Independent Auditor's Report to the Members of Hunting PLC

For the year ended 31 December 2021

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 41 for the consolidated financial statements, and notes C1 to C20 for the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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; and • revenue recognition.	Within this report, key audit matters are identified as follows: ↑ Increased level of risk ↔ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was \$3.5 million (2020: \$3.5 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 over 80% of the Group's revenue and net assets. Our audit work covered Group operations in seven countries, covering 22 reporting units, including a number of investment holding companies.	
Significant changes in our approach	• Following the improved performance across the Group and the reduced uncertainty as the market recovers from the impact of COVID-19, we have no longer identified going concern as a key audit matter. • Following the improved performance in the year in the Titan CGU, our key audit matter relating to impairment of goodwill and non-current assets is now principally associated with the Enpro CGU. • We have tested the operating effectiveness of controls within the revenue cycle in the Hunting Titan and US Manufacturing operating units.	

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 included the following procedures:

- we obtained management's assessment of going concern for the Group, understanding how the assessment factored in current market conditions including the expected timing and phasing of recovery as the worldwide economy continues to recover from the effects of the COVID-19 pandemic;
- we made enquiries as to the process followed by management and obtained an understanding of the relevant controls, including over: the preparation of 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 actions;
- with respect to the cash flow forecasts that drive the going concern assessment, we evaluated the reliability of the underlying data and challenged management on the assumptions applied, comparing to external industry data where relevant;
- we challenged the stress tests prepared and assessed whether the forecasts have been sufficiently stretched to a remote scenario;
- we reviewed the terms of the undrawn borrowing facility that was agreed in February 2022;
- we performed a stand-back assessment and considered all relevant audit evidence obtained, whether corroborative or contradictory, for any indicators of possible management bias; and
- we assessed whether management's use of the going concern basis of accounting for the year end financial statements is appropriate, and that the disclosures in the financial statements are appropriate and sufficiently detailed.

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.

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 $204.4 million (2020: $288.4 million), net of a provision of $59.5 million (2020: $37.2 million). The cyclical and current challenging trading environment and market conditions continue to expose the group to the risk of specific inventory lines being carried at an amount greater than net realisable value. 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. Whilst many product lines are sold or utilised quickly, the addressable market was harder to identify for some businesses in the US. Following our challenge, management increased their reserves estimate relating to these businesses. Refer to pages 133 and 135 of the Audit Committee report and notes 1, 21 and 41 to the financial statements for disclosures relating to management's critical judgements and key assumptions, inventory and principal accounting policies respectively.
How the scope of our audit responded to the key audit matter	We performed the following procedures to assess the valuation of management's inventory reserves: • obtained an understanding of key management review controls and Group oversight over inventory provisioning; • challenged the appropriateness of the historical period of factual sales used in management's reserves model, and the appropriateness of the period of future inventory utilisation in the model, based on business unit characteristics; • evaluated available support, including current sales transactions, to determine an appropriate net realisable value. Where appropriate, we also made direct enquiries of sales and operational personnel and our US component partner and senior manager carried out a site visit to physically inspect inventory items; • where management's reserve judgments were rationalised by current open, but unfulfilled orders, performed testing on a sample of these items to evaluate this assertion was appropriate; • tested the accuracy and completeness of the data used to calculate historical sales, which is then used to calculate future utilisation. We also assessed the mechanical accuracy of management's models; • where relevant, challenged the implied revenue from historical averages used to generate forecast inventory utilisation over the period selected to the business unit, by assessing this against third-party forecasts and current run rates; • considered the results of management's benchmarking of overall inventory reserve percentages against those of relevant competitors; and • evaluated the disclosure of inventory and reserve movements as underlying or exceptional. In doing so, we ascertained whether management have applied the accounting policy for exceptional items appropriately. We also specifically considered whether any reversals of prior-year provisions have been consistently treated as either exceptional or underlying.
Key observations	We identified a deficiency in management's review control within certain businesses in the North America segment, which is discussed further on page 135 in the Audit Committee report. In response, this was remediated through additional management review at both the component and Group levels. Ultimately, following the recognition of additional material inventory provisions as noted above, in response to our audit challenge combined with the efforts of management, we are satisfied that the judgements taken by management are appropriate in light of the current market conditions. We considered the implications of this control deficiency for other areas of our audit and identified no further deficiencies.

5.2. Goodwill and Non-current Asset Impairment

Key audit matter description	The Group's balance sheet has a significant level of goodwill and non-current assets. This includes goodwill of \$164.1 million (2020: \$164.2 million), which is tested annually for impairment. Intangible assets of \$36.2 million (2020: \$42.9 million) include customer relationships, unpatented technology and patents and trademarks. The property, plant and equipment balance is \$274.4 million (2020: \$307.1 million) and the right of use asset amounted to \$24.7 million (2020: \$29.8 million). 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 Group continues to operate in challenging market conditions, with demand for the Group's products improving more slowly than seen in previous economic cycles. We identified a significant risk with respect to the Enpro CGU and related disclosures in the financial statements given the sensitivity of the CGU's valuation to changes in the forecast revenue assumption. The goodwill recognised relating to Enpro is \$14.0 million. The valuation is dependent on the market penetration of new technologies and therefore there remains risk in the uptake of this technology. Refer to pages 133 and 134 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 material CGU's, we assessed the risk of material misstatement by performing the following procedures: • 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 Enpro CGU, in addition to the above, we challenged the following: • the forecast revenue growth assumptions including how management has incorporated the impact of new products and new tenders, and the reasonableness of the timing and phasing of market recovery following depressed conditions principally caused by the COVID-19 pandemic; • the future cash flow forecasts and whether the timing of the forecast recovery in performance of these forecasts is appropriate; • the discount rate by comparing the cost of capital assumption against comparable organisations and independently calculated the discount rate with involvement from valuation specialists; and • the terminal growth rates by comparing them to economic and industry forecast. We also reviewed the sensitivity disclosures included in the financial statements (note 16) to assess whether the assumptions selected to sensitise, and the associated range, were reasonable in light of our understanding of the risks associated with the future performance of the CGU.
Key observations	We are satisfied that no additional impairment should be recognised in respect of goodwill and other non-current assets. The sensitivity disclosures in the financial statements appropriately present the CGUs that are most sensitive to potential future changes in key assumptions.

5.3. Revenue Recognition

Key audit matter description	The revenue recognised by the Group in 2021 is \$521.6 million (2020: \$626.0 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 consideration on components which 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. We challenged how these terms have been interpreted under the requirements of IFRS 15 Revenue from Contracts with Customers and that revenue recorded was appropriately recognised.
Key observations	Based on the procedures performed, we obtained evidence that the revenue was recognised appropriately and in accordance with IFRS 15 Revenue from Contracts with Customers.

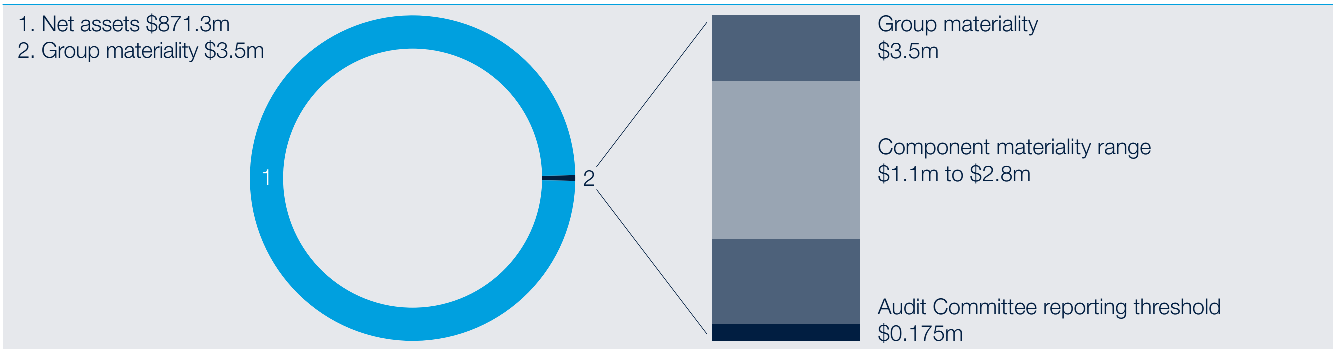
6. Our Application of Materiality

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 (2020: $3.5 million)	$3.0 million (2020: $2.8 million)
Basis for determining materiality	0.4% of net assets (2020: 0.4% of net assets).	Parent company materiality equates to 0.3% (2020: 0.3%) of net assets, which is capped at 86% (2020: 80%) of Group materiality.
Rationale for the benchmark applied	Consistent with 2020, an assets-based benchmark is considered the most relevant metric given the impact of the market and trading environment on Hunting's results.	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	70% (2020: 65%) of Group materiality	70% (2020: 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 previous audits; and • our overall assessment of the control environment and likely misstatements, including the fact that we have not placed reliance on the Group's controls, other than those over revenue within the Titan US and US Manufacturing operating units. We have increased performance materiality based on our overall assessment of the control environment and the low level of uncorrected misstatements in previous periods.	

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 (2020: $175,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

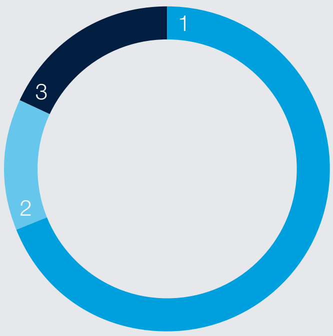
7. An Overview of the Scope of our Audit

7.1. Identification and Scoping of Components

The Group has 57 (2020: 58) 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.

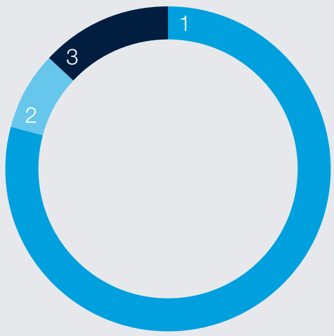
Our scoping consisted of three levels, with audit effort split across each scoping level. We identified 12 (2020: 12) operating units across the Group that were subject to full scope reporting on their complete financial information, which included four holding company reporting units. Specific audit procedures over certain balances were performed at a further 10 (2020: 9) 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 over 80% of the Group's revenue and net assets. The range of component materiality levels is $1.1 million to $2.8 million.

Revenue



1. Full audit scope 69%
2. Specified audit procedures 13%
3. Review at group level 18%

Net assets



1. Full audit scope 79%
2. Specified audit procedures 8%
3. Review at group level 13%

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

Our controls observation with respect to the review controls over the inventory provisioning in the US is set out in the valuation of inventory Key Audit Matter section above.

A new ERP system ("D365") was implemented in the group's Hunting Titan and US Manufacturing operating units in 2020. As a result of this implementation, consistent with our audit plan, we adopted a controls reliance approach across the revenue processes within these business units, with the exception of controls over the cut-off assertion. The ERP system continues to be rolled out across the Group, with US Connections having gone live during 2021. Consistent with our approach on Hunting Titan and US Manufacturing in 2020, we engaged our IT specialists to obtain an understanding of the associated general IT controls ("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.

Elsewhere across the Group, we obtained an understanding of relevant manual controls within the financial reporting processes, and controls relevant to our significant risks. In addition, we obtained an understanding of the key GITCs within Cognos, management's reporting and consolidation software.

7.3. Our Consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group continues to develop its assessment of the potential impacts of climate change with specific transitional and physical climate related risks identified in the Strategic Report on pages 66 and 67.

As a part of our audit, we obtained and challenged management's climate-related risk assessment, holding discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. As explained in note 1 on page 151, the Directors' view is that the external long-term forecasts used in preparing their forecasts incorporate climate change developments, supporting the view that there will be a robust demand for the Group's oil and gas products for a significant time span. Estimates made using these forecasts do not currently identify any concerns regarding the carrying values or expected lives of longer-lived assets, including goodwill.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures were performed with the involvement of our climate change specialists and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

7.4. Working with Other Auditors
In carrying out our scoping procedures as described above, our audit work covered Group operations in seven (2020: seven) countries, covering 22 (2020: 21) reporting units, including a number of head office entities. Four reporting units were within the Group team's scope and residual 18 were covered by the component audit teams.

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 process. We performed a detailed review of their work over areas including key judgements and significant risks, using technology to access component auditors' working papers remotely, given the continued impact of COVID-19 and associated travel restrictions. We also requested that a number of reporting documents be completed by each component team for our review.

Further, specific audit procedures over the central functions and areas of significant judgement including taxation, treasury and goodwill and non-current asset impairment were performed by the Group audit team centrally.

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 Directors' Responsibility Statement, 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, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- 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 and the Audit Committee 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 93;
- 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 page 92;
- the Directors' statement on fair, balanced and understandable set out on page 134;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 85; and
- the section describing the work of the audit committee set out on page 132.

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 ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 December 2019 to 31 December 2021.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS. We have been engaged to provide assurance on whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS and will report separately to the members on this.

William Smith
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

3 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 Before amortisation[i] and exceptional items $m	2021 Amortisation[i] and exceptional items (note 6) $m	2021 Total $m	2020 Before amortisation[i] and exceptional items $m	2020 Amortisation[i] and exceptional items (note 6) $m	2020 Total $m
Revenue	3	**521.6**	**–**	**521.6**	626.0	–	626.0
Cost of sales		**(421.0)**	**(35.7)**	**(456.7)**	(501.2)	(56.7)	(557.9)
Gross profit (loss)		**100.6**	**(35.7)**	**64.9**	124.8	(56.7)	68.1
Other operating income	4	**4.1**	**1.2**	**5.3**	10.3	0.8	11.1
Operating expenses[ii]	5	**(139.8)**	**(10.1)**	**(149.9)**	(151.5)	(147.7)	(299.2)
Loss from operations	7	**(35.1)**	**(44.6)**	**(79.7)**	(16.4)	(203.6)	(220.0)
Finance income	9	**1.5**	**–**	**1.5**	1.4	–	1.4
Finance expense	9	**(3.5)**	**–**	**(3.5)**	(4.4)	–	(4.4)
Share of associates' post-tax losses	17	**(3.5)**	**(0.3)**	**(3.8)**	–	–	–
Loss before tax from operations		**(40.6)**	**(44.9)**	**(85.5)**	(19.4)	(203.6)	(223.0)
Taxation	10	**(4.9)**	**0.7**	**(4.2)**	0.9	(16.1)	(15.2)
Loss for the year		**(45.5)**	**(44.2)**	**(89.7)**	(18.5)	(219.7)	(238.2)
Loss attributable to:							
Owners of the parent		**(43.7)**	**(42.1)**	**(85.8)**	(16.5)	(218.2)	(234.7)
Non-controlling interests		**(1.8)**	**(2.1)**	**(3.9)**	(2.0)	(1.5)	(3.5)
		(45.5)	**(44.2)**	**(89.7)**	(18.5)	(219.7)	(238.2)

Loss per share		**cents**		**cents**	cents		cents
Basic	11	**(27.1)**		**(53.2)**	(10.0)		(143.2)
Diluted	11	**(27.1)**		**(53.2)**	(10.0)		(143.2)

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 $1.6m (2020 – $1.8m).

