Independent Auditor's Report to the Members of Hunting PLC

For the year ended 31 December 2020

Report on the Audit of the Financial Statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 to C21 for the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union and as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements 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: • inventory valuation; • goodwill and non-current asset impairment; • revenue recognition; and • going concern. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk
Materiality	The materiality that we used for the Group financial statements was $3.5 million (2019: $3.8 million), which was determined on the basis of net assets.
Scoping	The scope of our Group audit includes a number of reporting units across the Group, whose results taken together account for 81% of the Group's revenue, 81% of the Group's absolute loss after tax and 89% of the Group's net assets. Our audit work covered Group operations in seven countries, covering 21 reporting units, including a number of investment holding companies.
Significant changes in our approach	The benchmark used to determine our materiality threshold has changed from profit before tax in 2019 to a net asset metric in 2020, given the relative stability of the Group's balance sheet despite a significant decline in revenue and loss before tax incurred in the year. We consider an asset-based benchmark to be a more relevant metric in the current economic environment. In light of the uncertain market conditions, we elevated our risk over the appropriateness of the going concern assumption and the associated disclosures. This has been identified as a key audit matter for 2020. Other than those changes identified above, there have been no other significant changes to our approach.

4. Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of Hunting PLC

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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.

5.1. Inventory Valuation

Key audit matter description	The Group holds inventory of $288.4 million (2019: $350.8 million), net of a provision of $37.2 million (2019: $26.5 million). The cyclical and often challenging trading environment and market conditions continue to expose the Group to the risk of inventory being carried at an amount greater than its net realisable value, with trading conditions becoming significantly more challenging in the current year. In addition, future market demand for both existing and new products will impact future sales, especially given the longevity of some of the Group's products. These factors, together with the level of significant inventory levels carried, could lead to a risk of over-valuation of inventories. Management's judgement in assessing the valuation of inventory is primarily based on expectations of future sales and inventory utilisation plans, combined with their assessment of the continued technological relevance of the Group's products. Refer to page 123 of the Audit Committee report and notes 1, 20 and 41 to the financial statements.
How the scope of our audit responded to the key audit matter	We understood the process for recording inventory and assessed the nature of the Group's inventory through enquiries with management, attending a number of the Group's sites to perform a physical count and review of the utilisation of aged inventory products. Across all components in the Group with a material inventory balance, as part of our risk assessment process, we reviewed the basis for the provision recorded across all categories of inventory, analysing the consistency of this approach in line with comparable businesses elsewhere in the Group. Specifically, we have: • obtained an understanding of the relevant controls over the inventory valuation process, including how management estimate their inventory reserves; • 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 2020 and that they appropriately reflect the current market conditions following the recently depressed oil price and lower levels of product demand throughout the Group's key markets; • for components that determine 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 to assess whether the inventory categories had been appropriately reserved; • based on samples of items selected at a sample size correlated to the level of risk associated with inventory (which we assessed separately at each component with material inventory), 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 deemed necessary, we also made direct enquiries of sales and operational personnel; • where inventory consists of recently produced and newer products, we independently researched the addressable market to assess whether there was contradictory evidence indicating that this inventory will not be sold; and • where appropriate, compared forecast sales against relevant third-party market forecasts as an ultimate stand back assessment on the future utilisation of current inventory levels.
Key observations	We are satisfied that the judgements taken by management are appropriate in light of the current market conditions and expected gradual recovery from 2021 onwards.

5.2. Goodwill and Non-current Asset Impairment

Key audit matter description	The Group balance sheet has a significant level of goodwill and non-current assets. This includes goodwill of $164.2 million (2019: $230.2 million), which is tested annually for impairment. Intangible assets of $42.9 million (2019: $78.5 million) include customer relationships, unpatented technology and patents and trademarks. The property, plant and equipment balance is $307.1 million (2019: $354.7 million) and the right-of-use assets amounted to $29.8 million (2019: $36.7 million). An impairment of $142.5 million was recorded in the period given the worsened market conditions and the decline in business activity levels due to the global impact of COVID-19, with the majority of this representing impairment of goodwill booked at the half year balance sheet date, which cannot be reversed under IAS 36 Impairment of Assets. Testing a cash-generating unit ("CGU") for impairment requires determination of its recoverable amount, which is a judgemental assessment that depends on the forecast future financial performance of the CGU and future market performance. The oil and gas market in 2020 has seen a significant decline with oil prices falling to as low as a negative during the second quarter of the year. Although there have been recent signs of improvement in the market, the Group continues to operate in challenging market conditions. We focused our efforts on the Hunting Titan and Enpro CGUs and related disclosures in the financial statements given the sensitivity of the forecast revenue assumption in both CGUs, and subsequent ability to generate the forecast level of EBITDA margin required to support their carrying value. Refer to pages 122 and 123 of the Audit Committee report and notes 1, 16 and 41 to the financial statements.
How the scope of our audit responded to the key audit matter	Across each of the Group's CGUs we: • sensitised each key driver of the cash flow forecasts, 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 would be triggered. In respect of the Hunting Titan and Enpro CGUs, we challenged the following: • the forecast revenue and margin growth rate assumptions and how management have incorporated the impact of expected changes in levels of product demand, and the reasonableness of the timing and phasing of market recovery following depressed conditions principally caused by the COVID-19 pandemic, by comparing them to short- and medium-term growth rates with reference to independent specialist third party published reports whilst considering the impact already observed within the market and actual trading in the second half of 2020; • 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 valuations specialists. Where an impairment was identified and booked during the period, we assessed the methodology applied, and tested the underlying source data. We also reviewed the sensitivity disclosures included in the financial statements (note 16) to assess the assumptions selected to sensitise, and the associated range, was reasonable in light of our understanding of the risks associated with the future performance of these assets.
Key observations	We are satisfied that the impairment of goodwill recorded during the period is appropriate, in light of the conditions that existed at the required testing dates. The sensitivity disclosures in the financial statements appropriately present the CGUs (Hunting Titan and Enpro) that are most sensitive to potential future changes in key assumptions.

Independent Auditor's Report to the Members of Hunting PLC

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5.3. Revenue Recognition

Key audit matter description	The revenue recognised by the Group in 2020 is $626.0 million (2019: $960.0 million). The Group's revenue recognition policy does not generally require a high level of judgement, however due to the quantum of revenue, contractual terms agreed with customers and the volume of sales that occur close to period end, there is a cut off risk associated with certain components which has guided the focus of our audit effort. We have also placed due consideration on components who recognise revenue over time. The key risks in respect of revenue recognition are: • the cut-off of sales made close to the period end for point in time revenue recognition, with specific consideration of whether control has passed to the customer; and • the appropriateness of revenue recognition criteria for revenue that is recognised over time. Refer to notes 3 and 41 to the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the revenue process. For point in time revenue recognition, 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. We evaluated whether the sales had been appropriately recognised based on the contractual terms and underlying evidence of when control has passed. For over time revenue recognition, we identified 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 the requirements of IFRS 15 *Revenue from Contracts with Customers*, and ensured that the revenue recorded was correctly calculated.
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.

5.4. Going Concern !

Key audit matter description	As at 31 December 2020 the Group had $102.9 million of cash at bank and in hand and $1.2 million of bank overdrafts. The Group's $160 million revolving credit facility ("RCF") due to expire in December 2022, with the associated covenants being in respect of the ratio of net debt to EBITDA and the ratio of finance charges to EBITDA. The facility remains undrawn at 31 December 2020. Due to the COVID-19 pandemic and the adverse impact this has had on the Group's trading results through significant reductions in demand for the Group's products, we identified an increased risk around the Group's ability to continue as a going concern. We have however observed that in the second half of the year, trading declines generally flattened and there were signs of gradual recovery in a number of the Group's businesses towards the end of 2020. Should the Group generate negative EBITDA over a 12 month rolling covenant test period, and require to draw down on the RCF, then this could result in a technical covenant breach, which would be considered an event of default in the absence of obtaining any covenant waiver. We have therefore focused our work on challenging the ability of the Group to operate within its current cash reserves throughout the going concern period. Management has assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. Management sensitised these forecasts to reflect plausible downside scenarios as a result of the Covid-19 impact on global economies. These forecasts demonstrated that the Group is able to maintain sufficient cash reserves, without utilising the RCF, within the going concern period. Management also prepared further stress-test forecasts to identify the conditions that are required to fully consume the Group's cash reserves by December 2022 (which is beyond the required period over which to assess going concern), causing a breach of banking covenants and restricting access to the Group's currently undrawn RCF in the going concern assessment period. Further details of the extent of sensitivity performed are included on page 79. Management, and the Board of Directors, concluded that the likelihood of such severe forecasts occurring in combination was remote and, therefore, no material uncertainties were identified in relation to the Group's ability to continue as a going concern in the next twelve months.
How the scope of our audit responded to the key audit matter	In assessing the risk associated with going concern, we performed the following procedures: • obtained management's assessment of going concern and viability for the Group, understanding how this assessment factors in current market conditions including the expected timing and phasing of recovery as the worldwide economy starts to recover. We also considered Hunting's business model and how this was factored into the assessment, including the impact of COVID-19 on the business and financing such as the availability of credit facilities and the impact on borrowing facilities; • made enquiries as to the process followed by management and obtained an understanding of the respective key controls, including the budgets and forecasts covering the foreseeable future, the process for monitoring compliance with covenants, the assumptions on which the assessment is based and management's plans for future action; • with respect to the cash flow forecasts that drive the going concern assessment, evaluated the reliability of the underlying data and challenged management on the assumptions applied; • compared management's assumptions to external industry data where relevant; • challenged the stress test prepared and assessed whether the forecasts have been sufficiently stretched to a reasonably unlikely scenario; • performed a stand-back assessment and considered all relevant audit evidence obtained, whether corroborative or contradictory, for any indicators of possible management bias; and • assessed whether management's use of the going concern basis of accounting for the year end accounts is appropriate, and that the disclosures in the financial statements are adequate and sufficiently detailed.
Key observations	We are satisfied that the Director's conclusion that there are no material uncertainties over the Group and parent Company's ability to continue as a going concern is appropriate.

Independent Auditor's Report to the Members of Hunting PLC

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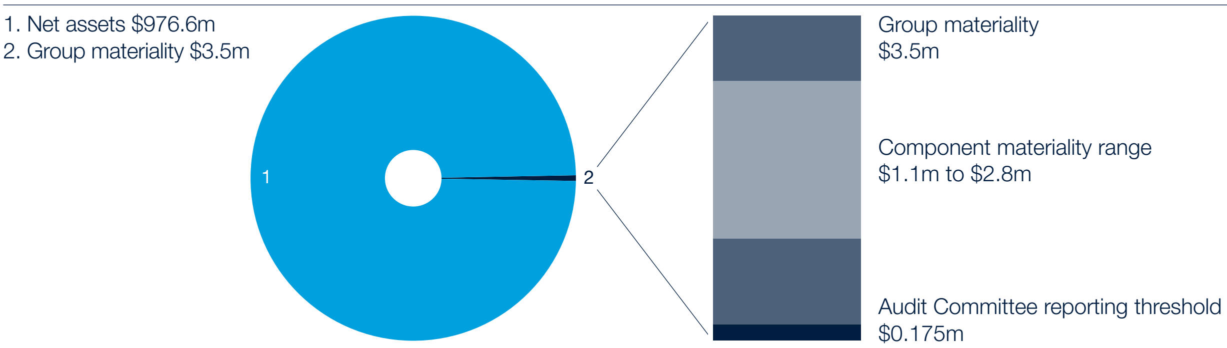
6. Our Application of Materiality

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	$3.5 million (2019: $3.8 million)	$2.8 million (2019: $2.2 million)
Basis for determining materiality	0.4% of net assets (2019: 6.0% of profit before tax before exceptional items).	Parent Company materiality equates to 0.3% (2019: 0.2%) of net assets, which is capped at 80% (2019: 59%) of Group materiality.
Rationale for the benchmark applied	Given the impact the market and trading environment has had on Hunting's results (including generating a loss before tax in the period), an assets-based benchmark is considered a more relevant metric than the profit based benchmark used in 2019.	Given that the parent Company's balance sheet is mostly made up of investments and intercompany receivables, we consider net assets to be the most relevant benchmark.



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 financial statements	Parent Company financial statements
Performance materiality	65% (2019: 65%) of Group materiality	65% (2019: 65%) of parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our knowledge from the 2019 audit; • our overall assessment of the control environment and likely misstatements and the fact that our audit approach does not currently place any significant reliance on the Group's controls; and • the potential impact of remote working caused by the Covid-19 pandemic.	

6.3. Error Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $175,000 (2019: $190,000) 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.

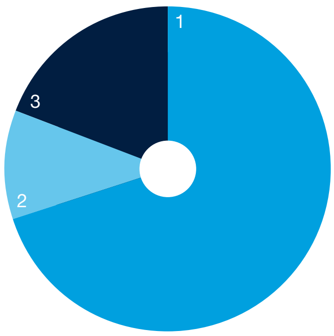
7. An Overview of the Scope of our Audit

7.1. Identification and Scoping of Components

The Group has 58 (2019: 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.

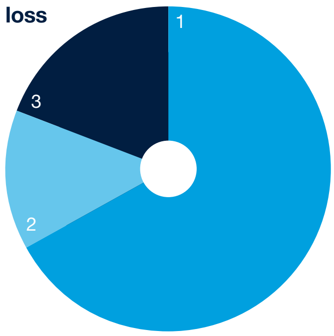
Our scoping consisted of three levels, with audit effort split across each scoping level. We identified 12 (2019: 12) operating units across the Group that were subject to full scope reporting on their complete financial information, which included four holding company reporting units. Specific audit procedures over certain balances were performed at a further 9 (2019: 10) operating units, including two holding company reporting units, 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 81% of the Group's revenue, 81% of the Group's absolute loss after tax and 89% of the Group's net assets. The range of component materiality levels is $1.1 million to $2.8 million.

Revenue



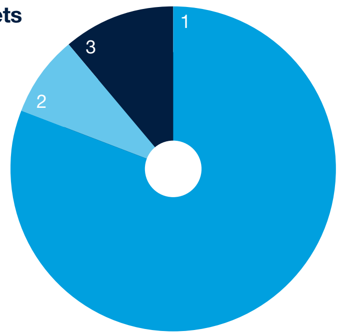
1. Full audit scope 70%
2. Specified audit procedures 11%
3. Review at group level 19%

Absolute loss after tax



1. Full audit scope 67%
2. Specified audit procedures 14%
3. Review at group level 19%

Net assets



1. Full audit scope 81%
2. Specified audit procedures 8%
3. Review at group level 11%

We have engaged local, component audit teams to conduct the procedures over the overseas business units in scope. This includes a team in the US for the US business (including Titan US), China, Singapore and the UK. We have exercised our oversight of these component teams remotely.

7.2. Our Consideration of the Control Environment

Consistent with our 2019 audit and our 2020 audit plan, we did not adopt a controls reliance approach across any of the key business processes. We obtained an understanding of key manual controls within the financial reporting processes, and of those key controls relating to our significant risks. In addition, we have obtained an understanding of those key general IT controls ("GITCs") within Cognos, management's reporting and consolidation software.

A new ERP system ("D365") has been implemented in the Group's Titan US and US Manufacturing operating units. We have engaged our IT specialists to obtain an understanding of the associated GITCs, in areas such as information security, user access and change management. Further, we assessed the data conversion and migration, with focus on inventory compilation such as count and cost at date of migration.

7.3. Working with Other Auditors

In doing our scoping procedures as described above, our audit work covered Group operations in seven countries, covering 21 reporting units, including a number of head office entities.

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, with the use of technology and remote file access. 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.

Independent Auditor's Report to the Members of Hunting PLC

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8. Other Information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, 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 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 of controls.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, 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, patent law, 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 and environmental regulations.

11.2. Audit Response to Risks Identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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.

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' Annual Report on Remuneration 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. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review. Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 79;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 77 and 78;
- the Directors' statement on fair, balanced and understandable set out on page 76;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 53 and 54; and
- the section describing the work of the audit committee set out on page 122.

Independent Auditor's Report to the Members of Hunting PLC

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14. Matters on Which we are Required to Report by Exception

14.1. 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.

14.2. 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.

15. Other Matters Which we are Required to Address

15.1. 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 ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the years ending 31 December 2019 and 31 December 2020.

15.2. 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).

16. 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, UK
4 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 Before amortisation[i] and exceptional items $m	2020 Amortisation[i] and exceptional items (note 6) $m	2020 Total $m	2019 Before amortisation[i] and exceptional items $m	2019 Amortisation[i] and exceptional items (note 6) $m	2019 Total $m
Revenue	3	**626.0**	**–**	**626.0**	960.0	–	960.0
Cost of sales		**(501.2)**	**(56.7)**	**(557.9)**	(693.6)	(19.0)	(712.6)
Gross profit (loss)		**124.8**	**(56.7)**	**68.1**	266.4	(19.0)	247.4
Other operating income	4	**10.3**	**0.8**	**11.1**	10.8	–	10.8
Operating expenses[ii]	5	**(151.5)**	**(147.7)**	**(299.2)**	(182.9)	(28.5)	(211.4)
(Loss) profit from operations	7	**(16.4)**	**(203.6)**	**(220.0)**	94.3	(47.5)	46.8
Finance income	9	**1.4**	**–**	**1.4**	4.2	–	4.2
Finance expense	9	**(4.4)**	**–**	**(4.4)**	(5.4)	–	(5.4)
(Loss) profit before tax from operations		**(19.4)**	**(203.6)**	**(223.0)**	93.1	(47.5)	45.6
Taxation	10	**0.9**	**(16.1)**	**(15.2)**	(17.0)	12.8	(4.2)
(Loss) profit for the year		**(18.5)**	**(219.7)**	**(238.2)**	76.1	(34.7)	41.4
(Loss) profit attributable to:							
Owners of the parent		**(16.5)**	**(218.2)**	**(234.7)**	74.4	(34.7)	39.7
Non-controlling interests		**(2.0)**	**(1.5)**	**(3.5)**	1.7	–	1.7
		(18.5)	**(219.7)**	**(238.2)**	76.1	(34.7)	41.4

(Loss) earnings per share		**cents**	**cents**	cents	cents
Basic	11	**(10.0)**	**(143.2)**	45.0	24.0
Diluted	11	**(10.0)**	**(143.2)**	43.9	23.5

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in operating expenses is the net impairment loss on trade and other receivables recognised in the year of $1.8m (2019 – $1.1m).

The notes on pages 142 to 190 are an integral part of these condensed consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Comprehensive income:			
(Loss) profit for the year		**(238.2)**	41.4
Components of other comprehensive income (expense) after tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**5.9**	5.4
Fair value gains and losses:			
– gains (losses) originating on net investment hedges arising during the year	34	**0.4**	(0.7)
		6.3	4.7
Items that have been reclassified to profit or loss:			
Release of foreign exchange on liquidation of subsidiaries	34	**–**	(0.2)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	35	**–**	(0.3)
Other comprehensive income after tax		**6.3**	4.2
Total comprehensive (expense) income for the year		**(231.9)**	45.6
Total comprehensive (expense) income attributable to:			
Owners of the parent		**(228.9)**	43.5
Non-controlling interests		**(3.0)**	2.1
		(231.9)	45.6

Total comprehensive (expense) income attributable to owners of the parent arises from the Group’s continuing operations.

