HPSP rules, which resulted in a 100% vesting of this portion of the award. As an executive Director on the date of grant, Peter Rose will receive 63,890 Ordinary shares based on a 55.1% vesting. Jim Johnson's award was made when he was Chief Operating Officer and incorporated a fourth performance condition based on the Group's internal manufacturing reject rate. This performance condition has also vested in full, therefore Mr Johnson's 2017 award will vest at 66.4% and he will receive 148,314 Ordinary shares. For the purposes of the single figure calculation, the average mid-market closing price of £4.09 during Q4 2019 has been applied to the number of vested shares and converted to dollars using the average £:\$ exchange during Q4 2019, being \$1.2880. The share price on the date of grant, being 3 March 2017, was £5.40. Further, a cash payment equalling the dividends paid during the vesting period has been added to the single figure calculation, totalling 14.0 cents per vested share. The vesting date of the 2017 award is 3 March 2020, when the final values of the awards will be determined.
- The share awards granted on 11 March 2016 vested on 11 March 2019. Following performance measurement, Mr Johnson received 179,745 shares at a market value of £5,199 per share, plus a cash dividend equivalent of 8.0 cents per share giving a total payment to Mr Johnson of \$1,249,502. Mr. Rose exercised his 111,327 vested awards in full on 17 June 2019, at a market value of £4.936 per share. Mr Rose received £556,073 including a cash dividend equivalent converted at a spot dollar rate of 1.2534 which totalled \$696,982.
- Annell Bay was appointed Chair of the Remuneration Committee from 30 August 2018, with her fees increasing to reflect this additional responsibility.
- Carol Chesney was appointed as a Director and Chair of the Audit Committee on 23 April 2018 with an annual fee of £70,000.
- Jay Glick was appointed Company Chairman on 1 September 2017 with his annual fee set at £175,000. From 1 January 2019, Mr Glick's annual fee was increased to £183,750. Mr Glick does not receive additional fees for chairing the Nomination Committee.
- Keith Lough was appointed as a Director on 23 April 2018 and subsequently Senior Independent Director on 30 August 2018, with an annual fee of £70,000.
- John Nicholas and John Hofmeister retired as Directors during 2018.

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

2019	Fixed remuneration				Variable remuneration			2019 Total remuneration £000
	Base salary/fees £000	Benefits £000	Pension £000	Sub total £000	Annual cash bonus £000	HPSP awards £000	Sub total £000	
Executives								
Peter Rose ⁱ	335	21	84	440	196	268	464	904
Non-executives								
Annell Bay ⁱⁱ	70	-	-	70	-	-	-	70
Carol Chesney ⁱⁱⁱ	70	-	-	70	-	-	-	70
Jay Glick ^{iv}	184	-	-	184	-	-	-	184
Richard Hunting	60	-	-	60	-	-	-	60
Keith Lough ^v	70	-	-	70	-	-	-	70

2018	Fixed remuneration				Variable remuneration			2018 Total remuneration £000
	Base salary/fees £000	Benefits £000	Pension £000	Sub total £000	Annual cash bonus £000	HPSP awards £000	Sub total £000	
Executives								
Peter Rose ⁱ	323	23	81	427	488	692	1,180	1,607
Non-executives								
Annell Bay ⁱⁱ	63	-	-	63	-	-	-	63
Carol Chesney (from 23 April) ⁱⁱⁱ	48	-	-	48	-	-	-	48
Jay Glick ^{iv}	175	-	-	175	-	-	-	175
John Hofmeister (to 30 August) ^v	53	-	-	53	-	-	-	53
Richard Hunting	60	-	-	60	-	-	-	60
Keith Lough (from 23 April) ^v	45	-	-	45	-	-	-	45
John Nicholas (to 18 April) ^{vi}	21	-	-	21	-	-	-	21

Notes:

- Peter Rose's base salary was increased to £338,553 with effect from 1 April 2019.
- Annell Bay was appointed Chair of the Remuneration Committee on 30 August 2018, with her annual fee increasing to £70,000.
- Carol Chesney was appointed a Director and Chair of the Audit Committee on 23 April 2018, with her annual fee set at £70,000.
- Jay Glick was appointed Company Chairman on 1 September 2017, with his annual fee set at £175,000 for this role. From 1 January 2019, Mr Glick's annual fee was increased to £183,750.
- Keith Lough was appointed as a Director on 23 April 2018 and subsequently Senior Independent Director on 30 August 2018, with his annual fee set at £70,000.
- John Hofmeister and John Nicholas retired as Directors during 2018.

Salary and Fees

On 16 April 2019 the Committee met to discuss base salary adjustments for the executive Directors. As part of its deliberations, the Committee reviewed benchmarked base salary data prepared by Kepler and received data from the Group's Chief HR Officer on the remuneration changes to the Executive Committee and wider workforce that had been implemented during 2019.

Following discussion, the Committee increased the base salary of Jim Johnson by 5.0% to \$735,000 p.a. In coming to this conclusion, the Committee noted that Mr Johnson's base salary was lower than many of his executive peers in the global energy services industry and that no changes to his base salary had been made for the 19 months since his appointment to the Board on 1 September 2017, a period over which he had demonstrated strong progress in the role of Chief Executive. Further, the Committee increased the base salary of Peter Rose by 4.0% to £338,553 (\$432,061). As part of its decision making, the Committee consulted the Chief Executive and Chairman and noted that the base salary increases for the members of the Executive Committee were between 3.0% and 4.2% in 2019 and the average workforce increase was 2.7%.

In December 2018, the Board reviewed the fee levels for non-executive Directors, which resulted in no changes being made for 2019.

The Committee also reviewed benchmarked fee data for the Company Chairman and agreed to increase his annual fee to £183,750, effective 1 January 2019.

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Pensions (audited)

Jim Johnson is a member of a deferred compensation scheme in the US, which is anticipated to provide a lump sum on retirement and contributes to a US 401K match deferred savings plan. Company contributions to the former arrangement were \$60,820 (2018 – \$109,500) in the year. There are no additional benefits provided on early retirement from this arrangement. In the year, the Group contributed to Mr Johnson's 401K saving plan, totalling \$16,800 (2018 – \$16,500). In 2019, the Company paid a cash sum in lieu of a pension contribution to Peter Rose totalling \$106,976 / £83,824 (2018 – \$107,717 / £80,790) representing 25% of his annual base salary. In August 2019, the Committee agreed to freeze Mr Rose's cash sum in lieu of a pension contribution from 1 January 2020.

Annual Performance-Linked Bonus Plan (audited)

Following the Company's Annual General Meeting in April 2018, the executive Director annual performance-linked bonus plan was amended. The revised operation of the bonus plan is therefore:

Proportion of award	Performance metric
60%	Underlying Profit before Tax
20%	Underlying Return on Capital Employed
20%	Personal Performance Objectives

Delivery of Financial Objectives

The financial performance targets for the 2019 annual bonus were as follows:

	Threshold vesting	Target vesting	Maximum vesting	Adjusted result
Underlying Profit before Tax	\$83.4m	\$104.7m	\$125.6m	\$94.7m
Underlying Return on Capital Employed	7.4%	9.3%	11.1%	8.0%

The financial objectives within the annual bonus start to accrue when 80% of the Annual Budget targets are met, increasing on a straight-line basis up to 120% of the budget target. The Target Vesting values are the basis of the 2019 Annual Budget agreed by the Board in December 2018. In 2019, the Group delivered an underlying profit before tax of \$93.1m and an underlying return on capital employed of 7.9%. As noted in the report from the Chair of the Remuneration Committee, in determining the final outcome of the PBT and ROCE measures, the Committee has reversed the impact of the trading losses and acquisition costs of RTI Energy Systems Inc., totalling \$1.6m, leading to PBT of \$94.7m and ROCE of 8.0%. In coming to this decision, the Committee agreed that while the transaction was a key strategic milestone delivered by management, and which introduced new products to the Group's customers, the acquisition was not incorporated within the 2019 Annual Budget and that the short-term trading losses and acquisition costs of the business in 2019 adversely impacted the overall underlying profit result delivered in the year. The final vesting amounts for the Annual Bonus have therefore utilised an adjusted PBT and ROCE result, as noted in the table above with a total vesting of the financial targets being 19% of the maximum opportunity of 80%.

Delivery of Personal Performance Objectives

The Personal Performance objectives agreed by the Committee with the executive Directors with effect from January 2019 were as follows:

Jim Johnson (Chief Executive)

Strategic Planning (50%)

- Development of three-year plan for each business including capex requirements, research and development budgets and organisational enhancements.
- Detailed merger and acquisition plans, including business unit divestment priorities.

Leadership and Organisational Effectiveness (25%)

- Development and implementation of detailed successions plans, including high-grading of key executive talent.
- Implementation of an effective global employee engagement plan.
- Continuing cultural leadership to enable outstanding performance in quality products and HSE of our employees, contractors and facilities.

Efficiency and Utilisation Initiatives (25%)

- Enhance understanding of lean manufacturing strategies and cost effectiveness of global programme.
- Enhance reporting of research and development projects.

Peter Rose (Finance Director)

Strategic Planning (50%)

- Development of three-year plan for each business including capex requirements, research and development budgets and organisational enhancements.
- Detailed merger and acquisition plans, including business unit divestment priorities.

Leadership and Organisational Effectiveness (35%)

- Development and implementation of detailed successions plans, including high-grading of key executive talent in finance and IT.
- Implementation of an effective global employee engagement plan.
- Enhancement of Investor Relations strategy.
- Enhancement of ESG-related disclosures.
- Implementation of IT, Cyber and Data Management Strategy.

Operational and Financial Initiatives (15%)

- Identify and implement opportunities to enhance financial controls, corporate governance framework and financial reporting.

During the year, the Committee was updated on the progress of the objectives noted above – and for the year ended 31 December 2019 noted the following outcomes:

Strategic Planning

In June 2019 the Board reviewed a comprehensive Group Strategic Plan covering the period 2019 to 2023. The Plan encompassed, for each operating segment, detailed financial projections, SWOT analyses as well as potential acquisition candidates and technology investment opportunities allowing the Board to consider growth opportunities and Hunting's position within the global market. The Strategic Plan was adopted and approved at the June 2019 meeting.

Succession Planning

The Board noted the progress in the area of executive talent development and recruitment, since the appointment of a Group Chief HR Officer in November 2018. In July 2019 an all-employee engagement survey was launched with the results being noted by the Board. Further, in December 2019 the Chief HR Officer presented to the Board initiatives and plans to develop the HR platform within the Group. The Committee noted that a clear framework for executive Director and Executive Committee succession had been put in place enabling the Board to understand the future potential of the existing team.

Efficiency and Utilisation

The Board reviewed reports on lean manufacturing initiatives underway across the Company and the cost benefits being derived from the various programmes underway. Further, the research and development pipeline was reviewed, as part of the Strategic Plan.

Investor Relations

The Board noted the Investor Relations Plan which had been executed in the year, including the strength and depth of the Company's share register and the development of new investors in the year. The Committee noted the presentation delivered by the Head of Investor Relations to broaden the geographic spread of the Company's share register and also the improvements to ESG-related disclosures of the Group.

IT

The Board noted the IT and Cyber briefings presented in the year which addressed aspects of the Group's overall risk management framework. It was noted that key IT projects, including security and monitoring, had been progressed in the year.

Other Initiatives

The Committee noted that a review of the Group's corporate governance and stakeholder policies and procedures had been completed in the year, in line with the new Code and noted the new reporting mechanisms on stakeholder engagement, which had been implemented.

Accordingly, the Committee concluded that all Personal Performance objectives had been met in full during the year.

Based on this outcome the following bonus awards were made to the executive Directors:

Proportion of annual bonus allocated	Performance metric	Percentage of annual bonus awarded
60%	Underlying Profit before Tax	16%
20%	Underlying Return on Capital Employed	3%
20%	Personal Performance Objectives	20%

Mr Johnson was therefore awarded a bonus of \$567k (77% of base salary) and Mr Rose was awarded a bonus of \$250k (58% of base salary). In line with the revised operation of the Annual Bonus Plan rules 25% of the post-tax value of the bonus will be delivered in Hunting shares, to be held for two years.

In 2018 the annual bonus awards to the executive Directors were as follows: Mr Johnson – \$1.4m and Mr Rose – \$651k. On 1 March 2019, Mr Johnson received 29,232 Ordinary shares and Mr Rose 11,817 Ordinary shares, representing 25% of the post-tax value of the bonus, to be held for two years from 28 February 2019.

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2017 HPSP Vesting (audited)

The 2017 awards under the HPSP have been measured against the performance conditions following completion of the three-year performance period.

The executive Director performance metrics were based on absolute diluted EPS and ROCE targets, to be delivered in the financial year ended 31 December 2019, in addition to a three-year relative TSR performance condition, ranked against a comparator group of 14 companies.

In determining the vesting outcome the measurement of the EPS and ROCE performance conditions has incorporated IAS 17 Leases, which was the basis of the targets and grant agreed in 2017.

A summary of the EPS and ROCE performance is detailed below:

	Threshold vesting target	Maximum vesting target	Recorded performance under IAS 17 Leases	% Vesting outcome
Underlying diluted EPS	40 cents	60 cents	44.1 cents	40.4%
Underlying ROCE	8%	15%	8.0%	25.0%

The Total Shareholder Return performance condition was measured by Kepler in January 2020, following completion of the three-year performance period. Hunting's TSR performance against the 14 comparator companies was then ranked, resulting in an upper quartile position corresponding to 100% vesting of the TSR portion of the 2017 HPSP award.

Given the partial vesting of the EPS and ROCE portions and a full vesting of the TSR portion of the 2017 grant, the total vesting of the 2017 award is 55.1% based on these three performance conditions. Peter Rose, as an executive Director across the whole performance period, will receive 63,890 shares.

As noted previously, Mr Johnson's 2017 award was made when he was Chief Operating Officer and not an executive Director, with his award including a fourth performance condition based on the Group's recorded average internal manufacturing reject rate across the performance period. The three-year outcome for this performance condition was 0.26%, with a threshold vesting target of 1.2% and a maximum vesting target of 0.60%. Based on this recorded performance, a 100% vesting has been recorded, equating to a 66.4% vesting for Mr Johnson's 2017 award. On the vesting date, Mr Johnson will therefore receive 148,314 shares.

A cash equivalent of dividends paid by the Company during the vesting period, totalling 14.0 cents per vested share, will be added to the award on the vesting date. The 2017 HPSP vesting has been calculated as follows:

	No. of shares granted in 2017	Vesting %	No. of shares vested	Value of vested shares at 31 December 2019* \$	Value of dividends at 14.0 cents per share \$	Total award value \$
Jim Johnson**	223,533	66.4	148,314	782,128	20,764	802,892
Peter Rose	115,889	55.1	63,890	336,921	8,945	345,866

* As per the methodology for reporting the values of unvested awards, the average price of a Hunting PLC share during Q4 2019 of £4.09 has been applied and converted to dollars at an exchange rate of 1.288 for the period. The share price on the date of grant was £5.40.

** Jim Johnson's 2017 award, as Chief Operating Officer on the date of grant, was subject to a fourth performance condition which has vested in full, equating to a 100% vesting of this element of his award.

2016 HPSP Vesting (audited)

On 31 December 2018, the 2016 awards under the HPSP were measured against the performance conditions following completion of the three-year performance period; resulting in the following outcome:

	No. of shares granted in 2016	Vesting %	No. of shares vested	Value of vested shares at 11 March 2019* \$	Value of dividends at 8.0 cents per share \$	Total award value \$
Jim Johnson**	239,660	75.0	179,745	1,423,595	14,380	1,437,975
Peter Rose	166,991	66.7	111,327	881,727	8,906	890,633

* As per the methodology for reporting the values of unvested awards, the average price of a Hunting PLC share during Q4 2018 has been applied and converted to dollars at the average \$:£ exchange rate for the period.

** Jim Johnson's 2016 award, as Chief Operating Officer on the date of grant, was subject to a fourth performance condition which has vested in full, equating to a 75% vesting of his award.

Final award values were determined on exercise and are disclosed on page 94.

2019 HPSP Grant (audited)

On 21 March 2019, the Committee approved the grant of nil-cost share awards to Jim Johnson and nil-cost options to Peter Rose under the rules of the HPSP. Awards will vest on 21 March 2022, subject to the achievement of the performance metrics detailed on page 91 of the Policy, with a two-year holding period then applying to the post-tax vested shares. Details of the grant are as follows:

Director	Award as % of base salary	Number of shares under grant	Face value of award at threshold vesting of 25% \$	Face value of maximum award vesting at 100% \$
Jim Johnson	450%	422,507	787,500	3,150,000
Peter Rose	210%	119,201	222,176	888,703

The Remuneration Committee adopted absolute EPS and ROCE targets to be delivered by 31 December 2021, three-year TSR targets and a Strategic Scorecard for the grants to the executive Directors in 2019. The Strategic Scorecard is subdivided equally between two non-financial KPIs, namely Quality Assurance and Safety performance metrics published by the Group during the performance period.

The targets for each performance condition are as follows:

Performance condition ⁱ	Proportion of award	Threshold vesting target	Maximum vesting target
TSR	25%	Median	Upper quartile
EPS	25%	50 cents	70 cents
ROCE	35%	10%	15%
Strategic Scorecard			
– Quality Assurance	7.5%	0.8	0.5
– Safety	7.5%	2.00	<1.00

i. To be achieved in the three years ending 31 December 2021.

The following quoted businesses comprise the TSR comparator group for the 2019 award:

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

The face value of the 2019 award is based on the five-day average mid-market share price up to 20 March 2019, which was 573.5 pence.

Payments to Past Directors (audited)

Dennis Proctor, the Group's former Chief Executive, retired from the Company on 1 September 2017 and was treated as a good leaver. With the exception of outstanding HPSP awards, no emoluments were paid to Mr Proctor in 2019. Mr Proctor's 2016 HPSP grant vested on 11 March 2019, when he received 193,480 Ordinary shares at a value of \$1,330,104 and a cash equivalent dividend of \$14,878.

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

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

Director ⁱ	At 31 December 2019 ⁱⁱ	At 31 December 2018 ⁱⁱ
Executives		
Jim Johnson	205,042	66,966
Peter Rose	167,712	97,028
Non-executives		
Annell Bay	11,840	11,840
Carol Chesney	5,000	2,000
Jay Glick	41,373	23,000
Richard Hunting	468,133	466,583
– as trustee	905,783	924,049
– as Director of Hunting Investments Limited	11,003,487	11,003,487
Keith Lough	9,000	2,000

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

ii. Or cessation date.

There have been no further changes to the Directors' share interests in the period 31 December 2019 to 27 February 2020.

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In 2014, the Group implemented a share ownership policy that requires Directors and certain senior executives within the Group to build up a holding in shares equal in value to a certain multiple of their base salary or annual fee. The multiple takes into account the post-tax value of vested but unexercised share awards or options. The required shareholding of each Director and the current shareholding as a multiple of base salary as at 31 December 2019 is presented below:

Director	Required holding expressed as a multiple of base salary or fee	Requirement met*
Jim Johnson	5	N
Peter Rose	2	Y
Annell Bay	1	N
Carol Chesney	1	N
Jay Glick	1	Y
Richard Hunting	1	Y
Keith Lough	1	N

* The value of the holding of the Directors has been determined using the value on purchase of Ordinary shares or the share price at 31 December 2019 of £4.17.

The interests of the executive Directors over Ordinary shares of the Group under the HPSP are set out below. The vesting of options and awards are subject to performance conditions set out within the Policy.

Director	Interests at 1 January 2019	Options/ awards granted in year	Options/ awards exercised in year	Options/ awards lapsed in year	Interests at 31 December 2019	Exercise price p	Grant date	Date exercisable	Expiry date	Scheme
Jim Johnson	239,660	–	(179,745)	(59,915)	–	nil	11.03.16	11.03.19	–	HPSP
	223,533	–	–	–	223,533 [^]	nil	03.03.17	03.03.20	–	HPSP
	286,624	–	–	–	286,624 [^]	nil	19.04.18	19.04.21	–	HPSP
	–	422,507	–	–	422,507 [^]	nil	21.03.19	21.03.22	–	HPSP
Total	749,817	422,507	(179,745)	(59,915)	932,664					
Peter Rose	166,991	–	(111,327)	(55,664)	–	nil	11.03.16	11.03.19	11.03.26	HPSP
	115,889	–	–	–	115,889 [~]	nil	03.03.17	03.03.20	03.03.27	HPSP
	87,085	–	–	–	87,085 [~]	nil	19.04.18	19.04.21	19.04.28	HPSP
	–	119,201	–	–	119,201 [~]	nil	21.03.19	21.03.22	21.03.29	HPSP
Total	369,965	119,201	(111,327)	(55,664)	322,175					

[^] Nil-cost share awards that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.

[~] Nil-cost share options that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.

Shareholder Voting at the 2019 AGM

At the Company's AGM held in April 2019, the resolution to approve the Annual Report on Remuneration received the following votes from shareholders:

	Number of votes cast	% of votes cast
For	125,531,545	95.63
Against	5,732,104	4.37
Votes withheld ⁱ	5,362,254	–
Total votes cast	136,625,903	100.00

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

The Directors' Remuneration Policy was last approved by shareholders at the Company's Annual General Meeting on 18 April 2018, with 98.92% voting in favour of the resolution. The Policy will next be tabled for shareholder approval at the Company's Annual General Meeting in April 2021.

Relative Importance of Spend on Pay

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

	2019 \$m	2018 \$m	Change
Employee remuneration ⁱ	260.0	254.5	+2%
Net tax paid ⁱⁱ	(7.7)	(2.6)	+196%
Dividends paid ⁱⁱ	16.6	6.6	+152%
Capital investment ⁱⁱ	36.0	30.1	+20%

i. Includes staff costs for the year (note 8) plus benefits in kind of \$37.1m (2018 – \$32.7m), which primarily comprises US medical insurance costs.

ii. Please refer to page 121 and note 36.

Executive Director Remuneration and the Wider Workforce

The changes to the remuneration of the Chief Executive in 2019 compared to 2018 and those of the total workforce are as follows:

	Chief Executive	Average employee
Base salary	+3.7%	nil
Bonus	-59.5%	-15.1%
Benefits	-24.9%	+1.3%

The average salary increase for employees in 2019 was 2.7%, however, the figure in the table is lower, due to a higher headcount in the year.

Changes to Director and Employee Pay

The table below is presented in compliance to the Shareholder Rights Directive II, which was enacted in the UK on 10 June 2019.

The changes to the emoluments paid to Jim Johnson and Peter Rose reflect the changes to base salaries agreed by the Remuneration Committee and the levels of vesting of the annual bonus and long-term incentive arrangements.

	2018 to 2019
Jim Johnson	-37%
Peter Rose	-34%
Annell Bay	+11%
Carol Chesney	+46%
Jay Glick	+5%
Richard Hunting	nil
Keith Lough	+56%
Global employees	+5%

Chief Executive and Workforce Pay Ratio

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	49:1	38:1	22:1
	Workforce Pay Quartiles	\$45,663	\$58,603	\$99,521

The Company has elected to voluntarily disclose the pay ratio of the Group's Chief Executive and Workforce, in line with The Companies (Miscellaneous Reporting) Regulations 2018 and has adopted Option A from the regulations as the basis of presenting the pay ratio.

Hunting's UK employees averaged 207 in the year, which represents 7% of the Group's total average workforce in 2019. The basis of the workforce calculation is aligned with the basis of preparation of the single figure table on page 94, comprising of fixed and variable emoluments and is calculated on a full-time equivalent basis, in line with the requirements of the regulations.

Further, the above disclosure assumes a maximum company pension contribution of 12% of base salary; however, it is noted that not all UK employees elect to receive this level of contribution. This data has been collated for the 12 months ended 31 December 2019.

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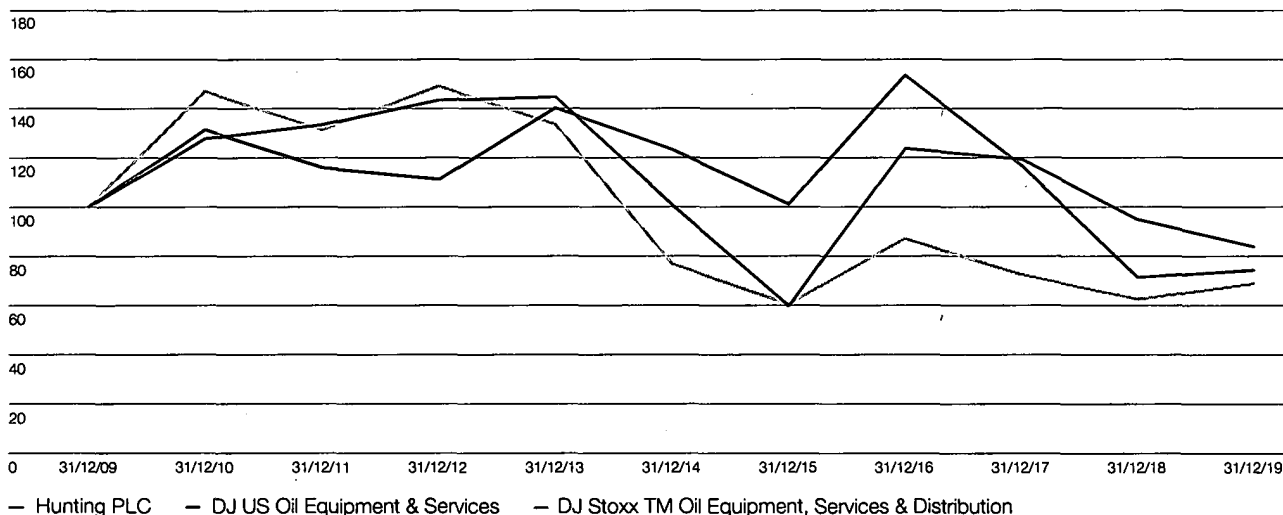
Annual Report on Remuneration continued

Executive Director Remuneration and Shareholder Returns

The following chart compares the TSR of Hunting PLC between 2009 and 2019 to the DJ Stoxx TM Oil Equipment, Services and Distribution and DJ US Oil Equipment and Services indices. In the opinion of the Directors, these indices are the most appropriate indices against which the shareholder return of the Company's shares should be compared because they comprise other companies in the oil and gas services sector.

Total Shareholder Return

(Rebased to 100 at 31 December 2009)



Summary Table of Chief Executive's Remuneration

The accompanying table details remuneration of the Chief Executive:

	Single figure remuneration ⁱ \$000	Annual cash bonus ⁱⁱ %	ESOP/PSP/ HPSP ⁱⁱⁱ % vesting	LTIP ^{iv} % award
2019 – Jim Johnson	2,229	39	66	n/a
2018 – Jim Johnson	3,715	100	75	n/a
2017 – Jim Johnson (from 1 September)	819	33	4	n/a
2017 – Dennis Proctor (to 1 September)	3,974	67	13	n/a
2016 – Dennis Proctor	941	Nil	Nil	n/a
2015 – Dennis Proctor	1,031	Nil	Nil	Nil
2014 – Dennis Proctor	4,808	57	Nil	100
2013 – Dennis Proctor	4,442	42	Nil	100
2012 – Dennis Proctor	5,497	75	66	100
2011 – Dennis Proctor	3,261	100	Nil	31
2010 – Dennis Proctor	1,876	100	100	5

- Single figure remuneration reflects the aggregate remuneration paid to the Chief Executive as defined within the Directors' Remuneration Policy.
- Annual cash bonus percentages reflect the bonus received by the Chief Executive each year expressed as a percentage of maximum bonus opportunity.
- Percentage vesting reflects the percentage of the ESOP that vested in the financial year and the percentage of the PSP and HPSP where a substantial portion of the performance period was completed at the financial year-end. Messrs Johnson's and Proctor's awards have been pro-rated for their period of service as Chief Executive.
- LTIP award percentage reflects the award value expressed as a percentage of maximum award opportunity received each year measured at 31 December. The LTIP expired in 2015, with no further awards outstanding.

Implementation of Policies in 2020

The remuneration policies for 2020 will be applied in line with those detailed on pages 73 to 82 of the 2017 Annual Report and Accounts.

Salary and Fees

In December 2019, the Board concluded that there would be no changes made to fees payable to the non-executive Directors for 2020.

As noted above, the Remuneration Committee will meet in April 2020 to consider base salary changes for the executive Directors. Any changes are likely to align with Group-wide base salary increases.

Pension and Benefits

Jim Johnson will continue to receive contributions towards a US deferred compensation scheme and a US 401K match deferred savings plan, in line with previous years. Peter Rose will continue to receive a cash sum in lieu of a pension contribution which will be fixed at £84,638 for 2020. No changes are anticipated to the provision of benefits which will continue to include healthcare insurance, a company car and fuel benefits.

Annual Bonus

The annual performance-linked bonus for 2020 will operate in line with the Directors' Remuneration Policy. The Committee will disclose details of the retrospective performance against the pre-set financial targets and personal performance objectives, as the Board believes that forward disclosure of the financial targets is commercially sensitive. The annual bonus weightings will remain unchanged from 2019, being 60% PBT, 20% ROCE and 20% personal performance.

HPSP

The grants to the executive Directors for 2020 will be made in March 2020. The performance conditions, weightings and targets for the HPSP award will generally align with the 2019 HPSP grant. The performance targets will be included in the Stock Exchange announcement to be issued on award of the 2020 HPSP grant.

Remuneration of Bruce Ferguson

On 23 January 2020, the Company announced that Peter Rose is to retire as Finance Director and as a Director of the Company on 15 April 2020. The Board has proposed Bruce Ferguson as Mr Rose's successor, with his appointment subject to approval by shareholders at the Company's 2020 Annual General Meeting. Mr Ferguson's biography has been included in the Notice of Meeting, along with the Board's reasons for his appointment.

The Nomination Committee has agreed a base salary of £275,000 and a cash payment in lieu of a company pension contribution of 12% of base salary which aligns with the UK workforce. All other aspects of Mr Ferguson's remuneration aligns with the current Directors' Remuneration Policy as summarised on pages 88 to 92.

Compliance Statement

The Directors' Remuneration Policy and 2019 Annual Report on Remuneration reflect the Remuneration Committee's reporting requirements under the amended Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Shareholder Rights Directive II, as enacted on 10 June 2019 and also the 2018 UK Corporate Governance Code which became effective for the Company from 1 January 2019.

The 2019 Annual Report on Remuneration, which includes the Letter from the Chairman of the Remuneration Committee, details how the approved Directors' Remuneration Policy was applied during 2019. This report was approved by the Remuneration Committee at its meeting on Monday 24 February 2020.