The notes on pages 151 to 203 are an integral part of these condensed consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 $m	2020 $m
Comprehensive income:			
Loss for the year		**(89.7)**	(238.2)
Components of other comprehensive income (expense) after tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**0.5**	5.9
Fair value gains and losses:			
– gains originating on net investment hedges arising during the year	35	**–**	0.4
		0.5	6.3
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	36	**(0.2)**	–
Other comprehensive income after tax		**0.3**	6.3
Total comprehensive expense for the year		**(89.4)**	(231.9)
Total comprehensive expense for the year attributable to:			
Owners of the parent		**(85.8)**	(228.9)
Non-controlling interests		**(3.6)**	(3.0)
		(89.4)	(231.9)

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

Consolidated Balance Sheet

At 31 December 2021

	Notes	2021 $m	2020 $m
ASSETS			
Non-current assets			
Property, plant and equipment	12	**274.4**	307.1
Right-of-use assets	13	**24.7**	29.8
Goodwill	14	**164.1**	164.2
Other intangible assets	15	**36.2**	42.9
Investments in associates	17	**19.4**	18.1
Investments	18	**4.6**	1.7
Trade and other receivables	19	**2.0**	2.0
Deferred tax assets	20	**10.3**	15.3
		535.7	581.1
Current assets			
Inventories	21	**204.4**	288.4
Trade and other receivables	19	**155.4**	136.3
Cash and cash equivalents	22	**108.4**	102.9
Investments	18	**6.8**	–
Current tax assets		**0.9**	3.0
Held-for-sale assets		**–**	1.8
		475.9	532.4
LIABILITIES			
Current liabilities			
Trade and other payables	23	**83.0**	67.9
Lease liabilities	25	**8.9**	10.2
Borrowings	26	**1.0**	1.2
Provisions	28	**3.1**	2.9
Current tax liabilities		**3.0**	2.5
		99.0	84.7
Net current assets		**376.9**	447.7
Non-current liabilities			
Trade and other payables	23	**2.7**	2.4
Lease liabilities	25	**22.9**	30.1
Borrowings	26	**3.9**	3.9
Provisions	28	**5.0**	6.0
Deferred tax liabilities	20	**6.8**	9.8
		41.3	52.2
Net assets		**871.3**	976.6
Equity attributable to owners of the parent			
Share capital	34	**66.5**	66.5
Share premium	34	**153.0**	153.0
Other components of equity	35	**38.0**	52.3
Retained earnings	36	**612.4**	692.6
		869.9	964.4
Non-controlling interests		**1.4**	12.2
Total equity		**871.3**	976.6

The notes on pages 151 to 203 are an integral part of these consolidated financial statements. The financial statements on pages 146 to 203 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Consolidated Statement of Changes in Equity

		Year ended 31 December 2021						
	Notes	Share capital (note 34) $m	Share premium (note 34) $m	Other components of equity (note 35) $m	Retained earnings (note 36) $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January 2021		**66.5**	**153.0**	**52.3**	**692.6**	**964.4**	**12.2**	**976.6**
Loss for the year		**–**	**–**	**–**	**(85.8)**	**(85.8)**	**(3.9)**	**(89.7)**
Other comprehensive income		**–**	**–**	**0.2**	**(0.2)**	**–**	**0.3**	**0.3**
Total comprehensive expense		**–**	**–**	**0.2**	**(86.0)**	**(85.8)**	**(3.6)**	**(89.4)**
Dividends paid to Hunting PLC shareholders	37	**–**	**–**	**–**	**(12.8)**	**(12.8)**	**–**	**(12.8)**
Treasury shares								
– purchase of treasury shares		**–**	**–**	**–**	**(8.1)**	**(8.1)**	**–**	**(8.1)**
– disposal of treasury shares		**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
Share options and awards								
– value of employee services		**–**	**–**	**8.7**	**–**	**8.7**	**–**	**8.7**
– discharge		**–**	**–**	**(10.4)**	**10.2**	**(0.2)**	**–**	**(0.2)**
Acquisition of non-controlling interest	39	**–**	**–**	**–**	**3.4**	**3.4**	**(7.2)**	**(3.8)**
Transfer between reserves		**–**	**–**	**(12.8)**	**12.8**	**–**	**–**	**–**
At 31 December 2021		**66.5**	**153.0**	**38.0**	**612.4**	**869.9**	**1.4**	**871.3**

		Year ended 31 December 2020						
	Notes	Share capital (note 34) $m	Share premium (note 34) $m	Other components of equity (note 35) $m	Retained earnings (note 36) $m	Total $m	Non-controlling interests $m	Total equity $m
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 expense		–	–	5.8	(234.7)	(228.9)	(3.0)	(231.9)
Dividends paid to Hunting PLC shareholders	37	–	–	–	(8.2)	(8.2)	–	(8.2)
Dividends paid 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	39	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves		–	–	(8.2)	8.2	–	–	–
At 31 December 2020		66.5	153.0	52.3	692.6	964.4	12.2	976.6

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 $m	2020 $m
Operating activities			
Reported loss from operations		**(79.7)**	(220.0)
Amortisation of acquired intangible assets and exceptional items	6	**44.6**	203.6
Depreciation and non-acquisition amortisation (NGM A)		**38.2**	42.5
Underlying EBITDA (NGM A)		**3.1**	26.1
Share-based payments expense	38	**9.2**	9.0
Decrease in inventories		**26.6**	30.2
(Increase) decrease in receivables		**(19.0)**	67.5
Increase (decrease) in payables		**15.2**	(58.9)
Decrease in provisions		**(1.7)**	(0.2)
Net taxation received (paid)		**0.6**	(5.0)
Net gain on disposal of property, plant and equipment		**(0.2)**	(2.4)
Proceeds from disposal of property, plant and equipment held for rental		**–**	1.3
Purchase of property, plant and equipment held for rental (NGM K)		**(0.9)**	(3.0)
Fair value gain on disposal of held-for-sale asset		**(0.4)**	–
Settlement of warranty claim related to corporate transaction – exceptional item	6	**(1.7)**	–
Restructuring costs – exceptional item	6	**(2.0)**	(10.7)
Acquisition costs – exceptional item	6	**–**	(1.4)
Payment of US pension scheme liabilities		**–**	(0.5)
Other non-cash flow items		**(0.2)**	(1.0)
Net cash inflow from operating activities		**28.6**	51.0
Investing activities			
Interest received		**0.6**	0.8
Proceeds from disposal of property, plant and equipment		**0.4**	2.0
Proceeds from disposal of property, plant and equipment – Canadian assets	6	**1.8**	–
Proceeds from disposal of held-for-sale assets	12	**2.2**	–
Proceeds from disposal of business		**31.5**	0.6
Proceeds from disposal of investments		**–**	0.5
Increase in cash deposits with more than 3 months to maturity		**(6.9)**	–
Investment in associates – Cumberland Additive	17	**(5.1)**	–
Convertible financing – Well Data Labs	18	**(2.5)**	–
Purchase of subsidiaries net of cash acquired		**–**	(32.8)
Purchase of property, plant and equipment (NGM K)		**(5.7)**	(11.7)
Purchase of intangible assets		**(2.7)**	(4.3)
Net cash inflow (outflow) from investing activities		**13.6**	(44.9)
Financing activities			
Interest and bank fees paid		**(1.0)**	(1.1)
Payment of capitalised lease liabilities		**(9.3)**	(10.4)
Lease surrender payment – exceptional item	6	**(1.3)**	–
Purchase of non-controlling interest	39	**(3.8)**	–
Dividends paid to Hunting PLC shareholders	37	**(12.8)**	(8.2)
Dividends paid to non-controlling interests		**–**	(0.9)
Share buyback		**–**	(5.1)
Purchase of treasury shares		**(7.9)**	(9.4)
Proceeds on disposal of treasury shares		**0.3**	0.2
Net cash outflow from financing activities		**(35.8)**	(34.9)
Net cash inflow (outflow) in cash and cash equivalents		**6.4**	(28.8)
Cash and cash equivalents at the beginning of the year		**101.7**	127.0
Effect of foreign exchange rates		**(0.7)**	3.5
Cash and cash equivalents at the end of the year		**107.4**	101.7
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents included in current assets	22	**108.4**	102.9
Bank overdrafts included in borrowings	26	**(1.0)**	(1.2)
		107.4	101.7

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 223. 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 93. 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 United Kingdom. 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 (note 30). The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 93.

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.

Critical Judgements and Key Assumptions

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 and other key sources of estimation uncertainty at the end of the reporting period are those that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements were made regarding the recognition of impairment on non-financial assets that impacted the carrying values of property, plant and equipment 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 93.

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 2021 related to the recognition of deferred taxes in the US. The Directors concluded that there have not been any significant changes in the medium-term taxable profit forecasts for the US and so to the extent that the US deferred tax asset is not offset against the deferred tax liability recognised relating to goodwill in the US, the deferred tax asset remains unrecognised.

The Directors have considered the potential impact that climate change could have on the financial statements of the Group and recognise that climate change is a principal risk that the Group will monitor and will react appropriately to. In the judgement of the Directors, the external long-term forecasts used by the Company incorporate climate change developments, and support the view that there will be robust demand for the Group's oil and gas based products for a significant time span. Estimates made using these forecasts 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

There are no new standards that came into effect for the current financial year. The amendments to IFRS 9, IAS 39 and IFRS 7 in relation to Interest Rate Benchmark Reform – Phase 2 became effective for the financial year beginning on 1 January 2021, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ("IBORs") is ongoing. None of the Group's hedge accounting has been 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.

At the year-end, $84.6m of the Group's cash at bank and in hand balances have variable interest rates that are referenced to Central Bank base rates and have not been affected by the IBOR reforms. There is currently uncertainty around the precise nature of these changes. To transition existing contracts and agreements that reference LIBOR to SONIA (in respect of sterling denominated contracts) or SOFR (in respect of US dollar 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.

Any amounts borrowed under the new Asset Based Lending ("ABL") facility, which commenced on 7 February 2022 (see note 31(d)), will be charged interest at an interest rate based on SOFR plus a margin.

The Group's treasury department is responsible for managing the Group's LIBOR transition plan.

1. Basis of Preparation continued

Future Standards, Amendments and Interpretations

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:

- Annual Improvements to IFRS Standards 2018-2020 Cycle[i/ii]
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework[i/ii]
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use[i/ii]
- Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract[i/ii]
- Amendment to IAS 1: Classification of Liabilities as Current or Non-current Liabilities[i/iii]
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies[i/iii]
- Amendments to IAS 8 – Definition of Accounting Estimates[i/iii]
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[i/iii]
- IFRS 17 Insurance Contracts[i/iii]

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

2. Segmental Reporting

For the year ended 31 December 2021, the Group has been reporting on four 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").

From 1 January 2021, the US and Canada operating segments have been merged to form the North America operating segment, following the restructuring that took place in Canada in H2 2020 which saw the closure of manufacturing operations in Calgary, Alberta. Canada's ongoing business is now being managed as part of the Connections group and, therefore, the new operating segment reflects the way the businesses in the US and Canada are being managed and reported to the CODM. The segmental results for the year ended 31 December 2020 have been restated to reflect this change. There has been no impact on external revenue for 31 December 2020; however, both total segment revenue and inter-segment revenue have reduced by $0.6m.

The Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and which undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and underlying operating results. Underlying operating result is a profit-based measure and excludes the effects of amortisation of acquired intangible assets and any exceptional items (see note 6). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

Finance income and finance expense 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 transfer pricing policy on an arm's length basis and are eliminated on consolidation. 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™, H-2™ and H-3™ 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.

North America

The segment's businesses supply premium connections, oil country tubular goods ("OCTG"), subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US, Canada 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 Group's Canadian business now focuses on OCTG threading, which is subcontracted to facilities which hold manufacturing licences for Hunting's premium and semi-premium connections. The segment also includes the results of the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico. The business and assets of the Drilling Tools business were divested to Rival Downhole Tools ("Rival") in December 2020. Hunting holds a 23.5% equity interest in Rival and the results from this operation are presented in the income statement as share of associate's post-tax results.

2. Segmental Reporting continued

Europe, Middle East and Africa ("EMEA")

Hunting's European operations comprise businesses in the UK, Netherlands and Norway. Revenue from this segment is generated from the supply of OCTG (including threading, pipe storage and accessories manufacturing) and the sale and rental of in-field well intervention products in the UK; OCTG and well testing equipment manufacture in the Netherlands; and well intervention services and distribution in Norway. The deal reached with Marubeni-Itochu on 31 December 2021 (note 39) will see our European OCTG businesses concentrating on accessory manufacturing and yard services. Hunting's Middle East manufacturing operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group's operations in Saudi Arabia are through a 65% joint venture arrangement with Saja Energy and 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. Following a change of management reporting line for Singapore Well Intervention, the results from this business, previously included in the EMEA segment, are now included in the Asia Pacific segment. The prior year segmental information has not been restated as the amounts are not considered to be material.