Consolidated Balance Sheet

At 31 December 2020

	Notes	2020 $m	2019 $m
ASSETS			
Non-current assets			
Property, plant and equipment	12	**307.1**	354.7
Right-of-use assets	13	**29.8**	36.7
Goodwill	14	**164.2**	230.2
Other intangible assets	15	**42.9**	78.5
Investments	17	**19.8**	2.3
Trade and other receivables	18	**2.0**	2.7
Deferred tax assets	19	**15.3**	29.9
		581.1	735.0
Current assets			
Inventories	20	**288.4**	350.8
Trade and other receivables	18	**136.3**	202.0
Cash and cash equivalents	21	**102.9**	128.6
Current tax assets		**3.0**	0.2
Held-for-sale assets		**1.8**	–
Investments	17	**–**	0.5
		532.4	682.1
LIABILITIES			
Current liabilities			
Trade and other payables	22	**67.9**	121.2
Lease liabilities	24	**10.2**	9.8
Borrowings	25	**1.2**	1.6
Provisions	27	**2.9**	3.2
Current tax liabilities		**2.5**	9.5
		84.7	145.3
Net current assets		**447.7**	536.8
Non-current liabilities			
Trade and other payables	22	**2.4**	2.7
Lease liabilities	24	**30.1**	35.4
Borrowings	25	**3.9**	3.9
Provisions	27	**6.0**	5.2
Deferred tax liabilities	19	**9.8**	0.8
		52.2	48.0
Net assets		**976.6**	1,223.8
Equity attributable to owners of the parent			
Share capital	33	**66.5**	67.3
Share premium	33	**153.0**	153.0
Other components of equity	34	**52.3**	56.5
Retained earnings	35	**692.6**	931.1
		964.4	1,207.9
Non-controlling interests		**12.2**	15.9
Total equity		**976.6**	1,223.8

The notes on pages 142 to 190 are an integral part of these consolidated financial statements. The financial statements on pages 137 to 190 were approved by the Board of Directors on 4 March 2021 and were signed on its behalf by:

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Consolidated Statement of Changes in Equity

	Notes	Share capital (note 33) $m	Share premium (note 33) $m	Other components of equity (note 34) $m	Retained earnings (note 35) $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2020						
At 1 January 2020		**67.3**	**153.0**	**56.5**	**931.1**	**1,207.9**	**15.9**	**1,223.8**
Loss for the year		**–**	**–**	**–**	**(234.7)**	**(234.7)**	**(3.5)**	**(238.2)**
Other comprehensive income		**–**	**–**	**5.8**	**–**	**5.8**	**0.5**	**6.3**
Total comprehensive income (expense)		**–**	**–**	**5.8**	**(234.7)**	**(228.9)**	**(3.0)**	**(231.9)**
Dividends to Hunting PLC shareholders	36	**–**	**–**	**–**	**(8.2)**	**(8.2)**	**–**	**(8.2)**
Dividends to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Share buyback		**(0.8)**	**–**	**0.6**	**(5.1)**	**(5.3)**	**–**	**(5.3)**
Treasury shares								
– purchase of treasury shares		**–**	**–**	**–**	**(9.4)**	**(9.4)**	**–**	**(9.4)**
– disposal of treasury shares		**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Share options and awards								
– value of employee services		**–**	**–**	**9.0**	**–**	**9.0**	**–**	**9.0**
– discharge		**–**	**–**	**(11.4)**	**11.2**	**(0.2)**	**–**	**(0.2)**
– taxation		**–**	**–**	**–**	**(0.5)**	**(0.5)**	**–**	**(0.5)**
Acquisition of non-controlling interest	38	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**0.2**	**–**
Transfer between reserves		**–**	**–**	**(8.2)**	**8.2**	**–**	**–**	**–**
Total transactions with owners		**(0.8)**	**–**	**(10.0)**	**(3.8)**	**(14.6)**	**(0.7)**	**(15.3)**
At 31 December 2020		**66.5**	**153.0**	**52.3**	**692.6**	**964.4**	**12.2**	**976.6**

	Notes	Share capital (note 33) $m	Share premium (note 33) $m	Other components of equity (note 34) $m	Retained earnings (note 35) $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2019						
At 31 December 2018 as previously reported		66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1
Adjustment on adoption of IFRS 16		–	–	–	(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
Dividends to Hunting PLC shareholders	36	–	–	–	(16.6)	(16.6)	–	(16.6)
Shares issued								
– share option schemes and awards		0.6	–	–	–	0.6	–	0.6
Treasury shares								
– purchase of treasury shares		–	–	–	(5.0)	(5.0)	–	(5.0)
– disposal of treasury shares		–	–	–	0.3	0.3	–	0.3
Share options and awards								
– value of employee services		–	–	9.0	–	9.0	–	9.0
– discharge		–	–	(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)
At 31 December 2019		67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Operating activities			
Reported (loss) profit from operations		**(220.0)**	46.8
Amortisation of acquired intangible assets and exceptional items	6	**203.6**	47.5
Depreciation and non-acquisition amortisation	NGM A	**42.5**	45.4
Underlying EBITDA (NGM A)		**26.1**	139.7
Share-based payments expense	37	**9.0**	9.1
Decrease (increase) in inventories		**30.2**	(0.2)
Decrease in receivables		**67.5**	29.0
Decrease in payables		**(58.9)**	(21.2)
Decrease in provisions		**(0.2)**	(2.4)
Net taxation paid		**(5.0)**	(7.7)
Net gain on disposal of property, plant and equipment		**(2.4)**	(1.5)
Proceeds from disposal of property, plant and equipment held for rental (NGM K)		**1.3**	2.7
Purchase of property, plant and equipment held for rental (NGM I)		**(3.0)**	(5.6)
Gain on disposal of intangible assets	4	**–**	(2.3)
Gain on disposal of business	4	**–**	(2.0)
Restructuring costs shown as exceptional item		**(10.7)**	–
Acquisition costs shown as exceptional item		**(1.4)**	–
Payment of US pension scheme liabilities		**(0.5)**	–
Other non-cash flow items		**(1.0)**	(0.4)
Net cash inflow from operating activities		**51.0**	137.2
Investing activities			
Interest received		**0.8**	1.3
Net movement on loans to and from associates		**–**	0.3
Proceeds from disposal of property, plant and equipment (NGM K)		**2.0**	0.9
Proceeds from disposal of intangible technology (NGM K)		**–**	2.3
Proceeds from disposal of business (NGM K)		**0.6**	3.0
Proceeds from disposal of investments		**0.5**	–
Purchase of subsidiaries net of cash acquired	39	**(32.8)**	(12.5)
Purchase of property, plant and equipment (NGM I)		**(11.7)**	(30.4)
Purchase of intangible assets		**(4.3)**	(10.2)
Net cash outflow from investing activities		**(44.9)**	(45.3)
Financing activities			
Interest and bank fees paid		**(1.1)**	(1.2)
Payment of capitalised lease liabilities		**(10.4)**	(10.6)
Repayment of borrowings		**–**	(0.9)
Dividends paid to Hunting PLC shareholders	36	**(8.2)**	(16.6)
Dividends paid to non-controlling interests		**(0.9)**	–
Share buyback		**(5.1)**	–
Share capital issued		**–**	0.6
Purchase of treasury shares		**(9.4)**	(5.0)
Disposal of treasury shares		**0.2**	0.3
Net cash outflow from financing activities		**(34.9)**	(33.4)
Net cash (outflow) inflow in cash and cash equivalents		**(28.8)**	58.5
Cash and cash equivalents at the beginning of the year		**127.0**	66.1
Effect of foreign exchange rates		**3.5**	2.4
Cash and cash equivalents at the end of the year		**101.7**	127.0
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents included in current assets	21	**102.9**	128.6
Bank overdrafts included in borrowings	25	**(1.2)**	(1.6)
		101.7	127.0

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 209. 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 4 to 79. 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 page 79.

The principal accounting policies applied in the preparation of these financial statements are set out in note 41. These policies have been consistently applied to all the years presented.

Change in Functional Currency of a Subsidiary

Having considered the aggregate effect of all relevant factors, the functional currency of Hunting Energy Services (UK) Limited changed from sterling to US dollars on 1 January 2020. The change in functional currency follows a review of the main indicators of functional currency for the company and the balance of these led to the change from sterling to US dollars.

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 assumptions concerning future expectations, together with other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements were made regarding the recognition of impairment of non-financial assets that impacted the carrying values of: goodwill; other intangible assets; property, plant and equipment; right-of-use assets and inventory (see note 16) and estimates were made regarding future cash flows for the purposes of CGU impairment testing (see note 16). The Directors also applied their judgement in determining that there are no disclosable material uncertainties in relation to the Group's ability to continue as a going concern as described in the Strategic Report on page 79.

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes, as tax legislation can be complex and open to different interpretation. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This is considered by jurisdiction, or by entity, dependent on the tax laws of the jurisdiction. At each balance sheet date, the Directors will consider the medium-term forecasts of the business and determine whether the generation of taxable income within a reasonable time frame is probable. If actual results differ from the forecasts then the impact of not being able to utilise the expected amount of deferred tax assets can have a material impact on the Group's tax charge for the year. The key decision regarding the recognition of deferred tax as at 31 December 2020 related to the recognition of deferred taxes in the US. The Directors concluded that the medium-term taxable profit forecasts for the US no longer support the full recognition of the US deferred tax asset position going forward. To the extent that the US deferred tax asset is not offset against the deferred tax liability recognised relating to goodwill in the US, it has been removed from the consolidated balance sheet and charged to the consolidated income statement in the year.

The Directors have considered the potential impact that climate change could have on the financial statements of the Group. The Directors' view is that climate change is an emerging risk that the Group is cognisant of, and will react appropriately to. External long-term forecasts used by the Directors, that recognise and incorporate climate change developments, support the view that there will be robust demand for the Group's oil and gas based products for a significant time span and these do not currently identify any concerns regarding the carrying values or expected lives of longer-lived assets, including goodwill. The Directors also believe there is significant operational adaptability in the Group's asset base to move into other non–hydrocarbon product lines if required.

The Directors believe that there are no other critical judgements or estimates applied in the preparation of the consolidated financial statements.

Adoption of New Standards, Amendments and Interpretations

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2020, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments:

- Amendment to IFRS 3 Business Combinations[i]
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendment to IAS 1 and IAS 8: Definition of Material

1. Basis of Preparation continued

Adoption of New Standards, Amendments and Interpretations continued

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:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)[ii]
- Amendment to IFRS 3 Business Combinations – Reference to the Conceptual Framework[i/iii]
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use[i/iii]
- Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract[i/iii]
- Annual Improvements to IFRS Standards 2018-2020 Cycle[i/iii]
- IFRS 17 Insurance Contracts[i/iv]
- Amendment to IAS 1: Classification of Current and Non-current Liabilities[i/iv]

i. Not yet endorsed by the European Union.
ii. Mandatory adoption date and effective date for the Company is 1 January 2021
iii. Mandatory adoption date and effective date for the Company is 1 January 2022
iv. Mandatory adoption date and effective date for the Company is 1 January 2023

Interest Rate Benchmark Reform

The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ("IBORs") is being assessed and is ongoing. A preliminary assessment indicates that none of the Group's hedge accounting will be impacted by the reform regarding LIBOR, as none of the Group's hedging relationships have any exposure to interest rate benchmarks that are subject to the proposed regulatory reform. 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 benchmark for the interest rate applied. The Group's cash at bank of $102.9m and overdrafts of $1.2m at the year-end have variable interest rates that are referenced to Central Bank base rates and these will not be affected by the IBOR reforms. The RCF commitment fee is calculated as a percentage of the prevailing credit margin that is then applied to the undrawn amount of the facility. The commitment fee is not linked to LIBOR and will be unaffected by the proposed regulatory reform.

There is currently uncertainty around the timing and precise nature of these changes. To transition existing contracts and agreements that reference LIBOR to SONIA (in respect of GBP denominated contracts) or SOFR (in respect of USD denominated contracts), adjustments for term differences and credit differences might need to be applied to SONIA and/or SOFR, to enable the benchmark rates to be economically equivalent on transition. The Group's treasury department is responsible for managing the Group's LIBOR transition plan.

2. Segmental Reporting

For the year ended 31 December 2020, 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 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 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 Group's 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 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. Although located in the UK, Enpro has been classified as part of this segment, as it falls under the management of the Subsea business in the US, as it participates in global offshore projects. The segment also includes the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico.

Notes to the Consolidated Financial Statements

continued

2. Segmental Reporting continued

Canada: Hunting's Canadian business manufactured premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays, which required specialist tubing technologies. Canada also manufactured perforating guns for Hunting Titan. Following a review of the medium-term outlook for the business, the Board decided to cease manufacturing operations in Canada and close its facility in Calgary, Alberta. Going forward, the business will use licensed third party contractors. Hunting's manufacturing operations have been wound down during H2 2020. A sales and administration function will remain in Calgary to support the Group's presence in Canada. From 2021, results under the new business model will be reported in the US operating segment.

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.

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

	2020					
	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	161.7	(4.7)	157.0	(5.6)	(120.4)	(126.0)
US	292.2	(23.5)	268.7	(1.0)	(46.3)	(47.3)
Canada	20.0	(5.1)	14.9	(2.5)	(12.2)	(14.7)
EMEA	78.8	(0.7)	78.1	(12.0)	(21.9)	(33.9)
Asia Pacific	109.3	(2.0)	107.3	4.7	(2.8)	1.9
Total from operations	662.0	(36.0)	626.0	(16.4)	(203.6)	(220.0)
Net finance expense				(3.0)	–	(3.0)
Loss before tax from operations				(19.4)	(203.6)	(223.0)

Amortisation and exceptional items by operating segment:

	2020					
	Hunting Titan $m	US $m	Canada $m	EMEA $m	Asia Pacific $m	Total $m
Amortisation of acquired intangible assets	14.8	2.5	–	–	–	17.3
Impairments of goodwill	65.6	9.9	–	4.3	–	79.8
Impairments of other intangible assets	29.5	5.2	1.9	2.6	–	39.2
Impairments of property, plant and equipment	0.4	10.1	0.1	8.8	–	19.4
Impairments of right-of-use assets	0.2	–	3.9	–	–	4.1
Impairments of inventories	7.1	15.2	5.0	4.3	2.6	34.2
Impairments of receivables	1.2	–	–	–	–	1.2
Restructuring costs	1.6	4.5	2.1	1.9	0.2	10.3
Profit on disposal of Canadian assets	–	–	(0.8)	–	–	(0.8)
Acquisition costs	–	1.4	–	–	–	1.4
Remeasurement of contingent consideration on Enpro acquisition	–	(2.5)	–	–	–	(2.5)
	120.4	46.3	12.2	21.9	2.8	203.6

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

	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

i. Relates to amortisation of acquired intangible assets.

Amortisation of acquired intangible assets of $26.5m arose in the Hunting Titan segment and $2.0m arose in the US operating segment in 2019. The impairment of property, plant and equipment in 2019 of $19.0m arose in the US operating segment.

Revenue from external customers attributable to the UK, the Group's country of domicile, is $51.0m (2019 – $64.7m).

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

	2020 $m	Restated[i] 2019 $m
Perforating Systems	**154.5**	363.0
OCTG	**264.7**	357.0
Advanced Manufacturing	**74.3**	104.5
Intervention Tools[i]	**30.7**	44.3
Subsea	**69.8**	44.5
Drilling Tools	**9.9**	22.3
Other[i]	**22.1**	24.4
Total	**626.0**	960.0
Revenue from products is further analysed between:		
Oil and gas	**586.2**	918.7
Non-oil and gas	**39.8**	41.3
Total	**626.0**	960.0

i. The 2019 numbers have been restated to show $7.4m in relation to well testing products in Other rather than Intervention Tools as this better represents the product groupings.

(b) Other Segment Items

	2020			2019		
	Depreciation[i] $m	**Amortisation $m**	**Impairment[ii] $m**	Depreciation[i] $m	Amortisation $m	Impairment[ii] $m
Hunting Titan	**7.9**	**16.0**	**104.4**	7.7	27.3	1.4
US	**21.7**	**4.3**	**42.2**	22.8	4.1	21.5
Canada	**1.2**	**0.1**	**11.0**	1.7	0.1	1.0
EMEA	**4.9**	**0.3**	**20.5**	5.0	0.7	1.0
Asia Pacific	**3.9**	**0.1**	**2.0**	4.4	0.1	1.1
Total	**39.6**	**20.8**	**180.1**	41.6	32.3	26.0

i. Depreciation in 2020 comprises depreciation of property, plant and equipment $32.1m (2019 – $33.7m) and depreciation of right-of-use assets $7.5m (2019 – $7.9m).
ii. Impairment comprises impairment of goodwill $79.8m (2019 – $nil), other intangible assets $39.2m (2019 – $nil), property, plant and equipment $19.4m (2019 – $19.0m), right-of-use assets $3.5m net (2019 – $nil), trade and other receivables $1.8m net (2019 – $1.1m) and inventories $36.4m net (2019 – $5.9m).

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2. Segmental Reporting continued

(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.

	2020 $m	2019 $m
Hunting Titan – US	**186.3**	298.9
Hunting Titan – Canada	**2.2**	2.5
Hunting Titan – Other	**0.9**	0.8
Hunting Titan	**189.4**	302.2
US – US	**309.0**	314.9
US – Europe[i]	**11.3**	–
US	**320.3**	314.9
Canada	**3.3**	12.2
Europe[i]	**40.1**	61.1
Middle East	**2.4**	2.3
Asia Pacific	**10.3**	12.4
Unallocated assets:		
Deferred tax assets	**15.3**	29.9
Total non-current assets	**581.1**	735.0

i. The value of non-current assets located in the UK, the Group's country of domicile, is $42.1m (2019 – $45.7m).

(d) Major Customer

The Group received revenue of $64.1m (2019 – $112.6m) from the Halliburton Company Group, which is 10% (2019 – 12%) of the Group's revenue from external customers. All of Hunting's operating segments have benefited from trading with Halliburton.

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.

	2020			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	**157.0**	**–**	**–**	**157.0**
US	**255.7**	**11.1**	**1.9**	**268.7**
Canada	**14.9**	**–**	**–**	**14.9**
EMEA	**75.0**	**3.1**	**–**	**78.1**
Asia Pacific	**107.3**	**–**	**–**	**107.3**
Total	**609.9**	**14.2**	**1.9**	**626.0**

	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

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. Revenue is typically recognised for products when the product is shipped or made available to customers for collection and for services either on completion of the service or, at a minimum, monthly for services covering more than one month. The amount of consideration is not adjusted for the effects of a significant financing component as, at contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

4. Other Operating Income

	2020 $m	2019 $m
Operating lease rental income	**1.8**	1.4
Gain on disposal of property, plant and equipment	**2.8**	2.0
Gain on disposal of intangible technology	**–**	2.3
Gain on disposal of businesses	**–**	2.0
Government grants	**3.8**	–
Foreign exchange gains	**1.4**	0.5
Other income[i]	**0.5**	2.6
Other operating income before amortisation[ii] and exceptional items	**10.3**	10.8
Other operating income included in amortisation and exceptional items (note 6)	**0.8**	–
	11.1	10.8

i. Includes fair value gains on derivatives not designated in a hedge of $0.1m (2019 – $0.6m).
ii. Relates to amortisation of acquired intangible assets.

In 2019, the Clear-Run™ intangible technology was sold for $2.3m, with a gain on disposal of $2.3m. Consideration from the sale of the Thru-Tubing business in Dubai was $2.4m, with a gain on disposal of $1.7m, which has been recognised in the gain on disposal of businesses of $2.0m.