Annell Bay

Chair of the Remuneration Committee

27 February 2020

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Nomination Committee Report

For the year ended 31 December 2019

The work of the Committee in the year included reviewing the results of the new all-employee survey and the approval of an enhanced succession planning and talent management framework.

The Committee also reviewed its effectiveness in the year and agreed a timetable of work for 2020.

Since the year-end the Committee has met to agree the succession plan for the Group's Finance Director. As announced on 23 January 2020, Bruce Ferguson has been proposed by the Board for appointment by shareholders at the Company's Annual General Meeting.

John (Jay) F. Glick
Chair of the Nomination Committee

Composition and Frequency of Meetings

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

The Committee meets as required to discuss succession matters and, in 2019, met once in December.

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

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

	Member	Invitation
Number of meetings held:	1	
Number of meetings attended (actual/possible):		
Annell Bay	1/1	–
Carol Chesney	1/1	–
Jay Glick (Committee Chair)	1/1	–
Richard Hunting	–	1/1
Jim Johnson	–	1/1
Keith Lough	1/1	–
Peter Rose	–	1/1

Employee Engagement

The Group appointed a global Chief HR Officer during 2018, who reports directly to the Chief Executive.

In December 2019, the Committee and Board received a presentation on the activities of the Group's HR function, which included a review of the all-employee survey results, which had been initiated in July 2019.

Senior Management Development and Succession

As part of the new procedures introduced, evaluation of the senior leadership team and their direct reports has been undertaken. This has led to the Board identifying high-potential candidates, who will receive formal development and training to enhance the pipeline of talent for the most senior roles within the Company, including at Executive Committee and Board levels.

Change of Finance Director

The Company announced on 23 January 2020 the retirement of Peter Rose as Hunting's Finance Director. Peter has been an integral member of the Group's leadership team since 1997, helping to transform Hunting from a diversified conglomerate with interests in aviation, defence and energy, into a focused international energy services group.

Peter was appointed to the Board in April 2008 and has overseen major divestments and acquisitions, and leaves the Company in a very strong financial position. As previously announced, Peter will step down from the Board at the conclusion of the Company's Annual General Meeting on 15 April 2020. The Board is grateful for the leadership and direction Peter has provided over the Group's finance matters during this time and wish him a happy retirement.

The Committee has met since the start of 2020 to deliberate on the succession of the Group's Finance Director. Since 2018, a formal succession plan for all members of Hunting's leadership team has been in place and, following discussion and unanimous agreement, was delighted to recommend the appointment of Bruce Ferguson, currently managing director of the Group's EMEA operating segment.

Bruce is a qualified Chartered Management Accountant. He joined Hunting in 1994 and has held a number of senior finance and operational roles within the Group's European businesses and, since 2011, has been the managing director of the Group's EMEA segment.

Bruce has been proposed for appointment as Finance Director of the Company at Hunting PLC's 2020 Annual General Meeting and, subject to his election by shareholders, will join the Board on 15 April 2020. His proposed remuneration package is also detailed on page 103 of the Annual Report on Remuneration.

As part of the succession and appointment process, Heidrick & Struggles assisted the Committee in the interview and benchmarking process. Apart from this brief, Heidrick & Struggles do not have any other connection to the Company. Further, Kepler Associates provided benchmarked remuneration data which was reviewed by the Remuneration Committee.

Board Evaluation

As noted in the Corporate Governance Report on page 80, the Board undertook an internally facilitated Board evaluation in 2019. The process concluded that the skills and experience of the Directors were strong and appropriate for the size and profile of the Group.

Committee Effectiveness

At its December meeting, the Committee reviewed its terms of reference and considered its effectiveness, concluding that its performance had been satisfactory during the year.

Gender Diversity

Hunting's gender diversity policy commits the Group to:

- an embedded culture of equal opportunities for all employees, regardless of gender;
- require external recruitment consultants to submit their diversity policies to the Group prior to appointment;
- ensure that external consultants appointed by Hunting provide candidate shortlists comprising of an appropriate gender balance for consideration by the Nomination Committee; and
- a periodic review by the Nomination Committee of its progress in complying with best practice recommendations.

Following the appointment of Annell Bay in 2015 and Carol Chesney in 2018, Hunting's Board comprises 29% of female Directors, which is close to the recommended UK gender target of 33%.



John (Jay) F. Glick

Chair of the Nomination Committee

27 February 2020

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Audit Committee Report

For the year ended 31 December 2019

During 2019, Hunting delivered a performance marginally below 2018, as the global oil and gas market continued to experience levels of volatility due to the general commodity price environment, and also due to geopolitical risks increasing in the year. This performance was consistent with the Board's expectations. Despite these headwinds, management delivered increased revenues in the year as a number of operating segments reported improving customer activity. This led to a strong year-end cash position, which is commendable given this trading environment.

The Company adopted IFRS 16 Leases from 1 January 2019, which has led to right of use assets of \$36.7m and lease liabilities of \$45.2m being recognised on the balance sheet as at 31 December 2019, with a net reduction of \$0.8m to profit before tax in the income statement. The Committee has reviewed the work completed by management to implement the standard, having received regular reports throughout the year, and discussed with the Company's auditor the impact on the Company's consolidated balance sheet and income statement.

2019 is the first year with Deloitte as the Company's auditor, having taken over from PricewaterhouseCoopers. The Committee reviewed its audit plans in the year for the interim and full-year accounts, and are pleased to report that good dialogue has developed between management, the Committee and the global audit team.

In summary, the Committee believes the Company continues to operate on a firm footing, with all controls assessed and reporting procedures remaining appropriate.

Carol Chesney

Chair of the Audit Committee

Composition and Frequency of Meetings

The Committee currently comprises three independent non-executive Directors and is chaired by Carol Chesney. Mrs Chesney is a qualified Chartered Accountant and is considered to have recent and relevant financial experience. Mr Lough and Ms Bay (Chair of the Remuneration Committee) have experience of the global energy industry, with particular expertise in the UK and US oil and gas markets. Further details of the Committee's experience can be found in the biographical summaries set out on pages 72 and 73.

During the year, there were no changes to the composition of the Committee.

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

In 2019, the Committee met four times, in February, April, August and December, and the attendance record of Committee members and Board-invitees during the year is noted below.

	Member	Invitation
Number of meetings held	4	
Number of meetings attended (actual/possible):		
Annell Bay	4/4	–
Carol Chesney (Committee Chair)	4/4	–
Jay Glick	–	4/4
Richard Hunting	–	4/4
Jim Johnson	–	4/4
Keith Lough	4/4	–
Peter Rose	–	4/4

The other Directors, internal and external auditors are normally invited to attend meetings.

Responsibilities

The principal responsibilities of the Audit Committee are to:

- monitor and review reports from the executive Directors, including the Group's financial statements and Stock Exchange announcements;
- provide the Board with a recommendation regarding the Half-Year and Annual Report and Accounts, including whether they are fair, balanced and understandable;
- review the Company's and Group's Going Concern and Viability Statements;
- monitor, review and assess the Group's systems of risk management and internal control;
- review reports from the Group's external and internal auditors, including details of the audit programmes and scope;
- consider and recommend to the Board the appointment or reappointment of the external auditor as applicable;
- agree the scope and fees of the external audit;
- monitor and approve engagement of the external auditor for the provision of non-audit services to the Group;
- review the external auditor's independence and effectiveness of the audit process;
- monitor corporate governance and accounting developments;
- monitor the Group's Bribery Act compliance procedures;
- review the procedures to comply with the UK Modern Slavery Act; and
- monitor whistleblowing procedures.

Work Undertaken by the Committee During 2019

The Committee discussed, reviewed and made a number of decisions on key areas throughout 2019, which are set out below:

Financial reporting

Annual Report and Full-Year Results announcement
Going Concern Basis
Viability Statement
Interim Report and Interim Results announcement

Interim Report and Interim Results announcement

Review Accounting Policies

Internal control and risk management

Risk management and internal control report

Key risks and mitigating controls

Effectiveness of internal controls and internal audit function

Internal Audit Report

Procedures for preventing bribery and corruption

Procedures for complying with the Modern Slavery Act

Sanctions compliance

Whistleblowing summary reports

Internal audit programme and resourcing

External auditor

Auditor's objectivity, independence and appointment

Full-Year and Half-Year report to the Audit Committee

Final Management Letter on internal controls

Auditor's performance and effectiveness

Proposed year-end audit plan including scope, fees and engagement letter

Risk of auditor leaving the market

Other business

Whistleblowing and Bribery policy review

Reference

Appointment of New Auditor

At the Company's Annual General Meeting on 17 April 2019, shareholders approved the appointment of Deloitte LLP ("Deloitte") as external auditor. As part of the agreed auditor transition arrangements with PricewaterhouseCoopers ("PwC"), Deloitte attended meetings in 2018 and up to their appointment in 2019.

At the Committee's meeting in April, Deloitte tabled a draft plan for the year-end audit and also a plan for the interim review process, which forms part of the Company's half-year results procedures. The Committee approved these work streams and, since appointment, Deloitte has undertaken a programme of visits to many of the Group's businesses and operating locations to understand local procedures and the internal control environment. Detailed reports from Deloitte were presented at the April, August and December 2019 meetings of the Audit Committee and a final report was presented at the February 2020 meeting of the Committee, ahead of approval of the 2019 Annual Report and Accounts.

The Committee is satisfied with the performance of Deloitte since appointment and confirm that the transition from PwC has been completed appropriately.

Review of the 2019 Financial Statements

The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major segments is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board. In addition to briefings and supporting reports from the central finance team on significant issues, the Committee engages in discussion with Deloitte, the Group's external auditor. Significant matters reviewed by the Committee in connection with the 2019 Annual Report and Accounts were as follows:

Adoption of New Accounting Standard
During the year, the Company adopted IFRS 16 Leases effective from 1 January 2019. The new standard replaces IAS 17 Leases. The Company has adopted the standard on a modified retrospective basis, whereby the opening retained earnings have been amended, with no prior period adjustments being made to the financial statements. The Group has purchased specialist software to track all leases held.

Following adoption of the new standard, \$39.7m of right-of-use assets and \$49.0m of lease liabilities were recognised on the Group's consolidated balance sheet at 1 January 2019. In line with the new standard, operating lease charges were de-recognised, which positively impacted the Group's EBITDA and profit from operations, while reducing the Group's profit before tax, due to the changes to the charges for depreciation and interest, in line with the new standard. At 31 December 2019, right-of-use assets totalled \$36.7m and lease liabilities totalled \$45.2m. The Group's reported net cash position now includes these lease liabilities. The Committee reviewed the implementation work as part of the deliberations for the half-year and full-year results, with Deloitte confirming the new items recorded.

Following discussion, the Committee was satisfied with the work completed and the financial statements as presented.

New Statutory and Governance Reporting

The Audit Committee has monitored the Group's procedures

to comply with new UK regulation and governance reporting.

Following a review of draft disclosures throughout the year, the Committee was satisfied that the Group had adopted the new requirements in an appropriate manner.

Impairment Reviews

In the year, the Group reported a broadly similar result compared to 2018. The Committee noted the decline in performance within the Group's onshore focused businesses, including the Hunting Titan and Canada operating segments and the US Drilling Tools and Specialty businesses. Given this trading environment, management conducted a review for indicators of impairment of the carrying values of the assets held on the Group's balance sheet for the half-year and year-end, which has led to an impairment charge to PPE totalling \$19.0m being recorded against the US Drilling Tools businesses.

Property, Plant and Equipment ("PPE")
The year-end balance sheet includes PPE of \$354.7m (2018 – \$360.2m). This represents approximately 29% of the Group's net assets (2018 – 30%). As noted above, an impairment charge against the Group's US Drilling Tools business has been recorded as part of the year-end audit procedures. The Committee reviewed the PPE impairment tests and subsequent charge and, following discussion, was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

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Goodwill

The year-end balance sheet includes goodwill of \$230.2m (2018 – \$229.9m). This represents approximately 19% of the Group's net assets (2018 – 19%). Reviews for indicators of impairment of the carrying values of goodwill held by Hunting's relevant businesses were undertaken at the half and full year, which confirmed that Hunting's projections supported no need for impairment. The Committee considered the appropriateness of the assumptions and challenged the discount rates and the factors used in the review process. After discussion, it was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

Other Intangible Assets

The carrying value of the Group's other intangible assets was also reviewed resulting in no impairments (2018 – \$nil) being recorded in the year. The amortisation charge recorded in the income statement was \$32.3m (2018 – \$31.9m). As with the goodwill impairment review, the Committee considered and confirmed the appropriateness of the assumptions, discount rates and factors used in the review process.

Inventory

At the year-end, the Group held \$350.8m of inventory (2018 – \$348.2m). The year-on-year increase is attributable to the general improvement in trading within Hunting's US, EMEA and Asia Pacific segments. Due to the general medium-term outlook for the industry, the carrying values have been assessed to be adequate. Further, the Committee reviewed year-end inventory carrying values and the work undertaken by management in assessing and supporting the carrying values. Given this, and together with the improved offshore market conditions, the Committee concluded that inventory carrying values were fairly stated.

Taxation

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

Exceptional Items Charged to the Consolidated Income Statement

The Committee considered the accounting policy definition of exceptional items and the items included within the financial statements to ensure consistency of treatment and adherence to policy.

Exceptional items recorded in respect of the Group's operations for the full year totalled \$19.0m (2018 – \$nil), wholly related to the impairment to PPE within the Group's US Drilling Tools business.

Going Concern Basis and Viability Statement

The Committee monitored assumptions around Going Concern at the half and full year, as well as those around the Group's Viability Statement for the full year. Driven by the outturn of the Group in the year, the Committee concluded that good support for Hunting's longer-term viability exists. Further, the assessment is supported by the year-end net cash position of \$77.9m (2018 – \$61.3m), which includes lease liabilities following the adoption of IFRS 16.

These factors supported the Committee's assessment of the Going Concern Statement and the Viability Statement, as detailed on pages 68 and 69. The statements considered by the Committee were supported by reviews of the regular forecast updates provided by management and the bank covenant compliance reports.

In the year, Hunting remained fully compliant with its bank covenants. The Group's \$160m revolving credit facility expires in 2022, and the Company retains the option to increase the facility by a further \$75m to \$235m and extend the facility's maturity date to 2023, subject to approval of the lending group.

On 24 February 2020, the Audit Committee approved the Viability Statement, detailed on page 68 of the Strategic Report, noting that it presented a reasonable outlook for the Group for the next three years.

Fair, Balanced and Understandable Assessment

The Committee has reviewed the financial statements, together with the narrative contained within the Strategic Report set out on pages 51 to 60, and believes that the 2019 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

In arriving at this conclusion the Committee undertook the following:

- review and dialogue in respect of the monthly management accounts and supporting narrative circulated to the Board;
- review of early drafts of the Annual Report and Accounts, providing relevant feedback to the executive Directors;
- regular review and discussion of the financial results during the year, including briefings by Group finance and operational management; and
- receipt and review of reports from the external and internal auditors.

The Committee advised the Board of its conclusion that the 2019 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable at a Meeting of the Directors on 25 February 2020.

Internal Audit

The Committee receives reports from the Internal Audit function, which now comprises two full-time staff. The Chair of the Committee also has regular dialogue with the function throughout the year. The Committee reviews the internal audit process and effectiveness as part of the Group's internal control and risk assessment programme. An annual programme of internal audit assignments is reviewed and approved by the Committee. The Committee met with the Head of Internal Audit, without the presence of the executive Directors, on three occasions during the year. The effectiveness of the Internal Audit function was also considered by the Committee at its February meeting, which concluded that the function remained effective.

External Audit

The external auditor presents reports at the February, April, August and December meetings of the Audit Committee. Further, the Chair of the Committee also has regular dialogue with the audit partner throughout the year.

In February 2020, a full-year report by Deloitte was considered ahead of publication of the Group's 2019 Annual Report and Accounts.

In April 2019, PwC presented its final internal control report prior to their retirement, which was reviewed by Deloitte as part of the agreed transition arrangements. As part of the procedures to appoint Deloitte, a draft full-year audit plan and engagement letter was reviewed by the Committee at its April 2019 meeting, which was approved and recommended to the Board. At the August 2019 meeting, an interim report was presented, which included the proposed full-year audit scope and fees. An update to the full-year plan was presented at the December 2019 meeting.

The Committee meets with the external auditor, without executive Directors present, at the end of each formal meeting.

During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014.

Audit Scope

The Audit Committee considered the audit scope and materiality threshold. The audit scope addressed Group-wide risks and local statutory reporting, enhanced by desk-top reviews for smaller, low risk entities. Approximately 91% of the Group's reported revenue and over 93% of net assets have been audited, covering 22 reporting units across five countries.

Materiality

The Committee discussed materiality with the auditor regarding both accounting errors that will be brought to the Audit Committee's attention and amounts that would need to be adjusted so that the financial statements give a true and fair view. Overall, audit materiality was set at \$3.8m (2018 – \$4.4m). This equates to approximately 4% of the Group's projected underlying profit before tax result for 2019. Furthermore, the auditor agreed to draw to the Audit Committee's attention all identified, uncorrected misstatements greater than \$0.2m.

Audit Effectiveness and Independence

The external auditor's full-year report includes a statement on their independence, their ability to remain objective and their ability to undertake an effective audit. The Committee considers and assesses this independence statement on behalf of the Board, taking into account the level of fees paid, particularly for non-audit services.

The effectiveness of the audit process is considered throughout the year, with a formal review undertaken at the April meeting of the Committee. The assessment considers the various matters including:

- the auditor's understanding of the Group's business and industry sector;
- the planning and execution of the audit plan approved by the Committee;
- the communication between the Group and audit engagement team;
- the auditor's response to questions from the Committee, including during private meetings without management present;
- the independence, objectivity and scepticism of the auditors;
- a report from the Finance Director and the Group Financial Controller; and
- finalisation of the audit work ahead of completion of the Annual Report and Accounts.

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

Non-Audit Services

The Committee closely monitors fees paid to the auditor in respect of non-audit services. With the exception of audit-related assurance services, which totalled \$0.1m (2018 – \$0.1m), there were no non-audit services fees paid during the year (2018 – \$nil). The scope and extent of non-audit work undertaken by the external auditor is monitored by, and requires prior approval from, the Committee to ensure that the provision of such services does not impair their independence or objectivity.

Internal Controls

The Group has an established risk management framework and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board and these are detailed in the Risk Management section of the Strategic Report on pages 39 to 42.

Bribery Act

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

Modern Slavery Act

The Modern Slavery Act 2015 was enacted in 2016 and requires companies to evaluate internal and external risks related to human trafficking and modern slavery. Procedures were introduced during 2016 and continued in 2019, whereby each business unit across the Group completed due diligence on its workforce to highlight employment risks in relation to trafficking and slavery. All businesses within the Group also completed a risk-mapping exercise of their known supply chain to evaluate those customers and suppliers to the Group who operate in those jurisdictions where trafficking and slavery is more prevalent. Hunting published its third Modern Slavery Act report in March 2019, located at www.huntingplc.com. Since 2018 the Group's "Code of Conduct" training course has been rolled out to all employees of the Group, which incorporates information on modern slavery and trafficking.

Code of Conduct

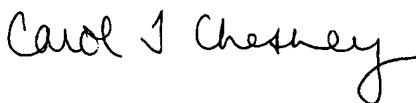
The Group's Code of Conduct contains policies and procedures covering how the Group conducts business and maintains its relationships with business partners. The Code of Conduct is available on the Group's website and is sent to most customers and suppliers.

Whistleblowing

The Company's Senior Independent Director, Keith Lough, is the primary point of contact for staff or other key partners of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. In addition, the Group engages the services of Safecall Limited to provide an independent and anonymous whistleblowing service available to staff across all of Hunting's operations. All employees have been notified of these arrangements through the corporate magazine, Group notice boards and the Group's website.

Review of Committee Effectiveness

During the year, the Committee reviewed its effectiveness and the Committee Chairman reported these findings to the Board. No issues were identified in this review process.



Carol Chesney
Chair of the Audit Committee

27 February 2020

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Independent Auditor's Report to the Members of Hunting PLC

For the year ended 31 December 2019

1. Opinion

In our opinion:

- the financial statements of Hunting PLC (the "parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 42 for the consolidated financial statements, and notes C1 – C19 for the parent company financial statements.

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

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> • inventory valuation; • goodwill and non-current asset impairment; and • revenue recognition.
Materiality	The materiality that we used for the Group financial statements was \$3.8 million which was determined on the basis of profit before tax before exceptional items.
Scoping	The scope of our Group audit includes a number of reporting units across the Group, whose results taken together account for 91% of the Group's revenue and 93% of net assets. We conducted our audit work in five countries, covering 22 reporting units, including a number of head office entities. We visited four of these five countries, including the financially significant component Hunting Titan Inc in the United States.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks, including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 41 to 47 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 41 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 68 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation

Key audit matter description	<p>The Group holds inventory of \$350.8 million (2018: \$348.2 million), net of provisions of \$26.5 million (2018: \$24.5 million). The cyclical and often challenging trading environment and market conditions continue to pose the risk of inventory being carried at an amount greater than its net realisable value. In addition, future market demand for both existing and new products will impact future sales, especially in respect of the longevity of some of the Group's products. These factors, with the level of inventory carried, could lead to a risk of over-valuation of inventories.</p> <p>Management's judgements in assessing the valuation of inventory is primarily based on expectations of future sales and inventory utilisation plans. Given the level of judgement, we consider there to be a potential risk of fraud.</p>
Refer to page 108 of the Audit Committee Report and note 20 to the financial statements.	
How the scope of our audit responded to the key audit matter	<p>We understood the process for recording inventory and assessed the nature of the Group's inventory through enquiries with management, physical inspection of inventory (where applicable) and review of the utilisation of aged inventory products. Across all components in the Group, as part of our risk assessment procedures, we have reviewed the basis for the provision recorded across all categories of inventory, analysing the consistency of this provision in line with the Group's accounting policy. For those which pose a greater risk, we have focused our audit effort and tailored our procedures accordingly. Specifically we have:</p> <ul style="list-style-type: none"> • obtained an understanding of the relevant controls over the inventory valuation process; • obtained and reviewed the inventory provisioning models used and determined if they remain appropriate methodologies with reference to the level of write-offs and evidence of sale of slow-moving stock in the period to 31 December 2019; • for components that calculate inventory reserves based on the date the inventory was last used, performed an analysis of movements between ageing categories during the year and tested a sample of items; • considered the available support, including current sales transactions, used to determine an appropriate net realisable value to confirm that inventory is being held at an appropriate amount; • where inventory consists of recently produced and newer products, we independently researched the addressable market to ensure there was no contradictory evidence indicating that this inventory will not be sold; and • where appropriate, compared forecast sales against relevant third party market forecasts.
Key observations	Based on the procedures performed, we obtained evidence that the inventory valuation is appropriate.

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Independent Auditor's Report to the Members of Hunting PLC *continued*

Goodwill and non-current asset impairment

Key audit matter description	<p>The Group holds \$230.2 million (2018: \$229.9 million) of goodwill on the balance sheet, which is tested annually for impairment. The intangible assets held of \$78.5 million (2018: \$99.8 million) include customer relationships, unpatented technology and patents and trademarks. The property, plant and equipment balance is \$354.7 million (2018: \$360.2 million). The right of use asset amounted to \$36.7 million (2018: \$39.7 million).</p> <p>Testing a cash-generating unit ("CGU") for impairment requires determination of its recoverable amount, which is a judgemental assessment that depends on the future financial performance of the CGU and future market performance. The Group continues to operate in challenging markets, with excess production capacity at certain locations. Given the decline in the medium-term outlook for the Group's onshore drilling tools business, a \$19.0 million impairment has been recognised as an exceptional item.</p> <p>Following our detailed risk assessment procedures we pinpointed the risk of impairment to the following CGUs: Canada; UK Well Intervention; Drilling Tools; and Specialty.</p> <p>Refer to page 108 of the Audit Committee Report and note 16 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We tested management's identification of CGUs to assess the appropriateness of their determination, considering business changes that could prompt a change in CGU. Across each CGU we:</p> <ul style="list-style-type: none"> • sensitised each key driver of the cash flow forecasts, including the underlying assumptions listed above, by determining what we considered to be a reasonably possible change in the assumptions, based on current market data and historical and current business performance; and • calculated the degree to which the key assumptions would need to change before an impairment was triggered. <p>In respect of the CGUs that we specifically identified, we challenged the following:</p> <ul style="list-style-type: none"> • whether the future cash flow forecasts and the timing of the forecast recovery in performance of these forecasts for the identified CGUs are appropriate; • the forecast revenue and margin growth rate assumptions and how management have incorporated the impact of any changes in the relevant markets subsequent to year-end, by comparing them to historical results, comparing the short- and medium-term growth rates to independent specialist third party published reports and considering the impact already observed within the market; • the terminal growth rates by comparing them to economic and industry forecast; and • the discount rates by comparing the cost of capital assumption for each CGU against comparable organisations and independently calculated discount rates with involvement from our valuations specialists. <p>Where an impairment was identified, we challenged management's analysis of the impairment booked by assessing the methodology applied, and testing the underlying source data.</p> <p>We also reviewed the sensitivity disclosures included in the Annual Report.</p>
Key observations	<p>Based on the procedures performed we are satisfied that management's calculated recoverable amounts on the remaining CGUs exceed the carrying amounts and therefore no additional impairment should be recognised.</p> <p>We consider that the sensitivity disclosures in the Annual Report fairly present the CGUs that are most sensitive to potential future changes in key assumptions.</p>

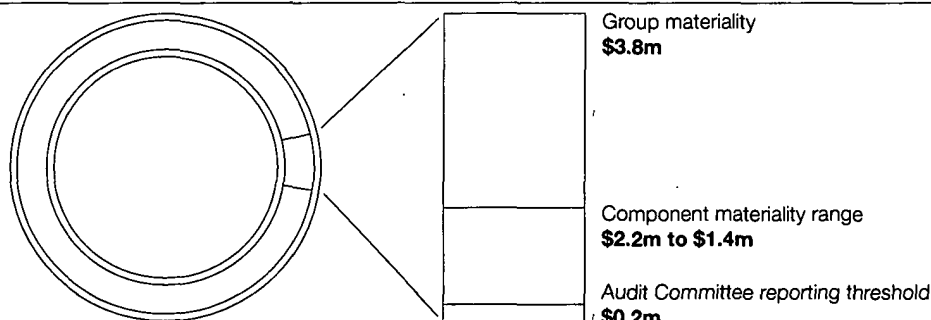
Revenue recognition

Key audit matter description	<p>The revenue in the Group for 2019 was \$960.0 million (2018: \$911.4 million).</p> <p>The Group's revenue recognition policy does not generally require a high level of judgement however the quantum of the revenue, contractual terms used with customers and the volume of sales that occur close to period end have guided the focus of our audit effort. We have also placed due consideration of components who recognise revenue over time. We consider this to be a potential fraud risk. The key risks in respect of revenue recognition are:</p> <ul style="list-style-type: none"> • the cut-off of sales made close to the period end, with specific consideration to ensuring control has passed to the customer; and • the appropriateness of revenue recognition criteria for revenue that is recognised over time. <p>Refer to note 3 to the financial statements.</p>
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How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls over the revenue process. We evaluated the key contractual terms in place with customers and determined an appropriate period for testing sales close to the period end based on the date of invoicing versus the latest date control may pass, and evaluated whether the sales had been appropriately recognised based on the contractual terms and underlying proof of when control has passed.</p> <p>For over time revenue recognition, we identified any significant contracts and assessed the appropriateness of the revenue recognition model in place, with due consideration of the underlying contractual agreement, challenging how these terms have been interpreted under IFRS 15 Revenue from Contracts with Customers.</p>
Key observations	Based on the procedures performed, we obtained evidence that the revenue was recognised appropriately and in accordance with IFRS 15 Revenue from Contracts with Customers.

6. Our application of materiality

- ☐ PBT*
☐ Group materiality



* Profit before tax before exceptional items.

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent Company financial statements
Materiality	\$3.8 million	\$2.2 million.
Basis for determining materiality	We determined materiality as 6% of profit before tax before exceptional items.	Parent Company materiality equates to 1% of net assets. For the purposes of the Group audit, we have capped this materiality to be 59% of Group materiality.
Rationale for the benchmark applied	We consider that a profit benchmark is appropriate in determining materiality given investor focus on the performance of the business. We have used profit before tax before exceptional items as the benchmark that reflects the underlying performance of the business.	The Company is a holding company, not a trading entity, and therefore we have not used a profit-based benchmark for determining materiality. We concluded that net assets is the most appropriate measure given that the Company's balance sheet is mostly made up of investments and intercompany receivables.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 65% of Group materiality for the 2019 audit. In determining performance materiality, we considered the following factors:

- the fact that this is our first period of appointment as auditor;
- our overall assessment of the control environment and likely misstatements; and
- our planned testing approach for reliance on controls.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$0.2 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report to the Members of Hunting PLC continued

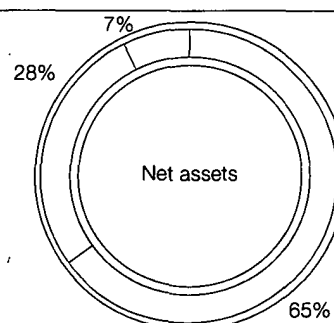
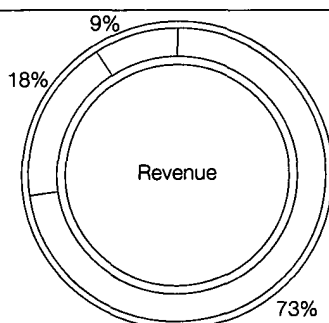
7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group has 55 reporting units, and the financial statements reflect a consolidation of entities covering centralised functions, operating units and non-trading legal entities. The systems, processes and controls in place vary across the group and therefore our audit scoping procedures considered each operating unit individually.

Our scoping consisted of three levels with audit effort split across each scoping level. We identified 12 operating units across the Group that were subject to full scope reporting on their complete financial information, which included four holding company reporting units. Specific audit procedures over certain balances were performed at a further 10 operating units, including two holding company entities, to give appropriate coverage on all material balances at the Group level. The remaining operating units and balances not included above were subject to analytical review procedures. Together, the reporting units subject to audit procedures accounted for 91% of the Group's revenue and 93% of the Group's net assets. The range of component materiality levels is \$1.4 million to \$2.2 million.