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

	2021					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result[ii] $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	189.3	(4.9)	184.4	(0.9)	(8.1)	(9.0)
North America	254.6	(21.7)	232.9	(16.1)	(22.6)	(38.7)
EMEA	58.1	(0.4)	57.7	(11.2)	(15.0)	(26.2)
Asia Pacific	48.1	(1.5)	46.6	(6.9)	0.1	(6.8)
Exceptional item not apportioned to operating segments	–	–	–	–	1.0	1.0
Total from operations	550.1	(28.5)	521.6	(35.1)	(44.6)	(79.7)
Net finance expense				(2.0)	–	(2.0)
Share of associates' pre-tax losses				(3.5)	(0.3)	(3.8)
Loss before tax from operations				(40.6)	(44.9)	(85.5)

i. Relates to amortisation of acquired intangible assets.
ii. Underlying results are non-GAAP profitability measures presented before amortisation of acquired intangible assets and exceptional items.

Revenue from external customers attributable to the UK, the Group's country of domicile, included in EMEA is $35.4m (2020 – $51.0m).

Amortisation and exceptional items by operating segment:

	2021					
	Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Central $m	Total $m
Amortisation of acquired intangible assets	(4.9)	(1.8)	–	–	–	(6.7)
Impairments of property, plant and equipment	–	–	(8.6)	–	–	(8.6)
Impairments of inventories	(3.9)	(18.9)	(5.2)	–	–	(28.0)
Reversal of impairments of inventories	0.8	0.8	–	0.5	–	2.1
Settlement of warranty claim related to a corporate transaction	–	(1.7)	–	–	–	(1.7)
Restructuring costs	(0.1)	(1.2)	(0.3)	(0.4)	–	(2.0)
Loss on disposal of business	–	–	(0.9)	–	–	(0.9)
Profit on disposal of Canadian assets	–	0.2	–	–	–	0.2
Profit on surrender of lease	–	–	–	–	1.0	1.0
	(8.1)	(22.6)	(15.0)	0.1	1.0	(44.6)

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

	Restated 2020 Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result[ii] $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	161.7	(4.7)	157.0	(5.6)	(120.4)	(126.0)
North America	311.6	(28.0)	283.6	(3.5)	(58.5)	(62.0)
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	661.4	(35.4)	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)

i. Relates to amortisation of acquired intangible assets.
ii. Underlying results are non-GAAP profitability measures presented before amortisation of acquired intangible assets and exceptional items.

Amortisation and exceptional items by operating segment:

Restated 2020	Hunting Titan $m	North America $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)	(7.1)	(2.6)	–	(39.2)
Impairments of property, plant and equipment	(0.4)	(10.2)	(8.8)	–	(19.4)
Impairments of right-of-use assets	(0.2)	(3.9)	–	–	(4.1)
Impairments of inventories	(7.1)	(20.2)	(4.3)	(2.6)	(34.2)
Impairments of receivables	(1.2)	–	–	–	(1.2)
Restructuring costs	(1.6)	(6.6)	(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)	(58.5)	(21.9)	(2.8)	(203.6)

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

	2021 $m	2020 $m
Perforating Systems	**181.7**	154.5
OCTG	**172.5**	264.7
Advanced Manufacturing	**59.6**	74.3
Subsea	**58.8**	69.8
Intervention Tools	**25.8**	30.7
Drilling Tools	**–**	9.9
Other	**23.2**	22.1
Total	**521.6**	626.0
Revenue from products is further analysed between:		
Oil and gas	**484.0**	586.2
Non-oil and gas	**37.6**	39.8
Total	**521.6**	626.0

2. Segmental Reporting continued

(b) Other Segment Items

	2021			Restated 2020		
	Depreciation[i] $m	**Amortisation $m**	**Impairment[ii] $m**	Depreciation[i] $m	Amortisation $m	Impairment[ii] $m
Hunting Titan	**7.6**	**6.2**	**4.1**	7.9	16.0	104.4
North America	**21.0**	**2.9**	**21.8**	22.9	4.4	53.2
EMEA	**3.8**	**0.1**	**10.3**	4.9	0.3	20.5
Asia Pacific	**3.2**	**0.1**	**(0.2)**	3.9	0.1	2.0
Total	**35.6**	**9.3**	**36.0**	39.6	20.8	180.1

i. Depreciation in 2021 comprises depreciation of property, plant and equipment $28.9m (2020 – $32.1m) and depreciation of right-of-use assets $6.7m (2020 – $7.5m).
ii. Impairment comprises impairment of goodwill $nil (2020 – $79.8m), other intangible assets $nil (2020 – $39.2m), property, plant and equipment $8.6m (2020 – $19.4m), right-of-use assets $nil (2020 – $3.5m net), trade and other receivables $1.6m net (2020 – $1.8m net) and inventories $25.8m net (2020 – $36.4m).

(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.

	2021 $m	Restated 2020 $m
Hunting Titan – US	**181.5**	186.3
Hunting Titan – Canada	**2.4**	2.2
Hunting Titan – Other	**0.6**	0.9
Hunting Titan	**184.5**	189.4
North America – US	**292.5**	309.0
North America – UK[i]	**9.4**	11.3
North America – Canada	**1.2**	3.3
North America	**303.1**	323.6
EMEA – UK[i]	**19.5**	30.8
EMEA – Rest of Europe	**7.2**	9.3
EMEA – Middle East	**2.1**	2.4
EMEA	**28.8**	42.5
Asia Pacific – China	**3.3**	4.4
Asia Pacific – Indonesia	**3.2**	3.7
Asia Pacific – Singapore	**2.5**	2.2
Asia Pacific	**9.0**	10.3
Unallocated assets:		
Deferred tax assets	**10.3**	15.3
Total non-current assets	**535.7**	581.1

i. The value of non-current assets located in the UK, the Group's country of domicile, is $28.9m (2020 – $42.1m).

(d) Major Customer

The Group received revenue of $69.4m (2020 – $64.1m) from the Halliburton Company Group, which is 13% (2020 – 10%) of the Group's revenue from external customers. All of Hunting's operating segments have benefited from trading with Halliburton. There are no other major customers that contributed more than 10% to the Group's external revenue.

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.

	2021			
	Revenue from contracts with customers $m	**Rental revenue $m**	**Other revenue $m**	**Total external revenue $m**
Hunting Titan	**184.0**	**0.4**	**–**	**184.4**
North America	**228.8**	**2.3**	**1.8**	**232.9**
EMEA	**54.4**	**3.3**	**–**	**57.7**
Asia Pacific	**46.5**	**0.1**	**–**	**46.6**
Total	**513.7**	**6.1**	**1.8**	**521.6**

3. Revenue continued

	Restated 2020			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	157.0	–	–	157.0
North America	270.6	11.1	1.9	283.6
EMEA	75.0	3.1	–	78.1
Asia Pacific	107.3	–	–	107.3
Total	609.9	14.2	1.9	626.0

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

	2021 $m	2020 $m
Income from subleasing assets	**1.3**	1.8
Gain on disposal of property, plant and equipment	**0.3**	2.8
Fair value gain on disposal of held-for-sale asset	**0.4**	–
Government grants	**0.8**	3.8
Foreign exchange gains[i]	**0.6**	1.4
Other income[ii]	**0.7**	0.5
Other operating income before amortisation[iii] and exceptional items	**4.1**	10.3
Other operating income included in amortisation and exceptional items (note 6)	**1.2**	0.8
	5.3	11.1

i. Includes fair value losses on derivatives designated in a fair value hedge of $0.1m (2020 – $nil).
ii. Includes fair value gains on derivatives not designated in a hedge of $nil (2020 – $0.1m).
iii. Relates to amortisation of acquired intangible assets.

Government Grants

Hunting PLC has benefited from a number of government schemes to support companies because 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 $0.2m in 2021 and $3.6m for the year ended 31 December 2020 relating to COVID-19 support.

The Group also benefits from a number of other ongoing government schemes, including a Scottish Enterprise grant of $0.2m (2020 – $0.1m) for Enpro. Other government assistance totalled $0.4m (2020 – $0.1m) in the year ended 31 December 2021.

There are no repayment conditions attached to any government grants or assistance.

5. Operating Expenses

	2021 $m	2020 $m
Administration expenses[i] before amortisation[ii] and exceptional items	**101.6**	107.4
Distribution and selling costs	**38.1**	43.7
Loss on disposal of property, plant and equipment	**0.1**	0.4
Operating expenses before amortisation[ii] and exceptional items	**139.8**	151.5
Operating expenses included in amortisation and exceptional items (note 6)	**10.1**	147.7
	149.9	299.2

i. Includes foreign exchange losses of $0.6m (2020 – $0.8m) and a fair value loss on derivatives not designated in a hedge of $0.1m (2020 – $0.1m).
ii. Relates to amortisation of acquired intangible assets.

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.

	2021 Gross amount $m	2021 Tax impact $m	2020 Gross amount $m	2020 Tax impact $m
Impairments of property, plant and equipment	**8.6**	**(0.8)**	14.8	–
Impairments of inventories	**28.0**	**(0.8)**	34.2	(2.3)
Reversal of impairments of inventories	**(2.1)**	**0.3**	–	–
Restructuring costs	**1.2**	**–**	7.7	(0.8)
Charged to cost of sales	**35.7**	**(1.3)**	56.7	(3.1)
Gain on disposal of Canadian assets	**(0.2)**	**–**	(0.8)	0.2
Gain on surrender of lease	**(1.0)**	**0.4**	–	–
Credited to other operating income (note 4)	**(1.2)**	**0.4**	(0.8)	0.2
Amortisation of acquired intangible assets	**6.7**	**0.4**	17.3	(0.5)
Impairments of goodwill	**–**	**–**	79.8	–
Impairments of other intangible assets	**–**	**–**	39.2	(0.9)
Impairments of property, plant and equipment	**–**	**–**	4.6	–
Impairments of right-of-use assets	**–**	**–**	4.1	(0.9)
Impairments of receivables	**–**	**–**	1.2	–
Settlement of warranty claim related to a corporate transaction	**1.7**	**–**	–	–
Loss on disposal of business	**0.9**	**(0.2)**	–	–
Restructuring costs	**0.8**	**–**	2.6	(0.2)
Acquisition costs	**–**	**–**	1.4	–
Remeasurement of contingent consideration on Enpro acquisition	**–**	**–**	(2.5)	–
Reversal of net deferred tax assets no longer recognised for the US businesses (note 10)	**–**	**–**	–	21.5
Charged to operating expenses (note 5)	**10.1**	**0.2**	147.7	19.0
Total impacting loss from operations	**44.6**	**(0.7)**	203.6	16.1
Amortisation of acquired intangible assets – associates (note 17)	**0.3**	**–**	–	–
Total	**44.9**	**(0.7)**	203.6	16.1

Due to the changes in future activity resulting from the transactions on 31 December 2021 with Marubeni-Itochu (note 39), a number of associated exceptional charges were recognised in December including: an impairment of the Fordoun property by $8.6m as the use of the property and expected cash flows for the property have changed; impairment of pipe inventory of $5.2m to match the net realisable value determined through the due diligence work; and a provision of $0.9m for the cost of repairs to a quantity of pipe.

As a result of the severely adverse trading conditions caused by the COVID-19 pandemic, there has been a slower-than-anticipated return to economic growth for many developed economies, which in turn has impacted the drilling activity and equipment purchasing of some of the Group’s clients. During the year, certain inventory was written down to its net realisable value due to reduced turn rates, increased ageing of inventories and inventory selling prices being lowered. An impairment charge of $28.0m (2020 – $34.2m), including the $5.2m charge recognised on the Marubeni-Itochu transaction discussed above, and the reversal of previous inventory provisions of $2.1m charged to exceptional items were recognised.

In October 2021, the Group paid $1.7m in settlement of a warranty claim in relation to the transfer of assets, and their condition, as part of a corporate transaction.

Restructuring costs of $2.0m were incurred and paid in the year. These relate to the implementation of cost-base reduction measures, which began in 2020 with further headcount reductions being made in 2021 as a result of the continued negative impact of COVID-19 on activity levels. Cumulatively by the end of 2021, $12.3m of expense and $12.7m of cash cost has been incurred on the restructuring programme begun in 2020. The restructuring programme will continue in 2022.

On 19 April 2021, the lease and the sub-lease on a property held by a UK head office company were surrendered. A final payment of $1.3m was made to settle the lease. Following the surrender of the lease, the gain recognised on the disposal of the lease and the corresponding right-of-use asset was $1.0m. The gain has not been allocated to an operating segment as the original property provisions were not allocated to an operating segment at the time they were recognised.

During the year, a further gain of $0.2m (2020 – $0.8m) on the disposal of Canadian assets was recognised, following the closure of the Canadian operations. The Group received disposal proceeds of $1.8m for these assets during the year.

6. Amortisation and Exceptional Items continued

The following items were recognised as exceptional during 2020:

Following a carrying value review, impairments of goodwill of $79.8m, property, plant and equipment of $19.4m, right-of-use assets of $4.1m, other intangible assets £39.2m, inventories of $34.2m and receivables of $1.2m, totalling $177.9m, were recognised during 2020. Further details are provided in note 16 for non-financial assets and note 18 for receivables of the 2020 Annual Report and Accounts.

Total restructuring costs of $10.3m were incurred in 2020, with $10.7m paid during 2020. Restructuring costs in 2020 benefited from the release of unused restructuring provisions recognised in prior years as exceptional items.

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

The contingent consideration recognised on the acquisition of Enpro had a fair value of $nil at 31 December 2020 and so the amount recognised at the date of the acquisition was reversed.