Government Funding

Hunting PLC has benefited from a number of government schemes to support companies as a result of the COVID-19 pandemic. These schemes include the COVID-19 Job Support Scheme and property tax rebate in Singapore, the Coronavirus Job Retention Scheme ("CJRS") in the UK, and the Canada Emergency Wage Subsidy in Canada. The Group received $3.6m relating to COVID-19 support during the year. Other types of government assistance were also received during the year, including a Scottish Enterprise grant of $0.1m for Enpro. There are no repayment conditions attached to any government grants or assistance.

5. Operating Expenses

	2020 $m	2019 $m
Administration expenses[i] before amortisation[ii] and exceptional items	**107.4**	121.3
Distribution and selling costs	**43.7**	61.1
Loss on disposal of property, plant and equipment	**0.4**	0.5
Operating expenses before amortisation[ii] and exceptional items	**151.5**	182.9
Operating expenses included in amortisation and exceptional items (note 6)	**147.7**	28.5
	299.2	211.4

i. Includes foreign exchange losses of $0.8m (2019 – $2.7m) and a fair value loss on derivatives not designated in a hedge of $0.1m (2019 – $0.2m).
ii. Relates to amortisation of acquired intangible assets.

Notes to the Consolidated Financial Statements

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6. Amortisation and Exceptional Items

Due to their size and nature, the following items have been disclosed as “middle column” items in the financial statements.

	2020 $m	2019 $m
Impairments of property, plant and equipment	**14.8**	19.0
Impairments of inventories	**34.2**	–
Restructuring costs	**7.7**	–
Charged to cost of sales	**56.7**	19.0
Profit on disposal of Canadian assets – credited to other income	**(0.8)**	–
Amortisation of acquired intangible assets	**17.3**	28.5
Impairments of goodwill	**79.8**	–
Impairments of other intangible assets	**39.2**	–
Impairments of property, plant and equipment	**4.6**	–
Impairments of right-of-use assets	**4.1**	–
Impairments of receivables	**1.2**	–
Acquisition costs	**1.4**	–
Remeasurement of contingent consideration on Enpro acquisition	**(2.5)**	–
Restructuring costs	**2.6**	–
Charged to operating expenses	**147.7**	28.5
Total amortisation and exceptional items charged to (loss) profit from operations	**203.6**	47.5
Taxation on amortisation and exceptional items (note 10)	**16.1**	(12.8)
	219.7	34.7

Following a carrying value review, given current trading conditions and future expectations, impairments of goodwill, property, plant and equipment, right-of-use assets, other intangible assets, inventories and receivables were recognised during the year. Further details are provided in note 16 for non-financial assets and note 18 for receivables.

Acquisition-related costs of $1.4m were charged to operating expenses and paid in the year. These costs arose on the acquisition of Enpro.

The contingent consideration recognised on the acquisition of Enpro has a fair value of $nil at 31 December 2020 and so the amount recognised at the date of the acquisition (see note 39) has been reversed.

Management continues to implement cost-base reduction measures at all levels across the Group, resulting in restructuring costs of $10.3m being incurred, with $10.7m paid during the year. Restructuring costs have benefited from the release of unused restructuring provisions recognised in prior years.

7. (Loss) Profit from Operations

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

	2020 $m	2019 $m
Staff costs (note 8)	**171.9**	222.5
Depreciation of property, plant and equipment (note 12)	**32.1**	33.7
Amortisation of acquired intangible assets	**17.3**	28.5
Non-exceptional amortisation of intangible assets	**3.5**	3.8
Amortisation of intangible assets – reported (included in cost of sales and operating expenses) (note 15)	**20.8**	32.3
Impairments of goodwill – exceptional (included in operating expenses) (note 6)	**79.8**	–
Impairments of other intangible assets – exceptional (included in operating expenses) (note 6)	**39.2**	–
Impairments of property, plant and equipment – exceptional (included in operating expenses) (note 6)	**19.4**	19.0
Gain on disposal of intangible technology (note 4)	**–**	(2.3)
Gain on disposal of businesses (note 4)	**–**	(2.0)
Net gain on disposal of property, plant and equipment – underlying	**(2.4)**	(1.5)
Profit on disposal of property, plant and equipment – exceptional items	**(0.2)**	–
Net gain on disposal of property, plant and equipment – reported	**(2.6)**	(1.5)
Lease charges included in (loss) profit from operations – underlying (note 24)	**9.4**	10.9
Lease charges included in (loss) profit from operations – exceptional items (note 24)	**4.1**	–
Lease charges included in (loss) profit from operations (note 24)	**13.5**	10.9
Research and development expenditure	**5.0**	4.2

Fees payable to the Group's independent auditor and its associates are for:

	2020 $m	2019 $m
The audit of these financial statements	**1.9**	1.7
The audit of the financial statements of the Company's subsidiaries	**0.5**	0.5
Total audit	**2.4**	2.2
Audit-related assurance services	**0.1**	0.1
Total audit and audit-related services	**2.5**	2.3

8. Employees

	2020 $m	2019 $m
Wages and salaries (including annual cash bonuses)	**145.1**	190.7
Social security costs	**11.2**	14.5
Share-based payments (note 37)	**9.0**	9.1
Other pension costs		
– defined contribution schemes (note 32)	**7.4**	8.7
– defined benefit schemes (note 32)	**0.1**	0.1
Net gains on the US DB scheme's assets and liabilities included in net finance expense (note 32)	**–**	(0.2)
Staff costs for the year	**172.8**	222.9

Staff costs for the year are included in the financial statements as follows:

	2020 $m	2019 $m
Total staff costs included in reported (loss) profit from operations (note 7)	**171.9**	222.5
Staff costs – net gains on the US DB scheme's assets and liabilities included in net finance expense	**–**	(0.2)
Staff costs capitalised as R&D	**0.9**	0.6
	172.8	222.9

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

	2020 Number	2019 Number
US	**1,558**	1,962
Canada	**95**	142
Europe	**269**	265
Asia Pacific	**441**	459
Middle East, Africa and Mexico	**45**	48
	2,408	2,876

Notes to the Consolidated Financial Statements

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8. Employees continued

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

	2020 Number	2019 Number
Hunting Titan	**481**	684
US	**1,067**	1,262
Canada	**83**	127
EMEA	**279**	292
Asia Pacific	**426**	443
Central	**72**	68
	2,408	2,876

The actual number of employees at the year-end was 1,923 (2019 – 2,956).

Key management comprises the Board and the Executive Committee. Their aggregate remuneration in the year was:

	2020 $m	2019 $m
Salaries, annual cash bonuses and short-term employee benefits	**4.0**	5.7
Social security costs	**0.2**	0.4
Post-employment benefits	**0.2**	0.3
Share-based payments	**2.4**	2.1
	6.8	8.5

Remuneration of the Board, included as part of Key Management compensation, can be found in the Annual Report on Remuneration on pages 108 to 113. The Annual Report on Remuneration disclosures do not include Executive Committee members who are not part of the Board and disclose 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 consolidated income statement.

9. Net Finance Expense

	2020 $m	2019 $m
Finance income:		
Interest on bank balances and deposits	**0.3**	0.4
Fair value gains on the listed equities and mutual funds	**–**	0.3
Foreign exchange gains	**0.3**	2.4
Fair value gains on derivative financial instruments	**0.6**	0.5
Fair value gains on money market funds	**0.1**	0.6
Other finance income	**0.1**	–
	1.4	4.2
Finance expense:		
Interest on lease liabilities	**(1.9)**	(2.2)
Bank fees and commissions	**(1.4)**	(1.3)
Foreign exchange losses	**(0.8)**	(0.8)
Fair value losses on derivative financial instruments	**(0.1)**	(0.7)
Other finance expense	**(0.2)**	(0.4)
	(4.4)	(5.4)
Net finance expense	**(3.0)**	(1.2)

10. Taxation

	2020			2019		
	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	**5.2**	**(2.0)**	**3.2**	10.2	–	10.2
– adjustments in respect of prior years	**(3.0)**	**–**	**(3.0)**	(3.5)	–	(3.5)
	2.2	**(2.0)**	**0.2**	6.7	–	6.7
Deferred tax						
– origination and reversal of temporary differences	**(4.3)**	**(3.4)**	**(7.7)**	14.1	(12.8)	1.3
– derecognition of US deferred tax assets	**–**	**21.5**	**21.5**	–	–	–
– change in tax rate	**0.8**	**–**	**0.8**	–	–	–
– adjustments in respect of prior years	**0.4**	**–**	**0.4**	(3.8)	–	(3.8)
	(3.1)	**18.1**	**15.0**	10.3	(12.8)	(2.5)
Taxation (credit) charge	**(0.9)**	**16.1**	**15.2**	17.0	(12.8)	4.2

i. Relates to amortisation of acquired intangible assets.

The effective tax rate applicable to operations before amortisation and exceptional items is 5% (2019 – 18%).

The adjustment in respect of prior years of $3.0m (2019 – $3.5m) for current tax includes the release of provisions for uncertain tax positions that are no longer required and normal true-ups.

A tax charge of $16.1m has been included in the consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items (2019 – $12.8m credit). This charge largely reflects the reversal of net deferred tax assets of $21.5m no longer recognised for the US businesses as realisation of the tax benefit is not probable within a reasonable time frame. This charge has been offset by tax credits associated with the amortisation of acquired intangible assets and exceptional items.

The reported tax charge for the year is $15.2m (2019 – $4.2m) and the reported effective tax rate is -7% (2019 – 9%).

The table 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 (2019 – charge) for the year is different to the weighted average rate of tax of 23% (2019 – 19%) for the following reasons:

	2020 $m	2019 $m
Reported (loss) profit before tax	**(223.0)**	45.6
Tax at 23% (2019 – 19%)	**(51.3)**	8.5
Permanent differences including tax credits	**3.4**	3.6
Current year losses not recognised	**48.7**	2.7
Derecognition of prior year deferred tax in relation to the US businesses	**21.5**	–
Recognition of previously unrecognised deferred taxes	**(5.3)**	(3.3)
Change in tax rates	**0.8**	–
Adjustments in respect of prior years	**(2.6)**	(7.3)
Taxation	**15.2**	4.2

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10. Taxation continued

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

	2020			2019		
	Before tax $m	**Tax (charged) credited $m**	**After tax $m**	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**5.8**	**0.1**	**5.9**	5.5	(0.1)	5.4
Release of foreign exchange on liquidation of subsidiaries	**–**	**–**	**–**	(0.3)	0.1	(0.2)
Fair value gains (losses) originating on net investment hedge arising during the year	**0.5**	**(0.1)**	**0.4**	(0.8)	0.1	(0.7)
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	(0.2)	(0.1)	(0.3)
	6.3	**–**	**6.3**	4.2	–	4.2

The tax relating to the components of other comprehensive income comprises $nil current tax (2019 – $0.1m credit) and $nil deferred tax (2019 – $0.1m charge).

11. (Loss) Earnings per Share

Basic (loss) earnings per share (“EPS”) is calculated by dividing the (loss) earnings attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year. For diluted (loss) earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. Dilution arises through the possible issue of shares to satisfy awards made under the Group’s long-term incentive plans.

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

	2020 $m	2019 $m
Reported (loss) earnings attributable to Ordinary shareholders	**(234.7)**	39.7
Add: amortisation[i] and exceptional items after taxation	**218.2**	34.7
Underlying (loss) earnings attributable to Ordinary shareholders	**(16.5)**	74.4

	millions	millions
Basic weighted average number of Ordinary shares	**163.9**	165.2
Long-term incentive plans	**4.8**	3.9
Adjusted weighted average number of Ordinary shares	**168.7**	169.1

	cents	cents
Reported (loss) earnings per share		
Basic EPS	**(143.2)**	24.0
Diluted EPS[ii]	**(143.2)**	23.5
Underlying (loss) earnings per share		
Basic EPS	**(10.0)**	45.0
Diluted EPS[ii]	**(10.0)**	43.9

i. Relates to amortisation of acquired intangible assets.
ii. For the year ended 31 December 2020, the effect of dilutive long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted earnings per share.

12. Property, Plant and Equipment

	Year ended 31 December 2020				
	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 2020	**267.0**	**360.2**	**80.1**	**128.2**	**835.5**
Exchange adjustments	**1.6**	**3.0**	**0.6**	**–**	**5.2**
Additions	**4.2**	**7.4**	**3.0**	**0.2**	**14.8**
Acquisition of subsidiary (note 39)	**–**	**2.6**	**3.2**	**–**	**5.8**
Disposals	**(3.2)**	**(8.0)**	**(43.9)**	**(17.5)**	**(72.6)**
Disposal of business	**–**	**(9.0)**	**(19.6)**	**–**	**(28.6)**
Reclassification to held-for-sale assets	**(3.1)**	**–**	**–**	**–**	**(3.1)**
Reclassification from inventories	**–**	**–**	**0.6**	**–**	**0.6**
Reclassification	**1.2**	**(1.2)**	**–**	**–**	**–**
At 31 December 2020	**267.7**	**355.0**	**24.0**	**110.9**	**757.6**
Accumulated depreciation and impairment:					
At 1 January 2020	**52.1**	**247.9**	**54.6**	**126.2**	**480.8**
Exchange adjustments	**1.2**	**2.4**	**0.2**	**–**	**3.8**
Charge for the year	**6.3**	**23.4**	**2.0**	**0.4**	**32.1**
Impairment of assets (note 16(c))	**9.1**	**1.2**	**9.1**	**–**	**19.4**
Disposals	**(1.0)**	**(7.2)**	**(44.7)**	**(17.5)**	**(70.4)**
Disposal of business	**–**	**(8.5)**	**(5.4)**	**–**	**(13.9)**
Reclassification to held-for-sale assets	**(1.3)**	**–**	**–**	**–**	**(1.3)**
Reclassification	**0.5**	**(0.5)**	**–**	**–**	**–**
At 31 December 2020	**66.9**	**258.7**	**15.8**	**109.1**	**450.5**
Net book amount	**200.8**	**96.3**	**8.2**	**1.8**	**307.1**

i. The accumulated cost, depreciation and impairment of those oil and gas exploration and development assets whose licences have expired were disposed of during the year.

Details of the impairment review can be found in note 16(c).

In the first half of 2020, a property in the US operating segment, with a net book value of $1.8m, was reclassified as held-for-sale as it was expected to be sold within 12 months of the classification. At 30 June 2020, a $0.5m write-down to the carrying value was recognised as an exceptional item in restructuring costs to reflect its expected recoverable amount given the market conditions prevailing at the time. The impairment was reversed in the second half of the year following receipt of new information about its market value. The property, which has a carrying value of $1.8m, continues to be classified as held-for-sale at the year-end. The property has been sold in early 2021.

Included in the net book amount is expenditure relating to assets in the course of construction of $nil (2019 – $2.6m) for buildings, $4.9m for rental tools (2019 – $nil) and $0.5m (2019 – $5.5m) 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 $0.6m as at 31 December 2020 (2019 – $2.2m).

The net book amount of land and buildings of $200.8m (2019 – $214.9m) comprises freehold land and buildings of $199.1m (2019 – $213.2m) and capitalised leasehold improvements of $1.7m (2019 – $1.7m).

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 $10.3m at 31 December 2020 for land and buildings.

In accordance with the requirements of the Group's committed bank facility, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of $200.6m (2019 – $217.2m).

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12. Property, Plant and Equipment continued

	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development[i] $m	Total $m
	Year ended 31 December 2019				
Cost:					
At 1 January 2019	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 2019	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 16(c))	–	–	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 were disposed of during the year.

The net book amount of property, plant and equipment at 1 January 2019 was $360.2m. The net book value of items that are sub-let included in the table above is $3.9m at 31 December 2019 for land and buildings.

13. Right-of-use Assets

	Land and buildings $m	**Plant, machinery and motor vehicles $m**	**Total $m**
	Year ended 31 December 2020		
Cost:			
At 1 January 2020	**88.4**	**1.1**	**89.5**
Exchange adjustments	**2.1**	**(0.1)**	**2.0**
New leases	**0.6**	**1.3**	**1.9**
Acquisition of subsidiary (note 39)	**0.3**	**–**	**0.3**
Lease cessations	**(4.2)**	**(0.3)**	**(4.5)**
Modifications	**1.4**	**–**	**1.4**
Disposal of business	**–**	**(0.1)**	**(0.1)**
At 31 December 2020	**88.6**	**1.9**	**90.5**
Accumulated depreciation and impairment:			
At 1 January 2020	**52.2**	**0.6**	**52.8**
Exchange adjustments	**1.6**	**(0.1)**	**1.5**
Depreciation charge for the year	**7.1**	**0.4**	**7.5**
Impairment charge for the year (note 16(d))	**4.0**	**0.1**	**4.1**
Reversal of impairment	**(0.6)**	**–**	**(0.6)**
Lease cessations	**(4.2)**	**(0.3)**	**(4.5)**
Disposal of business	**–**	**(0.1)**	**(0.1)**
At 31 December 2020	**60.1**	**0.6**	**60.7**
Net book amount	**28.5**	**1.3**	**29.8**

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 $2.6m for land and buildings.

13. Right-of-use Assets continued

	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 2019	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 2019	45.1	0.5	45.6
Exchange adjustments	1.3	–	1.3
Depreciation 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 net book amount of right-of-use assets at 1 January 2019 was $39.7m. The net book value of items that are sub-let included in the table above is $2.7m at 31 December 2019 for land and buildings.

14. Goodwill

	2020 $m	2019 $m
Cost:		
At 1 January	**516.9**	515.1
Exchange adjustments	**1.7**	1.8
Additions (note 39)	**13.4**	–
At 31 December	**532.0**	516.9
Accumulated impairment:		
At 1 January	**286.7**	285.2
Exchange adjustments	**1.3**	1.5
Impairment charge for the year (note 16(b))	**79.8**	–
At 31 December	**367.8**	286.7
Net book amount	**164.2**	230.2

The net book amount of goodwill at 1 January 2019 was $229.9m.

Details of the allocation of goodwill by cash-generating unit ("CGU"), identification of the material CGU and impairment sensitivity disclosures are given in note 16.

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15. Other Intangible Assets

	2020				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January 2020	**211.9**	**81.8**	**59.4**	**12.7**	**365.8**
Exchange adjustments	**0.4**	**0.1**	**0.8**	**0.2**	**1.5**
Additions	**–**	**0.7**	**1.3**	**2.3**	**4.3**
Acquisition of subsidiary (note 39)	**7.6**	**–**	**10.5**	**1.1**	**19.2**
Disposals	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Reclassification	**–**	**(2.0)**	**1.9**	**0.1**	**–**
At 31 December 2020	**219.9**	**80.6**	**73.9**	**16.3**	**390.7**
Accumulated amortisation and impairment:					
At 1 January 2020	**179.4**	**50.6**	**50.2**	**7.1**	**287.3**
Exchange adjustments	**0.1**	**0.2**	**0.1**	**0.2**	**0.6**
Amortisation charge for the year	**8.5**	**7.6**	**3.2**	**1.5**	**20.8**
Impairment charge for the year (note 16(e))	**24.6**	**9.9**	**4.5**	**0.2**	**39.2**
Disposals	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Reclassification	**–**	**(0.1)**	**–**	**0.1**	**–**
At 31 December 2020	**212.6**	**68.2**	**58.0**	**9.0**	**347.8**
Net book amount	**7.3**	**12.4**	**15.9**	**7.3**	**42.9**

	2019				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January 2019	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 2019	211.9	81.8	59.4	12.7	365.8
Accumulated amortisation and impairment:					
At 1 January 2019	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 2019	179.4	50.6	50.2	7.1	287.3
Net book amount	32.5	31.2	9.2	5.6	78.5

The net book amount of other intangible assets at 1 January 2019 was $99.8m. All intangible assets are regarded as having a finite life and are amortised accordingly. Amortisation charges relating to intangible assets have been charged to cost of sales and operating expenses in the consolidated income statement.