- Full audit scope
- Specified audit procedures
- Review at Group level



7.2. Working with other auditors

In doing our scoping procedures as described above, we conducted work in five countries, and the Group team visited reporting locations in Aberdeen, Singapore, Canada and the United States.

We directed and supervised our component audit teams through regular discussions and interactions during the planning phase of our audit, and throughout the year-end procedures. We performed a detailed review of their work over areas such as key judgements and significant risks. We also requested a number of reporting documents to be completed by each team for our review.

Further, specific audit procedures over the central functions and areas of significant judgement, including taxation, treasury and impairment, were performed by the Group audit team centrally.

8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, IT, and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: inventory valuation and revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks in which the Group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, tax legislation and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included employment and minimum wage legislation, health, safety and the environment ("HSE"), international trading laws, the Group's operating licence, their regulatory solvency requirements and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified inventory valuation and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the Members of Hunting PLC continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors on 17 April 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. Our total uninterrupted period of engagement is one year, covering periods from our appointment through to the period ending 31 December 2019.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Smith

(Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

27 February 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019			2018 ⁱ		
		Before amortisation ⁱⁱ and exceptional items \$m	Amortisation ⁱⁱ and exceptional items (note 6) \$m	Total \$m	Before amortisation ⁱⁱ and exceptional items \$m	Amortisation ⁱⁱ and exceptional items (note 6) \$m	Total \$m
Revenue	3	960.0	–	960.0	911.4	–	911.4
Cost of sales		(693.6)	(19.0)	(712.6)	(636.3)	–	(636.3)
Gross profit		266.4	(19.0)	247.4	275.1	–	275.1
Other operating income	4	10.8	–	10.8	7.8	–	7.8
Operating expenses	5	(182.9)	(28.5)	(211.4)	(178.2)	(29.3)	(207.5)
Profit (loss) from operations	7	94.3	(47.5)	46.8	104.7	(29.3)	75.4
Finance income	9	4.2	–	4.2	2.6	–	2.6
Finance expense	9	(5.4)	–	(5.4)	(3.3)	–	(3.3)
Profit (loss) before tax from operations		93.1	(47.5)	45.6	104.0	(29.3)	74.7
Taxation	10	(17.0)	12.8	(4.2)	(22.0)	33.0	11.0
Profit (loss) for the year		76.1	(34.7)	41.4	82.0	3.7	85.7
Profit (loss) attributable to:							
Owners of the parent		74.4	(34.7)	39.7	84.8	4.5	89.3
Non-controlling interests		1.7	–	1.7	(2.8)	(0.8)	(3.6)
		76.1	(34.7)	41.4	82.0	3.7	85.7
Earnings per share		cents		cents	cents		cents
Basic	11	45.0		24.0	51.6		54.4
Diluted	11	43.9		23.5	49.6		52.3

- i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 41.
- ii. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 \$m	2018 \$m
Comprehensive income:			
Profit for the year		41.4	85.7
Components of other comprehensive income (expense) after tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange adjustments		5.4	(9.6)
Fair value gains and losses:			
– (losses) gains originating on net investment hedges arising during the year	34	(0.7)	1.2
– gains originating on cash flow hedges arising during the year	34	–	0.2
		4.7	(8.2)
<i>Items that have been reclassified to profit or loss:</i>			
Release of foreign exchange on liquidation of subsidiaries	34	(0.2)	–
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit pension schemes	35	(0.3)	1.5
Other comprehensive income (expense) after tax		4.2	(6.7)
Total comprehensive income for the year		45.6	79.0
Total comprehensive income (expense) attributable to:			
Owners of the parent		43.5	83.8
Non-controlling interests		2.1	(4.8)
		45.6	79.0

Total comprehensive income attributable to owners of the parent arises from the Group's continuing operations.

Consolidated Balance Sheet

At 31 December 2019

	Notes	2019 \$m	2018 ⁱ \$m	
ASSETS				
Non-current assets				
Property, plant and equipment	12	354.7	360.2	Purpose and Culture
Right-of-use assets	13	36.7	–	
Goodwill	14	230.2	229.9	
Other intangible assets	15	78.5	99.8	
Investments	17	2.3	2.4	
Trade and other receivables	18	2.7	3.5	
Deferred tax assets	19	29.9	26.0	
		735.0	721.8	
Current assets				
Inventories	20	350.8	348.2	Business Model and Stakeholders
Trade and other receivables	18	202.0	231.0	
Cash and cash equivalents	21	128.6	67.9	
Current tax assets		0.2	0.1	
Investments	17	0.5	–	
		682.1	647.2	
LIABILITIES				
Current liabilities				
Trade and other payables	22	121.2	140.9	Business Strategy
Lease liabilities	24	9.8	–	
Borrowings	25	1.6	2.7	
Provisions	27	3.2	4.7	
Current tax liabilities		9.5	11.2	
		145.3	159.5	
Net current assets		536.8	487.7	
Non-current liabilities				
Trade and other payables	22	2.7	3.8	Performance
Lease liabilities	24	35.4	–	
Borrowings	25	3.9	3.9	
Provisions	27	5.2	9.5	
Deferred tax liabilities	19	0.8	1.2	
		48.0	18.4	
Net assets		1,223.8	1,191.1	
Equity attributable to owners of the parent				
Share capital	33	67.3	66.7	Governance
Share premium	33	153.0	153.0	
Other components of equity	34	56.5	75.8	
Retained earnings	35	931.1	881.6	
		1,207.9	1,177.1	
Non-controlling interests		15.9	14.0	
Total equity		1,223.8	1,191.1	

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 41.

The notes on pages 122 to 167 are an integral part of these consolidated financial statements. The financial statements on pages 117 to 167 were approved by the Board of Directors on 27 February 2020 and were signed on its behalf by:



Jim Johnson
Director



Peter Rose
Director

Registered number: 0974568

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Consolidated Statement of Changes in Equity

		Year ended 31 December 2019						
	Notes	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2018 as previously reported								
Adjustment on adoption of IFRS 16	41	–	–	–	(1.1)	(1.1)	(0.2)	(1.3)
At 1 January 2019 amended		66.7	153.0	75.8	880.5	1,176.0	13.8	1,189.8
Profit for the year		–	–	–	39.7	39.7	1.7	41.4
Other comprehensive income (expense)		–	–	4.1	(0.3)	3.8	0.4	4.2
Total comprehensive income		–	–	4.1	39.4	43.5	2.1	45.6
<hr/>								
Dividends to equity shareholders	36	–	–	–	(16.6)	(16.6)	–	(16.6)
Shares issued								
– share option schemes and awards	33	0.6	–	–	–	0.6	–	0.6
Treasury shares								
– purchase of treasury shares	35	–	–	–	(5.0)	(5.0)	–	(5.0)
– disposal of treasury shares	35	–	–	–	0.3	0.3	–	0.3
Share options and awards								
– value of employee services	34	–	–	9.0	–	9.0	–	9.0
– discharge	34,35	–	–	(11.6)	10.8	(0.8)	–	(0.8)
– taxation		–	–	–	0.9	0.9	–	0.9
Transfer between reserves		–	–	(20.8)	20.8	–	–	–
Total transactions with owners		0.6	–	(23.4)	11.2	(11.6)	–	(11.6)
<hr/>								
At 31 December 2019		67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8
		Year ended 31 December 2018						
	Notes	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2017								
Adjustment on adoption of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2018		66.4	153.0	91.7	782.0	1,093.1	18.8	1,111.9
Profit (loss) for the year		–	–	–	89.3	89.3	(3.6)	85.7
Other comprehensive (expense) income		–	–	(7.0)	1.5	(5.5)	(1.2)	(6.7)
Total comprehensive income		–	–	(7.0)	90.8	83.8	(4.8)	79.0
<hr/>								
Hedging losses transferred to the carrying value of inventory purchased in the year	34	–	–	(0.1)	–	(0.1)	–	(0.1)
<hr/>								
Dividends to equity shareholders	36	–	–	–	(6.6)	(6.6)	–	(6.6)
Shares issued								
– share option schemes and awards	33	0.3	–	–	–	0.3	–	0.3
Treasury shares								
– purchase of treasury shares	35	–	–	–	(5.7)	(5.7)	–	(5.7)
Share options and awards								
– value of employee services	34	–	–	13.1	–	13.1	–	13.1
– discharge	34,35	–	–	(9.7)	9.2	(0.5)	–	(0.5)
– taxation		–	–	–	(0.3)	(0.3)	–	(0.3)
Transfer between reserves		–	–	(12.2)	12.2	–	–	–
Total transactions with owners		0.3	–	(8.8)	8.8	0.3	–	0.3
<hr/>								
At 31 December 2018		66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 \$m	2018 ⁱ \$m	
Operating activities				
Reported profit from operations		46.8	75.4	
Acquisition amortisation and exceptional items	6	47.5	29.3	
Depreciation and non-acquisition amortisation	7	45.4	37.6	
Underlying EBITDA (NGM A)		139.7	142.3	Purpose and Culture
Share-based payments expense		9.1	13.2	
Increase in inventories		(0.2)	(72.7)	
Decrease (increase) in receivables		29.0	(47.3)	
(Decrease) increase in payables		(21.2)	23.4	
Decrease in provisions		(2.4)	(3.8)	
Net taxation paid		(7.7)	(2.6)	
Receipt of surplus pension assets		-	10.6	
Payment of US pension scheme liabilities		-	(10.4)	
Net gain on disposal of property, plant and equipment		(1.5)	(1.0)	
Proceeds from disposal of property, plant and equipment held for rental		2.7	3.9	Business Model and Stakeholders
Purchase of property, plant and equipment held for rental		(5.6)	(5.8)	
Gain on disposal of intangible assets		(2.3)	-	
Gain on disposal of business		(2.0)	-	
Other non-cash flow items		(0.4)	2.9	
Net cash inflow from operating activities		137.2	52.7	
Investing activities				
Interest received		1.3	0.4	
Net movement on loans to and from associates		0.3	-	
Proceeds from disposal of associates		-	1.3	
Proceeds from disposal of investments		-	10.4	
Proceeds from disposal of property, plant and equipment		0.9	12.5	
Proceeds from disposal of intangible technology	4	2.3	-	
Proceeds from disposal of business	4	3.0	-	Business Strategy
Purchase of subsidiaries	39	(12.5)	-	
Purchase of property, plant and equipment		(30.4)	(24.3)	
Purchase of intangible assets		(10.2)	(6.6)	
Net cash outflow from investing activities		(45.3)	(6.3)	
Financing activities				
Interest and bank fees paid		(1.2)	(2.4)	
Payment of capitalised lease liabilities		(10.6)	-	
Repayment of borrowings		(0.9)	-	
Proceeds from new borrowings		-	0.9	
Dividends paid to equity shareholders	36	(16.6)	(6.6)	Performance
Share capital issued		0.6	0.3	
Purchase of Treasury shares		(5.0)	(5.7)	
Disposal of Treasury shares		0.3	-	
Net cash outflow from financing activities		(33.4)	(13.5)	
Net cash inflow in cash and cash equivalents		58.5	32.9	
Cash and cash equivalents at the beginning of the year		66.1	34.3	
Effect of foreign exchange rates		2.4	(1.1)	
Cash and cash equivalents at the end of the year		127.0	66.1	Governance
Cash and cash equivalents at the end of the year comprise:				
Cash and cash equivalents included in current assets	21	128.6	67.9	Financial statements
Bank overdrafts included in borrowings	25	(1.6)	(1.8)	
		127.0	66.1	

- i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 41.

Notes to the Consolidated Financial Statements

1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 185. The principal activities of the Group and the nature of the Group's operations are set out in note 2 and in the Strategic Report on pages 6 to 69. The financial statements consolidate those of Hunting PLC (the "Company") and its subsidiaries (together referred to as the "Group"), include the Group's interests in associates and are presented in US dollars, the currency of the primary economic environment in which the Group operates.

The consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of the US deferred compensation plan and those financial assets and financial liabilities held at fair value. The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on pages 68 and 69.

The principal accounting policies applied in the preparation of these financial statements are set out in note 40. These policies have been consistently applied to all the years presented, except for IFRS 16 Leases as described below.

Critical Judgements and Key Estimates

Critical judgements are those that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's financial statements. Key assumptions are those assumptions concerning the future and other key sources of estimation uncertainty at the reporting period are those that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other than judgements made regarding the recognition of certain inventory provisions (see note 20) and estimates regarding future cash flows for the purposes of impairment testing (see note 16), management believe that there are no other critical judgements or estimates applied in the preparation of the financial statements.

Adoption of New Standards, Amendments and Interpretations

IFRS 16 Leases ("IFRS 16") has been adopted and is effective for the financial year beginning as of 1 January 2019. The Group has changed its accounting policies as a result of adopting IFRS 16. The new accounting policy and the impact of adopting this accounting standard have been shown in note 41.

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2019, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments:

- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The following standards, amendments and interpretations are effective subsequent to the year-end, which have not been early adopted, and are being assessed to determine whether there is a significant impact on the Group's results or financial position:

- IFRS 17 Insurance Contractsⁱ
- Amendment to IAS 1 and IAS 8: Definition of Material
- Amendment to IFRS 3 Business Combinationsⁱ
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendment to IAS 1: Classification of Current and Non-current Liabilitiesⁱ

i. Not yet endorsed by the European Union.

An assessment of the impact of adopting the amendments to IFRS 9, IAS 39 and IFRS 7 regarding Interest Rate Benchmark Reform is ongoing. A preliminary assessment indicates that none of the Group's hedge accounting will be impacted by the reform regarding LIBOR. However, the Group's RCF and other bilateral funding arrangements will be impacted by the move away from LIBOR, as LIBOR is currently used as the base for the interest rate applied.

2. Segmental Reporting

Following a restructuring in reporting lines and the reduced operations in Africa and the Middle East, the Middle East, Africa and Other operating segment has been combined with the Europe operating segment to form the Europe, Middle East and Africa segment ("EMEA"). In addition, due to diminished materiality, the Exploration and Production segment has been combined with the US segment. Therefore, for the year ended 31 December 2019, the Group has been reporting on five operating segments 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 segment information for 2018 has been restated to reflect these changes.

The Group's operating segments are strategic business units that offer different products and services primarily to international oil and gas companies and who undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and underlying operating results. Underlying operating result is a profit-based measure and excludes the effects of amortisation of acquired intangible assets and any exceptional items (see note 6). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

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

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

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

Hunting Titan: Hunting Titan manufactures and distributes a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1™ gun systems, ControlFire™ switches, EQUAfrac™ shaped charges, the T-Set™ line of setting tools and the PowerSet family of power charges. The business has manufacturing facilities in the US, Canada, China and Mexico, and is supported by strategically-located distribution centres across North America.

US: The US businesses supply premium connections, oil country tubular goods ("OCTG"), drilling tools, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets. The segment also manufactures perforating system products for Hunting Titan. The segment also includes the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico.

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

Europe, Middle East and Africa ("EMEA"): Revenue from this segment is generated from the supply of OCTG and well intervention equipment to operators in the North Sea as well as the sale and rental of in-field well intervention products across the Middle East region. In the Middle East, the operations also act as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

Asia Pacific: Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and OCTG supply. Asia Pacific also manufactures perforating guns for sale to Hunting Titan and for sale in its domestic markets.

Due to its size and nature of operations, Hunting Titan's activities are reported separately. Although the Canada segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, this segment is separately reported as it is separately monitored by the Board.

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

The UK is the domicile of Hunting PLC.

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2. 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.

(a) Segment Revenue and Profit

	2019					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Underlying result \$m	Amortisation ⁱ and exceptional items \$m	Reported result \$m
Hunting Titan	375.5	(4.3)	371.2	68.6	(26.5)	42.1
US	363.2	(44.5)	318.7	26.9	(21.0)	5.9
Canada	35.7	(8.6)	27.1	(4.3)	-	(4.3)
EMEA	123.0	(7.2)	115.8	(1.3)	-	(1.3)
Asia Pacific	146.3	(19.1)	127.2	4.4	-	4.4
Total from operations	1,043.7	(83.7)	960.0	94.3	(47.5)	46.8
Net finance expense				(1.2)	-	(1.2)
Profit (loss) before tax from operations				93.1	(47.5)	45.6

	Restated ⁱⁱ 2018					
	Total segment revenue \$m	Inter-segment revenue \$m	Total external revenue \$m	Underlying result \$m	Amortisation ⁱ and exceptional items \$m	Reported result \$m
Hunting Titan	418.2	(6.9)	411.3	106.9	(26.1)	80.8
US	329.7	(43.0)	286.7	14.2	(3.2)	11.0
Canada	44.8	(9.6)	35.2	(1.8)	-	(1.8)
EMEA	107.3	(9.9)	97.4	(13.8)	-	(13.8)
Asia Pacific	107.0	(26.2)	80.8	(0.8)	-	(0.8)
Total from operations	1,007.0	(95.6)	911.4	104.7	(29.3)	75.4
Net finance expense				(0.7)	-	(0.7)
Profit (loss) before tax from operations				104.0	(29.3)	74.7

- i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
 ii. The segment information for 2018 has been restated for the change in the Group's operating segments reported to the CODM, as discussed above.

Revenue from external customers attributable to the UK, the Group's country of domicile, is \$64.7m (2018 – \$55.9m).

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

	2019 \$m	Restated ⁱ 2018 \$m
Perforating Systems	363.0	404.1
OCTG	357.0	277.4
Advanced Manufacturing	104.5	98.5
Intervention Tools	51.7	55.1
Subsea	44.5	30.5
Drilling Tools	22.3	27.6
Other	17.0	18.2
Total	960.0	911.4

- i. The amounts for 2018 have been restated to show the Well Testing product line as part of Intervention Tools and the Organic Oil Recovery product line has been included in Other as this presentation better represents those products produced by the Group's companies.

2. Segmental Reporting continued**(b) Other Segment Items**

	2019 charge			Restated ⁱⁱ 2018 charge (credit)		
	Depreciation ⁱ \$m	Amortisation \$m	Impairment ⁱⁱ \$m	Depreciation \$m	Amortisation \$m	Impairment ⁱⁱ \$m
Hunting Titan	7.7	27.3	1.4	5.3	26.7	1.3
US	22.8	4.1	21.5	20.9	4.1	2.6
Canada	1.7	0.1	1.0	1.3	–	–
EMEA	5.0	0.7	1.0	3.8	0.9	(0.1)
Asia Pacific	4.4	0.1	1.1	3.7	0.2	0.5
Total	41.6	32.3	26.0	35.0	31.9	4.3

- i. Depreciation in 2019 comprises depreciation of property, plant and equipment \$33.7m and depreciation of right-of-use assets \$7.9m.
- ii. Impairment comprises impairment of property, plant and equipment \$19.0m (2018 – \$1.0m), reversal of impairment of property, plant and equipment \$nil (2018 – \$2.0m), impairment of trade and other receivables \$1.1m (2018 – \$1.1m) and impairment of inventories \$5.9m (2018 – \$4.2m).
- iii. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. However, the segment information for 2018 has been restated for the change in the Group's operating segments reported to the CODM, as discussed above.

(c) Geographical Non-current Assets

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

	2019 \$m	Restated 2018 \$m
Hunting Titan – US	298.9	311.6
Hunting Titan – Canada	2.5	1.5
Hunting Titan – Other	0.8	0.7
Hunting Titan	302.2	313.8
US	314.9	311.9
Canada	12.2	4.6
Europeⁱ	61.1	49.6
Middle East	2.3	3.2
Asia Pacific	12.4	12.7
	705.1	695.8
Unallocated assets		
Deferred tax assets	29.9	26.0
Total non-current assets	735.0	721.8

- i. The value of non-current assets located in the UK, the Group's country of domicile, is \$45.7m (2018 – \$42.5m).

(d) Major Customer

The Group received revenue of \$112.6m (2018 – \$117.1m) from the Halliburton Company Group, which is 12% (2018 – 13%) of the Group's revenue from external customers. All of Hunting's core operating segments have benefited from trading with Halliburton.

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3. Revenue

In the following tables, a breakdown of the Group's different revenue streams by segment has been given, including the disaggregation of revenue from contracts with customers.

	2019			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	371.2	–	–	371.2
US	292.0	24.6	2.1	318.7
Canada	27.0	0.1	–	27.1
EMEA	109.1	6.7	–	115.8
Asia Pacific	127.2	–	–	127.2
Total	926.5	31.4	2.1	960.0

	Restated ⁱ 2018			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	411.3	–	–	411.3
US	254.5	29.6	2.6	286.7
Canada	35.1	0.1	–	35.2
EMEA	87.8	9.6	–	97.4
Asia Pacific	80.8	–	–	80.8
Total	869.5	39.3	2.6	911.4

i. The segment information for 2018 has been restated for the change in the Group's operating segments reported to the CODM, as discussed above.

There is no material difference in the timing of revenue recognition between contracts with customers at a point in time and contracts with customers over time, as the majority of Hunting's performance obligations are relatively short. Invoices for products are issued when the product is shipped or made available to customers for collection and invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.

4. Other Operating Income

	2019 \$m	2018 \$m
Operating lease rental income	1.4	1.5
Gain on disposal of property, plant and equipment	2.0	3.0
Gain on disposal of intangible technology	2.3	–
Gain on disposal of business	2.0	–
Foreign exchange gains	0.5	2.1
Other income ⁱ	2.6	1.2
	10.8	7.8

i. Includes fair value gains on derivatives not designated in a hedge of \$0.6m (2018 – \$nil).

During the year, the Clear-Run™ intangible technology was sold for \$2.3m, with a gain on disposal of \$2.3m and consideration from the sale of the Thru-Tubing business in Dubai was \$2.4m, with a gain on disposal of \$1.7m.

5. Operating Expenses

	2019 \$m	2018 \$m
Administration expenses ⁱ before amortisation ⁱⁱ and exceptional items	121.3	117.4
Distribution and selling costs	61.1	58.8
Loss on disposal of property, plant and equipment	0.5	2.0
Operating expenses before amortisation ⁱ and exceptional items	182.9	178.2
Amortisation ⁱ and exceptional items (note 6)	28.5	29.3
	211.4	207.5

i. Includes foreign exchange losses of \$2.7m (2018 – \$1.1m) and a fair value loss on derivatives not designated in a hedge of \$0.2m (2018 – \$0.5m).

ii. Relates to amortisation of intangible assets acquired as part of a business combination.

6. Amortisation and Exceptional Items

	2019 \$m	2018 \$m
Impairment of Drilling Tools rental tools (notes 12 and 16(d)(i))	19.0	–
Closure of South African facility	–	(2.0)
Closure of Kenya joint venture	–	2.0
Charged to cost of sales	19.0	–
Amortisation of intangible assets charged to operating expenses	28.5	29.3
Total amortisation and exceptional items charged to profit (loss) from operations	47.5	29.3
Taxation on amortisation and exceptional items (note 10)	(12.8)	(33.0)
	34.7	(3.7)

Due to their size and nature, the following items have been disclosed as exceptional items in the financial statements.

During the year, impairment of our drilling tools motor fleet and associated parts of \$19.0m has been recognised, with the majority of assets expected to be scrapped. For further detail on the impairment, please see note 16(d)(i).

In 2018, the Group reversed \$2.0m of the impairment provision for property, plant and equipment in relation to the closure of the South African facility in Cape Town. The Group received \$8.0m in 2018 in relation to the disposal of property, plant and equipment from the South African facility.

Also, given the modest drilling activity forecast for East Africa in the medium term, the Board made the decision to close its Kenyan joint venture in Mombasa in H1 2018. An impairment of property, plant and equipment totalling \$1.0m, a loss on disposal of Kenya's rental fleet of \$0.5m and a provision for costs of \$0.5m relating to the closure of the facility were recognised in 2018, totalling \$2.0m.

7. Profit (Loss) from Operations

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

	2019 \$m	2018 \$m
Staff costs (note 8)	222.5	221.3
Depreciation of property, plant and equipment (note 12)	33.7	35.0
Amortisation of intangible assets from business combinations	28.5	29.3
Amortisation of other intangible assets	3.8	2.6
Amortisation of intangible assets – reported (included in operating expenses) (note 15)	32.3	31.9
Impairment of property, plant and equipment – exceptional (included in cost of sales) (note 6)	19.0	1.0
Gain on disposal of intangible technology (note 4)	2.3	–
Gain on disposal of business (note 4)	2.0	–
Net gain on disposal of property, plant and equipment – underlying	(1.5)	(1.0)
Loss on disposal of property, plant and equipment – exceptional items (note 6)	–	0.5
Net gain on disposal of property, plant and equipment – reported	(1.5)	(0.5)
Depreciation charge of Right-of-Use Assets (note 13)	7.9	–
Expense relating to short-term leases and leases of low-value assets	3.0	–
Expenses charged to the income statement under IFRS 16 Leases (note 24)	10.9	–
Expenses charged to the income statement under IAS 17 Leases (note 24)	–	13.8
Research and development expenditure	4.2	3.4

Fees payable to the Group's independent auditor and its associates are for:

	2019 ⁱ \$m	2018 ⁱⁱ \$m
The audit of these financial statements	1.7	1.7
The audit of the financial statements of the Company's subsidiaries	0.5	0.4
Total audit	2.2	2.1
Audit-related assurance services	0.1	0.1
Total audit and audit-related services	2.3	2.2

i. Fees payable in 2019 are to the Group's independent auditor, Deloitte LLP, and its associates.

ii. Fees payable in 2018 are to the Group's previous independent auditor, PricewaterhouseCoopers LLP, and its associates.

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8. Employees

	2019 \$m	2018 \$m
Wages and salaries (including annual cash bonuses)	190.7	183.7
Social security costs	14.5	15.1
Share-based payments (note 37)	9.1	13.2
Other pension costs		
– defined contribution schemes (note 32)	8.7	7.6
– defined benefit schemes (note 32)	0.1	2.5
Pension income – net interest included in net finance expense (note 32)	(0.2)	(0.3)
Staff costs for the year	222.9	221.8

Staff costs for the year are included in the financial statements as follows:

	2019 \$m	2018 \$m
Staff costs included in profit (loss) from operations (note 7)	222.5	221.3
Staff costs – pension income included in net finance expense	(0.2)	(0.3)
Staff costs capitalised as R&D	0.6	0.8
	222.9	221.8

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

	2019 Number	2018 Number
US	1,962	1,798
Canada	142	149
Europe	265	274
Asia Pacific	459	430
Middle East, Africa and Mexico	48	76
	2,876	2,727

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

	2019 Number	2018 Number
Hunting Titan	684	646
US	1,262	1,149
Canada	127	133
EMEA	292	326
Asia Pacific	443	415
Central	68	58
	2,876	2,727

The actual number of employees at the year-end was:

	2019 Number	2018 Number
Male	2,327	2,182
Female	629	590
	2,956	2,772

8. Employees continued

Key management comprises the Board and the Executive Committee, which was formed on 30 August 2018. Their aggregate remuneration in the year was:

	2019 \$m	2018 ⁱ \$m
Salaries, annual cash bonuses and short-term employee benefits	5.7	5.4
Social security costs	0.4	0.3
Post-employment benefits	0.3	0.3
Share-based payments	2.1	2.7
	8.5	8.7

i. The 2018 numbers for the Executive Committee are pro-rata from formation on 30 August 2018 to 31 December 2018.

Remuneration of the Board, included as part of Key Management compensation, can be found in the Annual Report on Remuneration on pages 94 and 95. The Annual Report on Remuneration disclosures do not include Executive Committee members who are not part of the Board and discloses share scheme remuneration on a vested rather than accruals basis.

Short-term employee benefits comprise healthcare insurance, company cars and fuel benefits. Post-employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the income statement.

9. Net Finance Expense

	2019 \$m	2018 \$m
Finance income:		
Bank balances and deposits	0.4	0.2
Pension interest income	0.3	0.4
Foreign exchange gains	2.4	0.9
Fair value gains on derivative financial instruments	0.5	0.9
Fair value gains on Money Market Funds	0.6	0.1
Other finance income	–	0.1
	4.2	2.6
Finance expense:		
Interest on lease liabilities	(2.2)	–
Bank fees and commissions	(1.3)	(1.2)
Foreign exchange losses	(0.8)	(1.4)
Fair value losses on derivative financial instruments	(0.7)	(0.1)
Bank borrowings	–	(0.1)
Other finance expense	(0.4)	(0.5)
	(5.4)	(3.3)
Net finance expense	(1.2)	(0.7)

10. Taxation

	2019			2018		
	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items \$m	Total \$m	Before amortisation ⁱ and exceptional items \$m	Amortisation ⁱ and exceptional items \$m	Total \$m
Current tax						
– current year charge	10.2	–	10.2	13.4	–	13.4
– adjustments in respect of prior years	(3.5)	–	(3.5)	(3.7)	–	(3.7)
	6.7	–	6.7	9.7	–	9.7
Deferred tax						
– origination and reversal of temporary differences	14.1	(12.8)	1.3	17.1	(7.7)	9.4
– recognition of US deferred tax asset	–	–	–	(3.6)	(25.3)	(28.9)
– change in tax rate	–	–	–	(0.4)	–	(0.4)
– adjustments in respect of prior years	(3.8)	–	(3.8)	(0.8)	–	(0.8)
	10.3	(12.8)	(2.5)	12.3	(33.0)	(20.7)
Taxation charge (credit)	17.0	(12.8)	4.2	22.0	(33.0)	(11.0)

i. Relates to amortisation of intangible assets arising on the acquisition of businesses.

Notes to the Consolidated Financial Statements continued

10. Taxation continued

The effective tax rate applicable to operations before amortisation and exceptional items is 18% (2018 – 21%).

A tax credit of \$8.4m (2018 – \$7.7m) in respect of current year amortisation of intangible assets recognised as part of amortisation and exceptional items and a tax credit of \$4.4m in respect of the impairment of drilling tools have been included in the income statement. In 2018, a further credit of \$25.3m relating to the recognition of US deferred tax assets was shown as a credit against amortisation and exceptional items, consistent with our tax treatment on amortisation in prior years. The deferred tax asset was recognised for the US due to strong performance in 2018. It is still appropriate to continue recognising the deferred tax assets following the strong performance from the US in 2019 and current projections for the next two years.

The adjustment in respect of prior years of \$3.5m (2018 – \$3.7m) for current tax includes the release of provisions for uncertain tax positions that are no longer required and normal true-ups.