7. Loss from Operations

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

	2021 $m	2020 $m
Staff costs (note 8)	**150.5**	171.9
Depreciation of property, plant and equipment (note 12)	**28.9**	32.1
Amortisation of acquired intangible assets (note 6)	**6.7**	17.3
Non-exceptional amortisation of intangible assets	**2.6**	3.5
Amortisation of intangible assets – reported (included in cost of sales and operating expenses) (note 15)	**9.3**	20.8
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 cost of sales and operating expenses) (note 6)	**8.6**	19.4
Loss on disposal of business – exceptional (note 6)	**0.9**	–
Fair value gain on disposal of held-for-sale asset (note 4)	**(0.4)**	–
Net gain on disposal of property, plant and equipment – underlying	**(0.2)**	(2.4)
Gain on disposal of property, plant and equipment – exceptional items (note 6)	**(0.2)**	(0.2)
Net gain on disposal of property, plant and equipment – reported	**(0.4)**	(2.6)
Lease charges included in loss from operations – underlying (note 25)	**8.3**	9.4
Lease (gains) charges included in loss from operations – exceptional items (notes 6 and 25)	**(1.0)**	4.1
Lease charges included in loss from operations (note 25)	**7.3**	13.5
Research and development expenditure	**4.7**	5.0

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

	2021 $m	2020 $m
The audit of these financial statements	**2.1**	1.9
The audit of the financial statements of the Company's subsidiaries	**0.5**	0.5
Total audit	**2.6**	2.4
Audit-related assurance services	**0.2**	0.1
Total audit and audit-related services	**2.8**	2.5

8. Employees

	2021 $m	2020 $m
Wages and salaries (including annual cash bonuses)	**125.0**	145.1
Social security costs	**9.7**	11.2
Share-based payments (note 38)	**9.2**	9.0
Other pension costs		
– defined contribution schemes (note 33)	**7.0**	7.4
– defined benefit schemes (note 33)	**–**	0.1
Net gains on the Unfunded DB scheme's assets and liabilities included in net finance expense (note 33)	**(0.2)**	–
Staff costs for the year	**150.7**	172.8

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

	2021 $m	2020 $m
Total staff costs included in reported loss from operations (note 7)	**150.5**	171.9
Staff costs – net gains on the Unfunded DB scheme's assets and liabilities included in net finance expense	**(0.2)**	–
Staff costs capitalised as R&D	**0.4**	0.9
	150.7	172.8

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

	2021 Number	2020 Number
US	**1,271**	1,558
Canada	**31**	95
Europe	**223**	269
Asia Pacific	**358**	441
Middle East, Africa and Mexico	**34**	45
	1,917	2,408

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

	2021 Number	Restated 2020 Number
Hunting Titan	**449**	481
North America	**837**	1,150
EMEA	**220**	279
Asia Pacific	**341**	426
Central	**70**	72
	1,917	2,408

Following the merger of the US and Canada operating segments to form the North America operating segment, the average monthly number of employees for 2020 was restated.

The actual number of employees at the year-end was 1,949 (2020 – 1,923).

Key management comprises the Board and the nine members of the Executive Committee listed on page 98. Their aggregate remuneration in the year was:

	2021 $m	2020 $m
Salaries, annual cash bonuses and short-term employee benefits	**4.8**	4.0
Post-employment benefits	**0.3**	0.2
Share-based payments	**2.4**	2.4
	7.5	6.6

Remuneration of the Board, included as part of key management compensation, can be found in the Annual Report on Remuneration on pages 121 to 130. 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

	2021 $m	2020 $m
Finance income:		
Interest on bank balances and deposits	**0.3**	0.3
Foreign exchange gains	**0.1**	0.3
Fair value gains on listed equities and mutual funds	**0.2**	–
Fair value gains on derivative financial instruments	**0.7**	0.6
Fair value gains on the Well Data Labs convertible financing	**0.2**	–
Fair value gains on money market funds	**–**	0.1
Other finance income	**–**	0.1
	1.5	1.4
Finance expense:		
Interest on lease liabilities	**(1.5)**	(1.9)
Bank fees and commissions	**(1.3)**	(1.4)
Foreign exchange losses	**(0.6)**	(0.8)
Fair value losses on derivative financial instruments	**(0.1)**	(0.1)
Other finance expense	**–**	(0.2)
	(3.5)	(4.4)
Net finance expense	**(2.0)**	(3.0)

10. Taxation

	2021			2020		
	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	**2.1**	**(0.4)**	**1.7**	5.2	(2.0)	3.2
– adjustments in respect of prior years	**0.4**	**–**	**0.4**	(3.0)	–	(3.0)
	2.5	**(0.4)**	**2.1**	2.2	(2.0)	0.2
Deferred tax						
– origination and reversal of temporary differences	**1.1**	**(1.0)**	**0.1**	(4.3)	(3.4)	(7.7)
– derecognition of US deferred tax assets				–	21.5	21.5
– change in tax rate	**0.1**	**0.7**	**0.8**	0.8	–	0.8
– adjustments in respect of prior years	**1.2**	**–**	**1.2**	0.4	–	0.4
	2.4	**(0.3)**	**2.1**	(3.1)	18.1	15.0
Taxation charge (credit)	**4.9**	**(0.7)**	**4.2**	(0.9)	16.1	15.2

i. Relates to amortisation of acquired intangible assets.

The effective tax rate applicable to operations before amortisation and exceptional items was -12% (2020: 5%), see NGM B. The Group's effective tax rate is significantly different to that which might be expected from prevailing jurisdictional rates as it is distorted when deferred tax is not fully recognised in loss making jurisdictions.

The adjustments in respect of prior years within both current tax and deferred tax, totalling a charge of $1.6m (2020 – $2.6m credit) relate to true-ups of prior year balances.

A tax credit of $0.7m (note 6) has been included in the consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items (2020 – $16.1m charge). The 2020 charge largely reflected the reversal of net deferred tax assets of $21.5m no longer recognised for the US businesses as realisation of the tax benefit was not probable within a reasonable time frame. This charge was offset by tax credits associated with the amortisation of acquired intangible assets and exceptional items.

The reported tax charge for the year was $4.2m (2020 – $15.2m) and the reported effective tax rate was -5% (2020: -7%).

10. Taxation continued

The table below reconciles the tax on the Group's reported loss 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 is used, as this reflects the applicable rates for the countries in which the Group has earned profits. The total tax charge for the year is different to the weighted average rate of tax of 22% (2020 – 23%) for the following reasons:

	2021 $m	2020 $m
Reported loss before tax	**(85.5)**	(223.0)
Tax at 22% (2020 – 23%)	**(18.7)**	(51.3)
Permanent differences including tax credits	**3.7**	3.4
Current year deferred tax not recognised	**16.8**	48.7
Derecognition of prior year deferred tax in relation to the US businesses	**–**	21.5
Recognition of previously unrecognised deferred taxes	**–**	(5.3)
Change in tax rates	**0.8**	0.8
Adjustments in respect of prior years	**1.6**	(2.6)
Taxation	**4.2**	15.2

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

	2021			2020		
	Before tax $m	Tax (charged) credited $m	After tax $m	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**0.5**	**–**	**0.5**	5.8	0.1	5.9
Fair value gains (losses) originating on net investment hedge arising during the year	**–**	**–**	**–**	0.5	(0.1)	0.4
Remeasurement of defined benefit pension schemes	**(0.2)**	**–**	**(0.2)**	–	–	–
	0.3	**–**	**0.3**	6.3	–	6.3

The tax relating to the components of other comprehensive income comprises $nil current tax (2020 – $nil) and $nil deferred tax (2020 – $nil).

11. Loss per Share

Basic loss per share ("LPS") is calculated by dividing the loss attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year. For diluted loss 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. However, for the years ended 31 December 2021 and 31 December 2020, the effect of dilutive long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted loss per share.

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

	2021 $m	2020 $m
Reported loss attributable to Ordinary shareholders	**(85.8)**	(234.7)
Add: amortisation[i] and exceptional items after taxation	**42.1**	218.2
Underlying loss attributable to Ordinary shareholders	**(43.7)**	(16.5)

	millions	millions
Basic weighted average number of Ordinary shares	**161.2**	163.9
Long-term incentive plans	**5.9**	4.8
Adjusted weighted average number of Ordinary shares	**167.1**	168.7

	cents	cents
Reported loss per share		
Basic LPS	**(53.2)**	(143.2)
Diluted LPS	**(53.2)**	(143.2)
Underlying loss per share		
Basic LPS	**(27.1)**	(10.0)
Diluted LPS	**(27.1)**	(10.0)

i. Relates to amortisation of acquired intangible assets.

12. Property, Plant and Equipment

	Year ended 31 December 2021				
	Land and buildings $m	Plant, machinery and motor vehicles $m	Rental tools $m	Oil and gas exploration and development $m	Total $m
Cost:					
At 1 January 2021	**267.7**	**355.0**	**24.0**	**110.9**	**757.6**
Exchange adjustments	**(0.6)**	**(0.4)**	**(0.1)**	**–**	**(1.1)**
Additions	**1.5**	**3.6**	**0.9**	**0.5**	**6.5**
Disposals	**(1.4)**	**(19.9)**	**(0.6)**	**–**	**(21.9)**
Reclassification from inventories	**–**	**–**	**0.5**	**–**	**0.5**
Reclassification	**0.1**	**(0.1)**	**–**	**–**	**–**
At 31 December 2021	**267.3**	**338.2**	**24.7**	**111.4**	**741.6**
Accumulated depreciation and impairment:					
At 1 January 2021	**(66.9)**	**(258.7)**	**(15.8)**	**(109.1)**	**(450.5)**
Exchange adjustments	**0.5**	**0.3**	**0.1**	**–**	**0.9**
Charge for the year	**(6.4)**	**(20.9)**	**(1.3)**	**(0.3)**	**(28.9)**
Impairment of assets (note 16(d))	**(8.6)**	**–**	**–**	**–**	**(8.6)**
Disposals	**1.3**	**18.0**	**0.6**	**–**	**19.9**
Reclassification	**(0.1)**	**0.1**	**–**	**–**	**–**
At 31 December 2021	**(80.2)**	**(261.2)**	**(16.4)**	**(109.4)**	**(467.2)**
Net book amount	**187.1**	**77.0**	**8.3**	**2.0**	**274.4**

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

Included in the net book amount is expenditure relating to assets in the course of construction of $0.1m (2020 – $nil) for buildings, $5.4m (2020 – $4.9m) for rental tools, and $1.0m (2020 – $0.5m) 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 $5.6m as at 31 December 2021 (2020 – $0.6m).

The net book amount of land and buildings of $187.1m (2020 – $200.8m) comprises freehold land and buildings of $185.8m (2020 – $199.1m) and capitalised leasehold improvements of $1.3m (2020 – $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 $4.8m at 31 December 2021 for land and buildings (2020 – $10.3m).

In accordance with the requirements of the Group's $160m committed Revolving Credit Facility, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of $187.0m (2020 – $200.6m).

12. Property, Plant and Equipment continued

	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	–	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	(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.

The net book amount of property, plant and equipment at 1 January 2020 was $354.7m.

Details on the impairment of property, plant and equipment for 2020 are provided in note 16(c) of the 2020 Annual Report and Accounts.

During 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. The property was sold in early 2021 for $2.2m, realising a fair value gain of $0.4m (note 4).

13. Right-of-use Assets

	Year ended 31 December 2021		
	Land and buildings $m	**Plant, machinery and motor vehicles $m**	**Total $m**
Cost:			
At 1 January 2021	**88.6**	**1.9**	**90.5**
Exchange adjustments	**(0.3)**	**–**	**(0.3)**
New leases	**1.7**	**0.4**	**2.1**
Lease cessations	**(27.4)**	**(0.1)**	**(27.5)**
Modifications	**0.9**	**–**	**0.9**
At 31 December 2021	**63.5**	**2.2**	**65.7**
Accumulated depreciation and impairment:			
At 1 January 2021	**(60.1)**	**(0.6)**	**(60.7)**
Depreciation charge for the year	**(6.3)**	**(0.4)**	**(6.7)**
Lease cessations	**26.3**	**0.1**	**26.4**
At 31 December 2021	**(40.1)**	**(0.9)**	**(41.0)**
Net book amount	**23.4**	**1.3**	**24.7**

The Group sub-lets certain right-of-use assets under operating leases. The net book value of items that are sub-let included in the table above is $1.1m for land and buildings.

	Year ended 31 December 2020		
	Land and buildings $m	Plant, machinery and motor vehicles $m	Total $m
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	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(e))	(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 net book amount of right-of-use assets at 1 January 2020 was $36.7m.

The net book value of items that are sub-let included in the table above is $2.6m at 31 December 2020 for land and buildings.

14. Goodwill

	2021 $m	2020 $m
Cost:		
At 1 January	**532.0**	516.9
Exchange adjustments	**–**	1.7
Additions	**–**	13.4
At 31 December	**532.0**	532.0
Accumulated impairment:		
At 1 January	**(367.8)**	(286.7)
Exchange adjustments	**(0.1)**	(1.3)
Impairment charge for the year (note 16(b))	**–**	(79.8)
At 31 December	**(367.9)**	(367.8)
Net book amount	**164.1**	164.2

The net book amount of goodwill at 1 January 2020 was $230.2m.

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.

15. Other Intangible Assets

	Year ended 31 December 2021				
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Other $m	Total $m
Cost:					
At 1 January 2021	**219.9**	**80.6**	**73.9**	**16.3**	**390.7**
Exchange adjustments	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Additions	**–**	**1.5**	**0.9**	**0.3**	**2.7**
Disposals	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Reclassification	**–**	**(0.2)**	**0.2**	**–**	**–**
At 31 December 2021	**219.8**	**81.9**	**74.9**	**16.6**	**393.2**
Accumulated amortisation and impairment:					
At 1 January 2021	**(212.6)**	**(68.2)**	**(58.0)**	**(9.0)**	**(347.8)**
Amortisation charge for the year	**(0.8)**	**(4.7)**	**(2.8)**	**(1.0)**	**(9.3)**
Disposals	**0.1**	**–**	**–**	**–**	**0.1**
At 31 December 2021	**(213.3)**	**(72.9)**	**(60.8)**	**(10.0)**	**(357.0)**
Net book amount	**6.5**	**9.0**	**14.1**	**6.6**	**36.2**

Other intangible assets of $6.6m (2020 – $7.3m) include software of $6.4m (2020 – $7.1m).

15. Other Intangible Assets continued

	Year ended 31 December 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	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(f))	(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

The net book amount of other intangible assets at 1 January 2020 was $78.5m. 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.

Internally generated intangible assets have been included within patented and unpatented technology as shown in the table below.