Other intangible assets of $7.3m (2019 – $5.6m) include software of $7.1m (2019 – $5.4m).

Internally generated intangible assets have been included within unpatented technology. The carrying value at the beginning of the year was $22.1m (2019 – $20.8m). Additions during the year were $0.7m (2019 – $4.0m), the amortisation charge for the year was $2.2m (2019 – $2.9m) and the impairment charge was $9.9m (2019 – $nil). Certain technology was patented during the year and $1.9m (2019 - $nil) was reclassified to patented technology. After adverse foreign exchange movements of $0.2m (2019 – $0.2m positive), the carrying value at the end of the year was $8.6m (2019 – $22.1m).

Internally generated intangible assets have also been included within patents. The carrying value at the beginning of the year was $4.8m (2019 – $4.4m). Additions during the year were $1.3m (2019 – $1.0m), patents acquired as part of the Enpro acquisition were $1.4m, amounts reclassified from unpatented technology were $1.9m (2019 – $nil), the amortisation charge for the year was $0.7m (2019 – $0.6m) and the impairment charge was $3.5m (2019 – $nil). After positive foreign exchange movements of $0.1m (2019 – $nil), the carrying value at the end of the year was $5.3m (2019 – $4.8m).

16. Impairment of Non-financial Assets

(a) Impairment Testing Process

(i) Cash-generating Units ("CGUs")

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organisation (the "WHO"). Following the subsequent spread of the virus, on 11 March 2020, the WHO declared the coronavirus ("COVID-19") outbreak to be a pandemic. As a result of COVID-19, we have seen macroeconomic uncertainty with regards to prices and demand for oil and gas, with the largest one-day fall in the oil price since 1991 being recorded in March 2020. The effect on the Group of the downturn in the global economy due to COVID-19 and the impact that this has had on the oil and gas sector began in late Q1 2020.

In preparing the 2019 year-end Group financial statements, a goodwill impairment review was conducted but did not result in any impairment. However, for our European Well Intervention CGU a downside sensitivity was disclosed. During 2020, market conditions were significantly worse, business activity levels declined very quickly and more severely than was expected at the 2019 year-end due to the global impact of COVID-19. The scale and duration of the adverse impact remains uncertain, and furthermore, the recovery is expected to be a gradual process. Therefore, during 2020 management tested goodwill for impairment across all CGUs in preparing the financial statements. Management reacted to the downturn, implementing restructuring actions, and revised projections, including projected cost savings, which were used in the calculation of recoverable amounts.

The recoverable amount for each CGU was 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 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 profile. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied. 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.

For 2021, cash flows are based on the latest detailed forecast, as approved by the Board. For 2022 to 2025, management 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 then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management 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 2020 to 2025 vary between 8% and 30% (2019 – CAGR from 2019 to 2024 between 3% and 12%). After 2025, a terminal value was calculated assuming growth of 50 basis points above assumed inflation (2019 – 25 basis points), giving nominal growth rates between 0% and 1% (2019 – between 1% and 2%).

Cash flows were discounted using nominal pre-tax rates between 11% and 13% (2019 – 9% and 10%). 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. As a result of the significant reduction in the Company's share price, the "small-cap premium" applied in determining discount rates has increased markedly and is the main contributor to the higher rates applied in 2020. Consideration was also 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. The FVLCD or the value-in-use is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. If the cash flows of an asset cannot be assessed individually, then 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	Operating segment	2020 $m	2019 $m
Hunting Titan	Titan	**114.9**	180.5
Hunting Stafford "Subsea"	US	**15.0**	15.0
Enpro	US	**14.2**	–
Dearborn	US	**7.6**	12.5
US Manufacturing	US	**12.5**	12.5
Hunting Specialty	US	**–**	5.0
European Well Intervention (Welltonic acquisition)	EMEA	**–**	4.7
At 31 December		**164.2**	230.2

Goodwill is tested at least annually for impairment. Impairment charges of $79.8m (2019 – $nil) were recorded as a result of the goodwill impairment reviews carried out in the year. In all CGUs, the impairment arose as a result of reduced mid-term economic expectations following the current downturn and increased discount rates as discussed above.

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16. Impairment of Non-financial Assets continued

(b) Impairment Tests for Goodwill continued
(i) Hunting Titan
Hunting Titan is the only CGU which is significant in relation to the Group's total carrying amount of goodwill, representing 70% (2019 – 78%) of the balance. The Hunting Titan CGU was considerably impacted by the significant and rapid decline in US onshore activity levels in the first half of the year and an impairment of $65.6m (2019 – $nil) was charged in the interim accounts. There has been a steady improvement in performance during the second half of the year, and a more positive future outlook for US onshore has emerged since the last impairment test was performed. This has resulted in a headroom over carrying value of $64.7m in the year-end test in which cash flows were discounted using a nominal pre-tax rate of 11%. A decrease in the expected CAGR between 2020 and 2025 of 5% from the 8% expected would eliminate this headroom.

(ii) Enpro
Goodwill of $13.4m was recognised on the acquisition of Enpro (see note 39). After foreign exchange movements of $0.8m, Enpro's goodwill balance at the year-end is $14.2m. Cash flows were discounted using a nominal pre-tax rate of 13%, with no impairment being recognised following the impairment review. Should the forecast revenue CAGR deteriorate between 2020 and 2025 by 7% in actual results or future forecasts, this could result in a material impairment charge in the next financial year. Enpro is part of the US operating segment.

(iii) Dearborn
In the first half of 2020 an impairment charge of $4.9m was incurred in respect of the Dearborn CGU (2019 – $nil). In the year-end test performed, cash flows were discounted using a nominal pre-tax rate of 12% and no further impairment is required as forecast expectations have improved. Should the forecast revenue CAGR deteriorate between 2020 and 2025 by 7% in actual results or future forecasts, this could result in a material impairment charge in the next financial year. Dearborn is part of the US operating segment. Dearborn is part of the US operating segment.

(iv) Other CGUs
Goodwill in Hunting Specialty and European Well Intervention was fully impaired, giving rise to a charge of $5.0m in Hunting Specialty and, after foreign exchange movements of $0.4m, a charge of $4.3m was reflected in European Well Intervention. Hunting Specialty is part of the US operating segment and European Well Intervention is part of the EMEA operating segment.

(c) Impairment of Property, Plant and Equipment
A total impairment of $19.4m was recorded against property, plant and equipment in the year. In the US operating segment, $10.1m of impairment was charged relating to rental tools and property. In the EMEA operating segment, $8.8m was charged, with $8.0m charged to a property in Well Intervention and $0.8m related to equipment that is not expected to be utilised in the Netherlands following the fall in demand, as a result of the CGU test referred to above. In Canada, $0.1m was charged as a result of the closure of operations and $0.4m in Hunting Titan in relation to obsolete equipment. During 2019, impairment of our drilling tools motor fleet and associated parts of $19.0m was recognised.

(d) Impairment of Right-of-use Assets
Following the closure of leased properties, impairment charges of $3.9m in Canada and $0.2m in Hunting Titan, totalling $4.1m, were recognised in the year (2019 – $nil).

(e) Impairment of Other Intangible Assets
Impairments of other intangible assets in the year gave rise to a charge of $39.2m (2019 – $nil). As a result of the reduced revenue and profitability in Hunting Titan, the remaining balance for customer relationships recognised on the acquisition in 2011 was written off, generating a charge of $24.6m. The fall in expected future demand led to a $14.4m impairment of self-developed technologies, with $4.9m related to perforating products in Hunting Titan, $5.2m for OCTG in the US, $2.6m for well intervention products in EMEA and $1.7m for OCTG arising on the closure of Canada. The Canadian closure also resulted in a $0.2m write-off related to IT systems.

(f) Impairment of Inventory
Certain inventory was written down to its net realisable value due to the reduced movement in inventories, lower oil and gas prices reducing demand and inventory selling prices being lowered. A net impairment charge of $36.4m was recognised in the year (2019 – $5.9m), with $34.2m of the impairment charge (2019 – $nil) being recognised as an exceptional item (note 6).

17. Investments

	2020 $m	2019 $m
Non-current:		
Listed equity investments and mutual funds	**1.7**	1.6
Investments in associates	**18.1**	0.7
	19.8	2.3
Current:		
Listed equity investments and mutual funds	**–**	0.5

The listed equity investments and mutual funds are equity instruments measured at fair value though profit or loss. Returns on the listed equity investments and mutual funds of $nil (2019 – $0.3m) are included in finance income in note 9.

17. Investments continued

Movement on investments in associates:

	2020 $m	2019 $m
At 1 January	**0.7**	0.7
Additions	**17.4**	–
At 31 December	**18.1**	0.7

On 15 December 2020, the Group acquired a 23.5% interest in the equity shares of Rival Downhole Tools LC in exchange for the operating assets of Hunting Energy Services (Drilling Tools) Inc, a wholly-owned subsidiary of the Group. See note 40 for further details.

Following the transaction on 15 December 2020, management is carrying out a fair value exercise using the principles of IFRS 3 Business Combinations to determine what goodwill and other intangible assets have arisen as a result of the investment in the associate. The fair values of the amounts included are provisional as work is continuing in respect of the fair value exercise. Interests in associates for 2019 did not include any amounts for goodwill.

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

	2020 $m	2019 $m
Share of balance sheet:		
Total assets	**21.4**	2.7
Total liabilities	**(3.3)**	(2.0)
Net assets	**18.1**	0.7

The key investments in associates, including the name, country of incorporation and proportion of ownership interest, are disclosed in note C19.

18. Trade and Other Receivables

	2020 $m	2019 $m
Non-current:		
Prepayments	**1.7**	2.0
Other receivables	**0.3**	0.7
	2.0	2.7

	2020			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
Current:				
Contract assets	**9.8**	**–**	**–**	**9.8**
Trade receivables	**109.1**	**2.0**	**0.3**	**111.4**
Accrued revenue	**3.0**	**0.2**	**–**	**3.2**
Gross receivables	**121.9**	**2.2**	**0.3**	**124.4**
Less: provision for impairment	**(4.0)**	**(0.5)**	**–**	**(4.5)**
Net receivables	**117.9**	**1.7**	**0.3**	**119.9**
Prepayments	**–**	**–**	**13.1**	**13.1**
Loan note	**–**	**–**	**0.6**	**0.6**
Other receivables	**–**	**–**	**2.7**	**2.7**
Net book amount	**117.9**	**1.7**	**16.7**	**136.3**

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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

Trade receivables of $111.4m (2019 – $159.4m), accrued revenue of $3.2m (2019 – $12.3m) and the loan note of $0.6m (2019 – $0.7m) are financial assets measured at amortised cost and total $115.2m (2019 – $172.4m). Interest income on the loan note is immaterial in 2019 and 2020.

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 $1.6m (2019 – $2.0m), derivative financial assets of $0.1m (2019 – $0.3m) and other receivables of $1.3m (2019 – $1.7m), which are financial assets measured at amortised cost. Derivative financial assets of $0.1m (2019 – $0.2m) are held for trading measured at fair value through profit or loss and derivative financial assets of $nil (2019 – $0.1m) are designated in a hedge measured at fair value.

Apart from personal director guarantees for the $0.6m loan note, the Group does not hold any other collateral as security and no assets have been acquired through the exercise of any collateral previously held.

In accordance with the requirements of the Group's committed bank facility, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $84.3m (2019 – $127.3m). 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 based on macroeconomic information and the Group's view of economic conditions over the expected lives of the receivables. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. It has, therefore, been concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

At 31 December 2020, 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	**9.8**	**–**	**–**	**–**	**–**	**–**	**9.8**
Trade receivables – contracts with customers	**52.3**	**18.0**	**18.1**	**4.1**	**9.4**	**7.2**	**109.1**
Trade receivables – rental receivables	**1.0**	**0.1**	**0.2**	**0.2**	**0.1**	**0.4**	**2.0**
Trade receivables – other	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Accrued revenue – contracts with customers	**3.0**	**–**	**–**	**–**	**–**	**–**	**3.0**
Accrued revenue – rental receivables	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Loan note	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.6**
Other receivables	**1.3**	**0.1**	**–**	**–**	**–**	**–**	**1.4**
	68.5	**18.2**	**18.3**	**4.3**	**9.5**	**7.6**	**126.4**

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

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.

Since the year-end 31 December 2019, there has been a modest increase in the ageing of receivables, with trade receivables not overdue at the year-end comprising 48% of gross trade receivables compared to 52% at 31 December 2019. However, total gross trade receivables have decreased by $48.0m since 31 December 2019. This increase in ageing is due to a number of different factors, including the increase in time taken in resolving any disputes, a culture of slow/late payment in some jurisdictions, delays in payments being made due to social distancing requirements and having to work remotely, government moratoriums on payments being made and some debtors experiencing cash flow difficulties.

Whilst a proportion, 15% (2019 – 11%), of the Group's trade receivables are more than 90 days overdue the majority of 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. Where 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:

	2020			
	Contracts with customers $m	**Rental receivables $m**	**Other receivables $m**	**Total $m**
At 1 January 2020	**(3.6)**	**(0.3)**	**–**	**(3.9)**
Charge to the consolidated income statement – lifetime expected credit losses	**(2.2)**	**(0.3)**	**–**	**(2.5)**
Unused provisions released to the consolidated income statement	**0.6**	**0.1**	**–**	**0.7**
Utilised against receivables written off	**1.2**	**–**	**–**	**1.2**
At 31 December 2020	**(4.0)**	**(0.5)**	**–**	**(4.5)**

Of the above net impairment losses charged to the consolidated income statement of $1.8m, $1.2m is presented as an exceptional item (see note 6). Following the global economic downturn, the provision for the impairment of trade and other receivables increased by $0.6m to $4.5m at the year-end, as debtors face cash flow difficulties and the risk of bad debts in the coming months increases. Financial assets that were written off during the year are no longer subject to enforcement activity.

Notes to the Consolidated Financial Statements
continued

18. Trade and Other Receivables continued

Impairment of Trade and Other Receivables continued

	2019			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
At 1 January 2019	(2.7)	(0.3)	(0.1)	(3.1)
Charge to the consolidated income statement – lifetime expected credit losses	(1.6)	–	–	(1.6)
Unused provisions released to the consolidated income statement	0.4	–	0.1	0.5
Utilised against receivables written off	0.3	–	–	0.3
At 31 December 2019	(3.6)	(0.3)	–	(3.9)

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. 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 consolidated income statement within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

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:

	2020 $m	2019 $m
Deferred tax assets	**15.3**	29.9
Deferred tax liabilities	**(9.8)**	(0.8)
	5.5	29.1

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

	2020 $m	2019 $m
At 1 January	**29.1**	24.8
Adoption of IFRS 16	**–**	1.7
At 1 January amended	**29.1**	26.5
Exchange adjustments	**0.2**	0.1
Acquisition of subsidiary (note 39)	**(4.0)**	–
(Charge) credit to the consolidated income statement	**(14.2)**	2.5
Change in tax rates	**(0.8)**	–
Total (charge) credit to the consolidated income statement	**(15.0)**	2.5
Taken direct to equity	**(0.5)**	–
Other movements	**(4.3)**	–
At 31 December	**5.5**	29.1

The change in tax rates relates to the rate at which UK and Canada deferred tax balances are recorded.

Deferred tax assets of $306.5m gross and $80.5m tax (2019 – $95.4m gross and $15.8m tax) have not been recognised as realisation of the tax benefit is currently not probable within a reasonable timeframe. This includes $191.4m gross and $49.8m tax (2019 – $89.4m gross and $14.8m tax) in respect of trading losses, the majority of which do not have an expiry date. A deferred tax asset of $12.0m (2019 – $24.0m) 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.

19. Deferred Tax continued

The movements in deferred tax assets and liabilities, prior to taking into consideration the offsetting of balances within the same tax jurisdictions, are shown below:

	At 1 January 2020 $m	Exchange adjustments $m	Acquisition of subsidiary $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2020 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	**24.0**	**0.3**	**–**	**(7.4)**	**(0.6)**	**–**	**(4.3)**	**12.0**	**12.0**	**–**
Inventory	**7.1**	**–**	**–**	**(6.0)**	**(0.1)**	**–**	**–**	**1.0**	**1.0**	**–**
Goodwill and intangibles	**7.2**	**(0.2)**	**(3.4)**	**(11.4)**	**–**	**–**	**–**	**(7.8)**	**–**	**(7.8)**
Post-retirement benefits	**0.4**	**–**	**–**	**(0.4)**	**–**	**–**	**–**	**–**	**–**	**–**
Asset decommissioning provision	**0.9**	**–**	**–**	**(0.9)**	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated tax depreciation	**(20.9)**	**–**	**(0.6)**	**19.6**	**(0.1)**	**–**	**–**	**(2.0)**	**–**	**(2.0)**
Share-based payments	**3.7**	**–**	**–**	**(2.8)**	**–**	**(0.5)**	**–**	**0.4**	**0.4**	**–**
Other	**6.7**	**0.1**	**–**	**(4.9)**	**–**	**–**	**–**	**1.9**	**1.9**	**–**
	29.1	**0.2**	**(4.0)**	**(14.2)**	**(0.8)**	**(0.5)**	**(4.3)**	**5.5**	**15.3**	**(9.8)**

	At 1 January 2019 $m	Adoption of IFRS 16 $m	Exchange adjustments $m	Credit (charge) to income statement $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)	–	0.1	(3.8)	–	–	(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	0.1	2.5	–	–	29.1	29.9	(0.8)

20. Inventories

	2020 $m	2019 $m
Raw materials	**101.6**	105.4
Work in progress	**50.9**	65.4
Finished goods	**173.1**	206.5
Gross inventories	**325.6**	377.3
Less: provisions for losses	**(37.2)**	(26.5)
Net inventories	**288.4**	350.8

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 looks at historical activity levels and has to form a judgement as to likely future demand in the light of market forecasts and likely competitor activities. Management has considered the judgements and estimates made in each of the Group's businesses and has not identified any individual estimates which, in the event of a change, would lead to a material change in the next financial period.

As a result of such judgements, the net inventory balance comprises $240.6m of inventory carried at cost (2019 – $301.4m) and $47.8m carried at net realisable value ("NRV"), which represents 17% of net inventories (2019 – $49.4m at NRV representing 14% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

Notes to the Consolidated Financial Statements

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20. Inventories continued

Gross inventories decreased by $51.7m from $377.3m at 31 December 2019 to $325.6m at 31 December 2020. Additions to inventories were $465.7m (2019 – $673.1m), additions from acquisitions of $0.7m (2019 – $0.4m) and foreign exchange movements of $4.8m (2019 – $3.0m) were offset by inventories expensed to cost of sales of $505.7m (2019 – $667.5m) and inventories written off of $14.9m (2019 – $4.3m) against the inventory provision, inventories transferred to PPE of $0.6m (2019 – $0.1m) and $1.7m in relation to the disposal of US Drilling Tools' assets.

The inventory provision increased by $10.7m from $26.5m at 31 December 2019 to $37.2m at 31 December 2020, as a result of impairment charges included in cost of sales of $37.4m (2019 – $7.5m) and foreign exchange movements of $0.2m (2019 – $0.4m) offset by $14.9m (2019 – $4.3m) of the provision being utilised in the year against inventories written off and $12.0m (2019 – $1.6m) released to the consolidated income statement 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 increased to 11% (2019 – 7%) of gross inventory balances at 31 December 2020 following the downturn in the oil and gas sector. Details of the impairment review can be found in note 16.