The reconciliation below reconciles the tax on the Group's reported profit before tax to a weighted average tax rate for the Group based on the tax rates applicable to each entity in the Group. A weighted average applicable rate for the year has been used, as this reflects the applicable rates for the countries in which the Group has earned profits. The total tax charge (2018 – credit) for the year is lower (2018 – lower) than the weighted average rate of tax of 19% (2018 – 27%) for the following reasons:

	2019 \$m	Restated ⁱ 2018 \$m
Reported profit before tax	45.6	74.7
Tax at 19% (2018 – 27%)	8.5	19.9
Permanent differences including tax credits	3.6	2.6
Current year losses not recognised	2.7	0.5
Previously unrecognised tax losses	(3.3)	(29.1)
Change in tax rates	–	(0.4)
Adjustments in respect of prior years	(7.3)	(4.5)
Taxation	4.2	(11.0)

- i. Previously, the tax reconciliation reconciled the tax on the Group's reported profit before tax to the UK's rate of corporation tax. The reconciliation has been restated as the revised presentation is considered to provide the most meaningful information to users of the financial statements as the Group's profits are earned across a number of jurisdictions.

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 29 October 2018. The Finance Act 2019 was enacted on 12 February 2019. The Finance Bill 2016, which received Royal Assent on 15 September 2016, included reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020.

The Chancellor of the Exchequer has announced a budget on Wednesday 11 March 2020 and it is highly anticipated that the UK corporation tax rate will remain at 19%, with the Finance Bill 2016 rate of 17% from 1 April 2020 being revoked. Our accounts reflect the tax legislation enacted at the date of preparation but the future change of corporation tax rate is not expected to have a material impact on the Group's tax balances.

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

	2019			2018		
	Before tax \$m	Tax (charged) credited \$m	After tax \$m	Before tax \$m	Tax (charged) credited \$m	After tax \$m
Exchange adjustments	5.5	(0.1)	5.4	(9.8)	0.2	(9.6)
Release of foreign exchange on liquidation of subsidiaries	(0.3)	0.1	(0.2)	–	–	–
Fair value (losses) gains originating on net investment hedge arising during the year	(0.8)	0.1	(0.7)	1.4	(0.2)	1.2
Fair value gains originating on cash flow hedges arising during the year	–	–	–	0.3	(0.1)	0.2
Remeasurement of defined benefit pension schemes	(0.2)	(0.1)	(0.3)	1.1	0.4	1.5
	4.2	–	4.2	(7.0)	0.3	(6.7)

11. 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:

	2019 \$m	2018 \$m
Reported earnings attributable to Ordinary shareholders	39.7	89.3
Add: amortisation ⁱ and exceptional items after taxation (note 6)	34.7	(4.5)
Underlying earnings attributable to Ordinary shareholders	74.4	84.8
	millions	millions
Basic weighted average number of Ordinary shares	165.2	164.1
Long-term incentive plans	3.9	6.6
Adjusted weighted average number of Ordinary shares	169.1	170.7
	cents	cents
Reported earnings per share		
Basic EPS	24.0	54.4
Diluted EPS	23.5	52.3
Underlying earnings per share		
Basic EPS	45.0	51.6
Diluted EPS	43.9	49.6

i. Relates to amortisation of intangible assets arising on the acquisition of businesses.

12. Property, Plant and Equipment

	Year ended 31 December 2019				
	Land and buildings \$m	Plant, machinery and motor vehicles \$m	Rental tools \$m	Oil and gas exploration and development ⁱ \$m	Total \$m
Cost:					
At 1 January	250.0	341.3	80.9	182.3	854.5
Exchange adjustments	1.5	1.6	0.5	-	3.6
Additions	7.2	23.2	5.5	-	35.9
Acquisition of subsidiary	8.3	4.0	-	-	12.3
Disposals	-	(8.2)	(3.3)	(54.1)	(65.6)
Disposal of business	-	(0.3)	(3.4)	-	(3.7)
Reclassification to other intangible assets	-	(1.4)	-	-	(1.4)
Reclassification to inventories	-	-	(0.1)	-	(0.1)
At 31 December 2019	267.0	360.2	80.1	128.2	835.5
Accumulated depreciation and impairment:					
At 1 January	45.5	231.6	37.6	179.6	494.3
Exchange adjustments	0.4	1.5	0.4	-	2.3
Charge for the year	6.2	23.7	3.1	0.7	33.7
Impairment of assets (note 6)	-	-	19.0	-	19.0
Disposals	-	(7.7)	(2.1)	(54.1)	(63.9)
Disposal of business	-	(0.3)	(3.2)	-	(3.5)
Reclassification to other intangible assets	-	(0.9)	-	-	(0.9)
Reclassification to inventories	-	-	(0.2)	-	(0.2)
At 31 December 2019	52.1	247.9	54.6	126.2	480.8
Net book amount	214.9	112.3	25.5	2.0	354.7

i. The accumulated cost, depreciation and impairment of those oil and gas exploration and development assets whose licences have expired have been disposed of during the year.

During the year, impairment of our drilling tools motor fleet and associated parts of \$19.0m has been recognised, with the majority of assets expected to be scrapped. The impairment is shown in the US segment (note 2). For further detail on the impairment, please see note 16(d)(i).

Notes to the Consolidated Financial Statements continued

12. Property, Plant and Equipment continued

Included in the net book amount is expenditure relating to assets in the course of construction of \$2.6m (2018 – \$2.5m) for buildings and \$5.5m (2018 – \$7.1m) for plant and machinery.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to \$2.2m (2018 – \$15.0m).

The net book amount of land and buildings of \$214.9m (2018 – \$204.5m) comprises freehold land and buildings of \$213.2m (2018 – \$202.4m) and capitalised leasehold improvements of \$1.7m (2018 – \$2.1m).

The Group sub-lets certain items of property, plant and equipment under operating leases. The net book value of items that are sub-let included in the table above is \$3.9m for land and buildings.

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of \$217.2m (2018 – \$229.6m).

	Year ended 31 December 2018				
	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	262.3	336.2	87.3	181.8	867.6
Exchange adjustments	(2.7)	(4.7)	(1.2)	–	(8.6)
Additions	3.6	20.1	5.8	0.5	30.0
Disposals	(13.2)	(10.3)	(9.7)	–	(33.2)
Reclassification to inventories	–	(0.1)	(1.2)	–	(1.3)
Reclassification	–	0.1	(0.1)	–	–
At 31 December 2018	250.0	341.3	80.9	182.3	854.5
Accumulated depreciation and impairment:					
At 1 January	46.2	218.0	41.4	178.7	484.3
Exchange adjustments	(0.8)	(3.8)	(1.1)	–	(5.7)
Charge for the year	6.4	23.6	4.1	0.9	35.0
Impairment of assets (note 6)	–	1.0	–	–	1.0
Reversal of impairment of assets	(1.9)	(0.1)	–	–	(2.0)
Disposals	(4.4)	(6.8)	(5.8)	–	(17.0)
Reclassification to inventories	–	(0.4)	(0.9)	–	(1.3)
Reclassification	–	0.1	(0.1)	–	–
At 31 December 2018	45.5	231.6	37.6	179.6	494.3
Net book amount	204.5	109.7	43.3	2.7	360.2

In 2018, the Group reversed \$1.9m of the impairment provision for the Cape Town property and \$0.1m for plant and machinery, which were sold in 2018 following the Board's decision to close the South African facility. The reversal of the impairment was recorded in the 2018 financial statements as an exceptional item (see note 6) and is shown in the EMEA operating segment (note 2).

Given the modest drilling activity forecast for East Africa in the medium term, the Board made the decision to close its Kenyan joint venture in Mombasa in H1 2018. Plant, machinery and motor vehicles were impaired by \$1.0m. The impairment was recorded in the 2018 financial statements as an exceptional item (see note 6) and is shown in the EMEA segment (note 2).

The net book amount of property, plant and equipment at 1 January 2018 was \$383.3m.

13. Right-of-use Assets

	Year ended 31 December 2019		
	Land and buildings \$m	Plant, machinery and motor vehicles \$m	Total \$m
Cost:			
Adoption of IFRS 16 on 1 January (note 41)	84.3	1.0	85.3
Exchange adjustments	1.9	–	1.9
New leases	3.3	0.1	3.4
Lease cessations	(1.9)	(0.1)	(2.0)
Modifications	0.8	0.1	0.9
At 31 December 2019	88.4	1.1	89.5
Accumulated depreciation and impairment:			
Adoption of IFRS 16 on 1 January (note 41)	45.1	0.5	45.6
Exchange adjustments	1.3	–	1.3
Charge for the year	7.7	0.2	7.9
Lease cessations	(1.9)	(0.1)	(2.0)
At 31 December 2019	52.2	0.6	52.8
Net book amount	36.2	0.5	36.7

The Group sub-lets certain right-of-use assets under operating leases. The net book value of items that are sub-let included in the table above is \$2.7m for land and buildings.

14. Goodwill

	2019 \$m	2018 \$m
Cost:		
At 1 January	515.1	518.1
Exchange adjustments	1.8	(3.0)
At 31 December	516.9	515.1
Accumulated impairment:		
At 1 January	285.2	287.8
Exchange adjustments	1.5	(2.6)
At 31 December	286.7	285.2
Net book amount	230.2	229.9

The net book amount of goodwill at 1 January 2018 was \$230.3m.

Details of the allocation of goodwill by CGU, identification of the material CGU and impairment sensitivity disclosures are given in note 16.

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15. Other Intangible Assets

	2019				Total \$m
	Customer relationships \$m	Unpatented technology \$m	Patents and trademarks \$m	Other \$m	
Cost:					
At 1 January	246.9	77.9	58.1	22.0	404.9
Exchange adjustments	–	0.2	0.1	0.2	0.5
Additions	–	4.0	1.1	5.2	10.3
Disposals	(35.0)	–	–	(16.3)	(51.3)
Reclassification from property, plant and equipment	–	–	–	1.4	1.4
Reclassification	–	(0.3)	0.1	0.2	–
At 31 December	211.9	81.8	59.4	12.7	365.8
Accumulated amortisation and impairment:					
At 1 January	193.6	42.3	47.7	21.5	305.1
Exchange adjustments	–	0.1	0.1	0.1	0.3
Charge for the year (included in operating expenses)	20.8	8.3	2.4	0.8	32.3
Disposals	(35.0)	–	–	(16.3)	(51.3)
Reclassification from property, plant and equipment	–	–	–	0.9	0.9
Reclassification	–	(0.1)	–	0.1	–
At 31 December	179.4	50.6	50.2	7.1	287.3
Net book amount	32.5	31.2	9.2	5.6	78.5
	2018				Total \$m
	Customer relationships \$m	Unpatented technology \$m	Patents and trademarks \$m	Other \$m	
Cost:					
At 1 January	247.1	72.8	57.3	22.0	399.2
Exchange adjustments	(0.2)	(0.3)	(0.1)	(0.3)	(0.9)
Additions	–	5.4	0.9	0.3	6.6
At 31 December	246.9	77.9	58.1	22.0	404.9
Accumulated amortisation and impairment:					
At 1 January	172.1	35.6	45.1	21.0	273.8
Exchange adjustments	(0.2)	(0.1)	–	(0.3)	(0.6)
Charge for the year	21.7	6.8	2.6	0.8	31.9
At 31 December	193.6	42.3	47.7	21.5	305.1
Net book amount	53.3	35.6	10.4	0.5	99.8

The net book amount of other intangible assets at 1 January 2018 was \$125.4m.

Other intangible assets of \$5.6m (2018 – \$0.5m) include software of \$5.4m (2018 – \$0.4m).

Internally generated intangible assets have been included within unpatented technology. The carrying value at the beginning of the year was \$20.8m (2018 – \$17.1m). Additions during the year were \$4.0m (2018 – \$5.4m) and the amortisation charge for the year was \$2.9m (2018 – \$1.4m). After positive foreign exchange movements of \$0.2m (2018 – \$0.3m adverse), the carrying value at the end of the year was \$22.1m (2018 – \$20.8m).

Internally generated intangible assets have also been included within patents. The carrying value at the beginning of the year was \$4.4m (2018 – \$4.5m). Additions during the year were \$1.0m (2018 – \$0.9m) and the amortisation charge for the year was \$0.6m (2018 – \$0.9m). After foreign exchange movements of \$nil (2018 – \$0.1m adverse movement), the carrying value at the end of the year was \$4.8m (2018 – \$4.4m).

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

Individual Material Intangible Assets

Included in the table above are customer relationships, purchased as part of the Titan acquisition with a net book value of \$32.5m (2018 – \$51.5m). The cost brought forward and at the year-end was \$190.2m (2018 – \$190.2m). Following the amortisation charge of \$19.0m for the year (2018 – \$19.0m), accumulated amortisation at the year-end was \$157.7m (2018 – \$138.7m). The intangible asset has a remaining amortisation period at the year-end of 1.8 years (2018 – 2.8 years).

16. Impairment of Non-financial Assets

(a) Impairment Testing Process

(i) Cash-generating Units ("CGUs")

The recoverable amount for each CGU has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the CGU in a sales transaction on an arm's-length basis. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by the CGU and discounted at a rate that is determined for each CGU in isolation by consideration of their business risk profiles. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The FVLCD is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

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 2020, cash flows are based on the approved Board budget. For 2021 to 2024, management has made revenue projections using Spears & Associates "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic markets and drivers (rig count, footage drilled or E&P spend) for each CGU. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management has then modelled the expected impact on margins and cash flow from the resulting revenue projections. This process can give a diverse range of outcomes depending on market or business specific conditions. Compound annual growth rates ("CAGR") for revenue for the CGUs from 2019 to 2024 vary between 3% and 12% (2018 – CAGR from 2018 to 2023 between 3% and 13%). After 2024, a terminal value has been calculated assuming growth of 25 basis points above assumed inflation (2018 – 50 basis points), giving nominal growth rates between 1% and 2% (2018 – between 2% and 3%).

Cash flows have been discounted using nominal pre-tax rates between 9% and 10% (2018 – 10% and 11%). The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

(ii) Individual assets

For individual assets, an impairment test is conducted if there are indicators of impairment. Impairment arises when the carrying value of the asset is greater than the higher of its fair value less costs of disposal or its value in use. If the cash flows of an asset cannot be assessed individually the asset or a group of assets are aggregated into a CGU and tested as described above.

(b) Impairment Tests for Goodwill

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

CGU	2019 \$m	2018 \$m
Hunting Titan	180.5	180.4
Hunting Stafford "Subsea" (formally National Coupling Company)	15.0	15.0
Dearborn	12.5	12.5
US Manufacturing	12.5	12.5
Hunting Specialty	5.0	5.0
European Well Intervention (Welltonic acquisition)	4.7	4.5
At 31 December	230.2	229.9

Goodwill is tested annually for impairment. No impairment charges have been recorded as a result of the goodwill impairment review carried out in the year (2018 – \$nil).

(i) Material CGU

Hunting Titan – Hunting Titan represents 78% of the goodwill balance at the year-end (2018 – 78%) and has a carrying value, including amounts recognised on consolidation such as goodwill, of \$444.1m (2018 – \$500.8m). Projected annual growth rates from 2019 to 2024 vary between minus 6% and 6% with a CAGR of 3% (2018 – growth rates from 2018 to 2023 between 2% and 5% with a CAGR of 3%). Growth rates are more volatile given expected declines in US onshore activity in 2020. Cash flows have been discounted at a nominal pre-tax rate of 10% (2018 – 11%). There is no reasonably foreseeable change in revenue growth rates, or terminal growth rates, or discount rates, which will give rise to impairment charges.

(ii) Sensitivities

Management has reviewed various downside sensitivities versus the base case assumptions used in our projections. These covered revenue growth rates, terminal revenue growth rates and discount rates. Management has identified the following reasonably possible changes which could result in an impairment:

- For our European Well Intervention CGU, if the CAGR from 2019 to 2024 is below 7% (2018 – CAGR from 2018 to 2023 below 6%), this will result in an impairment to the \$4.7m goodwill carrying value (2018 – \$4.5m).

For other CGUs that carry goodwill, management has concluded that there are no reasonably foreseeable changes in key assumptions that will give rise to goodwill impairment charges.

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16. Impairment of Non-financial Assets continued

(c) Impairment Tests for Other Intangible Assets

Included in other intangible assets are balances for CGUs that may be subject to impairment sensitivities as follows: European Well Intervention \$2.9m (2018 – \$2.8m) and Canada \$2.0m (2018 – \$1.9m). Details of the sensitivity for the European Well Intervention CGU can be found in (b) above and for Canada details can be found in (d) below.

(d) Impairment Tests for PPE

(i) US Drilling Tools

In 2019, our US Drilling Tools business was impacted by a 10% reduction in the US onshore rig count over the course of the year, which was a significantly worse outcome than expected at the end of 2018. A further decline in US onshore rig activity is now expected in 2020.

In 2019, the market situation has been further impacted by an excess level of tools available for rental, partly through new entrants to the market in recent years. The market has also been evolving towards the usage of higher torque/higher speed mud motors influenced by increasing lateral lengths in horizontal drilling. Hunting's drilling tools fleet includes a number of older motors which have a lower torque and drilling speed than modern tools and these have had very low rates of utilisation. Rental rates on these motors fell by approximately 50% during the year. The business has, therefore, significantly underperformed versus its 2019 budget and 2018 results.

As a result of these impairment indicators, a detailed review of our motor fleet and associated parts has been carried out considering each category/configuration of motor to determine the economic viability of these assets. Our view is that for a number of categories/configurations of motors utilisation is unlikely to return to meaningful levels and an impairment of \$19.0m has been recognised, with the majority of assets expected to be scrapped. Given the materiality of this write-off, this has been treated as exceptional as disclosed in note 6. The carrying value of PPE at 2019, which could be subject to further impairment if market conditions are worse than expected, is \$23.6m. If growth rates in our projection period from 2020 to 2024 are less than 4% per annum, which is a reasonably possible change, further impairments may arise.

(ii) Canada

For the Canada CGU, if the CAGR from 2019 to 2024 is below 3%, which is a reasonably possible change, this will result in an impairment (2018 – below 4% CAGR for 2018 to 2023). The net book value of PPE in Canada is \$2.8m (2018 – \$2.7m).

For other CGUs, management has concluded that there are no reasonably foreseeable changes in key assumptions that will give rise to PPE impairment charges.

(iii) Exploration and Production ("E&P")

The productive and development oil and gas assets of our E&P business are tested for impairment at least annually. Following a valuation of oil and gas reserves at 31 December 2019, performed for impairment purposes, no impairment charges were required (2018 – \$nil). The recoverable amount of oil and gas development expenditure is based on value-in-use. These calculations use discounted cash flow projections based on estimated oil and gas reserves, future production and the income and costs in generating this production. Cash flows are based on productive lives between one and 15 years and are discounted using a nominal pre-tax rate of 10% (2018 – 10%).

17. Investments

	2019 \$m	2018 \$m
Non-current:		
Listed equity investments and mutual funds	1.6	1.7
Investments in associates	0.7	0.7
	2.3	2.4
Current:		
Listed equity investments and mutual funds	0.5	–
	2.8	2.4

The listed equity investments and mutual funds are equity instruments measured at fair value through profit or loss. Returns on the listed equity investments and mutual funds of \$0.3m (2018 – \$nil) have been included in finance income in note 9.

18. Trade and Other Receivables

	2019 \$m	2018 \$m
Non-current:		
Loan note	–	0.6
Prepayments	2.0	2.5
Other receivables	0.7	0.4
	2.7	3.5

18. Trade and Other Receivables continued

	2019			
	Contracts with customers \$m	Rental receivables \$m	Other receivables \$m	Total \$m
Current:				
Contract assets	8.3	–	–	8.3
Trade receivables	149.0	10.4	–	159.4
Accrued revenue	12.0	0.3	–	12.3
Gross receivables	169.3	10.7	–	180.0
Less: provision for impairment	(3.6)	(0.3)	–	(3.9)
Net receivables	165.7	10.4	–	176.1
Prepayments	–	–	21.9	21.9
Loan note	–	–	0.7	0.7
Other receivables	–	–	3.3	3.3
Net book amount	165.7	10.4	25.9	202.0

	2018			
	Contracts with customers \$m	Rental receivables \$m	Other receivables \$m	Total \$m
Current:				
Contract assets	11.8	–	–	11.8
Trade receivables	172.1	12.6	0.3	185.0
Accrued revenue	5.3	2.6	–	7.9
Gross receivables	189.2	15.2	0.3	204.7
Less: provision for impairment	(2.7)	(0.3)	–	(3.0)
Net receivables	186.5	14.9	0.3	201.7
Prepayments	–	–	22.5	22.5
Loan note	–	–	0.6	0.6
Other receivables ⁱ	–	–	6.2	6.2
Net book amount	186.5	14.9	29.6	231.0

i. Other receivables include a provision for impairment of \$0.1m.

Trade receivables of \$159.4m (2018 – \$185.0m), accrued revenue of \$12.3m (2018 – \$7.9m) and the loan note of \$0.7m (2018 – \$1.2m) are financial assets measured at amortised cost. Interest income on the loan note is included within other finance income in note 9. The amount is immaterial in 2019 and 2018. Interest charged on the loan is based on three-month LIBOR plus 2.75%.

Other receivables generally arise from transactions outside the usual operating activities of the Group and comprise receivables from tax receivables (VAT, GST, franchise taxes, and sales and use taxes) of \$2.0m (2018 – \$4.1m), derivative financial assets \$0.3m (2018 – \$0.7m) associates of \$nil (2018 – \$0.4m) and other receivables of \$1.0m (2018 – \$1.4m). Receivables from associates and other receivables are financial assets measured at amortised cost. Derivative financial assets of \$0.2m (2018 – \$0.5m) are held for trading measured at fair value through profit or loss and derivative financial assets of \$0.1m (2018 – \$0.2m) are designated in a hedge measured at fair value.

The Group does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of \$127.3m (2018 – \$153.6m). For the receivables pledged as security, their carrying value approximates their fair value.

Impairment of Trade and Other Receivables

The Group has chosen to apply lifetime expected credit losses ("ECLs") to trade receivables, accrued revenue and contract assets upon their initial recognition. Each entity within the Group uses provision matrices for recognising ECLs on its receivables, which are based on actual credit loss experience over the past two years, at a minimum. Receivables are appropriately grouped by geographical region, product type or type of customer, and separate calculations produced, if historical or forecast credit loss experience shows significantly different loss patterns for different customer segments. Actual credit loss experience is then adjusted to reflect differences in economic conditions over the period the historical data was collected, current economic conditions, forward-looking information and the Group's view of economic conditions over the expected lives of the receivables.

The Group assesses, on a forward-looking basis, the ECLs at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. To assess whether there has been a significant increase in credit risk, the risk of default occurring on the loan as at 31 December 2019 is compared with the risk of default occurring as at the date of initial recognition, being 31 March 2015. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue. Macroeconomic information is also considered, including the current state of the tanker shipping market. The terms of the loan note were revised during 2017. There have been no breaches of the revised terms during 2019. Therefore, the Group does not consider there to have been a significant increase in credit risk.

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18. Trade and Other Receivables continued

Impairment of Trade and Other Receivables continued

At 31 December 2019, the ageing of the Group's gross financial assets, based on days overdue, is as follows:

	Not overdue \$m	1 – 30 days \$m	31 – 60 days \$m	61 – 90 days \$m	91 – 120 days \$m	More than 120 days \$m	Total gross financial assets \$m
Contract assets	8.3	–	–	–	–	–	8.3
Trade receivables – contracts with customers	79.4	28.5	16.3	8.6	8.2	8.0	149.0
Trade receivables – rental receivables	2.7	4.5	1.2	0.9	0.4	0.7	10.4
Accrued revenue – contracts with customers	12.0	–	–	–	–	–	12.0
Accrued revenue – rental receivables	0.3	–	–	–	–	–	0.3
Loan note	0.7	–	–	–	–	–	0.7
Other receivables	1.2	–	–	0.1	–	–	1.3
	104.6	33.0	17.5	9.6	8.6	8.7	182.0

	Not overdue \$m	1 – 30 days \$m	31 – 60 days \$m	61 – 90 days \$m	91 – 120 days \$m	More than 120 days \$m	Total gross financial assets \$m
Contract assets	11.8	–	–	–	–	–	11.8
Trade receivables – contracts with customers	102.0	36.5	8.5	8.7	8.2	8.2	172.1
Trade receivables – rental receivables	4.4	4.0	1.3	2.4	–	0.5	12.6
Trade receivables – other	0.3	–	–	–	–	–	0.3
Accrued revenue – contracts with customers	5.3	–	–	–	–	–	5.3
Accrued revenue – rental receivables	2.6	–	–	–	–	–	2.6
Loan note	1.2	–	–	–	–	–	1.2
Other receivables	2.0	0.2	–	–	–	0.4	2.6
	129.6	40.7	9.8	11.1	8.2	9.1	208.5

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned above. The carrying value of each class of receivables approximates their fair value as described in note 29.

Whilst a proportion, 11%, (2018 – 9%) of the Group's trade receivables are more than 90 days overdue these have not been impaired. Some of these debts have become overdue due to billing issues and others because the customer has just been slow to pay. As there is no history of bad debts and there are no indicators that the debts will not be settled, these have not been impaired. These customers are monitored very closely for any indicators of impairment.

During the year, the movements on the provision for impairment were as follows:

	2019			
	Contracts with customers \$m	Rental receivables \$m	Other receivables \$m	Total \$m
At 1 January	2.7	0.3	0.1	3.1
Charge to the income statement – lifetime expected credit losses	1.6	–	–	1.6
Unused provisions released to the income statement	(0.4)	–	(0.1)	(0.5)
Utilised against receivables written off	(0.3)	–	–	(0.3)
	3.6	0.3	–	3.9

	2018			
	Contracts with customers \$m	Rental receivables \$m	Other receivables \$m	Total \$m
At 1 January (calculated under IAS 39)	4.4	0.4	–	4.8
Amounts restated through opening retained earnings	0.2	–	–	0.2
At 1 January restated (calculated under IFRS 9)	4.6	0.4	–	5.0
Exchange adjustments	(0.1)	–	–	(0.1)
Charge to the income statement – lifetime expected credit losses	0.9	0.6	0.1	1.6
Unused provisions released to the income statement	(0.3)	(0.2)	–	(0.5)
Utilised against receivables written off	(2.4)	(0.5)	–	(2.9)
	2.7	0.3	0.1	3.1

18. Trade and Other Receivables continued**Impairment of Trade and Other Receivables continued**

Default on a financial asset is usually considered to have occurred when any contractual payments under the terms of the debt are more than 90 days overdue. Usually, no further deliveries are made or services provided to customers that are more than 90 days overdue unless there is a valid reason to do so, such as billing issues have prevented the customer from settling the invoice. However, permission from the local financial controller can be obtained to continue trading with customers with debts that are more than 90 days overdue, and the outstanding debts may also be rescheduled with the permission of the financial controller.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that receivables are generally not recoverable include the failure of the debtor to engage in a repayment plan, failure to make contractual payments for a period greater than 180 days past due and the debtor being placed in administration. Where receivables have been written off, the entity will continue to try and recover the outstanding receivable. Impairment losses on receivables are presented net of unused provisions released to the income statement within operating expenses.

19. Deferred Tax

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

	2019 \$m	2018 \$m
Deferred tax assets	29.9	26.0
Deferred tax liabilities	(0.8)	(1.2)
	29.1	24.8

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

	2019 \$m	2018 \$m
At 1 January	24.8	(2.0)
Adoption of IFRS 16 (note 41)	1.7	–
At 1 January amended	26.5	(2.0)
Exchange adjustments	0.1	0.4
Credit to the income statement ⁱ	2.5	20.3
Change in tax rates	–	0.4
Taken direct to equity	–	0.2
Other movements	–	5.5
At 31 December	29.1	24.8

i. The credit (2018 – credit) to the income statement comprises a charge of \$1.3m (2018 – \$9.4m charge) for the origination and reversal of temporary differences, a credit for the recognition of US deferred tax assets of \$nil (2018 – \$28.9m) and a credit of \$3.8m (2018 – \$0.8m credit) for adjustments in respect of prior years (note 10).

The change in tax rates relates to the rate at which UK deferred tax balances are recorded. Other movements of \$5.5m in 2018 include \$5.8m for the release of the deferred tax liability to offset tax withheld at source by the UK pension scheme following the repayment of a net \$10.6m surplus to the Company.

Deferred tax assets of \$95.4m gross and \$15.8m tax (2018 – \$35.4m gross and \$8.1m tax) have not been recognised as realisation of the tax benefit is currently not probable. This includes \$89.4m gross and \$14.8m tax (2018 – \$34.4m gross and \$7.9m tax) in respect of trading losses, which have no expiry date. A deferred tax asset of \$24.0m (2018 – \$19.1m) has been recognised in respect of tax losses in various locations on the basis of forecast future taxable profits against which those tax losses could be utilised.

The movements in deferred tax assets and liabilities, prior to taking into consideration the offsetting of balances within the same tax jurisdictions, are shown below:

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	Credit (charge) to income statement \$m	Exchange adjustments \$m	Taken direct to equity \$m	Other movements \$m	At 31 December 2019 \$m	Net deferred tax assets \$m	Net deferred tax liabilities \$m
Tax losses	19.1	–	0.2	–	0.2	4.5	24.0	24.0	–
Inventory	6.3	–	0.8	–	–	–	7.1	7.1	–
Goodwill and intangibles	10.0	–	(2.7)	–	(0.2)	0.1	7.2	7.4	(0.2)
Post-retirement benefits	0.3	–	0.2	–	(0.1)	–	0.4	0.4	–
Asset decommissioning provision	1.1	–	(0.2)	–	–	–	0.9	0.9	–
Accumulated tax depreciation	(17.2)	–	(3.8)	0.1	–	–	(20.9)	(20.0)	(0.9)
Share-based payments	3.9	–	(0.3)	–	0.1	–	3.7	3.7	–
Other	1.3	1.7	8.3	–	–	(4.6)	6.7	6.4	0.3
	24.8	1.7	2.5	0.1	–	–	29.1	29.9	(0.8)

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19. Deferred Tax continued

	At 1 January 2018 \$m	Exchange adjustments \$m	Credit (charge) to income statement \$m	Change in tax rates \$m	Taken direct to equity \$m	Other movements \$m	31 December 2018 \$m	At 31 December 2018 \$m	Net deferred tax assets \$m	Net deferred tax liabilities \$m
Tax losses	2.8	0.1	11.9	(0.1)	–	4.4	19.1	19.1	–	–
Inventory	5.2	–	6.0	–	–	(4.9)	6.3	6.3	–	–
Goodwill and intangibles	11.7	–	10.2	–	–	(11.9)	10.0	10.2	(0.2)	–
Post-retirement benefits	(4.8)	0.3	–	0.4	0.4	4.0	0.3	0.3	–	–
Asset decommissioning provision	1.2	–	1.1	–	–	(1.2)	1.1	1.1	–	–
Accumulated tax depreciation	(14.5)	0.1	(16.9)	–	–	14.1	(17.2)	(16.0)	(1.2)	–
Share-based payments	0.8	–	3.3	–	(0.2)	–	3.9	3.9	–	–
Other	(4.4)	(0.1)	4.7	0.1	–	1.0	1.3	1.1	0.2	–
	(2.0)	0.4	20.3	0.4	0.2	5.5	24.8	26.0	(1.2)	–

Following the recognition of deferred tax assets in full for the US, the net adjusted tax assets for goodwill and intangibles is shown as a net deferred tax asset.