	2021		2020	
	Internally generated patented technology $m	**Internally generated unpatented technology $m**	Internally generated patented technology $m	Internally generated unpatented technology $m
Cost:				
At 1 January	**10.7**	**27.2**	5.9	28.3
Exchange adjustments	**–**	**–**	0.2	0.1
Additions	**0.9**	**1.5**	1.3	0.7
Acquisition of subsidiary	**–**	**–**	1.4	–
Reclassification	**0.2**	**(0.2)**	1.9	(1.9)
At 31 December	**11.8**	**28.5**	10.7	27.2
Accumulated amortisation and impairment:				
At 1 January	**(5.4)**	**(18.6)**	(1.1)	(6.2)
Exchange adjustments	**–**	**–**	(0.1)	(0.3)
Amortisation charge	**(0.6)**	**(0.9)**	(0.7)	(2.2)
Impairment charge for the year (note 16(f))	**–**	**–**	(3.5)	(9.9)
At 31 December	**(6.0)**	**(19.5)**	(5.4)	(18.6)
Net book amount	**5.8**	**9.0**	5.3	8.6

16. Impairment of Non-financial Assets

(a) Impairment Testing Process

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

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 its 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 2022, cash flows are based on the latest detailed budget, as approved by the Board. For 2023 to 2026, 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 2021 to 2026 vary between 6% and 25% (2020 – CAGR from 2020 to 2025 between 8% and 30%). After 2026, a terminal value was calculated assuming growth of 50 basis points above assumed inflation (2020 – 50 basis points), giving nominal growth rates between 0% and 4% (2020 – between 0% and 1%).

Cash flows were discounted using nominal pre-tax rates between 10% and 15% (2020 – 11% and 13%). The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the CGU and expected levels of leverage. Consideration was also given to other factors such as small cap premium, currency risk, operational risk and country risk.

We have considered indicators of impairment in the carrying value of the assets, including the excess of the value calculated under the FVLCD methodology described above, compared to our market capitalisation and the modest excess versus the consolidated net assets of the Group. In concluding that no impairment is required, we have considered the volatility of our share price over the period, the relatively illiquid nature of our share trading and specific factors influencing the behaviour of some shareholders to exposure in our sector at present.

(ii) Impairment Tests for 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

(i) Allocation

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

CGU	Operating segment	**2021 $m**	2020 $m
Hunting Titan	Titan	**114.9**	114.9
Hunting Stafford "Subsea"	North America	**15.0**	15.0
Enpro	North America	**14.1**	14.2
Dearborn	North America	**7.6**	7.6
US Manufacturing	North America	**12.5**	12.5
At 31 December		**164.1**	164.2

Goodwill is tested at least annually for impairment. Impairment charges of $nil (2020 – $79.8m) were recorded as a result of the goodwill impairment reviews carried out in the year.

(ii) Material CGU

Hunting Titan is the only CGU that is significant in relation to the Group's total carrying amount of goodwill, representing 70% (2020 – 70%) of the balance. The Hunting Titan CGU was considerably impacted by the significant and rapid decline in US onshore activity levels in 2020 and an impairment of $65.6m was charged in the 2020 accounts. There has been a steady improvement in performance during 2021 and there continues to be a positive future outlook for US onshore activity levels. This has resulted in headroom over the carrying value of $175.9m (2020 – $64.7m) in the year-end test in which cash flows were discounted using a nominal pre-tax rate of 12% (2020 – 11%). Given current market expectations, there are no reasonably foreseeable changes in the expected CAGR between 2021 and 2026 or changes in discount rates that would eliminate this headroom.

16. Impairment of Non-financial Assets continued

(c) CGU Sensitivities

(i) Enpro

Cash flows were discounted using a nominal pre-tax rate of 13% (2020 – 13%), with no impairment being recognised following the impairment review. Enpro was acquired in February 2020, just prior to COVID-19 making a major impact on the world economy. This CGU remains sensitive with respect to impairment. A reduction in the forecast revenue CAGR between 2021 and 2026 by 5% in actual results or future forecasts, or an increase in discount rates by 2%, could result in a material impairment charge of $3.5m in the next financial year. The Group is carrying $14.1m of goodwill and $15.6m of other intangibles in respect of this CGU. Enpro is part of the North America operating segment.

(ii) Dearborn

In the year-end test performed, cash flows were discounted using a nominal pre-tax rate of 12% (2020 – 12%) and no impairment was identified. Should the forecast revenue CAGR deteriorate between 2021 and 2026 by 5% in actual results or future forecasts, this could result in a material impairment charge of $3.5m in the next financial year. During 2020, an impairment charge of $4.9m was incurred in respect of the Dearborn CGU. Dearborn is part of the North America operating segment.

(iii) Other CGUs

For other CGUs that carry goodwill, management has concluded that there are no reasonably foreseeable changes in key assumptions that will give rise to goodwill impairment charges.

(d) Impairment of Property, Plant and Equipment

An impairment charge of $8.6m has been made against property, plant and equipment during the year. This related to the restructuring of the OCTG business in the UK and the consequential change of usage and expected cash flows for the property used by the business. This charge was shown in the EMEA segment. During 2020, a total impairment charge of $19.4m was recorded against property, plant and equipment.

(e) Impairment of Right-of-use Assets

No impairment has been charged against right-of-use assets during 2021. 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 2020.

(f) Impairment of Other Intangible Assets

No impairment has been charged against other intangible assets in the year. During 2020, a charge of $39.2m was recognised, which comprised the remaining balance for customer relationships recognised on the acquisition of Hunting Titan in 2011 of $24.6m, $14.4m for self-developed technologies, and $0.2m relating to Canada's IT systems.

(g) Impairment of Inventory

Certain inventory was written down to its net realisable value due to the reduced turn rates and increased ageing of inventories, lower oil and gas prices reducing demand and inventory selling prices being lowered. A net impairment charge of $25.8m (2020 – $36.4m charge) was recognised in the year. Charges of $28.0m, and the reversal of inventory provisions of $2.1m charged to exceptional items, were reflected as exceptional items (note 6). Included in the exceptional charge is $5.2m recognised on the transaction with Marubeni-Itochu. During 2020, $34.2m of the impairment charge was recognised as an exceptional item (note 6).

As indicated in the 2021 Half Year Report, the Group is carrying pressure control equipment inventory in North America that has substantially reduced inventory utilisation rates in 2020 and 2021 as a result of capital constraints applied during the global downturn as a result of the COVID-19 pandemic. The improvement in trading during H2 2021 was not as strong as anticipated. While management do expect a significant improvement in the market going forward, the Group has increased provisions to $11.3m at 31 December 2021. Inventory utilisation provisions have been applied to all line items that are not currently forecast to be consumed within a three year time frame. If this period is extended by a year the provision would decline by $1.6m.

17. Investments in Associates

Movement on investments in associates:

	2021 $m	2020 $m
At 1 January	**18.1**	0.7
Additions	**5.1**	17.4
Underlying share of associates' loss for the year	**(3.5)**	–
Amortisation of acquired intangible assets – exceptional items	**(0.3)**	–
At 31 December	**19.4**	18.1

On 24 August 2021, the Group purchased 27% of the share capital of Cumberland Additive Holdings LLC for $5.1m. The investment is recognised as an investment in an associate.

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. The combination of Hunting's Drilling Tools assets with Rival created a business with a larger operating footprint, with leading technology and products, and enabled Rival to establish its market position as one of the top downhole tool providers within the competitive US onshore market. The investment in Rival allows Hunting to retain exposure to the US onshore drilling tools rental market.

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

(a) Material Associate: Rival Downhole Tools LC

The tables below provide summarised financial information for Rival Downhole Tools LC ("Rival"), which is considered to be material to the Group. The information disclosed reflects the amounts presented in the financial statements of Rival and not Hunting PLC's share of those amounts. They have been amended to reflect adjustments made by Hunting when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	2021 $m	2020 $m
Summarised statement of comprehensive income:		
Revenue	**27.2**	–
Loss from operations	**(13.3)**	–
Total comprehensive expense	**(13.3)**	–

The Group's share of Rival's loss from operations was $3.2m.

	2021 $m	2020 $m
Summarised balance sheet:		
Non-current assets	**35.2**	46.1
Current assets	**10.4**	11.3
Total assets	**45.6**	57.4
Non-current liabilities	**(0.5)**	(0.7)
Current liabilities	**(6.1)**	(4.3)
Total liabilities	**(6.6)**	(5.0)
Net assets	**39.0**	52.4
Reconciliation to carrying amounts:		
Opening net assets at 1 January	**52.4**	–
Net assets at date of acquisition of 23.5% interest in the equity shares	**–**	52.4
Loss for the year	**(13.4)**	–
Closing net assets	**39.0**	52.4
Group's share of equity %	**23.5%**	23.5%
Group's share of net assets	**9.1**	12.3
Goodwill	**2.1**	2.1
Other intangible assets	**2.7**	3.0
Carrying amount at 31 December	**13.9**	17.4

(b) Individually Immaterial Associates

In addition to the interest in Rival disclosed above, the Group also has interests in a number of individually immaterial associates, including the 27% interest in Cumberland Additive for $5.1m, that are accounted for using the equity method. The Group's share of the results, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

	2021 $m	2020 $m
Aggregate carrying amount of individually immaterial associates	**5.5**	0.7
Share of associates' loss for the year	**(0.3)**	–

18. Investments

	2021 $m	2020 $m
Non-current:		
Listed equity investments and mutual funds	**1.9**	1.7
Well Data Labs convertible financing	**2.7**	–
	4.6	1.7

	2021 $m	2020 $m
Current:		
Cash deposits with more than 3 months to maturity	**6.8**	–

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 financing.

19. Trade and Other Receivables

	2021 $m	2020 $m
Non-current:		
Prepayments	**1.7**	1.7
Other receivables	**0.3**	0.3
	2.0	2.0

	2021			
	Contracts with customers $m	**Rental receivables $m**	**Other receivables $m**	**Total $m**
Current:				
Contract assets	**9.9**	**–**	**–**	**9.9**
Trade receivables	**126.5**	**1.3**	**0.3**	**128.1**
Accrued revenue	**3.7**	**0.1**	**–**	**3.8**
Gross receivables	**140.1**	**1.4**	**0.3**	**141.8**
Less: provisions for impairment	**(4.3)**	**(0.3)**	**–**	**(4.6)**
Net receivables	**135.8**	**1.1**	**0.3**	**137.2**
Prepayments	**–**	**–**	**15.9**	**15.9**
Other receivables	**–**	**–**	**2.3**	**2.3**
Net book amount	**135.8**	**1.1**	**18.5**	**155.4**

	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: provisions 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

Current and non-current other receivables generally arise from transactions outside the usual operating activities of the Group and comprise receivables from tax (VAT, GST, franchise taxes, and sales and use taxes) of $1.1m (2020 – $1.6m), derivative financial assets of $0.1m (2020 – $0.1m) and other receivables of $1.4m (2020 – $1.3m), which are financial assets measured at amortised cost.

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 $160m committed Revolving Credit Facility, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $102.4m (2020 – $84.3m). For the receivables pledged as security, their carrying value approximates their fair value.

19. Trade and Other Receivables continued

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 2021, 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**
Trade receivables – contracts with customers	**66.7**	**21.6**	**15.7**	**6.7**	**7.8**	**8.0**	**126.5**
Trade receivables – rental receivables	**0.5**	**0.4**	**0.3**	**0.1**	**–**	**–**	**1.3**
Trade receivables – other	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Total trade receivables	**67.5**	**22.0**	**16.0**	**6.8**	**7.8**	**8.0**	**128.1**
Contract assets	**9.9**	**–**	**–**	**–**	**–**	**–**	**9.9**
Accrued revenue – contracts with customers	**3.7**	**–**	**–**	**–**	**–**	**–**	**3.7**
Accrued revenue – rental receivables	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Other receivables	**1.3**	**0.1**	**–**	**–**	**–**	**0.1**	**1.5**
	82.5	**22.1**	**16.0**	**6.8**	**7.8**	**8.1**	**143.3**

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
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
Total trade receivables	53.6	18.1	18.3	4.3	9.5	7.6	111.4
Contract assets	9.8	–	–	–	–	–	9.8
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

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 30.

Since the year-end 31 December 2020, there has been a modest decrease in the ageing of receivables despite the increase in trade receivables from $111.4m to $128.1m at 31 December 2021, with trade receivables not overdue at the year-end comprising 53% of gross trade receivables compared to 48% at 31 December 2020. Overdue debts arise due to a number of different factors, including the time taken in resolving any disputes, a culture of slow/late payment in some jurisdictions, and some debtors experiencing cash flow difficulties.

19. Trade and Other Receivables continued

Default on a financial asset is usually considered to have occurred when any contractual payments under the terms of the debt are more than 90 days overdue. Usually, no further deliveries are made or services provided to customers that are more than 90 days overdue unless there is a valid reason to do so, such as billing issues have prevented the customer from settling the invoice. 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.

Whilst a proportion, 12% (2020 – 15%), 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.

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.

Credit risk arises on accrued revenue where goods or services have been provided to a customer but the amount is yet to be invoiced. The accrued revenue balance is short-term and relates to customers with a strong credit history. Therefore, the expected credit losses on this balance are immaterial and no provision for impairment has been recognised.

During the year, the movements on the provisions for impairment were as follows:

	2021		
	Contracts with customers $m	**Rental receivables $m**	**Total $m**
At 1 January 2021	**(4.0)**	**(0.5)**	**(4.5)**
Charge to the consolidated income statement – lifetime expected credit losses	**(1.6)**	**(0.3)**	**(1.9)**
Unused provisions released to the consolidated income statement	**0.1**	**0.2**	**0.3**
Utilised against receivables written off	**1.2**	**0.3**	**1.5**
At 31 December 2021	**(4.3)**	**(0.3)**	**(4.6)**

The provision for the impairment of trade and other receivables has increased modestly by $0.1m to $4.6m at the year-end, as some debtors face cash flow difficulties due to the global economic downturn and the risk of bad debts for the Group in the coming months increases. Financial assets that were written off during the year are no longer subject to enforcement activity.

	2020		
	Contracts with customers $m	Rental 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)

For 2020, $1.2m of the $1.8m net impairment losses charged to the consolidated income statement was presented as an exceptional item (see note 6).