Inventories of $165.0m are expected to be realised within 12 months of the balance sheet date (2019 – $293.0m) and $123.4m will be realised after 12 months (2019 – $57.8m).

In accordance with the requirements of the Group's committed bank facility, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $198.2m (2019 – $229.9m).

21. Cash and Cash Equivalents

	2020 $m	2019 $m
Cash at bank and in hand	**102.9**	66.6
Money market funds	**–**	26.2
Short-term deposits of less than three month's maturity	**–**	35.8
Cash and cash equivalents	**102.9**	128.6

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. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned.

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

	2020 $m	2019 $m
Non-current:		
Accruals	**0.4**	0.5
Social security and other taxes	**0.3**	0.6
US deferred compensation plan obligation (note 32)	**1.7**	1.6
	2.4	2.7

	2020 $m	2019 $m
Current:		
Trade payables	**26.4**	56.3
Accruals	**29.0**	45.3
Social security and other taxes	**7.2**	7.7
Contract liabilities	**2.4**	6.8
US deferred compensation plan obligation (note 32)	**–**	0.5
Other payables	**2.9**	4.6
	67.9	121.2

Trade payables of $26.4m (2019 – $56.3m), accruals of $29.4m (2019 – $45.8m) and other payables of $1.5m (2019 – $3.4m) are financial liabilities measured at amortised cost and total $57.3m (2019 – $105.5m). Other payables also include derivative financial liabilities of $0.6m (2019 – $1.0m) 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 $nil (2019 – $0.2m).

23. Contract Assets and Liabilities

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 $m	2019 $m	2018 $m
Contract assets (note 18)	**9.8**	8.3	11.8
Contract liabilities (note 22)	**(2.4)**	(6.8)	(5.5)
Trade receivables – contracts with customers (note 18)	**109.1**	149.0	172.1
Loss allowance (note 18)	**(4.0)**	(3.6)	(2.7)
Net trade receivables – contracts with customers	**105.1**	145.4	169.4

(a) Significant Changes in Contract Assets and Contract Liabilities

Contract assets increased from $8.3m at 31 December 2019 to $9.8m at 31 December 2020 due to the addition of contract assets following the acquisition of Enpro and increased levels of bespoke customer work-in-progress in the Subsea Spring business, which were partly offset by a reduction in bespoke customer work-in-progress in Dearborn.

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 decreased from $6.8m at 31 December 2019 to $2.4m at 31 December 2020, reflecting the lower activity levels in the region.

(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.

	2020 $m	2019 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year	**6.7**	5.5
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years	**–**	–
Total	**6.7**	5.5

(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 $144.4m (2019 – $239.0m). It is expected that 81% or $117.0m (2019 – 95% or $227.4m) will be recognised as revenue in the 2021 financial year and the remaining 19% or $27.4m (2019 – 5% or $11.6m) in future years.

24. Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between three and ten years, but may have extension options as described below. Rental contracts for equipment and vehicles are typically made for fixed periods of between three and seven years. The Group also has short-term leases and leases of low-value assets. 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. As at 31 December 2020, the Group did not have any commitments for leases that were due to commence in 2021 or later. There were no commitments for leases at the end of 2019.

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 is 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 Consolidated Balance Sheet

The analysis of right-of-use assets is presented in note 13.

	2020 $m	2019 $m
Lease liabilities		
Current	**10.2**	9.8
Non-current	**30.1**	35.4
	40.3	45.2

Notes to the Consolidated Financial Statements

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24. Leases continued

(b) Amounts Recognised in the Consolidated Income Statement

The consolidated income statement includes the following amounts relating to leases:

	2020 $m	2019 $m
Depreciation of right-of-use assets (note 13)	**7.5**	7.9
Reversal of impairment of right-of-use assets (included in operating expenses) (note 13)	**(0.6)**	–
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and operating expenses)	**2.5**	3.0
Lease charges included in underlying (loss) profit from operations	**9.4**	10.9
Impairments of right-of-use assets – exceptional (included in operating expenses) (note 13)	**4.1**	–
Lease charges included in reported (loss) profit from operations	**13.5**	10.9
Interest on lease liabilities (included in finance costs (note 9))	**1.9**	2.2
Lease charges included in (loss) profit before tax	**15.4**	13.1

(c) Amounts Recognised in the Statement of Cash Flows

	2020 $m	2019 $m
Payments for short-term and low-value leases	**2.5**	3.0
Payments for capitalised leases	**10.4**	10.6
	12.9	13.6

Payments for short-term leases, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities are presented within cash flows from operating activities. Payments for the principal and interest elements of recognised lease liabilities are presented within cash flows from financing activities.

The analysis of the contractual, undiscounted cash flows relating to lease liabilities is shown in note 30(d).

(d) 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. Income from subleasing these assets during the year was $1.8m (2019 – $1.4m) 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 $14.2m (2019 – $31.4m) as shown in note 3.

The table below shows the maturity analysis of the undiscounted future lease payments expected to be received in relation to non-cancellable operating leases are:

	Property 2020 $m	Property 2019 $m
Year one	**1.6**	1.1
Year two	**1.3**	1.0
Year three	**0.5**	0.6
Year four	**0.4**	–
Year five	**0.1**	–
Total lease income receivable	**3.9**	2.7

25. Borrowings

	2020 $m	2019 $m
Non-current:		
Shareholder loan from non-controlling interest	**3.9**	3.9
Current:		
Bank overdrafts secured	**1.2**	1.6
Total borrowings	**5.1**	5.5

In accordance with the Group's committed bank facility, 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.

The shareholder loan from a non-controlling interest and the bank overdrafts are all denominated in US dollars.

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. Total cash and bank balance is a non-GAAP measure and is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and review weekly forecasts to ensure the business has sufficient liquidity to meet business requirements and to determine if the Group will need to draw down on its RCF. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Strategic Report. The net cash (debt) reconciliation below 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 and cash equivalents (analysed in note 21) less bank overdrafts, total lease liabilities, unsecured bank loans and the shareholder loan from a non-controlling interest.

	At 1 January 2020 $m	**Cash flow $m**	**Non-cash movements on lease liabilities[i] $m**	**Exchange movements $m**	**At 31 December 2020 $m**
Cash and cash equivalents (note 21)	**128.6**	**(29.2)**	**–**	**3.5**	**102.9**
Bank overdrafts (note 25)	**(1.6)**	**0.4**	**–**	**–**	**(1.2)**
Cash and cash equivalents – per cash flow statement	**127.0**	**(28.8)**	**–**	**3.5**	**101.7**
Total lease liabilities (note 24)	**(45.2)**	**10.4**	**(4.7)**	**(0.8)**	**(40.3)**
Shareholder loan from non-controlling interest (note 25)	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Liabilities arising from financing activities	**(49.1)**	**10.4**	**(4.7)**	**(0.8)**	**(44.2)**
Total net cash (debt)	**77.9**	**(18.4)**	**(4.7)**	**2.7**	**57.5**
Analysed between:					
Total cash and bank	**127.0**	**(28.8)**	**–**	**3.5**	**101.7**
Total lease liabilities	**(45.2)**	**10.4**	**(4.7)**	**(0.8)**	**(40.3)**
Shareholder loans from non-controlling interests	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Total net cash (debt)	**77.9**	**(18.4)**	**(4.7)**	**2.7**	**57.5**

i. Non-cash movements on lease liabilities comprise new leases of $1.9m, interest expense of $1.9m and new leases from the acquisition of Enpro of $0.3m and lease modifications of $0.6m.

During the year, $0.5m of loan facility fees were amortised.

	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	–	–	–
Shareholder loan from non-controlling interest (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
Analysed between:							
Total cash and bank	65.2	–	65.2	59.4	–	2.4	127.0
Total lease liabilities	–	(49.0)	(49.0)	10.6	(5.9)	(0.9)	(45.2)
Shareholder loans from non-controlling interests	(3.9)	–	(3.9)	–	–	–	(3.9)
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.

During 2019, $0.4m of loan facility fees were paid and $0.4m were amortised.

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27. Provisions

	Asset decommissioning $m	Other $m	Total $m
At 1 January 2020	**5.1**	**3.3**	**8.4**
Exchange adjustments	**–**	**0.1**	**0.1**
Charged to the consolidated income statement	**0.1**	**0.8**	**0.9**
Provisions utilised	**(0.4)**	**(0.1)**	**(0.5)**
Unutilised amounts reversed	**(0.2)**	**(0.6)**	**(0.8)**
Unwinding of discount	**0.1**	**–**	**0.1**
Remeasurement	**0.7**	**–**	**0.7**
At 31 December 2020	**5.4**	**3.5**	**8.9**

Provisions are due as follows:

	2020 $m	2019 $m
Current	**2.9**	3.2
Non-current	**6.0**	5.2
	8.9	8.4

Asset decommissioning and remediation obligations of $5.4m (2019 – $5.1m) relate to the Group's obligation to dismantle and remove 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 vast majority of which is estimated to be utilised over a period of eight years. Other provisions include provisions for onerous contracts of $0.4m (2019 – $nil), restructuring of $0.6m (2019 – $0.9m), provision for a pension fund for officers and ratings in the mercantile marine industry from a legacy subsidiary of $1.0m (2019 – $1.0m), warranties and tax indemnities of $0.9m (2019 – $0.9m) and $0.6m (2019 – $0.5m) for various other items.

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. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. 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:

	2020		2019	
	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)
Foreign currency swaps – in a net investment hedge	**–**	**–**	–	(0.2)
Foreign currency swaps – not in a hedge	**0.1**	**(0.6)**	–	(0.9)
Total	**0.1**	**(0.6)**	0.3	(1.2)

Gains on contracts that are not designated in a hedge relationship of $0.5m (2019 – $0.2m) were recognised in the consolidated income statement during the year.

(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 gains have been recognised in the consolidated income statement during the year. At the year-end, the fair value of derivatives designated in a fair value hedge is immaterial.

28. Derivatives and Hedging continued

(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. This will effectively result in recognising inventory at the fixed foreign currency rate for the hedged purchases. 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'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. The balance on the cash flow hedge at the year end is <$0.1m and the movements during the year were also <$0.1m.

The effects of outstanding forward foreign exchange contracts on the Group's financial position and performance are as follows:

		2020	2019
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	**0.7**	8.5
Maturity date		**04.03.21**	03.01.20 to 08.05.20
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 consolidated 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 funding swaps that have maturities of up to three months. The fair value of the funding 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. During the year, the Canadian dollar denominated net assets were dedesignated from the net investment hedge.

There were no outstanding funding swaps designated in a net investment hedge. The effects of the outstanding funding swap at 31 December 2019 on the Group's financial position and performance was as follows:

		2020	2019
Carrying amount of the foreign currency swap – other payables (note 22)	$m	**–**	(0.2)
Notional amount of the foreign currency swap	$m	**–**	14.9
Maturity date		**–**	31.01.20
Hedge ratio[i]		**–**	1:1
Change in carrying amount of net assets as a result of foreign currency movements since inception, recognised in OCI	$m	**–**	0.2
Change in value of hedged item used to determine hedge effectiveness	$m	**–**	0.2

i. The funding 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 $0.1m gain (2019 – $0.9m) and the cumulative spot to spot movement of a $0.5m gain (2019 – $0.8m loss) was recognised during the year, resulting in a balance relating to the net investment hedge at the end of the year of a $0.6m gain (2019 – $0.1m).

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28. Derivatives and Hedging continued

(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 2020.

29. Financial Instruments: Fair Values

Due to their short-term nature, 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, contingent consideration 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 $40.3m (2019 – $45.2m) at the year-end, which are not measured at fair value, in the consolidated 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.

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 2020 $m	**Level 1 $m**	**Level 2 $m**
Equity instruments at fair value through profit or loss			
Listed equity investments and mutual funds	**1.7**	**1.7**	**–**
Current derivatives held for trading			
Derivative financial assets	**0.1**	**–**	**0.1**
Derivative financial liabilities	**(0.6)**	**–**	**(0.6)**
	1.2	**1.7**	**(0.5)**

	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)

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.

29. Financial Instruments: Fair Values continued

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 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. Details of the fair value gains and losses recognised during the year on derivative contracts are given in note 28.

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. As the fair values are based on quoted market prices, the fair value measurements are categorised in Level 1 of the fair value hierarchy. The fair value gains of $0.1m (2019 – $0.6m) recognised on money market funds during the year and the gains on the listed equities and mutual funds of $nil (2019 – $0.3m) have been included in finance income (note 9).

The contingent consideration recognised on the acquisition of Enpro of $2.5m was estimated by calculating the present value of the future expected cash flows using the income approach and appropriate discount rates. The expected cash flows were based on probabilities of achieving a required threshold for an adjusted EBITDA measure (as defined in the purchase and sale agreement) in the 2020 financial year. The fair value calculated was a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised on the acquisition was released. The remeasurement was recognised in the consolidated income statement as an exceptional credit to operating expenses (see note 6).

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.

(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, Singapore 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:

	Singapore dollar		Chinese Yuan		Sterling		Canadian dollar	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Average exchange rate to US dollars	**1.38**	1.36	**6.90**	6.91	**0.78**	0.78	**1.34**	1.33
Year–end exchange rate to US dollars	**1.32**	1.34	**6.54**	6.97	**0.73**	0.75	**1.27**	1.30

(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 consolidated 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.

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continued

30. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk continued

(i) Transactional Risk continued

At 31 December 2020	**Currency of denomination** Sterling $m	US dollars $m	AED $m	SGD $m	MXN $m	AUD $m	Other currencies $m	**Total $m**
Functional currency of Group's entities:								
Sterling	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
US dollars	**(3.3)**	**–**	**(1.4)**	**(0.9)**	**(0.6)**	**1.1**	**(1.2)**	**(6.3)**
Canadian dollars	**–**	**(0.6)**	**–**	**–**	**–**	**–**	**–**	**(0.6)**
Singapore dollars	**–**	**2.6**	**–**	**–**	**–**	**–**	**–**	**2.6**
Euro	**–**	**0.5**	**–**	**–**	**–**	**–**	**–**	**0.5**
Chinese CNY	**–**	**0.4**	**–**	**–**	**–**	**–**	**–**	**0.4**
	(3.3)	**3.0**	**(1.4)**	**(0.9)**	**(0.6)**	**1.1**	**(1.2)**	**(3.3)**

The Sterling, US dollar, United Arab Emirates ("UAE") Dirham ("AED"), Singapore dollar ("SGD"), Mexican Peso ("MXN") and Australian dollar ("AUD") 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 balances.

At 31 December 2019	Currency of denomination Sterling $m	US dollars $m	AED $m	Chinese CNY $m	Euro $m	AUD $m	Other currencies $m	Total $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.

(ii) 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 foreign currency translation 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 Group's 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 exposure 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 whether through exposure to individual customers, specific industry sectors and/or regions.

30. Financial Risk Management continued

(c) Credit Risk continued

Due diligence is carried out prior to the authorisation of a bank or financial institution as an approved counterparty. Hunting PLC's Board approves the treasury policies that determine which counterparties can be used. For banks and financial institutions, exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the Group's 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 $nil (2019 – $26.2m).

At the year-end, cash at bank and in hand totalled $102.9m (2019 – $66.6m), with $85.1m (2019 – $48.4m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $17.8m (2019 – $18.2m), $13.7m (2019 – $16.6m) 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 is held with banks with Fitch short-term ratings of F1 and F1+. At the year-end, no surplus cash was held in any short-term deposits (2019 – $35.8m).

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. Details of the impairment of trade and other receivables can be found in note 18.

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 $1.7m (2019 – $2.1m) and are expected to be fully recovered.

(d) Liquidity Risk

(i) Bank Facilities

The Group's treasury function needs to ensure that there are sufficient committed facilities available to the Group, with an appropriate maturity profile, to provide operational flexibility and to support investment in key Group projects. 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 (2019 – $164.2m) at the year-end. The facilities comprise $160.0m of secured committed facilities (2019 – $160.0m) and $4.2m secured uncommitted facilities (2019 – $4.2m). The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities.

The secured committed facilities comprise the Group's $160m Revolving Credit Facility ("RCF"), which is due to mature in December 2022, with provisions to extend for a further one year to December 2023 based on mutual agreement between all parties. 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 property, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security are disclosed in notes 12, 18 and 20.

The covenants at 31 December 2020 include:

- The ratio of net debt to consolidated EBITDA permitted under the RCF 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 2020 both these covenants attached to the RCF were met. Management has detailed the wider considerations regarding going concern and future covenant compliance in the Going Concern Statement on page 79.

The Group did not make any drawdowns on its RCF during the year and it remains undrawn at the year-end. The Group has undrawn committed borrowing facilities available at the year-end totalling $160.0m (2019 – $160.0m), which expire within two years from 31 December 2020.

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30. Financial Risk Management continued

(d) Liquidity Risk continued
(ii) Management of Cash
The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and that adequate liquidity levels are maintained. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable it to monitor the Group's requirements. A central cash forecast, produced weekly, is maintained by the Group's treasury function, which monitors the availability of liquidity to meet long- and short-term business requirements and also any unexpected variances. The treasury function also ensures that the Group has a pool of cash available to protect the Group in a downturn, given the cyclical nature of the oil and gas sector.

The treasury function seeks to centralise surplus cash balances to ensure that funds are managed in the best interests of the Group, as detailed further below. Short-term cash balances, together with undrawn facilities, enable the treasury function to manage its day-to-day liquidity risk. Any short-term surplus is invested in accordance with treasury policy.

Short-term deposits and investments in money market funds are held for the purpose of meeting short-term cash commitments, minimising counterparty concentration risk and improving cash investment returns.

Short-term deposits of surplus cash are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates.

The Group has invested surplus cash with money market funds as they are considered to be highly liquid since cash can be redeemed from each fund on a same day basis. The yield on the funds is calculated on the daily performance of the various instruments within a particular fund.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Barclays Composite Accounting System
Certain UK subsidiaries in the Group are party to a cross-guarantee and set-off arrangement with Barclays Bank UK PLC. Each subsidiary that is a party to this arrangement is jointly and severally liable for any gross liability position held by any of the other companies' party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of $2.3m. As there is no legally enforceable right of set-off, there is no set-off in the presentation of cash balances held by the Group in the consolidated financial statements. The gross balances in the consolidated balance sheet at the year-end subject to this agreement are gross cash balances of $0.7m (2019 – $0.1m) and gross overdraft balances of $nil (2019 – $nil).

Cash Management Arrangements
Treasury's cash management objective is to centrally manage and, where possible, to concentrate the Group's cash and bank balances back to the treasury function. This strategy is subject to legislative and regulatory constraints in certain jurisdictions such as exchange control restrictions and minimum capital requirements. Where cash concentration cannot be applied, Group treasury approves all local banking arrangements, including the opening and closing of bank accounts and the investment of surplus cash via bank deposits.

In respect of the UK business units and head office companies, the treasury function has arranged a cash concentration structure with HSBC Bank UK whereby, at the close of each business day, any surplus balances held in certain subsidiaries' bank accounts are swept to treasury-owned accounts ("pool header" accounts), with a corresponding adjustment to the intercompany loan receivable, or payable, between that subsidiary and treasury. Similarly, any end-of-day deficit in the same group of subsidiary accounts is funded by a cash sweep from the treasury-owned pool header accounts, and the corresponding intercompany loan is adjusted accordingly. This arrangement enables more efficient utilisation of UK based entities' surplus cash and at the same time allows the treasury function to meet any short-term funding needs of the UK business units in a more coordinated fashion and from one single pool of liquidity.