20. Inventories

	2019 \$m	2018 \$m
Raw materials	105.4	113.8
Work in progress	65.4	67.7
Finished goods	206.5	191.2
Gross inventories	377.3	372.7
Less: provisions for losses	(26.5)	(24.5)
Net inventories	350.8	348.2

The Group's inventory is highly durable and is well maintained. It can, therefore, hold its value well with the passing of time. When volume demand falls, or prices are reduced, management has to assess whether the carrying value of inventory can still be achieved. For some markets and product lines there may be a limited number, or even no sales, to form a benchmark in the current year. In these cases, management look at historic activity levels and have to form a judgement as to likely future demand in the light of market forecasts and likely competitor activities. As a result of such judgements, the net inventory balance comprises \$301.4m of inventory carried at cost (2018 – \$295.2m) and \$49.4m carried at net realisable value which represents 14% of net inventories (2018 – \$53.0m at NRV representing 15% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

Gross inventories have increased \$4.6m from \$372.7m at 31 December 2018 to \$377.3m at 31 December 2019. Additions to inventories were \$673.1m (2018 – \$670.4m), inventories from acquisitions of \$0.4m (2018 – \$nil) and foreign exchange movements of \$3.0m (2018 – \$6.8m reduction) were offset by inventories expensed to cost of sales of \$667.5m (2018 – \$592.8m) and inventories written off of \$4.3m (2018 – \$7.3m) against the inventory provision and inventories transferred to PPE of \$0.1m (2018 – \$nil).

The inventory provision has increased by \$2.0m from \$24.5m at 31 December 2018 to \$26.5m at 31 December 2019, as a result of an impairment charge included in cost of sales of \$7.5m (2018 – \$6.2m) and foreign exchange movements of \$0.4m (2018 – \$0.6m increase) offset by \$4.3m (2018 – \$7.3m) of the provision being utilised in the year against inventories written off and the reversal of previous write-downs of \$1.6m (2018 – \$2.0m) also included in cost of sales. The reversal of previous write-downs occurred when inventory was sold for an amount higher than its net realisable value and also where older inventories, which had previously been written off, were sold as market conditions improved in the oil and gas sector. Overall, Hunting's provision for inventory losses has remained static at 7% of gross inventory balances at 31 December 2019.

The Group expects that \$293.0m (2018 – \$290.0m) of the Group's inventories of \$350.8m (2018 – \$348.2m) will be realised within 12 months of the balance sheet date and \$57.8m (2018 – \$58.2m) will be realised after 12 months.

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of \$229.9m (2018 – \$234.1m).

21. Cash and Cash Equivalents

	2019 \$m	2018 \$m
Cash at bank and in hand	66.6	32.4
Money Market Funds	26.2	26.1
Short-term deposits of less than three month's maturity	35.8	9.4
	128.6	67.9

Cash at bank and in hand and short-term deposits are carried at amortised cost. Money Market Funds are financial assets carried at fair value through profit or loss.

As shown in note 26, cash and cash equivalents for cash flow statement purposes also includes bank overdrafts shown in borrowings in note 25.

22. Trade and Other Payables

	2019 \$m	2018 \$m
Non-current:		
Accruals	0.5	1.4
Social security and other taxes	0.6	0.7
US deferred compensation plan obligation (note 32)	1.6	1.7
	2.7	3.8
	2019 \$m	2018 \$m
Current:		
Trade payables	56.3	62.3
Accruals	45.3	59.9
Social security and other taxes	7.7	8.8
Contract liabilities	6.8	5.5
US deferred compensation plan obligation (note 32)	0.5	–
Other payables	4.6	4.4
	121.2	140.9

Trade payables of \$56.3m (2018 – \$62.3m), accruals of \$45.8m (2018 – \$61.3m) and other payables of \$3.4m (2018 – \$4.3m) are financial liabilities measured at amortised cost. Other payables also include derivative financial liabilities of \$1.0m (2018 – \$0.1m) held for trading measured at fair value through profit or loss and derivative financial liabilities designated in a net investment hedge measured at fair value of \$0.2m (2018 – \$nil).

23. Contract Assets and Liabilities

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019 \$m	2018 \$m	2017 \$m
Contract assets (note 18)	8.3	11.8	6.8
Contract liabilities (note 22)	(6.8)	(5.5)	(9.1)
Trade receivables – contracts with customers (note 18)	149.0	172.1	139.9
Loss allowance	(3.6)	(2.7)	(4.4)
Net trade receivables – contracts with customers	145.4	169.4	135.5

There was an impairment write-down of \$1.6m (2018 – \$0.9m) recognised in relation to receivables arising on the Group's contracts with customers, foreign exchange movements of \$nil (2018 – \$0.1m), \$0.3m (2018 – \$2.4m) of the provision was utilised in the year against receivables written off and \$0.4m (2018 – \$0.3m) reversal of an impairment write-down in relation to receivables arising on contracts with customers.

(a) Significant Changes in Contract Assets and Contract Liabilities

Contract assets have decreased from \$11.8m in 2018 to \$8.3m due to decreased levels of bespoke customer work-in-progress in Hunting Dearborn and a reduction in work on customer-owned products at the year-end in US Manufacturing.

Contract liabilities represent deposits received on contracts relating to the purchase of pipe in the Asia Pacific businesses, prior to Hunting placing an order with the steel mills, and have increased from \$5.5m in 2018 to \$6.8m due to a change in the mix of orders at the year-end, whereby more customers were required to pay a deposit when placing an order.

(b) Revenue Recognised in Relation to Contract Liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2019 \$m	2018 \$m
Revenue recognised that was included in the contract liability balance at the beginning of the year	5.5	8.8
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years	–	–
Total	5.5	8.8

(c) Unsatisfied Performance Obligations

The aggregate amount of the transaction price allocated to partially or fully unsatisfied performance obligations as at the year-end on confirmed purchase orders received prior to the year-end is \$239.0m (2018 – \$250.2m). It is expected that 95% or \$227.4m (2018 – 97% or \$243.0m) will be recognised as revenue in the 2020 financial year and the remaining 5% or \$11.6m (2018 – 3% or \$7.2m) in future years.

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24. Leases

From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between 3 and 10 years, but may have extension options as described below. Rental contracts for equipment and vehicles are typically made for fixed periods of between 3 and 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants.

Extension and break options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. For extension and break options that are exercisable only by the Group and not by the respective lessor, management considers all facts and circumstances that create an economic incentive for the Group to exercise an extension option, or not exercise a break option in determining the lease term. The lease term has been determined according to management's expectation of exercising any available extension and break options. Extension or termination options are only adjusted in the lease term if the lease option is reasonably certain to be exercised.

(a) Amounts Recognised in the Balance Sheet

Analysis of right-of-use assets is presented in note 13.

	At 31 December 2019 \$m
Lease Liabilities	
Current	9.8
Non-current	35.4
	45.2

The analysis of the contractual, undiscounted cash flows relating to lease liabilities is shown in note 30.

As at 31 December 2019, the Group did not have any commitments for leases that were due to commence in 2020 or later.

(b) Amounts Recognised in the Income Statement in 2019 under IFRS 16

The income statement includes the following amounts relating to leases:

	2019 \$m
Depreciation charge of Right-of-Use Assets (note 13):	
Land and buildings	7.7
Plant, machinery and motor vehicles	0.2
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and operating expenses)	3.0
Lease charges included in profit (loss) from operations	10.9
Interest on lease liabilities (included in finance costs (note 9))	2.2
Lease charges included in profit (loss) before tax	13.1

The Group sub-lets a number of properties, which have been capitalised as right-of-use assets. Income from subleasing these assets during the year was \$0.8m (2018 – \$0.8m) and is included in operating lease rental income in note 4. The Group also earns revenue from the rental of rental tools, which are items of property, plant and equipment, as disclosed in note 12. Rental revenue earned during the year was \$31.4m (2018 – \$39.3m) as shown in note 3.

(c) Amounts Recognised in the Statement of Cash Flows in 2019 under IFRS 16

	2019 \$m
Payments for short-term and low-value leases	3.0
Payments for capitalised leases	10.6
	13.6

24. Leases continued**(d) Operating Leases: The Group as Lessee – IAS 17 Disclosures**

Operating lease charges mainly represent rentals payable by the Group for properties:

	2018		Total \$m
	Property \$m	Others \$m	
Operating lease charges in the income statement:			
Lease and rental payments	12.1	1.7	13.8

i. Operating lease charges to the income statement in 2018 include an interest element, which is separated out and charged to finance expense under IFRS 16 in 2019.

In 2018, the Group had provisions of \$4.1m for onerous contracts in respect of some leasehold properties, some of which are not used for Group trading purposes and are either vacant or sub-let to third parties (note 27).

Total future aggregate minimum lease payments under non-cancellable operating leases:

	2018		Total \$m
	Property \$m	Others \$m	
Within one year	9.5	0.6	10.1
Between one and five years	30.0	0.7	30.7
After five years	19.1	–	19.1
Total lease payments	58.6	1.3	59.9

(e) The Group as Lessor

A number of the Group's properties included within property, plant and equipment and capitalised as right-of-use assets are let under operating lease agreements.

Future minimum lease payments expected to be received in relation to non-cancellable operating leases are:

	2019 Property \$m	2018 Property \$m
Within one year	1.1	1.8
Between one and five years	1.6	3.3
Total lease income receivable	2.7	5.1

25. Borrowings

	2019 \$m	2018 \$m
Non-current:		
Other unsecured loans	3.9	3.9
Current:		
Bank overdrafts secured	1.6	1.8
Unsecured bank loans	–	0.9
	1.6	2.7
Total borrowings	5.5	6.6

In accordance with the amendments made to the Group's committed facility in July 2016, security has been granted over certain property, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security are disclosed in notes 12, 18 and 20.

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25. Borrowings continued

Analysis of Borrowings by Currency

The carrying amount of the Group's borrowings is denominated in the following currencies:

	US dollars \$m	Chinese CNY \$m	Total \$m
Other unsecured loans	3.9	–	3.9
Bank overdrafts secured	1.6	–	1.6
At 31 December 2019	5.5	–	5.5

	US dollars \$m	Chinese CNY \$m	Total \$m
Other unsecured loans	3.9	–	3.9
Bank overdrafts secured	1.8	–	1.8
Unsecured bank loans	–	0.9	0.9
At 31 December 2018	5.7	0.9	6.6

26. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. As the Group manages funding on a net cash/debt basis, internal reporting focuses on changes in net cash/debt and this is presented in the Strategic Report. The net cash/debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items. Net cash/debt comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current lease liabilities, and current and non-current borrowings.

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	At 1 January 2019 amended \$m	Cash flow \$m	Non-cash movements on lease liabilities ⁱ \$m	Exchange movements \$m	At 31 December 2019 \$m
Cash and cash equivalents (note 21)	67.9	–	67.9	58.3	–	2.4	128.6
Bank overdrafts (note 25)	(1.8)	–	(1.8)	0.2	–	–	(1.6)
Cash and cash equivalents – per cash flow statement	66.1	–	66.1	58.5	–	2.4	127.0
Total lease liabilities (note 24)	–	(49.0)	(49.0)	10.6	(5.9)	(0.9)	(45.2)
Unsecured bank loans (note 25)	(0.9)	–	(0.9)	0.9	–	–	–
Non-current borrowings (note 25)	(3.9)	–	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(4.8)	(49.0)	(53.8)	11.5	(5.9)	(0.9)	(49.1)
Total net cash (debt)	61.3	(49.0)	12.3	70.0	(5.9)	1.5	77.9

i. Non-cash movements on lease liabilities comprise new leases of \$3.4m, interest expense of \$2.2m and lease modifications of \$0.3m.

	At 1 January 2018 \$m	Cash flow \$m	Exchange movements \$m	At 31 December 2018 \$m
Cash and cash equivalents (note 21)	36.4	32.6	(1.1)	67.9
Bank overdrafts (note 25)	(2.1)	0.3	–	(1.8)
Cash and cash equivalents – per cash flow statement	34.3	32.9	(1.1)	66.1
Other current borrowings (note 25)	–	(0.9)	–	(0.9)
Non-current borrowings (note 25)	(3.9)	–	–	(3.9)
Liabilities arising from financing activities	(3.9)	(0.9)	–	(4.8)
Total net cash (debt)	30.4	32.0	(1.1)	61.3

During the year, \$0.4m (2018 – \$0.5m) loan facility fees were paid, \$nil (2018 – \$0.6m) was accrued and \$0.4m (2018 – \$0.4m) fees were amortised.

27. Provisions

	Onerous contracts \$m	Asset decommissioning \$m	Other \$m	Total \$m
At 1 January 2019	4.1	5.6	4.5	14.2
Adjustment on adoption of IFRS 16 (note 41)	(4.1)	(0.1)	–	(4.2)
At 1 January 2019 restated	–	5.5	4.5	10.0
Exchange adjustments	–	0.1	–	0.1
Charged to the income statement	–	0.2	0.6	0.8
Provisions utilised	–	(1.3)	(0.2)	(1.5)
Unutilised amounts reversed	–	–	(1.6)	(1.6)
Unwinding of discount	–	0.1	–	0.1
Remeasurement	–	0.5	–	0.5
At 31 December 2019	–	5.1	3.3	8.4

Provisions are due as follows:

	2019 \$m	2018 \$m
Current	3.2	4.7
Non-current	5.2	9.5
	8.4	14.2

Asset decommissioning and remediation obligations of \$5.1m (2018 – \$5.6m) relate to the Group's obligation to dismantle, remove and restore items of property, plant and equipment. The asset decommissioning provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation. Provision is made on a discounted basis, the majority of which is estimated to be utilised over a period of 14 years. Other provisions include provisions for restructuring in South Africa and Indonesia of \$0.9m (2018 – \$1.6m), provision for a pension fund for officers in the mercantile marine industry from a legacy subsidiary of \$1.0m (2018 – \$1.3m) and warranties and tax indemnities of \$0.9m (2018 – \$0.9m).

28. Derivatives and Hedging**(a) Currency Derivatives**

The Group uses derivatives for economic hedging purposes and no speculative positions are entered into by the Group. The Group has used spot and forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. Currency exposure in the Group's treasury function is managed by using funding swaps to convert US dollars into different currencies required by the Group's entities, when required.

Fair values of outstanding derivative financial instruments:

	2019		2018	
	Total assets \$m	Total liabilities \$m	Total assets \$m	Total liabilities \$m
Forward foreign exchange contracts – in a cash flow hedge	0.1	–	–	–
Forward foreign exchange contracts – not in a hedge	0.2	(0.1)	0.2	(0.1)
Foreign currency swaps – in a net investment hedge	–	(0.2)	0.2	–
Foreign currency swaps – not in a hedge	–	(0.9)	0.3	–
Total	0.3	(1.2)	0.7	(0.1)

Gains on contracts that are not designated in a hedge relationship of \$0.2m (2018 – \$0.3m) have been recognised in the income statement during the year. During 2018, gains of \$0.6m on contracts not designated in a hedge relationship were recognised in exceptional items, and included in the \$2.0m credit on the closure of the South African facility in note 6.

(b) Fair Value Hedge

Forward foreign exchange contracts have also been designated in a fair value hedge to hedge the foreign exchange movement in foreign currency trade payables during the year. The value of the forward foreign exchange contract matches the value of the trade payables and they move in opposite directions as a result of movements in the CAD/USD exchange rate, being the hedged risk. Immaterial fair value losses have been recognised in the income statement during the year. At the year-end, there are no derivatives designated in a fair value hedge.

(c) Cash Flow Hedge

The Group has entered into contracts to purchase materials from suppliers in a currency other than the Group's subsidiary's functional currency. Certain of these highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts during the year. The value of the forward foreign exchange contract matches the value of the forecast inventory purchase and they move in opposite directions as a result of movements in the CAD/USD and the CNY/USD exchange rates, being the hedged risk. It is anticipated that the materials will be sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss as part of the cost of inventories sold.

The Group also entered into contracts to purchase items of property, plant and equipment from suppliers in a currency other than the Group's subsidiary's functional currency. These highly probable forecast transactions were hedged using a forward foreign exchange contracts. The value of the forward foreign exchange contracts matched the value of the forecast property, plant and equipment purchases and they moved in opposite directions as a result of movements in the CAD/USD and EUR/USD exchange rates, being the hedged risk. The amount deferred in equity will be reclassified to profit or loss as part of the depreciation charge over the item's useful life.

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28. Derivatives and Hedging continued

(c) Cash Flow Hedge continued

The Group's cash flow hedge reserve, which is disclosed as part of other components of equity in note 34, relates to the spot component of forward foreign exchange contracts, as follows:

	\$m
Balance as at 1 January 2018	(0.1)
Fair value gains of forward foreign exchange contracts recognised in OCI	0.3
Reclassified to the carrying value of inventory	(0.2)
Balance as at 31 December 2018 and 2019	-

The movements in the cash flow hedge reserve during 2019 were immaterial. The effects of outstanding forward foreign exchange contracts on the Group's financial position and performance are as follows:

		2019	2018
Carrying amount of the forward foreign exchange contracts – other receivables (note 18)	\$m	0.1	<0.1
Notional amount of the forward foreign exchange contracts	\$m	8.5	2.2
Maturity date		03.01.20 to 08.05.20	25.01.19 to 24.10.19
Hedge ratio ⁱ		1:1	1:1
Change in value of hedged item used to determine hedge effectiveness	\$m	(0.1)	<(0.1)

i. The forward foreign exchange contracts are denominated in the same currency as the highly probable forecast transactions to match the exposed currency risk, therefore the hedge ratio is 1:1.

Immaterial changes in the forward points, the differential between the forward rate and the market spot rate, have been recognised in the income statement during the year and previous year.

(d) Net Investment Hedge

In order to hedge the translation foreign currency risk arising on Canadian dollar denominated net assets, the Group entered into foreign currency swaps that have maturities of up to three months. The fair value of the foreign currency swaps and the value of the Canadian dollar denominated net assets move in the opposite direction as a result of movements in the USD/CAD exchange rate, being the hedged risk. There was no ineffectiveness in the net investment hedge.

The effects of the outstanding foreign currency swap on the Group's financial position and performance are as follows:

		2019	2018
Carrying amount of the foreign currency swap – other payables (note 22)/other receivables (note 18)	\$m	(0.2)	0.2
Notional amount of the foreign currency swap	\$m	14.9	14.2
Maturity date		31.01.20	07.01.19
Hedge ratio ⁱ		1:1	1:1
Change in carrying amount of net assets as a result of foreign currency movements since inception, recognised in OCI	\$m	0.2	(0.2)
Change in value of hedged item used to determine hedge effectiveness	\$m	0.2	(0.2)

i. The foreign currency swap is denominated in the same currency as the Canadian dollar denominated net assets to match the exposed currency risk, therefore the hedge ratio is 1:1.

The balance relating to the net investment hedge in the currency translation reserve at the beginning of the year was a \$0.9m gain (2018 – \$0.5m loss), the cumulative spot to spot movement of a \$0.8m loss (2018 – \$1.4m gain) has been recognised during the year, resulting in a balance relating to the net investment hedge at the end of the year of a \$0.1m gain (2018 – \$0.9m).

(e) Hedge Effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic hedge relationship exists between the hedged item and the hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group, therefore, performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the forward foreign exchange contract, then the Group uses the hypothetical derivative method to assess effectiveness. Ineffectiveness may arise if there is a change in the timing of the forecast transaction from what was originally estimated or from a change in the US dollar amount charged and invoiced. A possible source of ineffectiveness is also a change in credit risk of either party to the derivative; however, any change in credit risk is not expected to be material.

For net investment hedges, the Group enters into hedge relationships where the value of the foreign currency swap matches exactly with the value of the loan. The Group, therefore, performs a qualitative assessment of effectiveness. Ineffectiveness will arise if the value of the foreign currency net assets falls below the value of the foreign currency swap prior to the maturity of the foreign currency swap.

There was no ineffectiveness during 2019 or 2018.

29. Financial Instruments: Fair Values

The carrying value of investments, the loan note, contract assets, trade receivables, accrued revenue, other receivables, short-term deposits, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and other unsecured loans approximates their fair value. Drawdowns under the revolving credit facility are typically for periods of one month or less and, as a result, the carrying value and the fair value are considered to be the same.

The Group has lease liabilities of \$45.2m at the year-end, which are not measured at fair value, in the balance sheet. The fair value of these financial liabilities has not been disclosed as their fair value cannot be measured reliably as there is no active market for these financial instruments. There is no expectation that the lease liabilities will be disposed of in the future.

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 2019 \$m	Level 1 \$m	Level 2 \$m
Equity instruments at fair value through profit or loss			
Listed equity investments and mutual funds	2.1	2.1	–
Debt instruments at fair value through profit or loss			
Money Market Funds	26.2	26.2	–
Current derivatives held for trading			
Derivative financial assets	0.2	–	0.2
Derivative financial liabilities	(1.0)	–	(1.0)
Current derivatives in a hedge			
Derivative financial assets	0.1	–	0.1
Derivative financial liabilities	(0.2)	–	(0.2)
	27.4	28.3	(0.9)

	Fair value at 31 December 2018 \$m	Level 1 \$m	Level 2 \$m
Equity instruments at fair value through profit or loss			
Non-current Listed equity investments and mutual funds	1.7	1.7	–
Debt instruments at fair value through profit or loss			
Money Market Funds	26.1	26.1	–
Current derivatives held for trading			
Derivative financial assets	0.5	–	0.5
Derivative financial liabilities	(0.1)	–	(0.1)
Current derivatives in a hedge			
Derivative financial assets	0.2	–	0.2
	28.4	27.8	0.6

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 Money Market Funds and listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date. The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year-end exchange rate.

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

30. Financial Risk Management

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

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

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

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30. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk

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

The Group's material foreign exchange rates are:

	Sterling		Canadian dollar	
	2019	2018	2019	2018
Average exchange rate to US dollars	0.78	0.75	1.33	1.30
Year-end exchange rate to US dollars	0.75	0.79	1.30	1.37

(i) Transactional Risk

The exposure to exchange rate movements in significant future transactions and cash flows is hedged by using forward foreign exchange contracts. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. Operating companies prepare quarterly rolling 12-month cash flow forecasts to enable working capital currency exposures to be identified. Exposures are also identified and hedged, if necessary, on an ad-hoc basis, such as when a purchase order in a foreign currency is placed. Currency exposures arise where the cash flows are not in the functional currency of the entity. Exposures arising from committed long-term projects beyond a 12-month period are also identified. The currency flows to be hedged are committed foreign currency transactions greater than \$50,000 equivalent. Exposures of less than \$50,000 equivalent will also be hedged but only where the underlying foreign currency cash flow is expected to occur 60 days or more from the point of entering into the transaction.

The table below shows the carrying values of the Group's financial instruments at 31 December, including derivative financial instruments, on which exchange differences would potentially be recognised in the income statement in the following year. The table excludes derivatives designated in a cash flow hedge as fair value gains and losses arising on these are recognised in other comprehensive income.

At 31 December 2019	Currency of denomination							Total \$m
	Sterling \$m	US dollars \$m	AED \$m	Chinese CNY \$m	Euro \$m	AUD \$m	Other currencies \$m	
Functional currency of Group's entities:								
Sterling	-	(5.0)	-	-	(0.4)	-	0.2	(5.2)
US dollars	(2.6)	-	(1.6)	(1.0)	(0.6)	1.3	(1.5)	(6.0)
Canadian dollars	-	(1.2)	-	-	-	-	-	(1.2)
Singapore dollars	-	2.7	-	-	-	-	-	2.7
Euro	(0.1)	0.8	-	-	-	-	-	0.7
Chinese CNY	-	(0.6)	-	-	-	-	-	(0.6)
	(2.7)	(3.3)	(1.6)	(1.0)	(1.0)	1.3	(1.3)	(9.6)

The Sterling, US dollar, United Arab Emirates ("UAE") Dirham ("AED"), Australian dollar ("AUD") and Chinese Yuan Renminbi ("CNY") denominated financial instruments consist of cash balances, trade and other receivables, accrued revenue, trade and other payables, accrued expenses, finance lease liabilities, provisions and intra-Group loans.

At 31 December 2018	Currency of denomination							Total \$m
	Sterling \$m	US dollars \$m	AED \$m	Chinese CNY \$m	Euro \$m	AUD \$m	Other currencies \$m	
Functional currency of Group's entities:								
Sterling	-	(3.5)	-	-	(0.1)	-	-	(3.6)
US dollars	(2.4)	-	(1.4)	1.0	(0.1)	-	(0.1)	(3.0)
Canadian dollars	-	(0.3)	-	-	-	-	-	(0.3)
Singapore dollars	-	2.3	-	-	-	-	-	2.3
Euro	(0.8)	-	-	-	-	-	-	(0.8)
Chinese CNY	-	-	-	-	-	-	(0.2)	(0.2)
	(3.2)	(1.5)	(1.4)	1.0	(0.2)	-	(0.3)	(5.6)

The Sterling, US dollar, United Arab Emirates ("UAE") Dirham ("AED") and Chinese Yuan Renminbi ("CNY") denominated financial instruments consist of cash balances, trade and other receivables, accrued revenue, trade and other payables, accrued expenses, provisions and intra-Group loans.

30. Financial Risk Management continued**(a) Market Risk: Foreign Exchange Risk** continued**(i) Translational Risk**

Foreign exchange risk also arises from financial assets and liabilities not denominated in the functional currency of an entity's operations and forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. Where appropriate, hedge accounting is applied to the forward foreign exchange contracts and the hedged item to remove any accounting mismatch.

Foreign exchange risk also arises from the Group's investments in foreign operations. During the year, foreign currency swaps have been designated in a net investment hedge to hedge the translation foreign currency risk arising on a Canadian dollar denominated investment.

The foreign exchange exposure arising from the translation of its net investments in foreign operations into the Group's presentation currency of US dollars has also previously been managed by designating any borrowings that are not US dollar denominated as a hedge of the net investment in foreign operations.

The foreign exchange exposure primarily arises from Sterling and Canadian dollar denominated net investments.

(b) Market Risk: Interest Rate Risk

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

(c) Credit Risk

The Group's credit risk arises from its cash at bank and in hand, Money Market Funds, short-term deposits, investments, derivative financial instruments, the loan note, accrued revenue, outstanding trade receivables and contract assets.

At the year-end, the Group had credit risk exposures to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities. Exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the treasury function can invest surplus cash with must all have a minimum A2, P2 or F2 short-term rating from Standard & Poor's, Moody's or Fitch rating agencies respectively and AAAM S&P rating for Money Market Funds. The Money Market Funds aim to have a stable Net Asset Value per share of 1 (this means that for every \$1 or £1 that is in the fund there will be an asset to cover it) and the funds have overnight liquidity. At the year-end, deposits in Money Market Funds totalled \$26.2m (2018 – \$26.1m).

At the year-end, cash at bank and in hand totalled \$66.6m (2018 – \$32.4m), with \$48.4m (2018 – \$18.0m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining \$18.2m (2018 – \$14.4m), \$16.6m (2018 – \$13.5m) was held with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit. There are no formal restrictions on this cash as such, however, prior approval would be required from various state authorities in China before any cash could be paid offshore.

Surplus cash held in short-term deposits totalled \$35.8m (2018 – \$9.4m) and are held with banks with Fitch short-term ratings of F1 and F1+.

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument.

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

The Group operates a defined benefit pension scheme in the US, which is unfunded. Contributions are paid into a separate investment vehicle and invested in a wide portfolio of US mutual funds that are recognised as current and non-current investments. Investments at the year-end amounted to \$2.1m (2018 – \$1.7m) and are expected to be fully recovered.

(d) Liquidity Risk

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable them to monitor the Group's requirements.

The Group has sufficient credit facilities to meet both its long- and short-term requirements. The Group's credit facilities are provided by a variety of funding sources and total \$164.2m (2018 – \$164.9m) at the year-end. The facilities comprise \$160.0m of secured committed facilities (2018 – \$159.5m) and \$4.2m secured uncommitted facilities (2018 – \$5.4m).

The Group's \$160m Revolving Credit Facility ("RCF") is due to mature in December 2022, with an option to extend for a further one year to December 2023. The main features of the RCF are as follows:

- The base margin on amounts drawn under the facility is 1.00%.
- Market standard financial covenants of the facility, as discussed below.
- A \$75.0m accordion feature, providing Hunting with additional flexibility to increase the size of the bank facility to \$235.0m, subject to approval of its bank lending group.

Security is granted over certain properties, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security are disclosed in notes 12, 18 and 20.

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30. Financial Risk Management continued

(d) Liquidity Risk continued

The covenants to 31 December 2019 include:

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

For covenant testing purposes, the Group's definition of consolidated EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Consolidated EBITDA is also adjusted to reflect it on a pre-IFRS 16 basis. Similarly, net cash (debt) and finance expenses are adjusted to accord with the definition within the facility agreement. Consolidated EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December. Throughout the year and at 31 December 2019 both these covenants were met.

The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities. The Group had undrawn committed borrowing facilities available at the year-end totalling \$160.0m (2018 – \$159.5m), which expire between one and five years from 31 December 2019.

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

	2019			
	On demand or within one year \$m	Between one and five years \$m	After five years \$m	Total \$m
Non-derivative financial liabilities:				
Trade payables	56.3	–	–	56.3
Accruals	45.3	0.4	0.1	45.8
Other payables	3.4	–	–	3.4
Lease liabilities	10.3	28.1	14.6	53.0
Secured bank loans	0.6	1.1	–	1.7
Other unsecured loans	–	–	3.9	3.9
Bank overdrafts secured	1.6	–	–	1.6
Total	117.5	29.6	18.6	165.7

	2018			
	On demand or within one year \$m	Between one and five years \$m	After five years \$m	Total \$m
Non-derivative financial liabilities:				
Trade payables	62.3	–	–	62.3
Accruals	59.9	0.9	0.5	61.3
Other payables	4.3	–	–	4.3
Onerous lease contracts	1.1	3.0	–	4.1
Secured bank loans	0.6	1.1	–	1.7
Unsecured bank loans	0.9	–	–	0.9
Other unsecured loans	–	–	3.9	3.9
Bank overdrafts secured	1.8	–	–	1.8
Total	130.9	5.0	4.4	140.3

The Group had no net settled financial liabilities at the year-end (2018 – none).