20. 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:

	2021 $m	2020 $m
Deferred tax assets	**10.3**	15.3
Deferred tax liabilities	**(6.8)**	(9.8)
	3.5	5.5

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

	2021 $m	2020 $m
At 1 January	**5.5**	29.1
Exchange adjustments	**0.1**	0.2
Acquisition of subsidiary	**–**	(4.0)
Charge to the consolidated income statement	**(1.3)**	(14.2)
Change in tax rates	**(0.8)**	(0.8)
Total charge to the consolidated income statement	**(2.1)**	(15.0)
Taken direct to equity	**–**	(0.5)
Other movements	**–**	(4.3)
At 31 December	**3.5**	5.5

The change in tax rates mainly relates to the rate at which UK deferred tax balances are recorded. Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the year. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

Deferred tax assets of $377.7m gross and $92.1m tax (2020 – $306.5m gross and $80.5m tax) have not been recognised as realisation of the tax benefit is currently not probable within a reasonable timeframe. This includes $262.9m gross and $61.5m tax (2020 – $191.4m gross, and $49.8m tax) in respect of trading losses, the majority of which do not have an expiry date. A deferred tax asset of $16.1m (2020 – $12.0m) has been recognised in respect of tax losses in various locations as it is considered probable that sufficient future taxable profit will be available against which the tax losses could be utilised. In evaluating whether it is probable that taxable profits will be earned in future accounting periods, the Board-approved budget and forecast were reviewed.

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 2021 $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 2021 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	**12.0**	**0.1**	**–**	**4.0**	**–**	**–**	**–**	**16.1**	**7.0**	**9.1**
Inventory	**1.0**	**–**	**–**	**0.4**	**–**	**–**	**–**	**1.4**	**1.4**	**–**
Goodwill and intangibles	**(7.8)**	**–**	**–**	**(5.7)**	**(0.6)**	**–**	**–**	**(14.1)**	**–**	**(14.1)**
Accumulated tax depreciation	**(2.0)**	**–**	**–**	**0.8**	**(0.4)**	**–**	**–**	**(1.6)**	**0.2**	**(1.8)**
Share-based payments	**0.4**	**–**	**–**	**(0.1)**	**0.1**	**–**	**–**	**0.4**	**0.4**	**–**
Other	**1.9**	**–**	**–**	**(0.7)**	**0.1**	**–**	**–**	**1.3**	**1.3**	**–**
	5.5	**0.1**	**–**	**(1.3)**	**(0.8)**	**–**	**–**	**3.5**	**10.3**	**(6.8)**

20. Deferred Tax continued

	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)

21. Inventories

	2021 $m	2020 $m
Raw materials	**87.7**	101.6
Work in progress	**51.4**	50.9
Finished goods	**124.8**	173.1
Gross inventories	**263.9**	325.6
Less: provisions for impairment	**(59.5)**	(37.2)
Net inventories	**204.4**	288.4

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 light of market forecasts and likely competitor activities. In 2021, the complexity of these judgements increased following a second year with historically low turn rates leading to increases in inventory age and higher provision levels. As a result of these conditions, management has enhanced its provision estimation methodology, in particular for items with low turn rates, and this change has contributed to $22.8m of the exceptional charge, excluding the $5.2m impairment provision related to the Marubeni-Itochu transaction. It is not practical to determine the precise quantitative effect of this change. As noted in the 2021 Half Year Report, pressure control equipment ("PCE") inventory was considered sensitive to changes in future expectations and provisions against the inventory line item have been increased to $11.3m at 31 December 2021; further details including sensitivities can be found in note 16(g). Management has considered the judgements and estimates made in each of the Group's businesses and, other than PCE equipment, has not identified any individual estimates, which in the event of a change, would lead to a material change in the next financial period.

Because of such judgements, the net inventory balance comprises $145.3m of inventory carried at cost (2020 – $240.6m) and $59.1m carried at net realisable value ("NRV"), which represents 29% of net inventories (2020 – $47.8m at NRV representing 17% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

	2021 $m	2020 $m
Gross inventories:		
At 1 January	**325.6**	377.3
Exchange adjustments	**0.1**	4.8
Inventory additions	**369.8**	465.7
Expensed to cost of sales in the consolidated income statement	**(396.2)**	(505.7)
Provisions utilised against inventories written off	**(3.4)**	(14.9)
Reclassification to property, plant and equipment (note 12)	**(0.5)**	(0.6)
Acquisitions	**–**	0.7
Disposal of business (note 39)	**(31.5)**	(1.7)
At 31 December	**263.9**	325.6
Provisions for impairment:		
At 1 January	**(37.2)**	(26.5)
Exchange adjustments	**0.1**	(0.2)
Charge to the consolidated income statement (cost of sales)	**(34.4)**	(37.4)
Provisions utilised against inventories written off	**3.4**	14.9
Provisions released to the consolidated income statement	**8.6**	12.0
At 31 December	**(59.5)**	(37.2)
Net inventories	**204.4**	288.4

21. Inventories continued

The reversal of previous write-downs occurs when inventory is sold for an amount higher than its net realisable value and also where older inventories, which had previously been written off, are sold as market conditions improve in the oil and gas sector. Overall, Hunting's provision for inventory losses increased to 23% (2020 – 11%) of gross inventories balance at 31 December 2021 reflecting the continued downturn impacting the oil and gas sector. Details of the impairment review can be found in note 16.

Inventories of $128.8m are expected to be realised within 12 months of the balance sheet date (2020 – $165.0m) and $75.6m after 12 months (2020 – $123.4m).

In accordance with the requirements of the Group's $160m committed Revolving Credit Facility, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $184.3m (2020 – $198.2m).

22. Cash and Cash Equivalents

	2021 $m	2020 $m
Cash at bank and in hand	**96.8**	102.9
Fixed Term Funds	**6.8**	–
Short-term deposits with less than 3 months to maturity	**4.8**	–
Cash and cash equivalents	**108.4**	102.9

Cash at bank and in hand and short-term deposits are carried at amortised cost. Fixed Term 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 27, cash and cash equivalents for cash flow statement purposes also includes bank overdrafts shown in borrowings in note 26.

23. Trade and Other Payables

	2021 $m	2020 $m
Non-current:		
US deferred compensation plan obligation (note 33)	**1.9**	1.7
Accruals	**0.6**	0.4
Social security and other taxes	**0.2**	0.3
	2.7	2.4

	2021 $m	2020 $m
Current:		
Trade payables	**40.5**	26.4
Accruals	**28.7**	29.0
Social security and other taxes	**5.9**	7.2
Contract liabilities	**6.1**	2.4
Other payables	**1.8**	2.9
	83.0	67.9

Other payables include derivative financial liabilities of $0.2m (2020 – $0.6m).

24. Contract Assets and Liabilities

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

	2021 $m	2020 $m	2019 $m
Contract assets (note 19)	**9.9**	9.8	8.3
Contract liabilities (note 23)	**(6.1)**	(2.4)	(6.8)
Trade receivables – contracts with customers (note 19)	**126.5**	109.1	149.0
Loss allowance (note 19)	**(4.3)**	(4.0)	(3.6)
Net trade receivables – contracts with customers	**122.2**	105.1	145.4

24. Contract Assets and Liabilities continued

(a) Significant Changes in Contract Assets and Contract Liabilities
Contract assets increased from $9.8m at 31 December 2020 to $9.9m at 31 December 2021 due to increased levels of bespoke customer work-in-progress in the Subsea Spring business, which were 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 increased from $2.4m at 31 December 2020 to $6.1m at 31 December 2021, reflecting a recent improvement in orders for 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.

	2021 $m	2020 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year	**2.2**	6.7
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years	**–**	–
Total	**2.2**	6.7

(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 $211.5m (2020 – $144.4m). It is expected that 85% or $180.6m (2020 – 81% or $117.0m) will be recognised as revenue in the 2022 financial year and the remaining 15% or $30.9m (2020 – 19% or $27.4m) in future years.

25. 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 2021, the Group did not have any commitments for leases that were due to commence in 2022 or later. There were no commitments for leases at the end of 2020.

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.

	2021 $m	2020 $m
Lease liabilities		
Current	**8.9**	10.2
Non-current	**22.9**	30.1
	31.8	40.3

(b) Amounts Recognised in the Consolidated Income Statement
The consolidated income statement includes the following amounts relating to leases:

	2021 $m	2020 $m
Depreciation of right-of-use assets (note 13)	**6.7**	7.5
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)	**1.6**	2.5
Lease charges included in underlying (loss) profit from operations	**8.3**	9.4
Gain on surrender of lease (note 6)	**(1.0)**	–
Impairments of right-of-use assets – exceptional (included in operating expenses) (note 6)	**–**	4.1
Lease charges included in reported loss from operations	**7.3**	13.5
Interest on lease liabilities (included in finance costs) (note 9)	**1.5**	1.9
Lease charges included in loss before tax	**8.8**	15.4

On 19 April 2021, the lease and the sub-lease on a property held by a UK head office company were surrendered. A final payment of $1.3m was made to settle the lease. The gain recognised on the surrender of the lease has been recognised as an exceptional item in note 6.

25. Leases continued

(c) Amounts Recognised in the Statement of Cash Flows

	2021 $m	2020 $m
Payments for short-term and low-value leases (included as part of net cash inflow from operating activities)	**1.6**	2.5
Payments for capitalised leases	**9.3**	10.4
Lease surrender payment	**1.3**	–
	12.2	12.9

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 and the lease surrender payment are presented within cash flows from financing activities.

The analysis of the contractual, undiscounted cash flows relating to lease liabilities is shown in note 31(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 $1.3m (2020 – $1.8m) and is included in other operating income note 4. The Group also earns revenue from the rental of tools, which are items of property, plant and equipment, as disclosed in note 12. Rental revenue earned during the year was $6.1m (2020 – $14.2m) 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:

	Property 2021 $m	Property 2020 $m
Year one	**0.7**	1.6
Year two	**0.7**	1.3
Year three	**0.5**	0.5
Year four	**0.3**	0.4
Year five	**–**	0.1
Total lease income receivable	**2.2**	3.9

26. Borrowings

	2021 $m	2020 $m
Non-current:		
Shareholder loan from non-controlling interest	**3.9**	3.9
Current:		
Bank overdrafts secured	**1.0**	1.2
Total borrowings	**4.9**	5.1

In accordance with the Group's $160m committed Revolving Credit Facility, security has been granted over certain property, plant and equipment, receivables and inventories. The carrying amounts of the assets pledged as security are disclosed in notes 12, 19 and 21.

The shareholder loan from a non-controlling interest and the bank overdrafts are financial liabilities measured at amortised cost and are all denominated in US dollars.

27. 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. Net cash (debt) (NGM I) is a non-GAAP measure; however, management and the Group treasury function monitor total cash and bank (NGM H) to ensure there is sufficient liquidity to meet business requirements. 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 cash (debt) split between cash and non-cash items. Net cash (debt) comprises total cash and bank less total lease liabilities and the shareholder loan from a non-controlling interest.

	At 1 January 2021 $m	Cash flow $m	Non-cash movements on lease liabilities[i] $m	Exchange movements $m	At 31 December 2021 $m
Cash and cash equivalents (note 22)	**102.9**	**6.2**	**–**	**(0.7)**	**108.4**
Bank overdrafts secured (note 26)	**(1.2)**	**0.2**	**–**	**–**	**(1.0)**
Cash and cash equivalents – per cash flow statement	**101.7**	**6.4**	**–**	**(0.7)**	**107.4**
Cash deposits with more than 3 months to maturity (note 18)	**–**	**6.9**	**–**	**(0.1)**	**6.8**
Total lease liabilities (note 25)	**(40.3)**	**10.6**	**(2.3)**	**0.2**	**(31.8)**
Shareholder loan from non-controlling interest (note 26)	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Liabilities arising from financing activities	**(44.2)**	**10.6**	**(2.3)**	**0.2**	**(35.7)**
Total net cash (debt)	**57.5**	**23.9**	**(2.3)**	**(0.6)**	**78.5**

i. Non-cash movements on lease liabilities comprise new leases of $1.8m, interest expense of $1.5m and lease modifications of $1.0m, offset by disposals of $2.0m.

During the year, $0.3m of loan facility fees were amortised and $0.3m were paid in respect of the new Asset Based Lending ("ABL") facility. Further costs of approximately $3.1m will be incurred in 2022 in respect of the new ABL facility. The fees for the new ABL facility will be capitalised, included in prepayments and then amortised over the expected life of the facility.

	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 22)	128.6	(29.2)	–	3.5	102.9
Bank overdrafts secured (note 26)	(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 25)	(45.2)	10.4	(4.7)	(0.8)	(40.3)
Shareholder loan from non-controlling interest (note 26)	(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

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.

28. Provisions and Contingent Liabilities

(a) Provisions

	Asset decommissioning $m	Other $m	Total $m
At 1 January 2021	**5.4**	**3.5**	**8.9**
Charged to the consolidated income statement	**0.2**	**1.0**	**1.2**
Provisions utilised	**(1.2)**	**(0.5)**	**(1.7)**
Unutilised amounts reversed	**–**	**(0.2)**	**(0.2)**
Remeasurement	**(0.1)**	**–**	**(0.1)**
At 31 December 2021	**4.3**	**3.8**	**8.1**

Provisions are due as follows:

	2021 $m	2020 $m
Current	**3.1**	2.9
Non-current	**5.0**	6.0
	8.1	8.9

Asset decommissioning and remediation obligations of $4.3m (2020 – $5.4m) 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 (2020 – $0.4m), restructuring provisions of $0.3m (2020 – $0.6m), provision for a pension fund for officers and ratings in the mercantile marine industry from a legacy subsidiary of $1.0m (2020 – $1.0m), warranties and tax indemnities of $1.6m (2020 – $0.9m) and $0.5m (2020 – $0.6m) for various other items.