In addition, a similar cash concentration structure has been organised with Wells Fargo bank in the US, whereby surplus and deficit cash balances are swept to and from a single pool header account, held by one central US subsidiary, with a corresponding movement in the respective companies' intercompany loan balance. Treasury has systems in place that allows for same day centralisation of net surplus cash balances in the US to the UK, or indeed to fund any net cash deficit in the US cash concentration structure. As above, this arrangement allows treasury to efficiently repatriate surplus operational cash from the US to the UK on a daily basis, if deemed cost effective to do so, and the most appropriate application of that cash can then be decided upon by treasury. This arrangement also allows treasury to meet any short-term funding needs of the Group's US based business units from cash resources held in, or borrowing facilities that have been arranged by, treasury in the UK.

For other regions, such as Canada and Singapore, while formal sweeping arrangements are not in place, treasury monitors balances on a daily basis and periodically transfers surplus cash to the centre using similar intercompany loan arrangements as described above. The Group's interests in China are subject to the most highly regulated environment of all the Group's active jurisdictions, in regards to cash management operations. The free movement of cash both to and from China is a highly restricted activity and, as a consequence, treasury is unable to arrange intercompany loans in the same way as it does for the rest of the Group. However, treasury has organised banking arrangements with HSBC in China on behalf of the Group's Chinese business units and, therefore, has visibility of cash balances and transaction data via HSBC's proprietary online banking system.

30. Financial Risk Management continued

(d) Liquidity Risk continued

(iii) Future Cash Flows of Financial Liabilities

The following tables analyse the expected timings of cash outflows for each of the Group's non-derivative financial liabilities. The tables analyse the cash outflows 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 disclosed in the tables are the contractual, undiscounted cash flows and include interest cash flows and other contractual payments, where applicable, so will not always reconcile with the amounts disclosed in the consolidated balance sheet. The carrying values are the amounts in the consolidated balance sheet and 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.

	2020				
	On demand or within one year $m	**Between one and five years $m**	**After five years $m**	**Total $m**	**Carrying value $m**
Non-derivative financial liabilities:					
Trade payables	**26.4**	**–**	**–**	**26.4**	**26.4**
Accruals	**29.0**	**0.4**	**–**	**29.4**	**29.4**
Other payables	**1.5**	**–**	**–**	**1.5**	**1.5**
Lease liabilities	**10.0**	**26.8**	**7.1**	**43.9**	**40.3**
Secured bank loans	**0.6**	**0.6**	**–**	**1.2**	**–**
Shareholder loan from non-controlling interest	**–**	**–**	**3.9**	**3.9**	**3.9**
Bank overdrafts secured	**1.2**	**–**	**–**	**1.2**	**1.2**
Total	**68.7**	**27.8**	**11.0**	**107.5**	**102.7**

	2019				
	On demand or within one year $m	Between one and five years $m	After five years $m	Total $m	Carrying value $m
Non-derivative financial liabilities:					
Trade payables	56.3	–	–	56.3	56.3
Accruals	45.3	0.4	0.1	45.8	45.8
Other payables	3.4	–	–	3.4	3.4
Lease liabilities	10.3	28.1	14.6	53.0	45.2
Secured bank loans	0.6	1.1	–	1.7	–
Shareholder loan from non-controlling interest	–	–	3.9	3.9	3.9
Bank overdrafts secured	1.6	–	–	1.6	1.6
Total	117.5	29.6	18.6	165.7	156.2

The Group had no net settled financial liabilities at the year-end (2019 – 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 2020 $m	On demand or within one year 2019 $m
Currency derivatives		
– inflows	**68.5**	111.8
– outflows	**(69.1)**	(112.7)

(e) Capital Risk Management

The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on pages 64 and 65. 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.

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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 2020. 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 0.1% (2019 – 0.25%) 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 consolidated income statement, with all other variables held constant, at 31 December, for an increase or decrease of 0.1% (2019 – 0.25%) in US interest rates, is not material (2019 – 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.

	2020		2019	
	Income statement $m	**OCI $m**	Income statement $m	OCI $m
Sterling exchange rate +10% (2019: +5%)	**(0.2)**	**–**	(0.3)	–
Sterling exchange rate -10% (2019: -5%)	**0.2**	**–**	0.3	–
Singapore dollar exchange rate +5% (2019: +5%)	**0.1**	**–**	(0.2)	–
Singapore dollar exchange rate -5% (2019: -5%)	**(0.1)**	**–**	0.2	–
Chinese Yuan Renminbi exchange rate +5% (2019: +2%)	**–**	**–**	(0.1)	(0.1)
Chinese Yuan Renminbi exchange rate -5% (2019: -2%)	**–**	**–**	0.1	0.1
Canadian dollar exchange rate +5% (2019: +5%)	**(0.1)**	**–**	0.1	–
Canadian dollar exchange rate -5% (2019: -5%)	**0.1**	**–**	(0.1)	–

The movements in the consolidated income statement mainly arise from cash, intra-Group balances, trade and other receivables, trade and other 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 consolidated income statement of reasonably possible changes in the Singapore dollar, Euro, Australian dollar, UAE Dirham and Mexican Peso exchange rates were considered and were immaterial.

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 2020 these totalled $7.4m (2019 – $8.7m).

(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.

32. Post-employment Benefits continued

(b) Unfunded Defined Benefit Scheme continued

The amounts recognised in the consolidated income statement during the year were $0.1m (2019 – $0.1m) for the employer's current service cost (recognised in operating expenses), $nil (2019 – $0.1m) interest expense on the benefit obligations and $nil (2019 – $0.3m) fair value gains on the listed equities and mutual funds (recognised in net finance expense).

Movements in the present value of the obligation for the unfunded defined benefit US deferred compensation plan

	2020 $m	2019 $m
Present value of the obligation at the start of the year	**2.1**	1.7
Current service cost (equal to the notional contributions)	**0.1**	0.1
Interest on benefit obligations	**–**	0.1
Remeasurement – excess of notional investment returns over interest cost	**–**	0.2
Benefits paid	**(0.5)**	–
Present value of the obligation at the end of the year	**1.7**	2.1

The obligation is presented in the consolidated balance sheet with $nil (2019 – $0.5m) in current payables and $1.7m (2019 – $1.6m) in non-current payables (note 22).

33. Share Capital and Share Premium

The Company's share capital comprises a single class of Ordinary shares, which are classified as equity.

	2020		
	Ordinary shares of 25p each Number	**Ordinary shares of 25p each $m**	**Share premium $m**
At 1 January 2020	**166,940,082**	**67.3**	**153.0**
Share buyback	**(2,000,000)**	**(0.8)**	**–**
At 31 December 2020	**164,940,082**	**66.5**	**153.0**

Hunting PLC commenced an on-market share buyback programme on 27 February 2020 to purchase up to 2.0m Ordinary shares of 25p each in the Company. Between 27 February and 19 March 2020, the Company purchased 2.0m Ordinary shares of 25p each at an average price of 228.43p, for a total of $5.1m, including costs of $0.1m. Shares purchased under the programme were cancelled and, as a result, have reduced the Company's issued share capital. A capital redemption reserve of $0.6m has been created following the cancellation of the share capital (note 34).

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 211. All of the Ordinary shares in issue are fully paid.

At 31 December 2020, 2,562,281 (2019 – 1,609,150) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 35.

	2019		
	Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January 2019	165,073,603	66.7	153.0
Shares issued – share option schemes and awards	1,866,479	0.6	–
At 31 December 2019	166,940,082	67.3	153.0

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34. Other Components of Equity

	2020				
	Merger reserve $m	Share-based payments reserve $m	Capital redemption reserve $m	Currency translation reserve $m	Total $m
At 1 January 2020	**46.4**	**19.7**	**0.2**	**(9.8)**	**56.5**
Exchange adjustments	**–**	**–**	**–**	**5.4**	**5.4**
Fair value gains and losses					
– gains originating on net investment hedges arising during the year net of tax	**–**	**–**	**–**	**0.4**	**0.4**
Share buyback (note 33)	**–**	**–**	**0.6**	**–**	**0.6**
Share options and awards					
– value of employee services	**–**	**9.0**	**–**	**–**	**9.0**
– discharge	**–**	**(11.4)**	**–**	**–**	**(11.4)**
Transfer between reserves	**(8.2)**	**–**	**–**	**–**	**(8.2)**
At 31 December 2020	**38.2**	**17.3**	**0.8**	**(4.0)**	**52.3**

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, $8.2m (2019 – $20.8m) 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.

	2019				
	Merger reserve $m	Share-based payments reserve $m	Capital redemption reserve $m	Currency translation reserve $m	Total $m
At 1 January 2019	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 2019	46.4	19.7	0.2	(9.8)	56.5

35. Retained Earnings

	2020 $m	2019 $m
At 31 December as previously reported	**931.1**	881.6
Adjustment on adoption of IFRS 16	**–**	(1.1)
At 1 January amended	**931.1**	880.5
(Loss) profit for the year	**(234.7)**	39.7
Remeasurement of defined benefit pension schemes net of tax	**–**	(0.3)
Dividends paid to Hunting PLC shareholders	**(8.2)**	(16.6)
Share buyback	**(5.1)**	–
Treasury shares		
– purchase of treasury shares	**(9.4)**	(5.0)
– disposal of treasury shares	**0.2**	0.3
Share options and awards		
– discharge	**11.2**	10.8
– taxation	**(0.5)**	0.9
Acquisition of non-controlling interest	**(0.2)**	–
Transfer between reserves	**8.2**	20.8
At 31 December	**692.6**	931.1

The share options and awards taxation charge taken directly to equity of $0.5m (2019 – $0.9m credit) comprises $0.5m deferred tax charge (2019 – $0.1m credit) and $nil current tax (2019 – $0.8m credit).

Retained earnings include the following amounts in respect of the carrying amount of treasury shares:

	2020 $m	2019 $m
Cost:		
At 1 January	**(12.8)**	(11.2)
Purchase of treasury shares	**(9.4)**	(5.0)
Disposal of treasury shares	**11.6**	3.4
At 31 December	**(10.6)**	(12.8)

At 31 December 2020, 2,562,281 Ordinary shares were held by the Employee Benefit Trust (2019 – 1,609,150). The Company purchased 1,500,000 additional treasury shares in March 2020 for $5.9m and a further 1,242,757 treasury shares in December 2020 for $3.5m. The loss on disposal of treasury shares during the year, which is recognised in retained earnings, was $11.4m (2019 – $3.1m).

36. Dividends Paid to Hunting PLC Shareholders

	2020		2019	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2020 second interim dividend	**2.0**	**3.3**	–	–
2020 first interim dividend (paid in place of the proposed 2019 final dividend of 6.0c)	**3.0**	**4.9**	–	–
2019 interim paid	**–**	**–**	5.0	8.3
2018 final paid	**–**	**–**	5.0	8.3
	5.0	**8.2**	10.0	16.6

A final dividend of 4.0 cents per share has been proposed by the Board, amounting to an estimated distribution of $6.5m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 21 April 2021 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 14 May 2021, to shareholders on the register on 23 April 2021, 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 13.

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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. Annual conditional awards were made to executive Directors and senior employees. Awards were subject to performance conditions during the vesting period. The PSP was replaced by the 2014 Hunting Performance Share Plan following shareholder approval 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. There are no outstanding performance-based awards and the fair value charge to the consolidated income statement was $nil (2019 – $nil).

(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 were made to employees, subject to continued employment during the vesting period. There were no performance conditions attached. The final grant under the PSP occurred in 2013 and vested in 2016 and option holders had seven years in which to exercise their vested awards. Details of the time-based share option movements during the year are as follows:

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	**3,601**	7,004
Vested and exercised during the year	**–**	(1,947)
Lapsed during the year	**–**	(1,456)
Outstanding and exercisable at the end of the year	**3,601**	3,601

The weighted average share price at the date of exercise during 2020 was nil (2019 – 569.1 pence).

Share awards can only be exercised by the employees to whom they were granted.

Details of the time-based PSP awards and options outstanding at 31 December 2020 are as follows:

	2020 Number of shares	2019 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	**875**	875	25.02.14
17 April 2012	**1,725**	1,725	17.04.15
20 March 2013	**1,001**	1,001	20.03.16
Outstanding and exercisable at the end of the year	**3,601**	3,601	

The fair value charge to the consolidated income statement attributable to the time-based PSP is $nil (2019 – $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. The performance-based HPSP awards to the executive Directors and senior employees are divided into four tranches of differing proportions. Each tranche is subject to a three-year vesting period and Company performance is measured against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS"), (iii) underlying Return on Capital Employed ("ROCE"), and (iv) a Balanced Scorecard, comprising of non-financial KPIs including Quality and Safety performance. The 2020 award weightings are EPS 25%; TSR 25%; ROCE 35% and the Balanced Scorecard 15%. The performance period for the 2020 awards granted under the HPSP is 1 January 2020 to 31 December 2022. The vesting date of the 2020 award is 3 March 2023.

Details of the performance-based HPSP awards movements during the year are set out below:

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	**3,365,222**	3,372,764
Granted during the year to executive Directors	**835,737**	541,708
Granted during the year to senior employees	**1,417,204**	835,464
Vested and exercised during the year	**(586,869)**	(977,588)
Lapsed during the year	**(643,799)**	(407,126)
Outstanding at the end of the year	**4,387,495**	3,365,222

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 2020 are as follows:

	2020 Number of shares	2019 Number of shares	Normal vesting date
Date of grant:			
11 March 2016	**36,474**	36,474	11.03.19
3 March 2017	**72,735**	1,027,356	03.03.20
19 April 2018	**905,620**	924,220	19.04.21
21 March 2019	**1,308,965**	1,377,172	21.03.22
3 March 2020	**2,063,701**	–	03.03.23
Outstanding at the end of the year	**4,387,495**	3,365,222	

In 2020, a total of 586,869 awards were exercised (2019 – 977,588). The weighted average share price at the date of exercise during 2020 was 313.7 pence (2019 – 516.9 pence).

Share awards can only be exercised by the employees to whom they were granted.

(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:

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	**2,936,397**	3,249,426
Granted during the year	**1,485,543**	1,053,039
Vested and exercised during the year	**(1,123,781)**	(1,246,670)
Lapsed during the year	**(271,562)**	(119,398)
Outstanding at the end of the year	**3,026,597**	2,936,397

In 2020, a total of 1,123,781 awards were exercised (2019 – 1,246,670). The weighted average share price at the date of exercise during 2020 was 302.6 pence (2019 – 521.5 pence).

Share awards can only be exercised by the employees to whom they were granted.

Details of the time-based HPSP awards outstanding at 31 December 2020 are as follows:

	2020 Number of shares	2019 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**3,482**	4,112	01.05.17
28 April 2015	**8,127**	14,630	28.04.18
11 March 2016	**67,727**	80,119	11.03.19
3 March 2017	**55,203**	1,102,403	03.03.20
19 April 2018	**640,512**	714,048	19.04.21
21 March 2019	**922,314**	1,021,085	21.03.22
3 March 2020	**1,329,232**	–	03.03.23
Outstanding at the end of the year	**3,026,597**	2,936,397	

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37. Share-based Payments continued

(b) 2014 Hunting Performance Share Plan ("HPSP") continued

(iii) Fair Value of HPSP Awards

The fair value of awards granted under the HPSP is calculated using two separate models:

(1) The fair value of awards subject to a market-related performance condition, specifically Company performance against the TSR of a bespoke peer group, has been calculated using the Stochastic pricing model (also known as the "Monte Carlo" model).

The assumptions used in this model were as follows:

	2020	2019
Date of grant/valuation date	**03.03.20**	21.03.19
Weighted average share price at grant	**311.6p**	573.5p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**39.5%**	39.0%
Risk-free rate	**0.23%**	0.67%
Expected life	**3 years**	3 years
Fair value	**193.8p**	380.4p

(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:

	2020	2019
Date of grant/valuation date	**03.03.20**	21.03.19
Weighted average share price at grant	**311.6p**	573.5p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**39.5%**	39.0%
Risk-free rate	**0.23%**	0.67%
Expected life	**3 years**	3 years
Fair value	**311.6p**	573.5p

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield assumption is set to zero.
- The initial accounting charge of the performance-based HPSP awards granted under the HPSP incorporates an estimate of the number of shares that are expected to lapse for those participants who cease employment during the vesting period. The estimate of the expected forfeiture rate is 5% per annum. The subsequent accounting charge includes an adjustment to the initial accounting charge to allow for actual lapses rather than estimated lapses.

The amount charged to the consolidated income statement attributable to the performance-based HPSP awards is $2.4m (2019 – $1.6m) and the charge to the consolidated income statement in respect of time-based HPSP awards is $6.6m (2019 – $7.4m). These are recognised in operating expenses.

37. Share-based Payments continued

(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 the HPSP and are subject to employees continued employment during the vesting period. 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.

(i) Performance-based Awards

Details of the cash conditional performance-based award movements during the year are set out below:

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	**–**	–
Granted during the year	**165,243**	–
Outstanding at the end of the year	**165,243**	–

Details of the cash conditional performance-based awards outstanding at 31 December 2020 are as follows:

	2020 Number of shares	2019 Number of shares	Normal vesting date
Date of grant:			
3 March 2020	**165,243**	–	03.03.23
Outstanding at the end of the year	**165,243**	–	

The charge to the consolidated income statement attributable to the cash conditional awards is <$0.1m (2019 – $nil).

The fair value of the cash conditional performance-based awards is calculated using the same assumptions and model as the fair value of performance-based awards subject to a market-related condition (see 37(b)(iii) above). The fair value of the award at 31 December 2020 was 223.0 pence (2019 – nil).

(ii) Time-based Awards

Details of the cash conditional time-based award movements during the year are set out below:

	2020 Number of shares	2019 Number of shares
Outstanding at the beginning of the year	**78,380**	10,697
Granted during the year	**126,170**	75,981
Vested and exercised during the year	**(15,435)**	(745)
Lapsed during the year	**(29,195)**	(7,553)
Outstanding at the end of the year	**159,920**	78,380

The weighted average share price at the date of exercise during 2020 was 206.2 pence (2019 – 447.9 pence).

Details of the cash conditional time-based awards outstanding at 31 December 2020 are as follows:

	2020 Number of shares	2019 Number of shares	Normal vesting date
Date of grant:			
3 March 2017	**–**	4,575	03.03.20
19 April 2018	**6,017**	6,122	19.04.21
21 March 2019	**49,460**	67,683	21.03.22
3 March 2020	**104,443**	–	03.03.23
Outstanding at the end of the year	**159,920**	78,380	

The charge to the consolidated income statement attributable to the cash conditional awards is <$0.1m (2019 – $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 37(b)(iii) above). The fair value of the award at 31 December 2020 was 223.0 pence (2019 – 417.4 pence).

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37. Share-based Payments continued

(d) Amounts Included in the Accounts

The charge to the consolidated income statement attributable to the cash conditional share awards is <$0.1m (2019 – $0.1m) and the total charge attributable to the equity-settled awards is $9.0m (2019 – $9.0m). The total charge to the consolidated income statement for the year for share-based payments is $9.0m (2019 – $9.1m), see note 8. The total liability in relation to the cash-settled awards included in accruals at the year-end is $0.1m (2019 – $0.1m), of which $nil (2019 – $nil) related to awards that had vested.