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

	On demand or within one year 2019 \$m	On demand or within one year 2018 \$m
Currency derivatives		
– inflows	111.8	86.9
– outflows	(112.7)	(86.3)

(e) Capital Risk Management

The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on page 53. Within this section, the Group provides a definition of capital, provides details of the external financial covenants imposed, key measures for managing capital and the objectives for managing capital. Quantitative disclosures have been made together with the parameters for meeting external financial covenants.

31. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash at bank and in hand, Money Market Funds, short-term deposits, trade and other receivables, trade and other payables, lease liabilities, borrowings and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2019. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

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

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Group's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates;
- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to be outstanding for the whole year;
- Fixed-rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis; and
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

Positive figures represent an increase in profit or equity.

(a) Interest Rate Sensitivity

The sensitivity rate of 0.25% (2018 – 0.5%) for US interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the income statement, with all other variables held constant, at 31 December, for an increase or decrease of 0.25% (2018 – 0.5%) in US interest rates, is not material (2018 – not material). There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

The sensitivity rates disclosed in the table below, represent management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates.

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

	2019		2018	
	Income statement \$m	OCI \$m	Income statement \$m	OCI \$m
Sterling exchange rate +5% (2018: +10%)	(0.3)	–	(0.4)	–
Sterling exchange rate -5% (2018: -10%)	0.3	–	0.4	–
Singapore dollar exchange rate +5% (2018: +5%)	(0.2)	–	(0.2)	–
Singapore dollar exchange rate -5% (2018: -5%)	0.2	–	0.2	–
Chinese Yuan Renminbi exchange rate +2% (2018: +5%)	(0.1)	(0.1)	(0.2)	–
Chinese Yuan Renminbi exchange rate -2% (2018: -5%)	0.1	0.1	0.2	–
Canadian dollar exchange rate +5% (2018: +10%)	0.1	–	0.1	0.1
Canadian dollar exchange rate -5% (2018: -10%)	(0.1)	–	–	–

The movements in the income statement mainly arise from cash, intra-Group balances, trade and other receivables, payables, accrued expenses and provisions, where the functional currency of the entity is different to the currency that the monetary items are denominated in. The movements in OCI arise from foreign exchange contracts designated in a cash flow hedge.

The post-tax impact on the income statement of reasonably possible changes in the Euro, Australian dollar and UAE Dirham exchange rates were considered and were immaterial.

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32. Post-Employment Benefits

(a) Defined Contribution Arrangements

A number of defined contribution ("DC") arrangements, which are open to current employees, are operated across the Group. Employer contributions to these arrangements are charged directly to profit and loss and in 2019 these totalled \$8.7m (2018 – \$7.6m).

(b) Unfunded Defined Benefit Scheme

The Group operates a cash balance arrangement in the US for certain executives. Members build up benefits in this arrangement by way of notional contributions and notional investment returns. Actual contributions are paid into an entirely separate investment vehicle held by the Group, which is used to pay benefits due from the arrangement when a member retires. Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme.

The amounts recognised in the income statement during the year were \$0.1m (2018 – \$nil) for the employer's current service cost (recognised in operating expenses) and \$0.2m (2018 – \$0.1m interest cost) net interest income (recognised in net finance expense).

Movements in the present value of the obligation for the unfunded defined benefit US deferred compensation plan

	2019 \$m	2018 \$m
Present value of the obligation at the start of the year	1.7	12.2
Current service cost (equal to the notional contributions)	0.1	–
Interest on benefit obligations	0.1	0.1
Remeasurement – excess of notional investment returns over interest cost	0.2	(0.2)
Benefits paid	–	(10.4)
Present value of the obligation at the end of the year	2.1	1.7

The obligation is presented in the balance sheet with \$0.5m in current payables and \$1.6m in non-current payables (note 22).

(c) UK Defined Benefit Scheme

Historically, the Group operated a funded pension scheme which provided benefits on a defined benefit ("DB") basis. Full details of the scheme and its accounting effects in 2018 can be seen in note 29 of the 2018 Annual Report and Accounts. A summary of the main features is given below.

The DB scheme was wound up in December 2018 and, as part of that process, the bulk annuity policies held with insurers to cover members' DB benefits were transferred into individual policies for the members. This removed the Group's risks relating to an insurer no longer being able to meet its obligations. The Group has no further legal responsibility to fund these benefits.

The residual assets in the Scheme of \$16.4m at the point of termination were transferred to the Group and HMRC. Payments were made from the Scheme on 6 December 2018 as part of the wind-up process, of which \$10.6m was paid to the Group and \$5.8m was paid to HMRC in relation to tax due. No further payments from the Scheme have been received since, nor are any due.

The present value of the obligation and the closing fair value of the plan assets were both \$nil at the end of 2018 and, therefore, the net asset at the end of 2018 was also \$nil.

During 2018, a current service cost of \$2.1m and a past service cost of \$0.4m were recognised in the income statement in operating expenses and net interest income on the net defined benefit asset of \$0.4m was recognised in finance income (note 9). The net expense included within staff costs in note 8 was \$2.1m. The current service cost included \$2.1m of administration costs. Due to the Group's liability being extinguished in the prior year, no income or expenditure in relation to this plan was generated or incurred during 2019.

33. Share Capital and Share Premium

	2019		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each \$m	Share premium \$m
At 1 January	165,073,603	66.7	153.0
Shares issued – share option schemes and awards	1,866,479	0.6	–
At 31 December	166,940,082	67.3	153.0

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 187. All of the Ordinary shares in issue are fully paid.

At 31 December 2019, 1,609,150 (2018 – 1,247,672) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 35.

33. Share Capital and Share Premium continued

	2018		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each \$m	Share premium \$m
At 1 January	164,173,603	66.4	153.0
Shares issued – share option schemes and awards	900,000	0.3	–
At 31 December	165,073,603	66.7	153.0

34. Other Components of Equity

	2019				
	Merger reserve \$m	Share-based payments reserve \$m	Capital redemption reserve \$m	Currency translation reserve \$m	Total \$m
At 1 January	67.2	22.3	0.2	(13.9)	75.8
Exchange adjustments	–	–	–	5.0	5.0
Release of foreign exchange on liquidation of subsidiaries net of tax	–	–	–	(0.2)	(0.2)
Fair value gains and losses					
– losses originating on net investment hedges arising during the year net of tax	–	–	–	(0.7)	(0.7)
Share options and awards					
– value of employee services	–	9.0	–	–	9.0
– discharge	–	(11.6)	–	–	(11.6)
Transfer between reserves	(20.8)	–	–	–	(20.8)
At 31 December	46.4	19.7	0.2	(9.8)	56.5

The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time.

The reserve is currently non-distributable and is transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration. During the year, \$20.8m (2018 – \$12.2m) was transferred from the merger reserve to retained earnings. This portion of the reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	2018					
	Merger reserve \$m	Cash flow hedge reserve \$m	Share-based payment reserve ¹ \$m	Capital redemption reserve \$m	Currency translation reserve \$m	Total \$m
At 1 January	79.4	(0.1)	18.9	0.2	(6.7)	91.7
Exchange adjustments	–	–	–	–	(8.4)	(8.4)
Fair value gains and losses						
– gains originating on cash flow hedges arising during the year net of tax	–	0.2	–	–	–	0.2
– gains originating on net investment hedges arising during the year net of taxes	–	–	– ¹	–	1.2	1.2
– losses transferred to the carrying value of inventory purchased in the year net of tax	–	(0.1)	–	–	–	(0.1)
Share options and awards						
– value of employee services	–	–	13.1	–	–	13.1
– discharge	–	–	(9.7)	–	–	(9.7)
Transfer between reserves	(12.2)	–	–	–	–	(12.2)
At 31 December	67.2	–	22.3	0.2	(13.9)	75.8

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35. Retained Earnings

	2019 \$m	2018 \$m
At 31 December as previously reported	881.6	782.2
Adjustment on adoption of IFRS 16 – note 41 (2018 – IFRS 9)	(1.1)	(0.2)
At 1 January amended	880.5	782.0
Profit for the year	39.7	89.3
Remeasurement of defined benefit pension schemes net of tax	(0.3)	1.5
Dividends paid to equity shareholders	(16.6)	(6.6)
Purchase of treasury shares	(5.0)	(5.7)
Disposal of treasury shares	0.3	–
Share options and awards		
– discharge	10.8	9.2
– taxation	0.9	(0.3)
Transfer between reserves	20.8	12.2
At 31 December	931.1	881.6

The share options and awards taxation credit taken directly to equity of \$0.9m (2018 – \$0.3m charge) comprises \$0.1m (2018 – \$0.2m charge) deferred tax credit and \$0.8m (2018 – \$0.1m charge) current tax credit.

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

	2019 \$m	2018 \$m
Cost:		
At 1 January	(11.2)	(7.2)
Purchase of Treasury shares	(5.0)	(5.7)
Disposal of Treasury shares	3.4	1.7
At 31 December	(12.8)	(11.2)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was \$3.1m (2018 – \$1.7m).

36. Dividends Paid to Equity Shareholders

	2019		2018	
	Cents per share	\$m	Cents per share	\$m
Ordinary dividends:				
2019 interim paid	5.0	8.3	–	–
2018 final paid	5.0	8.3	–	–
2018 interim paid	–	–	4.0	6.6
	10.0	16.6	4.0	6.6

A final dividend of 6.0 cents per share has been proposed by the Board, amounting to an estimated distribution of \$9.9m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 15 April 2020 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 15 May 2020, to shareholders on the register on 17 April 2020, 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. Guidance on the Company's position on declaring and paying future dividends is provided within the Strategic Report on page 14.

37. Share-Based Payments

(a) 2009 Performance Share Plan ("PSP")

(i) Performance-Based Awards and Options

The Company granted nil-cost performance-based share awards and options under the PSP between 2009 and 2013. Under the PSP, annual conditional awards of shares and options were made to executive Directors and senior employees. Awards and options are subject to performance conditions during the vesting period. The PSP was replaced by the 2014 Hunting Performance Share Plan ("HPSP") following shareholder approval of the HPSP at the Annual General Meeting ("AGM") of the Company on 16 April 2014. The final grant under the PSP occurred in 2013, with the final measurements of the performance conditions being completed in 2016. The fair value charge to the income statement attributable to the performance-based PSP was \$nil (2018 – \$nil).

37. Share-Based Payments continued**(a) 2009 Performance Share Plan ("PSP")** continued**(ii) Time-Based Awards and Options**

The Company granted nil-cost, time-based share awards and options under the PSP between 2009 and 2013. Annual awards of shares and options were made to employees, subject to continued employment, during the vesting period. There were no performance conditions attached. Time-based awards continue to be granted under the HPSP. The final grant under the PSP occurred in 2013 and vested in 2016. Details of the time-based PSP awards and options movements during the year are as follows:

	2019 Number of shares	2018 Number of shares
Outstanding at the beginning of the year	7,004	15,606
Vested and exercised during the year	(1,947)	(8,602)
Lapsed during the year	(1,456)	–
Outstanding and exercisable at the end of the year	3,601	7,004

The weighted average share price at the date of exercise during 2019 was 569.1 pence (2018 – 786.4 pence).

Details of the time-based PSP awards and options outstanding at 31 December 2019 are as follows:

	2019 Number of shares	2018 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	875	875	25.02.14
17 April 2012	1,725	2,446	17.04.15
20 March 2013	1,001	3,683	20.03.16
Outstanding and exercisable at the end of the year	3,601	7,004	

The fair value charge to the income statement attributable to the time-based PSP is \$nil (2018 – \$nil).

(b) 2014 Hunting Performance Share Plan ("HPSP")**(i) Performance-Based Awards**

The Company grants performance-based share awards annually to executive Directors and senior employees under the HPSP. Awards are granted at nil cost under the HPSP. Up to 2017, the performance-based HPSP awards to the executive Directors were divided equally into three tranches. From 2018, the performance-based HPSP awards were divided into four tranches of differing proportions. Each tranche is subject to a three-year vesting period, and is also subject to performance conditions. Up to 2017, the three conditions were Company performance over a three-year period against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS") growth, and (iii) average underlying Return on Capital Employed ("ROCE") achieved. The fourth performance condition added in 2018 is based on a Balanced Scorecard, comprising of non-financial KPIs including Quality and Safety performance. The 2018 award weightings are EPS 25%; TSR 25%; ROCE 35% and the Balanced Scorecard 15%. The performance period for the 2018 awards granted under the HPSP is 1 January 2018 to 31 December 2020. The vesting date of the 2018 award is 19 April 2021. Details of the performance-based HPSP awards movements during the year are set out below:

	2019 Number of shares	2018 Number of shares
Outstanding at the beginning of the year	3,372,764	3,446,240
Granted during the year to executive Directors ⁱ	541,708	373,709
Granted during the year to senior managers ⁱⁱ	835,464	579,573
Vested and exercised during the year	(977,588)	(157,292)
Lapsed during the year	(407,126)	(869,466)
Outstanding at the end of the year	3,365,222	3,372,764

- i. The 2017 HPSP awards granted to senior managers incorporates a fourth performance condition based on Hunting's reported internal manufacturing reject rate.
- ii. The 2018 HPSP awards granted to the executive Directors and senior managers incorporates a Balanced Scorecard condition, in addition to the TSR, EPS and ROCE performance conditions.

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37. Share-Based Payments continued

(b) 2014 Hunting Performance Share Plan ("HPSP") continued

(i) Performance-Based Awards continued

Details of the performance-based HPSP awards outstanding at 31 December 2019 are as follows:

	2019 Number of shares	2018 Number of shares	Normal vesting date
Date of grant:			
11 March 2016	36,474	1,402,897	11.03.19
3 March 2017	1,027,356	1,027,356	03.03.20
19 April 2018	924,220	942,511	19.04.21
21 March 2019	1,377,172	–	21.03.22
Outstanding at the end of the year	3,365,222	3,372,764	

In 2019, 977,588 awards vested and were exercised in respect of the 2016 HPSP grant. The weighted average share price at the date of exercise during 2019 was 516.9 pence.

In 2018, 157,292 awards vested and were exercised in respect of the 2015 HPSP grant. The weighted average share price at the date of exercise during 2018 was 801.2 pence.

(ii) Time-Based Awards

The Company also grants time-based share awards annually under the HPSP. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost under the HPSP.

Details of the time-based HPSP awards movements during the year are set out below:

	2019 Number of shares	2018 Number of shares
Outstanding at the beginning of the year	3,249,426	3,462,942
Granted during the year	1,053,039	787,667
Vested and exercised during the year	(1,246,670)	(868,167)
Lapsed during the year	(119,398)	(133,016)
Outstanding at the end of the year	2,936,397	3,249,426

The weighted average share price at the date of exercise during 2019 was 521.5 pence (2018 – 797.3 pence).

Details of the time-based HPSP awards outstanding at 31 December 2019 are as follows:

	2019 Number of shares	2018 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	4,112	6,121	01.05.17
28 April 2015	14,630	27,250	28.04.18
11 March 2016	80,119	1,290,754	11.03.19
3 March 2017	1,102,403	1,157,072	03.03.20
19 April 2018	714,048	768,229	19.04.21
21 March 2019	1,021,085	–	21.03.22
Outstanding at the end of the year	2,936,397	3,249,426	

(iii) Fair Value of HPSP Awards

The fair value of awards granted under the HPSP is calculated using two separate models:

(1) The fair value of awards subject to a market-related performance condition, specifically Company performance against the TSR of a bespoke peer group, has been calculated using the Stochastic pricing model (also known as the "Monte Carlo" model).

The assumptions used in this model were as follows:

	2019	2018
Date of grant/valuation date	21.03.19	19.04.18
Weighted average share price at grant	573.5p	785.0p
Exercise price	nil	nil
Expected dividend yield	nil	nil
Expected volatility	39.0%	48.9%
Risk-free rate	0.67%	0.85%
Expected life	3 years	3 years
Fair value	380.4p	616.0p

37. Share-Based Payments continued**(b) 2014 Hunting Performance Share Plan ("HPSP")** continued**(iii) Fair Value of HPSP Awards** continued

(2) The fair value of performance-based awards not subject to a market-related performance condition, include the EPS and ROCE performance targets and the time-based HPSP awards, with the fair value being calculated using the Black-Scholes pricing model.

The assumptions used in this model were as follows:

	2019	2018
Date of grant/valuation date	21.03.19	19.04.18
Weighted average share price at grant	573.5p	785.0p
Exercise price	nil	nil
Expected dividend yield	nil	nil
Expected volatility	39.0%	48.9%
Risk-free rate	0.67%	0.85%
Expected life	3 years	3 years
Fair value	573.5p	785.0p

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.
- The initial accounting charge of the performance-based HPSP awards granted under the HPSP incorporates an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period. The estimate of the expected forfeiture rate is 5% per annum. The subsequent accounting charge includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

The amount charged to the income statement attributable to the performance-based HPSP awards is \$1.6m (2018 – \$5.4m) and the charge to the income statement in respect of time-based HPSP awards is \$7.4m (2018 – \$7.7m). These are recognised in operating expenses.

(c) Cash Conditional Share Awards

The Company also grants Cash Conditional Awards annually to employees in certain overseas tax jurisdictions. These awards are aligned with the rules of HPSP and are subject to employees continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost and are settled at the closing mid market price of a Hunting PLC ordinary share on the third anniversary of the date of grant.

Details of the cash conditional award movements during the year are set out below:

	2019 Number of shares	2018 Number of shares
Outstanding at the beginning of the year	10,697	4,575
Granted during the year	75,981	6,122
Vested and exercised during the year	(745)	–
Lapsed during the year	(7,553)	–
Outstanding at the end of the year	78,380	10,697

The weighted average share price at the date of exercise during 2019 was 447.9 pence (2018 – nil).

Details of the cash conditional awards outstanding at 31 December 2019 are as follows:

	2019 Number of shares	2018 Number of shares	Normal vesting date
Date of grant:			
3 March 2017	4,575	4,575	03.03.20
19 April 2018	6,122	6,122	19.04.21
21 March 2019	67,683	–	21.03.22
Outstanding at the end of the year	78,380	10,697	

The charge to the income statement attributable to the cash conditional awards is \$0.1m (2018 – \$<0.1m).

The fair value of the cash conditional awards is calculated using the same assumptions and model as the fair value of performance-based awards not subject to a market-related performance condition (see (b)(iii) above). The fair value of the award at 31 December 2019 was 417.4 pence.

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37. Share-Based Payments continued

(d) Other Share Awards

On 15 May 2018 12,005 shares were awarded to certain employees and were satisfied by shares held in the Hunting Employee Benefit Trust. The closing mid-market price on 15 May 2018 was 558.6 pence per share. The charge to the income statement attributable to these awards was \$0.1m. There were no special awards in 2019.

(e) Amounts Included in the Accounts

The charge to the income statement attributable to the cash conditional share awards is \$0.1m (2018 – \$nil) and the total charge attributable to the equity-settled awards is \$9.0m (2018 – \$13.2m). The total charge to the income statement for the year for share-based payments is \$9.1m (2018 – \$13.2m). The total liability in relation to the cash-settled awards included in accruals at the year end is \$0.1m (2018 – \$nil).

38. Related-Party Transactions

The following related-party transactions took place between wholly-owned subsidiaries of the Group and associates during the year:

	2019 \$m	2018 \$m
Net loans to associates repaid	0.3	–
Year-end balances:		
Receivables from associates	–	0.4
Payables to associates	–	(0.1)

The outstanding balances at the year-end are unsecured and have no fixed date for repayment. No expense has been recognised in the year for bad or doubtful debts in respect of amounts owed by associates.

All ownership interests in associates are in the equity shares of those companies. The ownership interests in associates and subsidiaries are set out in notes C18 and C19 to the Company financial statements.

The key management of the Group comprises the Hunting PLC Board and members the Executive Committee. Details of their compensation are disclosed in note 8. The Hunting PLC Directors and the members of the Executive Committee had no material transactions other than as a result of their service agreements.

The Company is listed on the London Stock Exchange, with none of the shareholders owning more than 20% of the issued share capital of the Company (see page 13). Accordingly, there is no parent entity and the Directors do not consider there to be an ultimate controlling party.

39. Acquisitions

The Acquisition of the Business and Assets of RTI Energy Systems Inc. ("RTI")

RTI is a leading manufacturer of production riser technologies for deep water applications within the offshore oil and gas industry. RTI is the only supplier of titanium stress joints to the oil and gas industry, providing a more reliable, compact and lower total cost alternative to flexible joints and steel tapered stress joints. RTI also generates revenue from the fabrication and precision machining of components used in the oil and gas industry, as well as providing inspection and maintenance services for customers. This business will sit alongside and complement the Subsea business and is included within the US operating segment.

The Group acquired the business and assets of RTI on 16 August 2019 for a consideration of \$12.5m. The consideration was for the net assets of the business, no goodwill was recognised on the acquisition of RTI. Acquisition costs of \$0.7m have been included in operating expenses.

The fair value of the acquired net assets are:

	\$m
Property, plant and equipment	12.3
Inventories	0.4
Creditors	(0.2)
Net assets	12.5

40. Principal Accounting Policies

The Group's principal accounting policies are described below:

(a) Consolidation

- The Group financial statements include the results of the Company and its subsidiaries, together with its share of associates.
- Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.
- The Group uses the acquisition method of accounting for business combinations. Consequently, the consideration is determined as the fair value of the net assets transferred to the vendor and includes an estimate of any contingent consideration. The net assets acquired are also measured at their respective fair values for initial recognition purposes on the acquisition date.
- Acquisition-related costs are expensed to the income statement as incurred.

(b) Revenue

(i) Revenue from Contracts with Customers

- Revenue from contracts with customers is measured as the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.
- Revenue is recognised when control of the promised goods or services is transferred to the customer. Consequently revenue for the sale of a product is recognised either:
 1. Wholly at a single point in time when the entity has completed its performance obligation, which is most commonly indicated by shipment of the products or the products are made available to the customer for collection; or
 2. Piecemeal over time during the period that control incrementally transfers to the customer while the good is being manufactured or the service is being performed.
- Hunting's activities that require revenue recognition over time comprise:
 1. Work undertaken to enhance customer-owned products – most commonly the lathing of a thread onto the ends of customer-owned plain-end pipe;
 2. The manufacture of goods that are specifically designed for and restricted to the use of a particular customer, such as the manufacture of bespoke specialised circuitry and housing, and for which Hunting is entitled to a measure of recompense that reflects the fair value of the stage of production prior to their completion; and
 3. The provision of services in which the customer obtains the benefit while the service is being performed – most commonly the storage and management services of customer-owned pipe.
- Hunting's activities that require revenue recognition at a point in time comprise:
 1. The sale of goods that are not specifically designed for use by one particular customer. Products include tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe; and
 2. The manufacture of goods that are specifically designed for one particular customer but for which Hunting is not entitled to a measure of recompense that reflects the fair value of the stage of production prior to completion.

(ii) Rental Revenue

Rental revenue is measured as the fair value of the consideration received or receivable for the provision of rental equipment in the ordinary course of business, net of trade discounts and sales taxes.

Revenue from the rental of plant and equipment is recognised as the income is earned.

(c) Amortisation and Exceptional Items

Exceptional items are items of income or expense that the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. The Group discloses such items in the "middle column" of the income statement. In applying this policy, the following items have been treated as exceptional:

- Costs of restructuring the Group's operations, including the cost of business closures and redundancies, in response to the decline in regional opportunities for growth.
- Defined benefit pension curtailment.
- Impairment of property, plant and equipment.

The tax effect of any transaction considered to be exceptional is also treated as exceptional.

Amortisation expenses for intangible assets recognised as part of a business combination are also shown in the "middle column" due to the significance of these amounts and to clearly identify the effect on profits, which will arise as current balances become fully written-off, or as new acquisitions give rise to new expenses. The post-acquisition profits of acquired businesses shown in the underlying column do not, therefore, reflect these costs.

(d) Interest

Interest income and expense is recognised in the income statement using the effective interest method.

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40. Principal Accounting Policies continued

(e) Foreign Currencies

(i) Individual Subsidiaries' and Associates' Financial Statements

- The financial statements for each of the Group's subsidiaries and associates are denominated in their functional currency.
- The functional currency is the currency of the primary economic environment in which the entity operates.
- Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities, except borrowings designated as a hedging instrument in a net investment hedge, denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken to the income statement.
- Borrowings designated as a hedging instrument in a net investment hedge are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken direct to equity.

(ii) Group Consolidated Financial Statements

- The presentation currency of the Group is US dollars.
- The net assets of non-US dollar denominated subsidiaries and associates are translated into US dollars at the exchange rates ruling at the balance sheet date.
- The income statements of subsidiaries and associates are translated into US dollars at the average rates of exchange for the year.
- Exchange differences are recognised directly in equity in the currency translation reserve ("CTR"), together with exchange differences arising on foreign currency loans used to finance foreign currency net investments.
- Upon adoption of IFRS on 1 January 2004, accumulated exchange differences arising on consolidation prior to 31 December 2003 were reset to zero and the CTR recommenced under IFRS on 1 January 2004.
- The balance on the CTR represents the exchange differences arising on the retranslation of non-US dollar amounts into US dollars since 1 January 2004.
- On the disposal of a business, the cumulative exchange differences previously recognised in the CTR relating to that business are transferred to the income statement as part of the gain or loss on disposal.

(f) Taxation

- The taxation recognised in the income statement comprises current tax and deferred tax arising on the current year's result before tax and adjustments to tax arising on prior years' results.
- Current tax is the expected tax payable or receivable arising in the current year on the current year's result before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax in respect of prior years' results.
- Deferred tax is the tax that is expected to arise when the assets and liabilities recognised in the Group's balance sheet are realised, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the asset is realised or the liability is settled.
- Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately on the balance sheet and are reported as non-current assets and liabilities.
- Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.
- When items of income and expense are recognised in other comprehensive income, the current and deferred tax relating to those items is also recognised in other comprehensive income.
- Tax arising on the discharge of share options and awards is recognised directly in equity.

(g) Segmental Reporting

- Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker ("CODM") is disclosed in the financial statements. Consequently, the Group's principal segmental reporting is established on a geographical basis.
- The geographical information is based on the location of where the sale originated and where the non-current assets are located.
- Revenue is also disclosed by product group, which is provided to assist in investor understanding of the underlying performance trends. Each product group consists of goods and services that are similar in nature or serve similar markets.

(h) Property, Plant and Equipment

(i) General

- Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.
- Land, pre-production oil and gas exploration costs and assets under construction are not depreciated.
- With the exception of drilling tools and rental tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment (see (ii) below), assets are depreciated using the straight-line method at the following rates:

Freehold buildings	– 2% to 10%
Leasehold buildings	– life of lease
Plant, machinery and motor vehicles	– 6% to 33 1/3%

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

40. Principal Accounting Policies continued**(h) Property, Plant and Equipment** continued**(ii) Exploration Expenditure**

- Oil and gas exploration and appraisal costs are initially capitalised pending determination of the existence of commercial reserves and are included in the asset category Oil and Gas Exploration and Development.
- Upon determination that commercially viable quantities of hydrocarbons are not found, the costs are charged immediately to the income statement.
- Depreciation of oil and gas expenditure commences when production commences. The costs are depreciated using the unit of production method.

(i) Leases – lessees

- Lessees are required to recognise lease obligations as a liability and a right-of-use asset. The cost of the lease is subsequently recognised in the income statement as interest charged on the liability and as depreciation charged on the right-of-use asset. Hunting has adopted the two exemptions that permit lessees to charge the cost of certain leases directly to the income statement on a straight-line basis. The two exemptions apply to:
 - (i) leases that have a duration of one year or less; and
 - (ii) leases of assets that would have cost \$5,000 or less, when new, to acquire if the asset had been purchased rather than leased.
- With regard to capitalised leases of motor vehicles and forklifts, Hunting has applied the option that permits lessees to combine the non-lease component with the lease component and recognise the two payment streams as a single arrangement.

(j) Goodwill

- Goodwill arises when the fair value of the consideration paid for a business exceeds the fair value of the Group's share of the net assets acquired.
- Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses.
- Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.
- On the disposal of a business, goodwill relating to that business that remains on the balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

(k) Other Intangible Assets

- Other intangible assets, whether obtained through acquisition or internal development, are capitalised when it is probable that the future economic benefits that are attributable to the asset will be generated, provided the cost of the asset can be measured reliably.
- Capitalisation only occurs from the point technical and commercial feasibility of the asset has been established. Prior to this costs are expensed.
- For internally generated assets, only costs directly attributable to the development of the asset are capitalised. This typically includes employee remuneration and the cost of materials and services, such as testing, consumed in generating the intangible asset.
- Other intangible assets are stated at cost less accumulated amortisation and impairment losses where applicable.
- These assets have a finite life and are amortised in accordance with the pattern of expected future economic benefits, or when this cannot be reliably estimated, by using the straight-line method.
- Intangible assets are amortised over the following periods:

Customer relationships	– eight to ten years
Patents	– eight to ten years
Unpatented technology	– eight to ten years
Trademarks and domain names	– one to five years

(l) Impairments

- The Group performs goodwill impairment reviews at least annually.
- The Group also assesses at least annually whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets other than goodwill may be impaired. An impairment review is carried out whenever the assessment indicates that the carrying amount may not be fully recoverable.
- For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.
- Where impairment exists, the asset is written down to the higher of (a) its fair value minus costs to sell; and (b) its value in use. Impairments are recognised immediately in the income statement.
- An impairment to goodwill is never reversed. When applicable, an impairment of any other asset is reversed, but only to the extent that the consequent carrying value does not exceed what would have been the carrying value had the impairment not originally been made.