(b) Contingent Liabilities

The Group recognises provisions for liabilities when it is more likely than not a settlement will be required and the value of the economic outflow can be estimated reliably. Liabilities that are not provided for in the financial position of the Group are disclosed, unless the probability of an economic outflow is considered to be remote. There is a claim against the Group from a competitor relating to a patent infringement. The Group strongly denies any such infringement and will defend this claim robustly. Based on the legal process conducted to date, the Group does not believe an outflow is probable; however, a stay on the case was lifted in H2 2021, a discovery phase has been completed and the matter is scheduled for trial in mid-2022. Although management believe it is unlikely the case will be lost, the maximum potential exposure, based on legal advice, is estimated at $3m.

29. 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 necessary.

Fair values of outstanding derivative financial instruments:

	2021		2020	
	Total assets $m	**Total liabilities $m**	Total assets $m	Total liabilities $m
Foreign currency swaps – not in a hedge	**0.1**	**(0.2)**	0.1	(0.6)

Net fair value gains on contracts that are not designated in a hedge relationship of $0.5m (2020 – $0.5m) 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 receivables and payables during the year. The value of the forward foreign exchange contract matches the value of the trade receivables and payables and they move in opposite directions as a result of movements in the CAD/USD or EUR/USD exchange rate, being the hedged risk. Fair value losses of $0.1m (2020 – immaterial) 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.

29. 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 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, EUR/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 would be disclosed as part of other components of equity in note 35, relates to the spot component of forward foreign exchange contracts. The balance on the cash flow hedge reserve at the beginning of the year and at the year-end is immaterial, with immaterial movements during the year.

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

		2021	2020
Carrying amount of the forward foreign exchange contracts – other receivables (note 19)	$m	**<0.1**	<0.1
Notional amount of the forward foreign exchange contracts	$m	**2.4**	0.7
Maturity date		**18.01.22 to 03.01.23**	04.03.21
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) 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.

30. Financial Instruments

This note provides information about the Group's financial instruments, including an overview of all financial instruments held by the Group; specific information about each type of financial instrument; and information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group's exposure to various risks associated with the financial instruments is discussed in note 31. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets.

Contract assets are not financial assets; however, they are explicitly included in the scope of IFRS 7 for the purpose of the credit risk disclosures in note 31.

30. Financial Instruments continued

(a) Financial Instruments at Amortised Cost

The carrying values of the Group's financial instruments at amortised cost are as follows:

	2021 $m	2020 $m
Financial assets at amortised cost:		
Trade and other receivables (note 19):		
Trade receivables	**128.1**	111.4
Accrued revenue	**3.8**	3.2
Loan note	**–**	0.6
Other receivables – non-current	**0.3**	0.3
Other receivables – current[i]	**1.1**	1.0
Less: provisions for impairment	**(4.6)**	(4.5)
Cash and cash equivalents (note 22):		
Cash at bank and in hand	**96.8**	102.9
Cash deposits with less than 3 months to maturity	**4.8**	–
Investments (note 18):		
Cash deposits with more than 3 months to maturity	**6.8**	–
	237.1	214.9

	2021 $m	2020 $m
Financial liabilities at amortised cost:		
Trade and other payables (note 23):		
Trade payables	**(40.5)**	(26.4)
Accruals – non-current	**(0.6)**	(0.4)
Accruals – current	**(28.7)**	(29.0)
Other payables[ii]	**(1.2)**	(1.5)
Borrowings (note 26):		
Shareholder loan from non-controlling interest	**(3.9)**	(3.9)
Bank overdrafts secured	**(1.0)**	(1.2)
	(75.9)	(62.4)

i. Excludes non-financial assets of $1.1m (2020 – $1.6m) and those financial assets measured at fair value of $0.1m (2020 – $0.1m).
ii. Excludes non-financial liabilities of $0.4m (2020 – $0.8m) and financial liabilities measured at fair value of $0.2m (2020 – $0.6m).

Amounts recognised in profit or loss in relation to financial instruments carried at amortised cost were:

	2021 $m	2020 $m
Net foreign exchange gains included in other operating income and operating expenses (notes 4 and 5)	**0.1**	0.6
Net foreign exchange losses included in net finance expense (note 9)	**(0.5)**	(0.5)
Interest on bank balances and deposits (note 9)	**0.3**	0.3
Bank fees and commissions (note 9)	**(1.3)**	(1.4)
Other finance expense (note 9)	**–**	(0.2)

(b) Financial Instruments Measured at Fair Value

(i) Valuation Techniques used to Determine Fair Values

The listed equity investments and mutual funds are equity instruments measured at fair value through profit or loss. Fixed Term Funds ("FTFs") are debt instruments measured at fair value through profit or loss. The fair value of FTFs, money market funds and listed equities and mutual funds is based on their current bid prices in an active market, which is considered to be the most representative of fair value, at the balance sheet date.

The fair value of the convertible financing provided to Well Data Labs in February 2021 has been determined by considering the probability weighted average of the different scenarios' discounted cash flows using a discount rate of 8%. The fair value at 31 December 2021 is $2.7m (note 18), comprising the fair value at the date of acquisition of $2.5m and the fair value gains recognised in finance income during the year of $0.2m (note 9).

The following instruments do not qualify for measurement at either amortised cost or at fair value through other comprehensive income ("FVTOCI"). Therefore they are financial instruments that have mandatorily been measured at fair value through profit or loss ("FVTPL"):

- 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. Details of the fair value gains and losses recognised during the year on derivative contracts are given in note 29.
- The fair value of funding swaps is determined by calculating the present value of the estimated future cash flows in each currency for both legs of the swap based on observable yield curves. One leg's present value is converted into the other currency using the current spot exchange rate.

30. Financial Instruments continued

(b) Financial Instruments Measured at Fair Value continued

(i) Valuation Techniques used to Determine Fair Values continued

- The carrying value of a US property classified as held-for-sale in 2020 was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Directors consider information from a variety of sources including current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The property had a fair value of $1.8m at 31 December 2020 and was sold in early 2021 for $2.2m. The fair value gain of $0.4m on the disposal of the property has been recognised in other operating income (note 4).
- During 2020, 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. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised on the acquisition was released, therefore the fair value at the 2020 year-end was $nil. The remeasurement of $2.5m was recognised in the consolidated income statement as an exceptional credit to operating expenses (see note 6).

(ii) Fair Value Hierarchy

The following tables present the Group's net financial assets and liabilities that are measured and recognised 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 2021 $m	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**
Equity instruments at fair value through profit or loss				
Listed equity investments and mutual funds	**1.9**	**1.9**	**–**	**–**
Debt instruments at fair value through profit or loss				
Well Data Labs convertible financing	**2.7**	**–**	**–**	**2.7**
Fixed Term Funds	**6.8**	**6.8**	**–**	**–**
Current derivatives held for trading				
Derivative financial assets	**0.1**	**–**	**0.1**	**–**
Derivative financial liabilities	**(0.2)**	**–**	**(0.2)**	**–**
	11.3	**8.7**	**(0.1)**	**2.7**

	Fair value at 31 December 2020 $m	Level 1 $m	Level 2 $m	Level 3 $m
Equity instruments at fair value through profit or loss				
Listed equity investments and mutual funds	1.7	1.7	–	–
Held-for-sale asset at fair value through profit or loss	1.8	–	–	1.8
Current derivatives held for trading				
Derivative financial assets	0.1	–	0.1	–
Derivative financial liabilities	(0.6)	–	(0.6)	–
	3.0	1.7	(0.5)	1.8

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.
Level 3 – unobservable inputs used in the valuation.

The fair values of non-US dollar denominated financial instruments are translated into US dollars using the year-end exchange rate.

There have been no changes to the valuation techniques used during the year since the previous year-end.

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy.

The fair value of FTFs, money market funds and listed equities and mutual funds are based on quoted market prices, and therefore the fair value measurements are categorised in Level 1 of the fair value hierarchy.

Due to unobservable inputs used in the valuation, the fair value of the Well Data Labs financial asset is a Level 3 measurement as per the fair value hierarchy.

The fair value estimate for the held-for-sale property in 2020 was included in Level 3 of the fair value hierarchy as the valuation took place in an inactive and less transparent real estate market during the COVID-19 pandemic.

The fair value of the contingent consideration recognised on the acquisition of Enpro was a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

30. Financial Instruments continued

(b) Financial Instruments Measured at Fair Value continued

(iii) Amounts Recognised in Profit or Loss

During the year, the following gains and losses were recognised in relation to financial instruments measured at fair value through profit or loss:

	2021 $m	2020 $m
Fair value gains on the listed equities and mutual funds (note 9)	**0.2**	–
Fair value gain on Well Data Labs convertible financing (note 9)	**0.2**	–
Fair value gains on money market funds (note 9)	**–**	0.1
Fair value gains (losses) on financial instruments mandatorily measured at fair value through profit or loss:		
Net fair value losses on derivative financial instruments – other operating income (note 4) and operating expense (note 5)	**(0.2)**	–
Net fair value gains on derivative financial instruments – net finance expense (note 9)	**0.6**	0.5
Fair value gain on disposal of held-for-sale asset	**0.4**	–
Fair value gain on reversal of contingent consideration on Enpro acquisition (note 6)	**–**	2.5

The fair value gains on the listed investments and mutual funds and the Well Data Labs convertible financing are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

(iv) Fair Values of Other Financial Instruments (unrecognised)

Due to their short-term nature, the carrying value of cash deposits with more than 3 months to maturity, contract assets, trade receivables, accrued revenue, other receivables considered to be financial assets, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and the shareholder loan from a non-controlling interest, approximates their fair value.

The Group also has lease liabilities of $31.8m (2020 – $40.3m) 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 US deferred compensation plan obligation is measured at fair value through profit or loss; however, this liability is not a financial liability and falls under IAS 19 as it is considered to be an unfunded DB scheme. The fair value loss recognised in operating expenses during the year was $nil (2020 – $0.1m).

31. Financial Risk Management

The Group's activities expose it to certain financial risks, namely market risk (including currency, fair value interest rate and cash flow interest rate risks), as well as 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 risks 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 cooperation 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 and Singaporean dollars. Foreign exchange risks arise from future commercial 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		Sterling		Canadian dollar	
	2021	2020	**2021**	2020	**2021**	2020
Average exchange rate to US dollars	**1.34**	1.38	**0.73**	0.78	**1.25**	1.34
Year-end exchange rate to US dollars	**1.35**	1.32	**0.74**	0.73	**1.26**	1.27

The aggregate net foreign exchange losses recognised in profit or loss during the year were $0.4m (2020 – $0.1m gain), as shown in the table in note 30(a) above.

31. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk continued

(i) Transactional Risk

The exposure to exchange rate movements in significant future commercial 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.

	Currency of denomination							
At 31 December 2021	**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	**–**	**0.9**	**–**	**–**	**–**	**–**	**0.1**	**1.0**
US dollars	**(0.5)**	**–**	**(1.5)**	**(2.0)**	**(0.1)**	**0.2**	**(0.9)**	**(4.8)**
Canadian dollars	**–**	**(1.6)**	**–**	**–**	**–**	**–**	**–**	**(1.6)**
Euro	**(0.5)**	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.4**
Chinese CNY	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
	(1.0)	**0.3**	**(1.5)**	**(2.0)**	**(0.1)**	**0.2**	**(0.8)**	**(4.9)**

	Currency of denomination							
At 31 December 2020	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 dirham ("AED"), Singaporean 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.

(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. This has previously been hedged using foreign currency swaps that have been designated in a net investment hedge to hedge the foreign currency translation risk. 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, Fixed Term Funds, short-term deposits, investments, derivative financial instruments, accrued revenue, outstanding trade receivables, other 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.

31. Financial Risk Management continued

(c) Credit Risk continued

(i) Credit Risk: Total Cash and Bank

Hunting PLC's Board approves the treasury policies that determine which counterparties can be used. Due diligence is carried out prior to the authorisation of a bank or financial institution as an approved counterparty. 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. 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, cash at bank and in hand totalled $96.8m (2020 – $102.9m), with $80.8m (2020 – $85.1m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $16.0m (2020 – $17.8m), $14.9m (2020 – $13.7m) 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.

During the year, the treasury function has invested surplus cash in deposits with a notice period of 95 days and Fixed Term Funds ("FTFs"), in line with its cash management and investment policies. The use of these deposits and funds enables the treasury function to diversify its counterparty concentration risk by depositing funds with various financial institutions and improve the yields on a portion of its surplus cash. Each FTF is 100% maturity-matched with a single, self-liquidating, investment-grade fixed income instrument, which is transparent to the investor. Unless there is a credit issue with the underlying issuer, FTFs are not dependent on secondary market sales for liquidity. As all proceeds from each FTF are derived from the maturity of a single underlying instrument, the maturity amount of each FTF is known precisely on the date of investment. All FTFs offer exposure to financial institutions with investment-grade credit ratings.

	Credit rating		2021 $m	2020 $m
Cash at bank and in hand	Fitch	F1 to F1+	**80.8**	85.1
Cash at bank and in hand	Other	n/a	**16.0**	17.8
Short-term deposits with less than 3 months to maturity	Fitch	F2	**4.8**	–
Cash deposits with more than 3 months to maturity	Fitch	F1	**6.8**	–
Fixed Term Funds	Fitch	F1	**6.8**	–
Derivative financial assets	Fitch	A+(dcr)	**0.1**	0.1

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.

(ii) Credit Risk: Receivables

The Group makes sales to a large number of different customers; however a significant proportion of sales are made to service companies in the oil and gas sector. The majority of the Group's customers are based in North America. On a quarterly basis, the Group's entities submit information to the head office on individual receivables balances greater than $0.2m, individual receivable balances greater than $32,500 and 90 days overdue, and quarterly average receivables balances. At the year-end, trade receivables of $99.7m comprised individual balances greater than $0.2m, with no individual customer balance representing more than 8% (2020 – 9%) of the year-end receivables balance of $128.4m (2020 – $111.4m).