38. Related-party Transactions

The following related-party transactions took place between wholly-owned subsidiaries of the Group and associates during the year:

	2020 $m	2019 $m
Net loans to associates repaid	**–**	0.3
Dividends paid to non-controlling interests	**(0.9)**	–
Year-end balances:		
Shareholder loan from non-controlling interest	**(3.9)**	(3.9)

The outstanding balances at the year-end are unsecured and have no fixed date for repayment. No expense was 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 C19 and C20 to the Company financial statements. On 8 March 2020, the Group acquired 5% of the share capital of Hunting Energy Saudi Arabia LLC from the non-controlling interest, thereby increasing its shareholding to 65%, for $nil consideration.

The key management of the Group comprises the Hunting PLC Board and members of 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.

Hunting PLC is the parent company of the Hunting PLC Group. 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 14). Accordingly, the Directors do not consider there to be an ultimate controlling party.

39. Acquisitions

Acquisition of Enpro Subsea Limited (“Enpro”)

The Group acquired 100% of the share capital of Enpro Subsea Limited (“Enpro”) for a consideration of $38.3m, excluding costs, with an additional maximum earn-out of $3.0m agreed, subject to key financial milestones being met, on 21 February 2020. The total consideration of $40.8m comprised $38.0m cash paid in February 2020 (which included an estimate of $5.0m for cash in the business and therefore was $33.0m on a cash free/debt free basis), a further payment of $0.3m in April 2020 for adjustments specified in the agreement and $2.5m for contingent consideration. The cash consideration paid by the Group was, therefore, $32.8m, excluding cash acquired of $5.5m, as disclosed in the consolidated statement of cash flows.

An earn-out in the agreement entitles the former owners of Enpro to additional consideration of up to $3.0m if EBITDA targets are achieved in 2020. If the EBITDA is below a set value, as set out in the agreement, then no further payment is to be made. If EBITDA is between the lower and upper limits, as set out in the agreement, then a payment between $2.4m and $3.0m will be made. If EBITDA is above the upper limit, then the maximum payment to be made is $3.0m. Therefore, the potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between $nil and $3.0m. The fair value of the contingent consideration arrangement of $2.5m was estimated by calculating the present value of the future expected cash flows using the income approach and appropriate discount rates. The fair value is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised at acquisition was released. The remeasurement was recognised in the consolidated income statement as an exceptional credit to operating expenses (see note 6).

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 has been classified as part of the US segment.

Acquisition-related costs of $1.4m were included in operating expenses as an exceptional item (note 6) in the consolidated income statement.

39. Acquisitions continued

Details of the acquired net assets, goodwill and consideration are set out below:

	Fair value $m
Property, plant and equipment	5.8
Right-of-use assets	0.3
Other intangible assets	19.2
Cash and cash equivalents	5.5
Inventories	0.7
Trade and other receivables	5.2
Trade and other payables	(5.4)
Lease liability	(0.3)
Deferred tax liabilities	(4.0)
Current tax assets	0.4
Net assets acquired	27.4
Goodwill	13.4
Consideration	**40.8**

Goodwill on the acquisition of Enpro represents the value of the assembled workforce at the time of acquisition, specific knowledge and technical skills that will enhance Hunting's products and services and the prospective future economic benefits expected to accrue from the portfolio of products and services to the Group's customers and increased exposure to offshore operators. There is an opportunity to bring Enpro's manufacturing in-house and utilise Hunting's existing global manufacturing platform to commercialise further the technology across all of the Group's key regional operating hubs. In addition, Hunting's broad customer base offers significant opportunities to extend Enpro's current market reach. The provisional amount of goodwill that is expected to be deductible for tax purposes is $nil.

Other intangible assets recognised on acquisition include the following:

	Fair value $m
Customer relationships	7.6
Patented technology	10.5
Other	1.1
Other intangible assets	**19.2**

The fair values of the other intangible assets were calculated using the income approach whereby the present values of the future expected cash flows were discounted using appropriate discount rates of between 10% and 13%.

The fair value of trade and other receivables is $5.2m and includes trade receivables with a fair value of $4.8m. The gross contractual amount for trade receivables due is $4.8m, all of which is expected to be collectable.

The pre-acquisition carrying value of inventories and the fair value at acquisition was $0.7m.

Enpro has contributed the following to the Group's performance from 21 February 2020 to 31 December 2020:

	Before amortisation and exceptional items $m	Amortisation and exceptional items $m	Total $m
Revenue	10.3	–	10.3
Loss from operations	(0.2)	(2.5)	(2.7)
Loss before tax	–	(2.5)	(2.5)
Loss for the year	(0.2)	(2.0)	(2.2)

If Enpro had been acquired on 1 January 2020, the Group's performance during 2020 would have been as follows:

	Before amortisation and exceptional items $m	Amortisation and exceptional items $m	Total $m
Revenue	11.1	–	11.1
Loss from operations	(0.2)	(2.5)	(2.7)
Loss before tax	(0.1)	(2.5)	(2.6)
Loss for the year	(0.3)	(2.0)	(2.3)

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continued

40. Disposals

On 15 December 2020, Rival Downhole Tools LC ("Rival") acquired the operating assets of Hunting Energy Services (Drilling Tools) Inc, a wholly-owned subsidiary of the Group. In exchange for the assets, the Group acquired a 23.5% interest in the equity shares of Rival. The interest in Rival is accounted for as an associated company (see note 17).

The carrying value of the assets disposed of are given in the table below:

	Carrying value $m
Property, plant and equipment	**14.7**
Inventories	**1.7**
Trade receivables	**1.0**
	17.4

41. 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 consolidated 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. These products include tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which are 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) Other Income: Government Financial Assistance
- Cash received in respect of the COVID-19 pandemic is recognised in the consolidated income statement when the funded costs are incurred and are included in other operating income.

41. Principal Accounting Policies continued

(d) 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 consolidated income statement.
- The tax effect of any transaction considered to be exceptional is also treated as exceptional.
- Amortisation expenses for intangible assets arising on the acquisition of businesses 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.

(e) Interest
- Interest income and expense is recognised in the consolidated income statement using the effective interest method.

(f) 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 consolidated 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 directly 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 consolidated income statement as part of the gain or loss on disposal.

(g) Taxation
- The taxation recognised in the consolidated 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 consolidated 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 in the consolidated 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.

Notes to the Consolidated Financial Statements
continued

41. Principal Accounting Policies continued

(h) Segmental Reporting
- Financial information on operating segments that corresponds with information regularly reviewed by the Chief Operating Decision Maker ("CODM") is disclosed in the financial statements. Consequently, the Group's principal segmental reporting is largely established on a geographical basis. However, due to its size and independent management team, Hunting Titan is disclosed as a separate operating segment. As Enpro, a UK company forms part of the Subsea group of companies, it is managed by the US, and is included in the US operating segment.
- 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.

(i) Property, Plant and Equipment
- 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 and assets under construction are not depreciated.
- With the exception of drilling tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment (see (ii) below), assets are depreciated using the straight-line method at the following rates:

Freehold buildings	– 2% to 10%
Leasehold buildings	– life of lease
Plant, machinery and motor vehicles	– 6% to 33⅓%

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

(j) 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 consolidated 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 consolidated 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.

(k) 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 in the consolidated balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

(l) 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 occurs from the point when 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

(m) Impairments
- The Group assesses at least annually whether there is any indication that an asset is impaired, and undertakes an assessment for an impairment if such an indication exists.
- In addition, the Group undertakes an annual impairment assessment of goodwill and other intangible assets that have an indefinite life, whether or not an indication of impairment actually exists.
- 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 consolidated 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.

41. Principal Accounting Policies continued

(n) 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.

(o) 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 consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(p) 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 consolidated 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, which 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.

(q) 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.

(r) 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 consolidated income statement.
- The Group designates certain derivatives as:
  i. hedges of the fair value of recognised assets and liabilities; or
  ii. hedges of a particular risk associated with the cash flows of highly probable forecast transactions; or
  iii. 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 consolidated income statement if the changes in the fair value of the hedged item are taken to the consolidated income statement.

Notes to the Consolidated Financial Statements

continued

41. Principal Accounting Policies continued

(r) Derivatives and Hedging continued

(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 consolidated 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 property, plant and equipment, 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 consolidated 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 consolidated income statement as part of the gain or loss on disposal when the foreign subsidiary is disposed of or liquidated.

(s) 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.

(t) Post-employment Benefits

- Payments to defined contribution retirement schemes are charged to the consolidated income statement when they fall due.

(u) 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 consolidated 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.

(v) Share Capital

- Incremental costs directly attributable to the issue of new shares are charged to equity as a deduction from the proceeds, net of tax.

(w) 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.

(x) 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.

(y) Employee Benefit Trust

- The Hunting PLC Employee Benefit Trust ("EBT") holds treasury shares, which are shares in Hunting PLC, for the purpose of issuing shares to employees of the Group under share-based remuneration schemes. The EBT is consolidated in accordance with 41(a) above.
- The cost of treasury shares is presented as a deduction from retained earnings in the consolidated balance sheet.
- The cost of shares issued to employees is recognised on a weighted average cost basis.

42. Events After the Balance Sheet Date

The Company has purchased 1,590,281 treasury shares for $4.7m since 1 January 2021.

In February 2021, the Group entered into a strategic alliance with Well Data Labs, a data analytics business focused on the onshore drilling market, through the provision of $2.5m in convertible capital financing.

Company Balance Sheet

At 31 December 2020

	Notes	2020 $m	2019 $m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	**436.8**	436.8
Other receivables	C5	**273.6**	284.3
		710.4	721.1
Current assets			
Other receivables	C5	**1.7**	1.1
LIABILITIES			
Current liabilities			
Other payables	C6	**1.3**	6.1
Provisions		**0.4**	0.4
Current tax liability		**0.2**	0.2
		1.9	6.7
Net current liabilities		**0.2**	5.6
Non-current liabilities			
Provisions		**0.6**	0.6
Net assets		**709.6**	714.9
Equity attributable to owners of the parent			
Share capital	C13	**66.5**	67.3
Share premium	C13	**153.0**	153.0
Other components of equity	C14	**37.1**	47.1
Retained earnings	C15	**453.0**	447.5
Total equity		**709.6**	714.9

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 $8.6m (2019 – $7.2m) has been accounted for in the financial statements of the Company.

The notes on pages 194 to 202 are an integral part of these financial statements. The financial statements on pages 191 to 202 were approved by the Board of Directors on 4 March 2021 and were signed on its behalf by:

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Company Statement of Changes in Equity

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2020				
At 1 January 2020		**67.3**	**153.0**	**47.1**	**447.5**	**714.9**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**8.6**	**8.6**
Dividends paid to equity shareholders	C16	**–**	**–**	**–**	**(8.2)**	**(8.2)**
Share buyback	C13	**(0.8)**	**–**	**0.6**	**(5.1)**	**(5.3)**
Treasury shares						
– purchase of treasury shares		**–**	**–**	**–**	**(9.4)**	**(9.4)**
– disposal of treasury shares		**–**	**–**	**–**	**0.2**	**0.2**
Share options and awards						
– value of employee services	C14	**–**	**–**	**9.0**	**–**	**9.0**
– discharge	C14, C15	**–**	**–**	**(11.4)**	**11.2**	**(0.2)**
Transfer between reserves		**–**	**–**	**(8.2)**	**8.2**	**–**
Total transactions with owners		**(0.8)**	**–**	**(10.0)**	**(3.1)**	**(13.9)**
At 31 December 2020		**66.5**	**153.0**	**37.1**	**453.0**	**709.6**

	Notes	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
		Year ended 31 December 2019				
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	C16	–	–	–	(16.6)	(16.6)
Shares issued						
– share option schemes and awards	C13	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	C14	–	–	9.0	–	9.0
– discharge	C14, C15	–	–	(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

Company Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 $m	2019 $m
Operating activities			
Profit (loss) from operations		**4.6**	(0.3)
Share-based payments expense		**9.0**	9.1
Increase in receivables		**(0.6)**	–
(Decrease) increase in payables		**(5.2)**	3.7
Decrease in provisions		**–**	(0.4)
Net exchange differences		**–**	0.2
Taxation paid		**(0.4)**	(2.0)
Net cash inflow from operating activities		**7.4**	10.3
Investing activities			
Interest received		**4.5**	9.5
Loan issued		**–**	(19.2)
Loan issued repaid		**10.6**	20.7
Net cash inflow from investing activities		**15.1**	11.0
Financing activities			
Dividends paid to equity shareholders	C16	**(8.2)**	(16.6)
Share capital issued		**–**	0.6
Share buyback		**(5.1)**	–
Purchase of treasury shares		**(9.4)**	(5.0)
Disposal of treasury shares		**0.2**	0.3
Loan received repaid		**–**	(0.6)
Net cash outflow from financing activities		**(22.5)**	(21.3)
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 209. The Company acts as a holding company for the Hunting PLC Group. Details of the Company's associates and subsidiaries are given in notes C19 and C20, respectively. 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 page 79.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 56 to 59 in the Risk Management section of the Annual Report and further detail on financial risks is provided within note C9.

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 41 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.

(a) Interest Rate Benchmark Reform

The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and US LIBOR is being assessed and is ongoing. The Company's inter-company loan agreements with the treasury company will be impacted by the move away from LIBOR, as LIBOR is currently used as the base for the interest rate applied. The Company's interest-bearing loan receivable from the treasury company of $273.5m at the year-end has a variable interest rate that is referenced to interbank offered rates ("IBORs") that will be affected by the IBOR reforms.

There is currently uncertainty around the timing and precise nature of the changes to benchmark interest rates. To transition existing contracts and agreements that reference LIBOR to SONIA (in respect of GBP denominated contracts) or SOFR (in respect of USD denominated contracts), adjustments for term differences and credit differences might need to be applied to SONIA and/or SOFR, to enable the two benchmark rates to be economically equivalent on transition. Group treasury is responsible for managing the Company's LIBOR transition plan.

(b) Critical Accounting Estimates and Judgements

Critical judgements are those that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Company's financial statements. Key assumptions are those assumptions concerning future expectations, together with other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates are continually evaluated, based on experience and reasonable expectations of future events. Accounting estimates are applied in determining the carrying value of investments in subsidiaries.

The estimated future gross cash flows utilise independent market forecasts adjusted to reflect the Directors' view of the subsidiary's future trading prospects and can include known growth projects and are discounted at a rate that is determined for each business unit in isolation by consideration of their business risk profiles. Further details of the impairment review are disclosed in note C4.

Other than estimates regarding future cash flows for the purposes of impairment testing for the Company's investments in subsidiaries (see note C4), management believe that there are no other critical judgements or estimates applied in the preparation of the Company's financial statements.

C2. Employees

The Company had no employees during the current or prior year.

C3. Auditor's Remuneration

	2020 $m	2019 $m
Fees payable to the Company's independent auditor and its associates are for:		
The audit of these financial statements	**0.5**	0.5

C4. Investments in Subsidiaries

	2020 $m	2019 $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 C20. Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairment.

(a) Impairment Tests
In respect of the carrying value of the Company's investment in subsidiaries, assessments are undertaken at least annually to determine whether there have been any events or changes in circumstances that indicate that the carrying value may be impaired. An impairment review is carried out when such indicators are present by comparing the carrying value of a subsidiary to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

The recoverable amount for the investments has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the investment in a sales transaction on an arm's-length basis. As there is no active market for the Company's subsidiaries, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by each subsidiary and are discounted at a rate that is determined for each subsidiary 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 value of each subsidiary's debt has then been deducted from the cash flows. The impairment review is carried out using projected cash flows based on what could have reasonably been known as at 31 December 2020, the reporting date, of the conditions that existed at that date. 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 2021, cash flows are based on the latest detailed forecast as approved by the Hunting PLC Board. For 2022 to 2025, management has made revenue projections using Spears & Associates "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic market and drivers (rig count, footage drilled or E&P spend) for each subsidiary. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the subsidiary. 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 subsidiaries from 2020 to 2025 vary between 8% and 18% (2019 – CAGR from 2019 to 2024 between 3% and 12%). After 2025, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation (2019 – 25 basis points), giving nominal growth rates between 0% and 1% (2019 – between 1% and 2%). Cash flows have been discounted using nominal pre-tax rates between 11% and 13% (2019 – 9% and 10%). 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 subsidiary and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

No impairment charges were recognised following the impairment review. In the opinion of the Directors, following the impairment review, the value of the investments in the subsidiaries is not less than the aggregate carrying value amount shown in the balance sheet and that the carrying value of the investments is supported by their underlying net assets.

(b) Sensitivities
Management has reviewed various downside sensitivities versus the base case assumptions used in the projections. These covered revenue growth rates, terminal revenue growth rates, discount rates and foreign exchange rates. Management has concluded that there are no reasonably foreseeable changes in key assumptions that would give rise to an impairment charge.

Notes to the Company Financial Statements

continued

C5. Other Receivables

	2020 $m	2019 $m
Non-current:		
Loans receivable from a subsidiary – interest-bearing	**273.5**	284.2
Prepayments	**0.1**	0.1
	273.6	284.3
Current:		
Receivables from subsidiaries	**1.1**	0.8
Prepayments	**0.6**	0.2
Other receivables	**–**	0.1
	1.7	1.1

The loan receivable from a subsidiary and current receivables from subsidiaries of $274.6m (2019 – $285.0m) are financial assets measured at amortised cost. Other receivables relate to VAT balances, which are not financial assets. The interest-bearing loan receivable from a subsidiary is unsecured and interest is charged based on a margin over bank lending rates. Receivables from subsidiaries current accounts are unsecured, interest free and repayable on demand. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

(a) Impairment of Receivables

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. 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.

(b) Impairment of Loan Receivable

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan receivable from a subsidiary company carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend upon 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 as at 31 December 2020 is compared with the risk of default occurring at the date of initial recognition. 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.

At 31 December 2020, the Company's loan receivable was not overdue and the Company does not consider it necessary to provide for any impairment. The loan receivable is expected to be fully recovered, as there is no recent history of default or any indications that the contractual payments will not be made (see note C9(c)). The Company's maximum exposure to credit risk is the fair value of the loan receivable, as described in note C8.

(c) Impairment of Receivables from Subsidiaries and Other Receivables

None of the Company's receivables from subsidiaries and other receivables (2019 – 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.

C6. Other Payables

	2020 $m	2019 $m
Current:		
Payables to subsidiaries	**0.2**	5.3
Accruals	**0.6**	0.5
Other payables	**0.5**	0.3
	1.3	6.1

Payables to subsidiaries, accruals and other payables of $1.3m (2019 – $6.1m) 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 2020, the Company had no outstanding forward foreign exchange contracts (2019 – $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 $0.1m loss (2019 – $0.7m gain) 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 a subsidiary 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 $0.9m (2019 – $0.2m) for Sterling denominated financial assets. Loans receivable from a subsidiary of $0.3m (2019 – $0.1m) at the year-end are denominated in Sterling, with exchange differences being recognised in the income statement in the following year.

The carrying amount of the Company's financial liabilities included in accruals and other payables at 31 December, on which exchange differences would be recognised in the income statement in the following year, is $1.1m (2019 – $0.8m) for Sterling denominated financial liabilities.

(b) Interest Rate Risk

The Company is exposed to cash flow interest rate risk from its loans receivable from a subsidiary, which are at variable interest rates.

(c) Credit Risk

The Company's credit risk arises from its outstanding current receivables and loans 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 loans receivable due from a subsidiary have not been impaired as no losses are expected from non-performance of this counterparty. The credit risk at the time the loans were taken out was deemed to be low and there has not been an increase in the credit risk since the time the loans were initially recognised. Therefore, management does not believe that there is a significant increase in credit risk such that the loans move 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 loans are 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 loans. 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.