(m) Inventories

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

(n) Cash and Cash Equivalents

- Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with a maturity of less than three months from the date of deposit and Money Market Funds.
- Short-term deposits and Money Market Funds have been classified as cash and cash equivalents as they are short-term, highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.
- For cash flow statement purposes, cash and cash equivalents include bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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40. Principal Accounting Policies continued

(o) Financial Assets

- At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the income statement.
- Subsequent measurement of debt instruments depends on each Group entity's business model for managing the asset in order to generate cash flows and the cash flow characteristics of the financial asset. The Group's debt instruments are classified either into amortised cost or fair value through profit or loss.
- Debt instruments that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets. Debt instruments held for collection of contractual cash flows include the loan note, contract assets, trade receivables, accrued revenue and other receivables.
- Any other debt instruments, including Money Market Funds, that are subsequently not measured at amortised cost have been measured at fair value through profit or loss.
- The Group's financial assets that are equity instruments are subsequently measured at fair value through profit or loss. Changes in the fair value of the equity instruments are recognised in other operating income, operating expenses, finance income or finance expense, as appropriate. Financial assets that are equity instruments comprise listed equity investments and mutual funds.
- The Group assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue.
- The Group has chosen to apply lifetime ECLs to trade receivables, accrued revenue, contract assets and lease receivables, both short-term and long-term, upon their initial recognition.

(p) Financial Liabilities

- Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade payables, at amortised cost.
- Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

(q) Derivatives and Hedging

- Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.
- The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date.
- The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
- Where the derivatives are not designated in a hedge and accounted for using hedge accounting, they are classified as "held for trading" and are accounted for at fair value through profit or loss, with changes in the fair value recognised immediately within the income statement.
- The Group designates certain derivatives as:
 - hedges of the fair value of recognised assets and liabilities; or
 - hedges of a particular risk associated with the cash flows of highly probable forecast transactions; or
 - a hedge of the net investment in a foreign operation.

(i) Fair Value Hedges

- Fair value gains or losses on derivatives designated in a fair value hedge are recognised immediately in the income statement if the changes in the fair value of the hedged item are taken to the income statement.

(ii) Cash Flow Hedges

- When forward foreign exchange contracts are designated in a cash flow hedge of forecast transactions, the Group generally designates only the change in fair value of the forward contract relating to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The Group has chosen to recognise the change in the forward element of the contract that relates to the hedged item, defined as the forward points, within the income statement immediately rather than in equity. The forward points are discounted, where material.
- Where the hedged item subsequently results in the recognition of a non-financial asset, such as inventory or PPE, the deferred hedging gains and losses in equity are included within the initial cost of the asset. The deferred amounts are subsequently recognised in profit or loss when the hedged item affects profit or loss (for example through cost of sales or depreciation).
- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the income statement.

(iii) Net Investment Hedges

- Fair value gains or losses relating to the effective portion on derivatives designated in a net investment hedge are recognised in the other comprehensive income and accumulated in equity in the cumulative translation reserve ("CTR"). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The cumulative gain or loss in the CTR is reclassified to the income statement as part of the gain or loss on disposal when the foreign subsidiary is disposed of or liquidated.

40. Principal Accounting Policies continued**(r) Provisions**

- Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.
- The measurement of a provision is based on the most likely amount and timing of the expenditures. Payments that are expected to arise after more than one year are discounted to their present value using a risk-free interest rate that is relevant to the region in which the past event occurred. The risk-free interest rate is based on the redemption yields of government securities.

(s) Post-Employment Benefits

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

(t) Share-Based Payments

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

(u) Share Capital

- The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.
- Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

(v) Merger Reserve

- The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time. The reserve is currently non-distributable and will be transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration.

(w) Dividends

- Dividends to the Group's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. All dividends are dealt with in the statement of changes in equity.

41. Change in Accounting Policies

IFRS 16 Leases ("IFRS 16") has replaced IAS 17 Leases ("IAS 17") and its related interpretations. IFRS 16 establishes new principles for the recognition, measurement, presentation and disclosure of leases and became effective for the Group on 1 January 2019.

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

IFRS 16 has been adopted by applying the modified retrospective approach from 1 January 2019; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

Under IFRS 16, lessor accounting requirements remain largely unchanged from IAS 17, and continue to require a lessor to classify a lease either as an operating lease or a finance lease. There has been no impact on the Group's lessor accounting following the adoption of IFRS 16.

(a) Practical expedients applied on Adoption of IFRS 16

In applying IFRS 16 for the first time, the Group has applied the following practical expedients as permitted by the standard:

- for contracts entered into before the transition date, the Group has relied on its assessment made when applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Contracts have not been reassessed to determine if a contract is, or contains, a lease at the date of initial application;
- the accounting for operating leases with a remaining lease term of 12 months or less as at 1 January 2019 as short-term leases, with costs charged directly to the income statement;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases previously identified as operating leases in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. These lease liabilities were measured at 1 January 2019 at the present value of the remaining lease payments payable after that date. The associated right-of-use assets have been recognised as at 1 January 2019 on a retrospective basis as if IFRS 16 had always been applied.

Notes to the Consolidated Financial Statements continued

41. Change in Accounting Policies continued

(b) Adjustments Recognised on Adoption of IFRS 16 continued

The lease term has been determined according to management's expectation of exercising any available extension/break/purchase options.

	Note	2019 \$m
Total future aggregate minimum lease payments under non-cancellable operating leases (IAS 17)	i	59.9
Less: commitments in respect of leases that are not capitalised under IFRS 16	ii	(0.5)
Less: lease that was inception before 31.12.18 but which commenced after 31.12.18	iii	(0.6)
Total future aggregate minimum lease payments of leases that are capitalised under IFRS 16		58.8
Less: Impact of discounting the future payments to their present value as at 31.12.18	iv	(9.8)
Lease liability recognised as at 1 January 2019		49.0

Lease liabilities recognised on the balance sheet as at 1 January 2019:

Current lease liabilities	9.3
Non-current lease liabilities	39.7
	49.0

Notes

- As disclosed in note 24. Under IAS 17, these future payments are not discounted for the time value of money.
- Hunting PLC has elected to not capitalise leases that have a term of one year or less and leases that are for assets for which the Group would have had to have paid \$5,000 or less if they were purchased, as new, instead of being leased.
- The Group signed, and therefore "inception", a lease in November 2018 and which, therefore, was a lease commitment as at 31 December 2018 under IAS 17. The property was first made available to the Group in February 2019, which is the commencement date for recognising the lease liability under IFRS 16.
- Under IFRS 16, the Group's capitalised future lease commitments have been discounted using their relevant incremental borrowing rate, which has been determined by reference to the financial position of the operating unit that is leasing the asset, the amount of the gross lease obligation, the weighted average length of the lease term, the economic environment in which the lease takes place and the type of asset that is leased. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

The Group has elected not to apply the practical expedient of relying on its previous assessment of whether a lease is onerous as at 1 January 2019. Therefore, the measurement of certain right-of-use assets as at 1 January 2019 has been adjusted by an impairment charge. As a result of this, onerous lease provisions, required by IAS 17, of \$4.1m have been derecognised and dilapidation provisions of \$0.1m have also been derecognised. Lease incentive liabilities and rent expense accruals previously recognised in relation to operating leases of \$2.3m have also been derecognised, together with rent prepayments of \$0.4m, as these have been taken into account in the measurement of the lease liabilities and right-of-use assets.

The recognised right-of-use assets relate to the following types of assets:

	At 31 December 2019 \$m	At 1 January 2019 \$m
Land and buildings	36.2	39.2
Plant, machinery and motor vehicles	0.5	0.5
	36.7	39.7

41. Change in Accounting Policies continued**(b) Adjustments Recognised on Adoption of IFRS 16** continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As previously reported at 31 December 2018 \$m	IFRS 16 \$m	At 1 January 2019 \$m	Purpose and Culture
ASSETS				
Non-current assets				
Right-of-use assets	–	39.7	39.7	Business Model and Stakeholders
Deferred tax assets	26.0	1.7	27.7	
Other non-current assets	695.8	–	695.8	
	721.8	41.4	763.2	
Current assets				
Trade and other receivables	231.0	(0.4)	230.6	Business Model and Stakeholders
Other current assets	416.2	–	416.2	
	647.2	(0.4)	646.8	
LIABILITIES				
Current liabilities				
Trade and other payables	140.9	(2.5)	138.4	Business Model and Stakeholders
Lease liabilities	–	9.3	9.3	
Borrowings	2.7	–	2.7	
Provisions	4.7	(1.1)	3.6	
Current tax liabilities	11.2	–	11.2	
	159.5	5.7	165.2	
Net current assets	487.7	(6.1)	481.6	
Non-current liabilities				
Lease liabilities	–	39.7	39.7	Business Strategy
Provisions	9.5	(3.1)	6.4	
Other non-current liabilities	8.9	–	8.9	
	18.4	36.6	55.0	
Net assets	1,191.1	(1.3)	1,189.8	
Equity attributable to owners of the parent				
Retained earnings	881.6	(1.1)	880.5	Performance
Other equity reserves	295.5	–	295.5	
	1,177.1	(1.1)	1,176.0	
Non-controlling interests	14.0	(0.2)	13.8	
Total equity	1,191.1	(1.3)	1,189.8	

The opening balance adjustments on the adoption of IFRS 16 Leases have been updated since the issue of the Half Year Report 2019.

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41. Change in Accounting Policies continued

(c) Impact on the 31 December 2019 Income Statement of the Adoption of IFRS 16

Underlying profit from operations has increased by \$1.4m from \$92.9m to \$94.3m and underlying profit before tax has decreased by \$0.8m from \$93.9m to \$93.1m following the adoption of IFRS 16. Reported profit from operations has increased by \$1.4m from \$45.4m to \$46.8m for the period and reported profit before tax has decreased by \$0.8m from \$46.4m to \$45.6m following the adoption of IFRS 16.

	2019 \$m
Underlying and reported profit before taxation is stated after charging:	
Depreciation on right-of-use assets	7.9
Interest on lease liabilities	2.2

The underlying result and the reported result for the year ended 31 December 2019 for the operating segments increased by \$1.4m. The impact on the operating segments of adopting of IFRS 16 is shown below:

	Underlying result			Reported result		
	Pre IFRS 16 \$m	IFRS 16 \$m	Revised total \$m	Pre IFRS 16 \$m	IFRS 16 \$m	Revised total \$m
Hunting Titan	68.3	0.3	68.6	41.8	0.3	42.1
US	26.3	0.6	26.9	5.3	0.6	5.9
Canada	(4.6)	0.3	(4.3)	(4.6)	0.3	(4.3)
EMEA	(1.3)	–	(1.3)	(1.3)	–	(1.3)
Asia Pacific	4.2	0.2	4.4	4.2	0.2	4.4
	92.9	1.4	94.3	45.4	1.4	46.8

Underlying basic earnings per share decreased by 0.6 cents per share to 45.0 cents per share and underlying diluted earnings per share decreased by 0.6 cents per share to 43.9 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16. Reported basic earnings per share decreased by 0.6 cents per share to 24.0 cents per share and reported diluted earnings per share decreased by 0.6 cents per share to 23.5 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16.

Under IAS 17, all operating lease payments were included in cash flows from operating activities. Under IFRS 16, for capitalised leases, the lease payments are presented within financing activities and therefore cash inflows from operating activities have increased by \$10.6m to \$137.2m and cash outflows from financing activities have increased by \$10.6m to \$33.4m. For non-capitalised short-term leases and low-value asset leases cash outflows will be included in operating activities as was the case under IAS 17.

(d) Accounting Treatment of Leases and Right-of-use Assets

(i) Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases, however the Group did not have any leases classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments are included once known;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

In applying IFRS 16, the Group has elected to apply both of the available exemptions that permit lessees, under pre-defined conditions, not to recognise a lease liability and right-of-use asset in respect of certain leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a low value purchase price when new, typically \$5,000 or less, and comprise items such as office equipment and small items of office furniture.

41. Change in Accounting Policies continued**(d) Accounting Treatment of Leases and Right-of-use Assets** continued**(ii) Right-of-use Assets**

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, where the initial amount is equal to the restoration liability.

The right-of-use asset is normally depreciated over the lease term on a straight-line basis, except where an option to purchase the asset is available, and it is reasonably certain that the option will be exercised, and then the asset will be depreciated over its useful life.

Right-of-use assets are presented as non-current assets in the balance sheet.

42. Events After the Balance Sheet Date**Enpro Subsea Limited**

On 21 February 2020, the Group announced the acquisition of 100% of the share capital of Enpro Subsea Limited ("Enpro") for a consideration of \$33.0m, with an additional maximum earn-out of \$3.0m agreed, subject to key financial milestones being met.

Enpro was founded in 2011 and, since this time, has developed leading subsea production technology that has been adopted by offshore operators within the global oil and gas industry. Enpro's products focus on delivering production-enhancing technologies and include Flow Access Modules, Flow Intervention Services and Decommissioning. These products offer low-cost, flexible, field development solutions to clients including production and intervention modules to enhance recovery from oil and gas wells. The business will be classified as part of the US segment. The provisional fair values of the acquired net assets are yet to be determined, as work is continuing in respect of the fair value exercise.

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at 31 December 2019

	Notes	2019 \$m	2018 \$m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	436.8	436.8
Other receivables	C5	284.3	286.0
		721.1	722.8
Current assets			
Other receivables	C5	1.1	1.1
LIABILITIES			
Current liabilities			
Other payables	C6	6.1	1.3
Provisions		0.4	0.6
Current tax liability		0.2	0.4
		6.7	2.3
Net current liabilities		5.6	1.2
Non-current liabilities			
Borrowings		–	0.6
Provisions		0.6	0.8
		0.6	1.4
Net assets		714.9	720.2
Equity attributable to owners of the parent			
Share capital	C12	67.3	66.7
Share premium	C12	153.0	153.0
Other components of equity	C13	47.1	70.5
Retained earnings	C14	447.5	430.0
Total equity		714.9	720.2

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement and statement of comprehensive income. Profit and total comprehensive income for the year of \$7.2m (2018 – \$7.3m) has been accounted for in the financial statements of the Company.

The notes on pages 171 to 178 are an integral part of these financial statements. The financial statements on pages 168 to 178 were approved by the Board of Directors on 27 February 2020 and were signed on its behalf by:



Jim Johnson
Director



Peter Rose
Director

Registered number: 0974568

Company Statement of Changes in Equity

		Year ended 31 December 2019				
	Notes	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total equity \$m
At 1 January 2019		66.7	153.0	70.5	430.0	720.2
Profit for the year and total comprehensive income		-	-	-	7.2	7.2
Dividends paid to equity shareholders	C15	-	-	-	(16.6)	(16.6)
Shares issued						
- share option schemes and awards	C12	0.6	-	-	-	0.6
Treasury shares						
- purchase of Treasury shares		-	-	-	(5.0)	(5.0)
- disposal of Treasury shares		-	-	-	0.3	0.3
Share options and awards						
- value of employee services	C13	-	-	9.0	-	9.0
- discharge	C13, C14	-	-	(11.6)	10.8	(0.8)
Transfer between reserves		-	-	(20.8)	20.8	-
Total transactions with owners		0.6	-	(23.4)	10.3	(12.5)
At 31 December 2019		67.3	153.0	47.1	447.5	714.9
		Year ended 31 December 2018				
	Notes	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total equity \$m
At 1 January 2018		66.4	153.0	79.3	413.6	712.3
Profit for the year and total comprehensive income		-	-	-	7.3	7.3
Dividends paid to equity shareholders	C15	-	-	-	(6.6)	(6.6)
Shares issued						
- share option schemes and awards	C12	0.3	-	-	-	0.3
Treasury shares						
- purchase of Treasury shares		-	-	-	(5.7)	(5.7)
Share options and awards						
- value of employee services	C13	-	-	13.1	-	13.1
- discharge	C13, C14	-	-	(9.7)	9.2	(0.5)
Transfer between reserves		-	-	(12.2)	12.2	-
Total transactions with owners		0.3	-	(8.8)	9.1	0.6
At 31 December 2018		66.7	153.0	70.5	430.0	720.2

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Company Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 \$m	Restated 2018 \$m
Operating activities			
(Loss) profit from operations		(0.3)	0.6
Share-based payments expense		9.1	13.2
Decrease in receivables		–	0.2
Increase (decrease) in payables		3.7	(1.6)
(Decrease) increase in provisions		(0.4)	0.1
Net exchange differences		0.2	0.7
Taxation (paid) received		(2.0)	0.6
Net cash inflow from operating activities		10.3	13.8
Investing activities			
Interest received		9.5	8.7
Loan issued	C1	(19.2)	(22.9)
Loan issued repaid	C1	20.7	12.2
Net cash inflow (outflow) from investing activities		11.0	(2.0)
Financing activities			
Interest and bank fees paid		–	(0.1)
Dividends paid to equity shareholders	C15	(16.6)	(6.6)
Share capital issued		0.6	0.3
Purchase of treasury shares		(5.0)	(5.7)
Disposal of treasury shares		0.3	–
Loan received repaid		(0.6)	–
Loan received		–	0.3
Net cash outflow from financing activities		(21.3)	(11.8)
Net cash inflow (outflow) in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		–	–

Notes to the Company Financial Statements

C1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares listed on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 185. The Company acts as a holding company for the Hunting PLC Group. Details of the Company's subsidiaries are given in note C19. The financial statements of Hunting PLC have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS 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. The Board's consideration of going concern is detailed further in the Strategic Report on pages 68 and 69.

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 40 of the Group's financial statements, except for investments in subsidiaries that are stated at cost, which is the fair value of the consideration paid, less provision for impairment. These policies have been consistently applied to all the years presented. Cash flows related to the depositing of funds and repayment of deposited funds with the Group's Treasury company have been reclassified as investing activities. Comparatives have been restated accordingly.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed in note 40 of the Group's financial statements and further detail on financial risks is provided within note C9.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 Leases and its related interpretations. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The standard was effective for the Company from 1 January 2019, however, there was no impact on the Company's financial position or results following the adoption of IFRS 16 on 1 January 2019.

C2. Employees

The Company had no employees during the current or prior year.

C3. Auditor's Remuneration

	2019 ⁱ \$m	2018 ⁱⁱ \$m
Fees payable to the Company's independent auditor and its associates are for:		
The audit of these financial statements	0.5	0.5

- Fees payable in 2019 are to the Company's independent auditor, Deloitte LLP, and its associates.
- Fees payable in 2018 are to the Company's previous independent auditor, PricewaterhouseCoopers LLP, and its associates.

C4. Investments in Subsidiaries

	2019 \$m	2018 \$m
Cost:		
At 1 January and 31 December	436.8	436.8
Impairment:		
At 1 January and 31 December	—	—
Net book amount	436.8	436.8

The Company's subsidiaries are detailed in note C19. Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairment. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the Company Financial Statements continued

C5. Other Receivables

	2019 \$m	2018 \$m
Non-current:		
Loan receivable from a subsidiary – interest-bearing	284.2	285.9
Prepayments	0.1	0.1
	284.3	286.0
Current:		
Receivables from subsidiaries	0.8	0.8
Prepayments	0.2	0.2
Other receivables	0.1	0.1
	1.1	1.1

The loan receivable from a subsidiary and current receivables from subsidiaries are financial assets measured at amortised cost. Other receivables relate to VAT balances, which are not financial assets.

None of the Company's receivables (2018 – none) were overdue at the year-end and the Company does not consider it necessary to provide for any impairments as there is no recent history of default or any indications that the contractual payments will not be made. The Company's maximum exposure to credit risk is the fair value of each class of receivable, as described in note C8. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held. The interest-bearing loan receivable from a subsidiary is unsecured and interest is charged based on a margin over bank lending rates. Current receivables due from subsidiaries are current accounts and are unsecured, interest free and repayable on demand.

C6. Other Payables

	2019 \$m	2018 \$m
Current:		
Payables to subsidiaries	5.3	0.2
Accruals	0.5	0.6
Other payables	0.3	0.5
	6.1	1.3

Payables to subsidiaries, accruals and other payables are financial liabilities carried at amortised cost. Current payables due to subsidiaries are unsecured, interest free and repayable on demand.

C7. Derivatives and Hedging

The Company has used forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. At 31 December 2019, the Company had no outstanding forward foreign exchange contracts (2018 – \$nil).

Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement. Changes in the fair value of currency derivatives not designated in a hedge relationship amounting to a \$0.7m gain (2018 – \$0.4m loss) were recognised in the income statement during the year.

C8. Financial Instruments: Fair Values

Due to their short-term nature, the carrying value of current receivables from subsidiaries, other receivables, payables to subsidiaries, accruals, other payables, provisions, borrowings and bank overdrafts approximates their fair value. The carrying value of the loan receivable from subsidiaries approximates its fair value as interest is charged based on a margin over current bank lending rates.

C9. Financial Risk Management

The Company's activities expose it to certain financial risks, namely market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

(a) Foreign Exchange Risk

The Company is mainly exposed to foreign exchange risk from its financing and operating activities in respect of Sterling. Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in US dollars and, where appropriate, forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. The Company has Sterling denominated financial assets and financial liabilities.

The carrying amount of the Company's financial assets included in current receivables from subsidiaries at 31 December on which exchange differences would be recognised in the income statement in the following year, is \$0.2m (2018 – \$0.7m) for Sterling denominated financial assets.

The carrying amount of the Company's financial liabilities included in accruals, other payables and provisions at 31 December, on which exchange differences would be recognised in the income statement in the following year, is \$0.8m (2018 – \$3.2m) for Sterling denominated financial liabilities.

(b) Interest Rate Risk

The Company is exposed to cash flow interest rate risk from its loan receivable from a subsidiary and borrowings payable to a subsidiary, which are at variable interest rates.

(c) Credit Risk

The Company's credit risk arises from its outstanding current receivables and loan receivable from a subsidiary. The Company is exposed to credit risk to the extent of non-receipt of its financial assets, however, it has no significant concentrations of credit risk other than from related parties. Credit risk is continually monitored and no individual exposure is considered to be significant in the ordinary course of the Company's activities.

The interest-bearing loan receivable due from a subsidiary has not been impaired as no losses are expected from non-performance of this counterparty. The credit risk at the time the loan was taken out was deemed to be low and there has not been an increase in the credit risk since the time the loan was initially recognised. Therefore, management does not believe that there is a significant increase in credit risk such that the loan moves from stage 1 to stage 2 of the IFRS 9 general impairment model. There is no history of default and previously all payments under the original terms of the loan have been made. The loan is with the Group's central treasury company, which has sufficient cash, short-term deposits and credit facilities, in the form of the RCF, to repay the loan. Management does not have any reason to believe that any future payments will not be made in accordance with the terms of the loan. Therefore no provision for 12-month expected credit losses has been made under IFRS 9.

The Company's outstanding receivables due from subsidiaries are current accounts and no losses are expected from non-performance of these counterparties.

Notes to the Company Financial Statements continued

C9. Financial Risk Management continued

(d) Liquidity Risk

The Company has sufficient facilities available to satisfy its requirements.

The Group's treasury function has put in place a cash concentration structure across the Hunting Group's bank accounts in the UK, such that at the end of each day balances in any of their bank accounts are swept to the Group's central treasury function, with a corresponding increase or decrease in the loan receivable balance with fellow group companies. As a result, at the end of the year, cash at bank is \$nil.

The Company is party to a cross-guarantee and set-off arrangement with Barclays Bank Plc. There is no set-off in the presentation of cash balances held by the Company in the financial statements. Under this arrangement the Company is jointly and severally liable for any gross liability position held by any of the companies' party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of \$2.2m.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date of the financial liabilities. The amounts presented in the table are the contractual undiscounted cash flows, whereas the carrying amounts in the balance sheet are the discounted amounts.

	2019 On demand or within one year \$m	2018 On demand or within one year \$m
Non-derivative financial liabilities:		
Payables to subsidiaries	5.3	0.2
Borrowings – payable due to subsidiary	–	0.6
Accruals	0.5	0.6
Other payables	0.3	0.5
	6.1	1.9

The Company did not have any derivative financial liabilities at the end of 2018 or 2019.

(e) Capital Risk Management

The Company's capital consists of equity and net cash. Net cash comprises the loan receivable from a subsidiary and borrowings. It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate risks and the availability of borrowing facilities.

Changes in equity arise from the retention of earnings and from issues of share capital. Net cash is monitored on a periodic basis. At the year-end, capital comprised:

	2019 \$m	2018 \$m
Total equity	714.9	720.2
Net cash:		
Borrowings – payable due to subsidiary	–	0.6
Loan receivable from subsidiary (note C5)	(284.2)	(285.9)
Capital employed	430.7	434.9

The decrease in total equity during the year is mainly attributable to the retained profit for the year of \$7.2m and the increase in the share-based payments reserve of \$9.0m being offset by the payment of dividends of \$16.6m and the net purchase of treasury shares of \$4.7m. The loan receivable from a subsidiary decreased by \$1.7m largely due to royalty income received during the year being offset by dividend payments. There have been no significant changes in the Company's funding policy during the year.

C10. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include non-current receivables from subsidiaries and borrowings. The sensitivity analysis relates to the position as at 31 December 2019.

The analysis excludes the impact of movements in market variables on the carrying value of provisions and on non-financial assets and liabilities.

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

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Company's results, that is, an increase in rates does not result in the same amount of movement as a decrease in rates;
- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to be outstanding for the whole year; and
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(a) Interest Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2019, for an increase of 0.25% (2018 – 0.5%) in US interest rates, is to increase profits by \$0.6m (2018 – \$1.2m). If the US interest rates were to decrease by 0.25% (2018 – 0.5%), then the post-tax impact would be to reduce profits by \$0.6m (2018 – \$1.2m). The movements arise on US dollar denominated intra-Group loans. There is no impact on OCI for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2019, for an increase or decrease of 5% (2018 – 10%) in the Sterling foreign exchange rate, is not material. The movement in the income statement arises from Sterling denominated accruals, other payables and borrowings, offset by Sterling loans receivable from subsidiaries. There is no impact on OCI for a change in foreign exchange rates.

C11. Post-Employment Benefits

The Company has no employees and therefore does not participate in any of the post-employment benefit schemes shown in note 32 of the Group's financial statements, although it does guarantee the contributions due by the participating employers.

C12. Share Capital and Share Premium

Please see note 33 of the Group's financial statements.

Notes to the Company Financial Statements continued

C13. Other Components of Equity

	Year ended 31 December 2019				
	Capital redemption reserve \$m	Share-based payments reserve \$m	Currency translation reserve \$m	Merger reserve \$m	Total \$m
At 1 January	0.2	22.3	(19.2)	67.2	70.5
Share options and awards					
– value of employee services	–	9.0	–	–	9.0
– discharge	–	(11.6)	–	–	(11.6)
Transfer between reserves	–	–	–	(20.8)	(20.8)
At 31 December	0.2	19.7	(19.2)	46.4	47.1

The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time. The reserve is currently non-distributable and will be transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration.

During the year, \$20.8m (2018 – \$12.2m) was transferred from the merger reserve to retained earnings. This portion of the reserve is now considered to be realised as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	Year ended 31 December 2018				
	Capital redemption reserve \$m	Share-based payments reserve \$m	Currency translation reserve \$m	Merger reserve \$m	Total \$m
At 1 January	0.2	18.9	(19.2)	79.4	79.3
Share options and awards					
– value of employee services	–	13.1	–	–	13.1
– discharge	–	(9.7)	–	–	(9.7)
Transfer between reserves	–	–	–	(12.2)	(12.2)
At 31 December	0.2	22.3	(19.2)	67.2	70.5

C14. Retained Earnings

	2019 \$m	2018 \$m
At 1 January	430.0	413.6
Profit for the year	7.2	7.3
Dividends paid to equity shareholders (note C15)	(16.6)	(6.6)
Purchase of treasury shares	(5.0)	(5.7)
Disposal of treasury shares	0.3	–
Share options and awards		
– discharge	10.8	9.2
Transfer between reserves	20.8	12.2
At 31 December	447.5	430.0

Retained earnings include the following amounts in respect of the carrying amount of Treasury shares.

	2019 \$m	2018 \$m
Cost:		
At 1 January	(11.2)	(7.2)
Purchase of treasury shares	(5.0)	(5.7)
Disposal of treasury shares	3.4	1.7
At 31 December	(12.8)	(11.2)

The loss on disposal of Treasury shares during the year, which is recognised in retained earnings, was \$3.1m (2018 – \$1.7m).

C15. Dividends Paid to Equity Shareholders

Please see note 36 of the Group's financial statements.

C16. Share-Based Payments

Please see note 37 of the Group's financial statements.

C17. Related Party Transactions

The following related party transactions took place between the Company and subsidiaries of the Group during the year:

	2019 \$m	2018 \$m
Transactions:		
Royalties receivable	11.0	14.7
Management fees payable	(9.8)	(11.7)
Recharges of share options and awards and administrative expenses	15.0	13.3
Loan to subsidiary	(19.8)	(22.9)
Loan from subsidiary	–	0.3
Loans to subsidiary repaid	20.7	12.2
Interest receivable on inter-company loans	9.5	8.7
Dividends received from subsidiaries	–	–
Year-end balances:		
Payables to subsidiaries	(5.3)	(0.2)
Receivables from subsidiaries	0.8	0.8
Loans owed to subsidiaries	–	(0.6)
Loans owed by subsidiaries	284.2	285.9

All balances between the Company and its subsidiaries are unsecured.

The Company previously served as the Group's intermediary for the provision of UK Group tax relief, VAT and certain Group insurances. At the year-end, the outstanding receivable for UK Group tax relief was \$nil (2018 – \$1.2m).

The key management of the Company comprises the Hunting PLC Board and members of the Executive Committee. A summary of their remuneration is disclosed in note 8 of the Group's financial statements. The Hunting PLC Board and members of the Executive Committee had no material transactions other than as a result of their service agreements.

The Company is listed on the London Stock Exchange, with none of the shareholders owning more than 20% of the issued share capital of the Company (see page 13). Accordingly, there is no parent entity and the Directors do not consider there to be an ultimate controlling party.

C18. Associates

Associates ⁱ	Registered address
Tianjin Huaxin Premium Connection Pipe Co Ltd (28.5%)	Jintang Road, Dongli District, Tianjin, 300301, China
Hunting Airtrust Tubulars Pte. Ltd (50%)	19, Keppel Road, 08-05 JIT Poh Building, 089058, Singapore

Notes:

i All interests in associates are in the equity shares of those companies.

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C19. Subsidiaries

All Companies listed below are wholly owned by the Group, except where otherwise indicated.

Subsidiaries ⁽ⁱ⁾	Registered address
Operating activities	
Hunting Energy Services (Australia) Pty Ltd	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW 2000, Australia
Hunting Energy Services (Canada) Ltd	5550 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Wuxi) Co. Ltd (70%)	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, China
Hunting Energy Completion Equipment (Wuxi) Co., Ltd	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, China
Hunting Energy Services (International) Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Overseas Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services (UK) Limited (60%)	5 Hanover Square, London, W1S 1HQ, England
PT Hunting Energy Asia	Complex Dragon Industrial Park, Block D, Jalan Pattimura, Kabil Batam, 29467, Indonesia
Hunting Alpha (EPZ) Limited (60%) ^v	Block XLVIII/150, Off Mbaraki Road, P.O. Box 83344-80100 Mombasa, Kenya
Hunting Energy Services Kenya Ltd	5th Floor, West Wing, ICEA Lion Centre, Riverside Park, Chiromo Road, Nairobi, Kenya
Hunting Energy de Mexico	Avenida Los Olmos #105, Parque Industrial El Sabinal, Apodaca, Nuevo Leon, Monterrey, Mexico
Hunting Energy Services B.V. (60%)	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Well Testing) B.V.	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Norway) AS	Arabergveieb 6, 4050 Sola, Norway
Hunting Energy Saudi Arabia LLC (60%)	Dhahran, Building No: 7612, P.O. Box: 3104, Zip Code: 34521, Saudi Arabia
Hunting Energy Services (Well Intervention) Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Welltonic Limited ^v	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Energy Services (International) Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services (China) Pte. Ltd. (70%)	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services (Well Intervention) Pte. Ltd	15 Scotts Road, #04-01/03, Thong Teck Building, 228218, Singapore
Hunting Energy Services South Africa (Pty) Ltd	Trident Park 1, 1 Niblick Way, Somerset West, 7130, South Africa
Hunting Energy Services (Thailand) Limited (49%)	436/27, Moo 2, Thanadee-Klongwong Road, Tambol Phawong, Amphur Muong Songkhla, 90100, Thailand
National Coupling Company, Inc.	1316 Staffordshire Road, Staffordshire, Texas, 77477, USA
Hunting Energy Services, LLC	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Premium Finishes, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Dearborn, Inc.	6 Dearborn Drive, Fryeburg, Maine, USA
Hunting Energy Services (Drilling Tools), Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Innova, Inc.	8383 North Sam Houston Parkway West, Houston, Texas, 77064, USA
Hunting Specialty, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Titan, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Hunting Titan ULC	5550 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Tenkay Resources, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA
Corporate activities	
Hunting Energy Holdings Limited ⁱⁱ	5 Hanover Square, London, W1S 1HQ, England
Hunting Oil Holdings Limited ⁱⁱ	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge (US) Finance Limited ^{iv}	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Pension Trust Limited ^{iv,v}	5 Hanover Square, London, W1S 1HQ, England
HG Management Services Ltd	5 Hanover Square, London, W1S 1HQ, England
Huntfield Trust Limited ^{iv}	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited ^{iv}	5 Hanover Square, London, W1S 1HQ, England
Hunting Aviation Limited ^{iv}	5 Hanover Square, London, W1S 1HQ, England
Field Insurance Limited ^v	The Albany, South Esplanade, St Peter Port, GY1 4NF, Guernsey
Hunting U.S. Holdings, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060 USA

Notes:

- Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
- Interest in company is held directly by Hunting PLC.
- All interests in subsidiaries are in the equity shares of those companies. The proportion of voting rights is represented by the interest in the equity shares of those companies.
- Hunting Pension Trust Limited (registered number 01346797), Huntfield Trust Limited (registered number 00372215), Stag Line Limited (registered number 00151320), Hunting Aviation Limited (registered number 00297743) and Hunting Knightsbridge (US) Finance Limited (registered number 08319706) are dormant companies that are exempt from being audited, are exempt from the requirements to prepare individual accounts under section 394A of the Companies Act 2006 and are exempt from filing individual accounts under section 448A of the Companies Act 2006.
- Company has been placed into voluntary liquidation.

Non-GAAP Measures (unaudited)

The Directors believe it is appropriate to include in the Strategic Report and financial statements a number of non-GAAP measures ("NGMs") that are commonly used within the business. These measures supplement the information provided in the IFRS "reported" financial statements and accompanying notes, providing additional insight to the users of the Annual Report.

This section provides a definition of the non-GAAP measures, the purpose for which the measure is used, and a reconciliation of the non-GAAP measure to the reported IFRS numbers. The auditors are required under the Companies Act 2006 to consider whether these non-GAAP measures are prepared consistently with the financial statements.

Income Statement Non-GAAP Measures

The Directors have applied the provisions of IAS 1 with regards to exceptional items and have chosen to present these, together with amortisation of intangible assets recognised as part of a business combination, in a separate column on the face of the income statement. All profit and loss measures adjusted for amortisation of intangible assets recognised as part of a business combination and exceptional items are referred to as "underlying". This is the basis used by the Directors in assessing performance and in determining certain components of senior management and executive remuneration.

A. EBITDA

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

Calculation definition: Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation.

	2019 ^a \$m	2018 ^a \$m
Reported profit from operations (consolidated income statement)	46.8	75.4
Add:		
Depreciation charge for the year on property, plant and equipment (note 12)	33.7	35.0
Depreciation charge for right-of-use assets (note 13)	7.9	–
Amortisation of other intangible assets (note 15)	32.3	31.9
Impairment of property, plant and equipment (note 12)	19.0	1.0
Less:		
Reversal of impairment of property, plant and equipment and other assets (note 12)	–	(2.0)
Reported EBITDA	139.7	141.3
Add: Exceptional items impacting EBITDA		
Restructuring costs (note 6)	–	0.5
Loss on disposal of Kenya rental fleet (note 6)	–	0.5
Underlying EBITDA	139.7	142.3

- i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.
- ii. EBITDA for 2019 has benefited by \$9.3m, which represents operating lease charges that would have been recognised in the income statement under IAS 17 Leases and have now been replaced by a depreciation charge of \$7.9m for right-of-use assets under IFRS 16.

B. Underlying Tax Rate

Purpose: The effective tax rate represents the level of tax, both current and deferred, being borne by operations on an underlying basis.

Calculation definition: Taxation on underlying profit before tax divided by underlying profit before tax, expressed as a percentage.

	2019 \$m	2018 \$m
Underlying taxation charge (note 10)	(17.0)	(22.0)
Underlying profit before tax for the year (consolidated income statement)	93.1	104.0
Underlying tax rate	18%	21%

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Non-GAAP Measures (unaudited) continued

Balance Sheet Non-GAAP Measures

C. Working Capital

Purpose: Working Capital is a measure of the Group's liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation definition: Trade and other receivables excluding receivables from associates, derivative financial assets and loan notes, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities, dividend liabilities and retirement plan obligations.

	2019 \$m	2018 \$m
Trade and other receivables – non-current (note 18)	2.7	3.5
Trade and other receivables – current (note 18)	202.0	231.0
Inventories (note 20)	350.8	348.2
Trade and other payables – current (note 22)	(121.2)	(140.9)
Trade and other payables – non-current (note 22)	(2.7)	(3.8)
Less: non-working capital loan note (note 18)	(0.7)	(1.2)
Add: non-working capital US deferred compensation plan obligation (note 22)	2.1	1.7
Less: non-working capital current other receivables and other payables	0.3	(2.0)
	433.3	436.5

D. Inventory Days

Purpose: This is a working capital efficiency ratio that measures inventory balances relative to business activity levels.

Calculation definition: Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

	2019 \$m	2018 \$m
Inventory (note 20)	350.8	348.2
Underlying cost of sales for October to December	150.6	173.0
Inventory days	214 days	185 days

E. Trade Receivables Days

Purpose: This is a working capital efficiency ratio that measures receivable balances relative to business activity levels.

Calculation definition: Net trade receivables, contract assets and accrued revenue at the year-end divided by revenue for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals.

	2019 \$m	2018 \$m
Net trade receivables (note 18)	155.5	182.0
Contract assets	8.3	11.8
Accrued revenue	12.3	7.9
Net receivables	176.1	201.7
Revenue for October to December	205.7	236.6
Trade receivable days	79 days	78 days

Balance Sheet Non-GAAP Measures continued**F. Other Net Assets**

Purpose: Provides an analysis of other net assets in the Summary Group Balance Sheet in the Strategic Report.

	2019 \$m	2018 \$m
Investments (note 17)	2.8	2.4
Non-working capital loan note (NGM C)	0.7	1.2
Non-working capital US deferred compensation plan obligation (NGM C)	(2.1)	(1.7)
Non-working capital current other receivables and other payables (NGM C)	(0.3)	2.0
	1.1	3.9

G. Capital Employed

Purpose: Used in the calculation of the return on average capital employed (see NGM N).

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

The Group's capital comprised:

	2019 \$m	2018 \$m
Total equity (consolidated balance sheet)	1,223.8	1,191.1
Net cash (note 26)	(77.9)	(61.3)
	1,145.9	1,129.8

Cash Flow Non-GAAP Measures**H. Cash Flow Working Capital Movements**

Purpose: Reconciles the working capital movements in the Summary Group Cash Flow in the Strategic Report.

	2019 \$m	2018 \$m
Working capital – opening balance	436.5	344.0
Adjustment on adoption of IFRS 16 (note 41)	2.1	–
Working capital – opening balance amended	438.6	344.0
Foreign exchange	3.1	(4.6)
Acquisition (note 39)	0.2	–
Business disposal	(0.6)	–
Adjustments:		
Transfer to property, plant and equipment (note 12)	(0.1)	–
Transfer from provisions	–	(0.1)
Capital investment debtors/creditors cash flows	0.1	0.1
Asset disposals debtors/creditors cash flows	0.3	–
Other non-cash flow movements	(0.1)	0.7
Other cash flow movement	(0.6)	(0.2)
Working capital – closing balance (NGM C)	(433.3)	(436.5)
Cash flow	7.6	(96.6)

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Non-GAAP Measures (unaudited) continued

Cash Flow Non-GAAP Measures continued

I. Capital Investment

Purpose: Capital investment identifies the cash resources being absorbed organically within the business to maintain or enhance operating activity levels.

Calculation definition: Capital investment is the cash paid on tangible non-current assets to maintain existing levels of operating activity and to grow the business from current operating levels and enhance operating activity.

	2019 \$m	2018 \$m
Property, plant and equipment additions (note 12)	35.9	30.0
Capital investment debtors/creditors cash flows (NGM H)	0.1	0.1
Cash flow	36.0	30.1
Hunting Titan	14.3	12.6
US	19.3	15.7
Canada	1.0	0.9
EMEA	0.6	0.5
Asia Pacific	0.7	0.2
Central	0.1	0.2
Cash flow	36.0	30.1

J. Other Operating Cash and Non-Cash Movements

Purpose: Reconciles other operating cash and non-cash movements in the Summary Group Cash Flow in the Strategic Report.

	2019 \$m	2018 \$m
Loans from associates repaid (consolidated statement of cash flows)	0.3	–
Decrease in provisions (consolidated statement of cash flows)	(2.4)	(3.8)
Proceeds on disposal of associate (consolidated statement of cash flows)	–	1.3
Other non-cash flow items		
Pensions	–	2.5
Other	(0.4)	0.4
	(2.5)	0.4

K. Free Cash Flow

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate. 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: All cash flows before transactions with shareholders, investment in non-current assets and lease financing costs. The definition has been updated to take into account the adoption of IFRS 16 Leases from 1 January 2019. Comparatives for 2018 have not been restated.

	2019 ⁱ \$m	2018 \$m
Underlying EBITDA (NGM A)	139.7	142.3
Add: share-based payment charge	9.1	13.2
	148.8	155.5
Working capital movements (NGM H)	7.6	(96.6)
Net interest, bank fees and tax paid (consolidated statement of cash flows)	(7.6)	(4.6)
Proceeds from disposal of assets	5.9	16.4
Disposal of business	3.0	–
Gains on business and asset disposals	(5.8)	(1.0)
UK pension scheme refund	–	10.6
Other operating cash and non-cash movements (NGM J)	(2.5)	0.4
	149.4	80.7

i. Free cash flow for 2019 has benefited by \$10.6m due to the conversion of lease accounting from IAS 17 Leases to IFRS 16 Leases.

Other Non-GAAP Measures

L. Dividend Per Share Declared

Purpose: Identifies the total amount of dividend declared in respect of a period. This is also used in the calculation of dividend cover (see NGM M).

Calculation definition: The amount in cents returned to Ordinary shareholders.

	2019 Cents per share	2018 Cents per share
Interim dividend	5.0	4.0
Final dividend	6.0	5.0
	11.0	9.0

M. Dividend Cover

Purpose: An indication of the Company's ability to maintain the level of its dividend and indicates the proportion of earnings being retained in the business for future investment versus that returned to shareholders.

Calculation definition: Earnings per share attributable to Ordinary shareholders divided by the cash dividend per share to be returned to Ordinary shareholders, on an accruals basis.

	2019		2018	
	Underlying	Reported	Underlying	Reported
Earnings per share				
Basic (note 11)	45.0c	24.0c	51.6c	54.4c
Diluted (note 11)	43.9c	23.5c	49.6c	52.3c
Dividend (NGM L)	11.0c	11.0c	9.0c	9.0c
Dividend cover				
Basic	4.1x	2.2x	5.7x	6.0x
Diluted	4.0x	2.1x	5.5x	5.8x

N. Return on Average Capital Employed

Purpose: Measures the levels of return the Group is generating from its capital employed.

Calculation definition: Underlying profit before interest and tax, adjusted for the share of associates' post-tax results, as a percentage of average gross capital employed. Average gross capital employed is a monthly average of capital employed based on 13 balance sheets from the closing December balance in the prior year to the closing December balance in the current year.

	2019 \$m	2018 \$m
Average monthly gross capital employed (13 point average)	1,192.0	1,120.8
Underlying profit from operations (consolidated income statement)	94.3	104.7
Return on average capital employed	8%	9%

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Financial Recordⁱ (unaudited)

	2019 ^a \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Revenue	960.0	911.4	724.9	455.8	810.5
EBITDA	139.7	142.3	56.0	(48.9)	61.9
Depreciation and non-exceptional amortisation and impairment	(45.4)	(37.6)	(41.7)	(43.3)	(45.5)
Profit (loss) from continuing operations	94.3	104.7	14.3	(92.2)	16.4
Net finance expense	(1.2)	(0.7)	(1.5)	(0.7)	(6.8)
Share of associates' post-tax losses	–	–	(1.3)	(0.3)	(0.2)
Profit (loss) before tax from continuing operations	93.1	104.0	11.5	(93.2)	9.4
Taxation	(17.0)	(22.0)	(1.0)	19.9	(5.4)
Profit (loss) for the year	76.1	82.0	10.5	(73.3)	4.0
	cents	cents	cents	cents	cents
Basic earnings (loss) per share	45.0	51.6	8.0	(45.3)	3.1
Diluted earnings (loss) per share	43.9	49.6	8.0	(45.3)	3.1
Dividend per shareⁱⁱⁱ	11.0	9.0	–	–	8.0
	\$m	\$m	\$m	\$m	\$m
Balance sheet					
Property, plant and equipment	354.7	360.2	383.3	419.0	460.8
Right-of-use assets	36.7	–	–	–	–
Goodwill and other intangible assets	308.7	329.7	355.7	380.5	411.0
Working capital	433.3	436.5	344.0	300.2	365.8
Taxation (current and deferred)	19.8	13.7	(6.0)	(3.4)	10.7
Provisions	(8.4)	(14.2)	(18.0)	(15.7)	(18.0)
Other net assets	1.1	3.9	22.7	38.7	48.3
Capital employed	1,145.9	1,129.8	1,081.7	1,119.3	1,278.6
Net cash (debt) before lease liabilities	123.1	61.3	30.4	(1.9)	(110.5)
Lease liabilities	(45.2)	–	–	–	–
Net assets	1,223.8	1,191.1	1,112.1	1,117.4	1,168.1
Non-controlling interests	(15.9)	(14.0)	(18.8)	(19.3)	(26.2)
Equity attributable to owners of the parent	1,207.9	1,177.1	1,093.3	1,098.1	1,141.9
	cents	cents	cents	cents	cents
Net assets per share	733.3	721.4	677.3	682.6	785.0

i. Information is stated before exceptional items and amortisation of intangible assets recognised as part of a business combination.

ii. Information for 2019 includes the adoption of IFRS 16 Leases with effect from 1 January 2019 (see note 41). The modified retrospective approach was applied and consequently information for the years 2015 to 2018 has not been restated, as permitted under the specific transitional provisions in IFRS 16 Leases.

iii. Dividend per share is stated on a declared basis. Following the change in functional currency from Sterling to US dollar in 2013, dividends are declared in US dollars and paid in Sterling. The Sterling value of dividends paid is fixed and announced approximately two weeks prior to the payment date.

Shareholder and Statutory Information (unaudited)

Registered Office

5 Hanover Square
London
W1S 1HQ

Company Number: 0974568 (Registered in England and Wales)

Telephone: +44 (0)20 7321 0123

Email: pr@hunting.plc.uk

Financial Calendar

The Company's 2020 financial calendar is as follows:

Date	Event
27 February 2020	2019 Full-Year Results Announcement
27 February 2020	Final Dividend – Announcement Date
13 March 2020	Publication of Annual Report and Notice of AGM
15 April 2020	Trading Statement
15 April 2020	AGM and Proxy Voting Results of AGM
16 April 2020	Final Dividend – Ex-dividend Date
17 April 2020	Final Dividend – Record Date
15 May 2020	Final Dividend – Payment Date
27 August 2020	2020 Half-Year Results Announcement

Financial Reports

The Company's 2019 Annual Report and Accounts is available on the Company's website from the date of publication. Shareholders may elect to receive a copy by contacting the Registrar. Copies of previous financial reports are available at www.huntingplc.com.

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

Registrar

The Company's Registrar, Equiniti, offers a range of shareholder information and dealing services at www.shareview.co.uk. The address and contact details of Equiniti are as follows:

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone:
UK +44 (0)371 384 2173
Overseas +44 (0)121 415 7047

Equiniti is also the Company's single alternative inspection location where, with prior appointment, individuals can inspect the register of members.

Analysis of Ordinary Shareholders

At 31 December 2019, the Company had 1,454 Ordinary shareholders (2018 – 1,516) who held 166.9m (2018 – 165.1m) Ordinary shares analysed as follows:

Size of holdings	2019		2018	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
1 – 4,000	73.3	0.6	72.5	0.6
4,001 – 20,000	10.5	0.8	10.5	0.9
20,001 – 40,000	2.9	0.8	3.2	0.8
40,001 – 200,000	6.6	5.4	7.0	6.0
200,001 – 500,000	3.0	8.3	3.2	8.9
500,001 and over	3.7	84.1	3.6	82.8

Further information on share capital can be found in note 33.

Shareholder and Statutory Information (unaudited) continued

Annual General Meeting 2020

The AGM of the Company will take place on Wednesday, 15 April 2020 at The Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS, commencing at 2.30p.m. to which all shareholders are invited.

Business of Meeting

The AGM is an opportunity for shareholders to meet with the Board of Directors. The usual format of the meeting starts with the Chairman's introduction and a presentation by the Chief Executive, followed by an invitation to take any questions from shareholders and, finally, the formal business of the meeting, which involves putting to the meeting a number of ordinary and special resolutions. Details of the resolutions will be communicated to shareholders ahead of the meeting in a formal "Notice of AGM". The Notice also contains explanatory notes that will provide details to shareholders on how to lodge their vote. Those shareholders who have elected to continue to receive hard copy documentation or have signed up to receive a notification by e-mail will also receive a proxy form, which will contain details of how to lodge a vote by proxy.

Shareholder voting procedures follow the provisions of the Articles of Association and the UK Corporate Governance Code, including a separate resolution on each material item of business, the availability of voting via proxy and the offer of a "vote withheld". At the 2020 AGM, all resolutions will be voted on by way of a poll. Further details of the resolutions and voting procedures are set out in the Notice of AGM.

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

The Directors have been authorised to allot and issue Ordinary shares and to disapply statutory pre-emption rights. These powers are exercised under authority of resolutions of the Company passed at its AGM. During the financial year ended 31 December 2019, 1,866,479 Ordinary shares were issued pursuant to the Company's various share plans.

The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 24,744,533 shares. Any shares purchased will either be cancelled, and the number of Ordinary shares in issue reduced accordingly, or held in Treasury. As noted below, through the Group's Employee Share Trust, 752,466 Ordinary shares were purchased in the year, under this authority.

These powers are effective for 15 months from the date of shareholder approval, or up to the next general meeting where new authorities are sought. The Directors will be seeking a renewal for these powers at the 2020 AGM.

Documents on Display

Copies of the executive Directors' service contracts and letters of appointment of non-executive Directors will be available for inspection at the Company's Registered Office from the date the Notice of AGM is issued (being 21 clear days' notice ahead of the meeting) until the time of the AGM and at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS from 15 minutes before the AGM starts until it ends.

Employee Share Trust

The Group operates an Employee Share Trust (the "Trust") as a vehicle to satisfy share options and awards granted to employees who participate in the Company's share-based incentive schemes. At 31 December 2019, the Trust held 1,609,150 Ordinary shares in the Company (2018 – 1,247,672). The Trust has a policy to purchase shares in the market or subscribe for new shares to partially meet the future requirements of these incentive schemes.

In March 2019, the Trust subscribed for 1,866,479 Ordinary shares at the nominal value of 25 pence per share, to partially satisfy vested awards under the HPSP.

In June 2019, the Trust purchased 750,000 Ordinary shares in the Company and a further 2,466 Ordinary shares in December 2019 to satisfy future HPSP share vestings.

In accordance with Listing Rule 9.8.4C, the Trust has waived all dividends payable by the Company and voting rights in respect of the Ordinary shares held by it. Total dividends waived by the Trust in the financial year to 31 December 2019 were \$132,514 (2018 – \$21,259), based on 2,650,276 Ordinary shares being subject to this waiver.

Share Capital

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange.

The Company's issued share capital comprises a single class, which is divided in to 166,940,082 Ordinary shares of 25 pence each. All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects.

Details of the issued share capital of the Company and the number of shares held in Treasury as at 31 December 2019 can be found in note 33 to the financial statements.

Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles of Association) may decide.

Voting Rights and Restrictions on Transfer of Shares

Holders of Ordinary shares are entitled to receive dividends (when declared), receive the Company's Annual Report and Accounts, attend and speak at general meetings of the Company, and appoint proxies or exercise voting rights.

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

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

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

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

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

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

Interests in Voting Rights

Other than as stated in the table on page 13, the Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Market Capitalisation

The market capitalisation of the Company at 31 December 2019 was £0.7bn (2018 – £0.8bn).

Share Price

	2019 p	2018 p
At 1 January	480.0	605.0
At 31 December	417.4	480.0
High during the year	657.0	914.0
Low during the year	363.8	453.6

Dividends

The Company normally pays dividends semi-annually. Details of the Company's dividend policy is set out on page 14.

The Company paid the 2018 final dividend of 5.0 cents per share on 10 May 2019, which absorbed \$8.3m of cash. At the Group's 2019 Half Year Results the Board declared an interim dividend of 5.0 cents per share, which was paid to shareholders on 23 October 2019, which absorbed \$8.3m of cash. The Board are recommending a final dividend for 2019 of 6.0 cents per share, to be paid to shareholders on 15 May 2020, subject to approval by shareholders at the Company's 2020 AGM.

Shareholder and Statutory Information (unaudited) continued

Directors

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Board. The Articles of Association may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

Appointment and Replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Articles of Association (the "Articles"). On appointment, in accordance with the Articles, Directors may be appointed by a resolution of the Board but are then required to be reappointed by ordinary resolution by shareholders at the Company's next AGM.

Directors' Interests

Details of Directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Policy and Annual Report on Remuneration, located at www.huntingplc.com. Further information regarding employee long-term incentive schemes is given in note 37 of the financial statements.

Directors' Conflict of Interest

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The duty applies, in particular, to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it. The Company's Articles of Association provide a general power for the Board to authorise such conflicts.

Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. Authorisations granted are recorded by the Company Secretary in a register and are noted by the Board. On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new, actual or potential conflicts that may arise, or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign. As at 31 December 2019, no Director of the Company had any beneficial interest in the shares of Hunting's subsidiary companies.

Statement of Disclosure of Information to Auditors

In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Research and Development

Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount expended by the Group during the year was \$4.2m (2018 – \$3.4m).

Political Contributions

It is the Group's policy not to make political donations. Accordingly, there were no political donations made during the year (2018 – \$nil).

Significant Agreements

The Company is party to a revolving credit facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company. The service agreements of the executive Directors include provisions for compensation for loss of office or employment as a result of a change of control.

Payments to Governments

In accordance with the UK's Disclosure and Transparency Rules 4.3A, Hunting PLC is required to report annually on payments made to governments with respect to its oil and gas activities. Hunting's report on "Payments to Governments" for the year ended 31 December 2018 was published on 13 March 2019 and totalled \$363,139.

Statement of Listing Rule Compliance

In accordance with Listing Rule 9.8.4C, the Directors confirm that all waivers of dividends over the Company's Ordinary shares are noted on page 186.

Glossary

A	C	E	
AED United Arab Emirates Dirham.	c Cents.	EBITDA* See NGM A.	
AGM Annual General Meeting.	CAD Canadian dollar.	ESOP Executive Share Option Plan.	
AMG Advanced Manufacturing Group – combines the precision engineering and manufacturing capabilities in Hunting's US segment for the Electronics division (Hunting Innova), Hunting Specialty and Hunting Dearborn product lines. Hunting is aiming to become a leading single source of MWD/LWD tools.	CAGR Compound annual growth rate.	ExCo The Hunting Executive Committee.	
API American Petroleum Institute.	Capital employed* See NGM G.	F	
AUD Australian dollar.	Capital investment – "Capex" See NGM I.	FRC Financial Reporting Council.	
Average gross capital employed* See NGM N.	CGU Cash-generating unit.	Free cash flow* See NGM K.	
B	CNY Chinese Yuan Renminbi.	FVLCD Fair value less costs of disposal.	
Basic EPS* Basic earnings per share – calculated by dividing the earnings from operations before amortisation and exceptional items attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year.	CO₂ Carbon dioxide.	G	
bbl Barrel of oil – one barrel of oil equals 159 litres or 42 US gallons.	CO₂e Carbon dioxide equivalent.	GAAP Generally Accepted Accounting Principles.	
BOE Barrel of oil equivalent.	CO₂ intensity factor Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per \$'000 of revenue.	GHG Greenhouse gas.	
bn Billion.	CPI Consumer Price Index.	H	
	CTR Currency translation reserve.	HMRC Her Majesty's Revenue and Customs.	
	D	HPSP Hunting Performance Share Plan.	
	DEFRA UK Department for Environment, Food & Rural Affairs.	HSE Health, Safety and Environment.	
	Diluted EPS* Diluted earnings per share – calculated by dividing earnings from operations before amortisation and exceptional items attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, as adjusted for all potentially dilutive Ordinary shares.		
	Dividend cover* See NGM M.		
	Downhole Downhole refers to something that is located within the wellbore.		
	DPS* See NGM L.		

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Glossary continued

I	K	O
IAS International Accounting Standards.	k Thousand.	OCI Other comprehensive income.
IFRIC International Financial Reporting Interpretations Committee.	kWh Kilowatt hours.	OCTG Oil Country Tubular Goods – pipe and tubular goods and products used in the oil and gas industry, such as drill pipe, pipe casing and production pipes.
IKTVA The in-Kingdom total value add programme created by Saudi Aramco to baseline, measure and support increased levels of localisation in the Kingdom.	L Lean A production practice that eliminates wasteful processes, thereby reducing production time and costs, and improving efficiency.	OCED The Organisation for Economic Co-operation and Development.
IFRS International Financial Reporting Standards as adopted by the European Union.	LNG Liquefied Natural Gas.	OEM Original equipment manufacturer.
Incident rate The US Occupational Safety and Health Administration ("OSHA") Recordable Incident Rate (or Incident Rate) is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.	LPG Liquefied Petroleum Gas.	OPEC Organization of the Petroleum Exporting Countries.
Intensity factor The total controlled Scope 1 and Scope 2 emissions divided by the total revenue of the Group.	LTIP Long-Term Incentive Plan.	P p Pence.
Internal manufacturing reject rate Percentage of parts rejected during the manufacturing process.	M m Million.	PCB Printed circuit board.
Inventory days* See NGM D.	m³ Cubic metre.	PCE Pressure control equipment.
IOC International Oil Company.	mcf 1,000 cubic feet.	PDMR Person discharging managerial responsibilities.
IP Intellectual Property.	mmBtu Million British thermal units.	PPE Property, plant and equipment.
ISO International Organization for Standardization.	MWD/LWD Measurement-while-drilling/ Logging-while-drilling.	PSI Pounds per square inch.
	N Net cash/debt See note 26.	PSP 2009 Performance Share Plan.
	NGM Non-GAAP measure – see pages 179 to 183.	Q QMS Quality Management System.
	NOC National Oil Company.	
	NYMEX New York Mercantile Exchange.	

R**RCF**

Revolving Credit Facility.

Recordable incidents

An incident is recordable if it results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. Also included are any significant injuries or illnesses diagnosed by a physician or other licensed health care professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

ROCE*

See NGM N.

S**Scope 1**

Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the entity. Scope 1 emissions include fossil fuels burned on site, emissions from vehicles and other direct sources.

Scope 2

Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling or steam generated off site but purchased by the entity.

SHARP

Safety and Health Achievement Recognition Programme.

T**Trade Receivable days***

See NGM E.

TSR*

Total Shareholder Return – the net share price change plus the dividends paid during that period.

U**UAE**

United Arab Emirates.

Underlying

Results for the year, as reported under IFRS, adjusted for amortisation of intangible assets recognised as part of a business combination and exceptional items, which is the basis used by the Directors in assessing performance.

UKCS

United Kingdom Continental Shelf, the portion of the North Sea within the UK's territorial waters.

UKLA

UK Listing Authority.

W**Wellbore**

The wellbore refers to the drilled hole.

Well completion

Well completion refers to the processes of preparing a well for production. This involves the assembly of downhole tubulars and equipment required to enable safe and efficient production from an oil or gas well.

Well construction

Well construction refers to the initial drilling and processes of constructing the wellbore in an oil and gas well. These processes typically include drilling and logging the hole; running, cementing and logging the casing; hydraulic fracturing or stimulating the well and monitoring well performance and integrity.

Well intervention

Well intervention refers to any operation carried out on an oil or gas well that maintains or enhances the production of the well or provides well diagnostics.

Working capital*

See NGM C.

WTI

West Texas Intermediate – the price per barrel of Texas light sweet crude oil.

* Non-GAAP measure.

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