(d) Liquidity Risk

(i) Management of Cash

The Company has sufficient facilities available to satisfy its requirements. The Company submits weekly and bi-monthly cash forecasts to Hunting's treasury function to enable them to monitor the Company's and the Group's 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.

Notes to the Company Financial Statements

continued

C9. Financial Risk Management continued

(d) Liquidity Risk continued

(ii) Barclays Composite Accounting System

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 $2.3m.

(iii) Future Cash Flows of Financial Liabilities

The following table analyses the expected timings of cash outflows for each of the Company's non-derivative financial liabilities. The table below analyses the Company's cash outflows 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 disclosed in the table are the contractual, undiscounted cash flows and include interest cash flows, where applicable, so will not always reconcile with the amounts disclosed in the Company balance sheet. The carrying values are the amounts in the Company balance sheet and are the discounted amounts.

	2020		2019	
	On demand or within one year $m	**Carrying value $m**	On demand or within one year $m	Carrying value $m
Non-derivative financial liabilities:				
Payables to subsidiaries	**0.2**	**0.2**	5.3	5.3
Accruals	**0.6**	**0.6**	0.5	0.5
Other payables	**0.5**	**0.5**	0.3	0.3
	1.3	**1.3**	6.1	6.1

The Company did not have any derivative financial liabilities at the end of 2020 or 2019.

C10. 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:

	2020 $m	2019 $m
Total equity	**709.6**	714.9
Net cash:		
Loans receivable from subsidiary (note C5)	**(273.5)**	(284.2)
Capital employed	**436.1**	430.7

The decrease in total equity during the year is mainly attributable to the profit for the year of $8.6m and the increase in the share-based payments reserve of $9.0m being offset by the payment of dividends of $8.2m, the share buyback programme of $5.3m and the net purchase of treasury shares of $9.2m. The loans receivable from a subsidiary decreased by $10.7m largely due to dividend income, royalty income and interest income received during the year being offset by dividend payments, the share buyback programme and the purchase of treasury shares. There have been no significant changes in the Company's funding policy during the year. The Company is not subject to any externally imposed capital requirements.

C11. 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 2020.

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.

C11. Financial Instruments: Sensitivity Analysis continued

(a) Interest Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2020, for an increase of 0.1% (2019 – 0.25%) in US interest rates, is to increase profits by $0.2m (2019 – $0.6m). If the US interest rates were to decrease by 0.1% (2019 – 0.25%), then the post-tax impact would be to reduce profits by $0.2m (2019 – $0.6m). The movements arise on US dollar denominated intra-Group loans. There is no impact on OCI for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2020, for an increase of 10% (2019 – 5%) in the Sterling foreign exchange rate, is to increase profits by $0.1m (2019 – <0.1m). If the Sterling foreign exchange rate was to decrease by 10% (2019 – 5%), the post-tax impact would be to reduce profits by $0.1m (2019 – $<0.1m). 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.

C12. 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.

C13. Share Capital and Share Premium

Please see note 33 of the Group's financial statements.

C14. Other Components of Equity

	Year ended 31 December 2020				
	Capital redemption reserve $m	**Share-based payments reserve $m**	**Currency translation reserve $m**	**Merger reserve $m**	**Total $m**
At 1 January 2020	**0.2**	**19.7**	**(19.2)**	**46.4**	**47.1**
Share buyback (note C13)	**0.6**	**–**	**–**	**–**	**0.6**
Share options and awards					
– value of employee services	**–**	**9.0**	**–**	**–**	**9.0**
– discharge	**–**	**(11.4)**	**–**	**–**	**(11.4)**
Transfer between reserves	**–**	**–**	**–**	**(8.2)**	**(8.2)**
At 31 December 2020	**0.8**	**17.3**	**(19.2)**	**38.2**	**37.1**

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, $8.2m (2019 – $20.8m) 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 2019				
	Capital redemption reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Merger reserve $m	Total $m
At 1 January 2019	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 2019	0.2	19.7	(19.2)	46.4	47.1

Notes to the Company Financial Statements

continued

C15. Retained Earnings

	2020 $m	2019 $m
At 1 January	**447.5**	430.0
Profit for the year	**8.6**	7.2
Dividends paid to equity shareholders (note C16)	**(8.2)**	(16.6)
Share buyback	**(5.1)**	–
Treasury shares		
– purchase of treasury shares	**(9.4)**	(5.0)
– disposal of treasury shares	**0.2**	0.3
Share options and awards		
– discharge	**11.2**	10.8
Transfer between reserves	**8.2**	20.8
At 31 December	**453.0**	447.5

Retained earnings include the following amounts in respect of the carrying amount of treasury shares.

	2020 $m	2019 $m
Cost:		
At 1 January	**(12.8)**	(11.2)
Purchase of treasury shares	**(9.4)**	(5.0)
Disposal of treasury shares	**11.6**	3.4
At 31 December	**(10.6)**	(12.8)

At 31 December 2020, 2,562,281 Ordinary shares were held by the Employee Benefit Trust (2019 – 1,609,150). The Company purchased 1,500,000 additional treasury shares in March 2020 for $5.9m and a further 1,242,757 treasury shares in December 2020 for $3.5m. The loss on disposal of treasury shares during the year, which is recognised in retained earnings, was $11.4m (2019 – $3.1m).

C16. Dividends Paid to Equity Shareholders

Please see note 36 of the Group's financial statements.

C17. Share-based Payments

Please see note 37 of the Group's financial statements.

C18. Related-party Transactions

The following related party transactions took place between the Company and subsidiaries of the Group during the year:

	2020 $m	2019 $m
Transactions:		
Royalties receivable	**6.5**	11.0
Management fees payable	**(6.4)**	(9.8)
Recharges of share options and awards and administrative expenses	**5.1**	15.0
Loan to subsidiary	**–**	(19.2)
Loan from subsidiary repaid	**–**	(0.6)
Loans to subsidiary repaid	**10.6**	20.7
Interest receivable on inter-company loans	**4.5**	9.5
Dividends received from subsidiaries	**6.6**	–
Year-end balances:		
Payables to subsidiaries	**(0.2)**	(5.3)
Receivables from subsidiaries	**1.1**	0.8
Loans owed by subsidiaries	**273.5**	284.2

All balances between the Company and its subsidiaries are unsecured.

The Company serves as the intermediary for certain Group insurances and is also the head of the VAT group for UK central companies.

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.

C18. Related Party Transactions continued

Hunting PLC is the parent company of the Hunting PLC Group. 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 14). Accordingly, the Directors do not consider there to be an ultimate controlling party.

C19. Associates

Associates[i]	Registered address
Rival Downhole Tools LC (23.5%)	211 E 7th Street, Suite 620, Austin, Texas, 78701, USA
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 ordinary equity shares of those companies.

C20. Subsidiaries

All Companies listed below are wholly owned by the Group, except where otherwise indicated.

Subsidiaries[i/iii]	Registered address
Operating activities	
Hunting Energy Services (Australia) Pty Ltd	Level 40, 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 (UK) Limited (60%)	5 Hanover Square, London, W1S 1HQ, England
Enpro Subsea Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea Operations Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea Group Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea, LLC.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Enpro Subsea Ghana Ltd (90%)	House No. F676/1, Angola Road, Kuku Hill, Osu, Accra, Ghana
Enpro Subsea Group Ghana Limited	House No. F676/1, Angola Road, Kuku Hill, Osu, Accra, Ghana
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 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 (65%)	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

Notes to the Company Financial Statements
continued

C20. Subsidiaries continued

Subsidiaries[i/iii]	Registered address
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 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 Oil Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Pension Trust Limited[ii/iv]	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
Hunting U.S. Holdings, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA

Notes:
i. Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
ii. Interest in company is held directly by Hunting PLC.
iii. All interests in subsidiaries are in the ordinary equity shares of those companies. The proportion of voting rights is represented by the interest in the ordinary equity shares of those companies.
iv. Hunting Pension Trust Limited (registered number 01346797), Huntfield Trust Limited (registered number 00372215), Stag Line Limited (registered number 00151320) and Hunting Aviation Limited (registered number 00297743) 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.
v. Company has been placed into voluntary liquidation.

Changes to the Group

The Group acquired 100% of the share capital of Enpro Subsea Limited ("Enpro") on 21 February 2020.

On 8 March 2020, Hunting Energy Holdings Limited acquired 5% of the share capital of Hunting Energy Saudi Arabia LLC from the non-controlling interest, thereby increasing its shareholding to 65%, for $nil consideration.

During the year, the members of Hunting Knightsbridge (US) Finance Limited applied for the company to be voluntarily struck off. The Company was dissolved on 13 October 2020.

On 15 December 2020, Rival Downhole Tools LC ("Rival") acquired the operating assets of Hunting Energy Services (Drilling Tools) Inc, a wholly-owned subsidiary of the Group. In exchange for the assets, the Group has acquired a 23.5% interest in the equity shares of Rival. The interest in Rival has been accounted for as an associate.

C21. Events After the Balance Sheet Date

The Company has purchased 1,590,281 treasury shares for $4.7m since 1 January 2021.

Non-GAAP Measures

(unaudited)

The Directors believe it is appropriate to include in the Strategic Report and consolidated financial statements a number of non-GAAP measures ("NGMs") that are commonly used within the business. These measures supplement the information provided in the IFRS "reported" financial statements and accompanying notes, providing additional insight to the users of the Annual Report.

This section provides a definition of the non-GAAP measures, the purpose for which the measure is used, and a reconciliation of the non-GAAP measure to the reported IFRS numbers. The auditors are required under the Companies Act 2006 to consider whether these non-GAAP measures are prepared consistently with the financial statements.

Income Statement Non-GAAP Measures

The Directors have applied the provisions of IAS 1 with regards to exceptional items and have chosen to present these, together with amortisation of acquired intangible assets, in a separate column on the face of the consolidated income statement. All profit and loss measures adjusted for amortisation of acquired intangible assets and exceptional items are referred to as "underlying". This is the basis used by the Directors in assessing performance 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.

	2020 $m	2019 $m
Reported (loss) profit from operations (consolidated income statement)	**(220.0)**	46.8
Depreciation of property, plant and equipment (note 12)	**32.1**	33.7
Depreciation of right-of-use assets (note 13)	**7.5**	7.9
Reversal of impairment of right-of-use assets (note 13)	**(0.6)**	–
Non-exceptional amortisation of intangible assets (note 7)	**3.5**	3.8
Non-exceptional amortisation and depreciation	**42.5**	45.4
Amortisation of acquired intangible assets and exceptional items (note 6)	**203.6**	47.5
Underlying EBITDA	**26.1**	139.7

B. Underlying Tax Rate

Purpose: The weighted average tax rate represents the level of tax, both current and deferred, being borne by operations on an underlying basis.

Calculation definition: Taxation on underlying (loss) profit before tax divided by underlying (loss) profit before tax, expressed as a percentage.

	2020 $m	2019 $m
Underlying taxation (credit) charge (note 10)	**(0.9)**	17.0
Underlying (loss) profit before tax for the year (consolidated income statement)	**(19.4)**	93.1
Underlying tax rate	**5%**	18%

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.

	2020 $m	2019 $m
Trade and other receivables – non-current (note 18)	**2.0**	2.7
Trade and other receivables – current (note 18)	**136.3**	202.0
Inventories (note 20)	**288.4**	350.8
Trade and other payables – current (note 22)	**(67.9)**	(121.2)
Trade and other payables – non-current (note 22)	**(2.4)**	(2.7)
Less: non-working capital loan note (note 18)	**–**	(0.7)
Add: non-working capital US deferred compensation plan obligation (note 22)	**1.7**	2.1
Add: non-working capital current other receivables and other payables	**0.2**	0.3
	358.3	433.3

Non-GAAP Measures

(unaudited) continued

Balance Sheet Non-GAAP Measures continued

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 when applicable.

	2020 $m	2019 $m
Inventories (note 20)	**288.4**	350.8
Underlying cost of sales for October to December	**98.4**	150.6
Inventory days	**270 days**	214 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 when applicable.

	2020 $m	2019 $m
Net trade receivables (note 18)	**106.9**	155.5
Contract assets (note 18)	**9.8**	8.3
Accrued revenue (note 18)	**3.2**	12.3
Net receivables	**119.9**	176.1
Revenue for October to December	**119.3**	205.7
Trade receivable days	**92 days**	79 days

F. Other Net Assets

Purpose: Provides an analysis of other net assets in the Summary Group Balance Sheet in the Strategic Report.

	2020 $m	2019 $m
Investments (note 17)	**19.8**	2.8
Held-for-sale asset (note 12)	**1.8**	–
Non-working capital loan note (NGM C)	**–**	0.7
Non-working capital US deferred compensation plan obligation (NGM C)	**(1.7)**	(2.1)
Non-working capital current other receivables and other payables (NGM C)	**(0.2)**	(0.3)
	19.7	1.1

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:

	2020 $m	2019 $m
Total equity (consolidated balance sheet)	**976.6**	1,223.8
Net cash (note 26)	**(57.5)**	(77.9)
	919.1	1,145.9

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.

	2020 $m	2019 $m
Working capital – opening balance	**433.3**	436.5
Adjustment on adoption of IFRS 16	**–**	2.1
Working capital – opening balance amended	**433.3**	438.6
Foreign exchange	**–**	3.1
Exceptional items impacting working capital:		
Impairments of inventories (note 6)	**(34.2)**	–
Impairments of receivables (note 6)	**(1.2)**	–
Profit on disposal of Canada assets	**0.6**	–
Acquisition (note 39)	**0.5**	0.2
Disposal of business (note 40)	**(2.7)**	(0.6)
Adjustments:		
Transfer to property, plant and equipment (note 12)	**(0.6)**	(0.1)
Capital investment debtors/creditors cash flows	**(0.1)**	0.1
Asset disposals debtors/creditors cash flows	**1.7**	0.3
Other non-cash flow movements	**–**	(0.1)
Other cash flow movement	**(0.2)**	(0.6)
Working capital – closing balance (NGM C)	**(358.3)**	(433.3)
Cash flow	**38.8**	7.6

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.

	2020 $m	2019 $m
Property, plant and equipment additions (note 12)	**14.8**	35.9
Capital investment debtors/creditors cash flows (NGM H)	**(0.1)**	0.1
Cash flow	**14.7**	36.0
Per the consolidated statement of cash flows:		
Purchase of property, plant and equipment held for rental – operating activities	**3.0**	5.6
Purchase of property, plant and equipment – investing activities	**11.7**	30.4
Cash flow	**14.7**	36.0
Hunting Titan	**3.9**	14.3
US	**8.5**	19.3
Canada	**0.1**	1.0
EMEA	**1.0**	0.6
Asia Pacific	**1.0**	0.7
Central	**0.2**	0.1
Cash flow	**14.7**	36.0

Non-GAAP Measures

(unaudited) continued

Cash Flow Non-GAAP Measures continued

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.

	2020 $m	2019 $m
Loans from associates repaid (consolidated statement of cash flows)	–	0.3
Decrease in provisions (consolidated statement of cash flows)	(0.2)	(2.4)
Other non-cash flow items	(1.3)	(0.3)
	(1.5)	(2.4)

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.

	2020 $m	2019[i] $m
Underlying EBITDA (NGM A)	26.1	139.7
Add: share-based payment charge (note 37)	9.0	9.1
	35.1	148.8
Working capital movements (NGM H)	38.8	7.6
Net tax paid (consolidated statement of cash flows)	(5.0)	(7.7)
Proceeds from business and asset disposals (consolidated statement of cash flows)	3.9	8.9
Gains on business and asset disposals	(2.4)	(5.8)
Lease payments	(10.4)	(10.6)
Restructuring costs	(10.7)	–
Other operating cash and non-cash movements (NGM J)	(1.5)	(2.4)
	47.8	138.8

i. Free cash flow for 2019 has been revised to include lease payments of $10.6m as this better represents the cash that the Group had available.

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.

	2020 Cents per share	2019 Cents per share
First interim dividend	3.0	5.0
Second interim dividend	2.0	–
Final dividend	4.0	–
	9.0	5.0

The first interim dividend in 2020 was paid in place of the proposed 2019 final dividend of 6.0c per share.

Other Non-GAAP Measures continued

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.

	2020		2019	
	Underlying	**Reported**	Underlying	Reported
(Loss) earnings per share				
Basic (note 11)	**(10.0)c**	**(143.2)c**	45.0c	24.0c
Diluted (note 11)	**(10.0)c**	**(143.2)c**	43.9c	23.5c
Dividend (NGM L)	**9.0c**	**9.0c**	5.0c	5.0c
Dividend cover				
Basic	**n/a**	**n/a**	9.0x	4.8x
Diluted	**n/a**	**n/a**	8.8x	4.7x

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 to include 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.

	2020 $m	2019 $m
Average monthly gross capital employed (13 point average)	**1,065.5**	1,192.0
Underlying (loss) profit from operations (consolidated income statement)	**(16.4)**	94.3
Return on average capital employed	**(2)%**	8%

Financial Record[i]

(unaudited)

	2020 $m	2019[ii] $m	2018[ii] $m	2017[ii] $m	2016[ii] $m
Revenue	**626.0**	960.0	911.4	724.9	455.8
EBITDA	**26.1**	139.7	142.3	56.0	(48.9)
Depreciation and non-exceptional amortisation and impairment	**(42.5)**	(45.4)	(37.6)	(41.7)	(43.3)
(Loss) profit from operations	**(16.4)**	94.3	104.7	14.3	(92.2)
Net finance expense	**(3.0)**	(1.2)	(0.7)	(1.5)	(0.7)
Share of associates' post-tax losses	**–**	–	–	(1.3)	(0.3)
(Loss) profit before tax	**(19.4)**	93.1	104.0	11.5	(93.2)
Taxation	**0.9**	(17.0)	(22.0)	(1.0)	19.9
(Loss) profit for the year	**(18.5)**	76.1	82.0	10.5	(73.3)

	cents	cents	cents	cents	cents
Basic (loss) earnings per share	**(10.0)**	45.0	51.6	8.0	(45.3)
Diluted (loss) earnings per share	**(10.0)**	43.9	49.6	8.0	(45.3)
Dividend per share[iii]	**9.0**	5.0	9.0	–	–

	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**307.1**	354.7	360.2	383.3	419.0
Right-of-use assets	**29.8**	36.7	–	–	–
Goodwill and other intangible assets	**207.1**	308.7	329.7	355.7	380.5
Working capital	**358.3**	433.3	436.5	344.0	300.2
Taxation (current and deferred)	**6.0**	19.8	13.7	(6.0)	(3.4)
Provisions	**(8.9)**	(8.4)	(14.2)	(18.0)	(15.7)
Other net assets	**19.7**	1.1	3.9	22.7	38.7
Capital employed	**919.1**	1,145.9	1,129.8	1,081.7	1,119.3
Total cash and bank	**101.7**	127.0	65.2	34.3	2.0
Lease liabilities	**(40.3)**	(45.2)	–	–	–
Other borrowings	**(3.9)**	(3.9)	(3.9)	(3.9)	(3.9)
Net cash (debt) (note 26)	**57.5**	77.9	61.3	30.4	(1.9)
Net assets	**976.6**	1,223.8	1,191.1	1,112.1	1,117.4
Non-controlling interests	**(12.2)**	(15.9)	(14.0)	(18.8)	(19.3)
Equity attributable to owners of the parent	**964.4**	1,207.9	1,177.1	1,093.3	1,098.1

	cents	cents	cents	cents	cents
Net assets per share	**592.2**	733.3	721.4	677.3	682.6

i. Information is stated before exceptional items and amortisation of acquired intangible assets.
ii. IFRS 16 Leases was adopted with effect from 1 January 2019. 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.