The risk of customer default for outstanding trade receivables and accrued revenue and contract assets is continuously monitored. Credit account limits are set locally by management and are primarily based on the credit quality of the customer taking into account past experience through trading relationships and the customer's financial position. As expected, the probability that a customer would default has declined throughout 2021 as trading improved following the global economic downturn. The Group has begun using Credit Benchmark software to monitor the creditworthiness and changing credit profiles of its customers. Credit Benchmark uses a similar ratings framework to the main credit ratings agencies for classifying the credit quality of a business. However, Credit Benchmark ratings are based on contributed risk views from leading global financial institutions, including 15 GSIBs (Global Systemically Important Banks) domiciled in the US, Continental Europe, Switzerland, the UK, Japan, Canada, Australia and South Africa. The contributions are anonymised, aggregated and published twice monthly in the form of Credit Consensus Ratings and Aggregate Analytics.

Although in most cases the Credit Benchmark consensus rating of a business is based on a number of contributing views, there are instances where there is only a single source on which the rating is based. During 2021, 36% of sales, which is more than $185m of the Group's revenue, were made to customers with a Credit Benchmark investment-grade rating of bbb or higher, as shown in the table below. This includes customers with a single-source rating.

Credit Benchmark - Credit Consensus Ratings:	% of Revenue
aa	**2**
a	**9**
bbb	**25**
bb	**9**
b	**3**
c	**1**
No rating	**51**

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 19.

31. Financial Risk Management continued

(c) Credit Risk continued

(i) Credit Risk: Other Financial Assets

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. Investments at the year-end amounted to $1.9m (2020 – $1.7m) and are expected to be fully recovered.

The Group has provided Well Data Labs with $2.7m (2020 – $nil) in convertible financing. The investment is considered to have a low credit risk and is expected to be fully recovered, therefore the loss allowance recognised in the year is limited to 12 months' expected losses. The debt instrument is considered to be low credit risk as there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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 (2020 – $164.2m) at the year-end. The facilities comprise $160.0m (2020 – $160.0m) of secured committed facilities and $4.2m of secured uncommitted facilities (2020 – $4.2m). The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities.

The secured committed facilities comprised the Group's $160m Revolving Credit Facility ("RCF"), which was cancelled on 7 February 2022 on the signing of the new ABL facility (see further below). The main features of the RCF were 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 $75m accordion feature, providing Hunting with additional flexibility to increase the size of the bank facility to $235m, subject to approval of its bank lending group.

Security is granted over certain property, plant and equipment, receivables and inventories. The carrying amounts of the assets pledged as security are disclosed in notes 12, 19 and 21.

The covenants at 31 December 2021 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 (the "interest cover covenant").

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.

During the year, it was necessary for the Group to obtain a covenant compliance waiver from the RCF lenders in respect of the 30 June test date, specifically with regards to the interest cover covenant, as described above, despite having total cash and bank balances of $105.7m and no loans outstanding under the RCF as at that date. The Group reported a negative consolidated EBITDA outcome (based on the RCF adjusted EBITDA definition) for the 12 months to 30 June 2021 and consequently the Group was unable to access the RCF at any point from July 2021 onwards. The Group obtained a precautionary covenant compliance waiver from the RCF lenders in respect of the 31 December test date prior to the year-end, again with regards to the interest cover covenant. However, as a result of the positive cash balances held by the Group throughout the year, the net debt-to-EBITDA covenant had been met for the 12 months to 30 June 2021 and also for the successive testing period ending on 31 December 2021.

The Group did not make any drawdowns on its $160m RCF during the year and it remained undrawn at the year-end. The Group had undrawn committed borrowing facilities available at the year-end totalling $160m (2020 – $160m), which were cancelled on 7 February 2022.

Asset Based Lending Facility

On 7 February 2022, the Group concluded a refinancing of its core borrowing facilities by entering into a new $150m Asset Based Lending facility ("ABL"). The ABL facility has a four-year term, maturing on 7 February 2026 and replaces the $160m Revolving Credit Facility, described above, that was cancelled as part of the ABL completion process. An accordion feature of up to $50m has also been agreed. This feature allows the Group to increase the total facility quantum to $200m subject to the approval of its bank lending group.

The main objective of the refinancing was to deliver a more flexible funding arrangement, leveraging the strength of the Group's balance sheet to unlock bank capital. This has been achieved by linking the Group's borrowing capacity to secured asset values, rather than earnings, as an RCF depends on a certain level of EBITDA being maintained to access the facility. Whereas the amount available in an ABL structure moves in line with the borrower's balance sheet, which, in Hunting's case, is historically much more stable than earnings.

The three main asset classes that will form the "Borrowing Base" against which bank capital will be advanced are North American based trade receivables, inventories and freehold property. The Group is required to submit various reports to the facility agent each month so that any fluctuation in the carrying values of these assets are communicated to the lenders, and so that the borrowing base may be recalibrated based on the most recent asset values. Accordingly, availability under the ABL facility will fluctuate to the extent that the underlying asset values change over time, either up or down.

31. Financial Risk Management continued

(d) Liquidity Risk continued

(i) Bank Facilities continued

Unlike the RCF, the ABL financial covenants are only measured under certain conditions, principally once utilisation of the facility goes through a predefined threshold i.e. 87.5% of the "Line Cap" ("Line Cap" is defined as the lesser of the total facility amount and the Borrowing Base), at which point the Fixed Charge Cover Ratio ("FCCR") is measured and must be complied with. The FCCR is a financial covenant that looks back over the trailing 12-month period to assess whether EBITDA (as defined by the ABL facility agreement) covers the Group's Fixed Charges (as defined by the facility agreement) at a ratio of at least 1:1.

Management has detailed the wider considerations regarding going concern and future covenant compliance in the Going Concern Statement on page 93.

At inception of the ABL, and annually thereafter, a field examination and asset appraisal process must be conducted by specialist, bank-appointed, third-party valuation firms in order to assess the nature and commercial viability of the secured ABL assets so that appropriate discounts, or "advance rates", can be determined. The initial asset appraisals were completed in H2 2021 and consequently the advance rates to be applied in each category for the first 12 months of the ABL's tenor were imputed. Applying these advance rates to the December 2021 carrying values of the in-scope asset classes, Hunting's opening availability under the ABL is in excess of $100m.

The opening availability at 7 February 2022 is based on in-scope trade receivables and inventories balances. The legal process that will finalise accession of the in-scope freehold properties is expected to complete during March 2022, at which point an additional $50m of liquidity will be added to the Borrowing Base.

(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 any unexpected variances.

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.

During the year, the treasury function has invested surplus cash in deposits with a notice period of 95 days and Fixed Term Funds ("FTFs"), in line with its cash management and investment policies. The use of these deposits and funds enables the treasury function to diversify its counterparty concentration risk by depositing funds with various financial institutions and improve the yields on a portion of its surplus cash. At the year-end, the Group held $6.8m (2020 – $nil) in FTFs, classified as cash and cash equivalents (note 22), and held $6.8m (2020 – $nil) in deposits with a maturity greater than 3 months, which have been classified as current investments on the balance sheet (note 18). The Group has included the deposits with a maturity greater than 3 months in its calculation of total cash and bank (see NGM H). The fair value gains recognised on the FTFs are immaterial and the interest earned on the deposits during the year of $0.1m (2020 – $nil) has been included in finance income.

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 $2.2m. 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 $32.0m (2020 – $0.7m) and gross overdraft balances of $nil (2020 – $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.

31. Financial Risk Management continued

(d) Liquidity Risk continued

(ii) Management of Cash continued

In addition, a similar cash concentration structure has been organised with Wells Fargo & Company 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 allow 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.

(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 dates 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.

	2021				
	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	**40.5**	**–**	**–**	**40.5**	**40.5**
Accruals	**28.7**	**0.3**	**0.3**	**29.3**	**29.3**
Other payables	**1.2**	**–**	**–**	**1.2**	**1.2**
Lease liabilities	**9.1**	**21.8**	**4.9**	**35.8**	**31.8**
Secured bank loans	**0.5**	**–**	**–**	**0.5**	**–**
Shareholder loan from non-controlling interest	**–**	**–**	**3.9**	**3.9**	**3.9**
Bank overdrafts secured	**1.0**	**–**	**–**	**1.0**	**1.0**
Total	**81.0**	**22.1**	**9.1**	**112.2**	**107.7**

	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

The Group had no net settled financial liabilities at the year-end (2020 – 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 2021 $m	**Between one and five years 2021 $m**	**Total 2021 $m**	On demand or within one year 2020 $m
Currency derivatives				
Inflows	**43.4**	**1.2**	**44.6**	68.5
Outflows	**(43.5)**	**(1.2)**	**(44.7)**	(69.1)

31. Financial Risk Management continued

(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 26 and 27. 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.

32. 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, FTFs, 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 2021. 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
(i) US Interest Rates
The sensitivity rate of 1.0% (2020 – 0.1%) 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 2021, for an increase of 1.0% (2020 – 0.1%) in US interest rates, is a $0.3m (2020 – not material) increase. For a decrease of 1.0% (2020 – 0.1%) in US interest rates, there will be a $0.3m (2020 – not material) decrease. There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(ii) UK Interest Rates
The sensitivity rate of 1.0% (2020 – 0.1%) for UK 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 2021, for an increase of 1.0% (2020 – 0.1%) in UK interest rates, is a $0.2m (2020 – not material) increase. For a decrease of 1.0% (2020 – 0.1%) in UK interest rates, there will be a $0.2m (2020 – not material) decrease. There is no impact on 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.

	2021	2020
	Income statement $m	Income statement $m
Sterling exchange rate +3% (2020: +10%)	**–**	(0.2)
Sterling exchange rate -3% (2020: -10%)	**–**	0.2
Singapore dollar exchange rate +3% (2020: +5%)	**–**	0.1
Singapore dollar exchange rate -3% (2020: -5%)	**–**	(0.1)
Canadian dollar exchange rate +3% (2020: +5%)	**0.1**	(0.1)
Canadian dollar exchange rate -3% (2020: -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. There is no impact on OCI from foreign exchange rate changes.

33. 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 2021 these totalled $7.0m (2020 – $7.4m).

(b) Unfunded Defined Benefit Scheme

The Group operates a cash balance arrangement in the US for certain executives. Members build up benefits in this arrangement by way of notional contributions and notional investment returns. Actual contributions are paid into an entirely separate investment vehicle held by the Group, which is used to pay benefits due from the arrangement when a member retires. Under IAS 19, the cash balance arrangement is accounted for as an unfunded defined benefit scheme.

The amounts recognised in the consolidated income statement during the year were $nil (2020 – $0.1m) for the employer's current service cost (recognised in operating expenses) and $0.2m (2020 – $nil) fair value gains on the listed equities and mutual funds (recognised in net finance expense note 9).

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

	2021 $m	2020 $m
Present value of the obligation at the start of the year	**1.7**	2.1
Current service cost (equal to the notional contributions)	**–**	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	**1.9**	1.7

The obligation of $1.9m (2020 – $1.7m) is presented in the consolidated balance sheet in non-current payables (note 23).

34. Share Capital and Share Premium

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

	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 and 2021	**164,940,082**	**66.5**	**153.0**

There are no restrictions attached to any of the Ordinary shares in issue and all Ordinary shares carry equal voting rights. The rights attached to the Company's Ordinary shares are summarised on page 224. All of the Ordinary shares in issue are fully paid.

At 31 December 2021, 4,282,065 (2020 – 2,562,281) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 36.

During 2020, Hunting PLC held an on-market share buyback programme. 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 reduced the Company's issued share capital. A capital redemption reserve of $0.6m was created following the cancellation of the share capital (note 35).

35. Other Components of Equity

	2021				
	Merger reserve $m	**Share-based payments reserve $m**	**Capital redemption reserve $m**	**Currency translation reserve $m**	**Total $m**
At 1 January 2021	**38.2**	**17.3**	**0.8**	**(4.0)**	**52.3**
Exchange adjustments	**–**	**–**	**–**	**0.2**	**0.2**
Share options and awards					
– value of employee services	**–**	**8.7**	**–**	**–**	**8.7**
– discharge	**–**	**(10.4)**	**–**	**–**	**(10.4)**
Transfer between reserves	**(12.8)**	**–**	**–**	**–**	**(12.8)**
At 31 December 2021	**25.4**	**15.6**	**0.8**	**(3.8)**	**38.0**

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 qualifying consideration. During the year, $12.8m (2020 – $8.2m) was transferred from the merger reserve to retained earnings. This portion of the reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	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 34)	–	–	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

36. Retained Earnings

	2021 $m	2020 $m
At 1 January	**692.6**	931.1
Loss for the year	**(85.8)**	(234.7)
Remeasurement of defined benefit pension schemes net of tax (note 33)	**(0.2)**	–
Dividends paid to Hunting PLC shareholders	**(12.8)**	(8.2)
Share buyback	**–**	(5.1)
Treasury shares		
– purchase of treasury shares	**(8.1)**	(9.4)
– proceeds on disposal of treasury shares	**0.3**	0.2
Share options and awards		
– discharge	**10.2**	11.2
– taxation	**–**	(0.5)
Acquisition of non-controlling interest	**3.4**	(0.2)
Transfer between reserves	**12.8**	8.2
At 31 December	**612.4**	692.6

The share options and awards taxation charge taken directly to equity in 2020 of $0.5m comprised a deferred tax charge of $0.5m.

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

	2021 $m	2020 $m
Cost:		
At 1 January	**(10.6)**	(12.8)
Purchase of treasury shares	**(8.1)**	(9.4)
Cost of treasury shares disposed	**3.7**	11.6
At 31 December	**(15.0)**	(10.6)

At 31 December 2021, 4,282,065 Ordinary shares were held by the Employee Benefit Trust (2020 – 2,562,281). The Company purchased 2,703,100 additional treasury shares during the year for $8.1m. The loss on disposal of treasury shares during the year, which is recognised in retained earnings, was $3.4m (2020 – $11.4m).

37. Dividends Paid to Hunting PLC Shareholders

	2021		2020	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2020 final dividend	**4.0**	**6.4**	–	–
2021 interim dividend	**4.0**	**6.4**	–	–
2020 first interim dividend (paid in place of the proposed 2019 final dividend of 6.0 cents)	**–**	**–**	3.0	4.9
2020 second interim dividend	**–**	**–**	2.0	3.3
	8.0	**12.8**	5.0	8.2

A final dividend of 4.0 cents per share has been proposed by the Board, amounting to an estimated distribution of $6.4m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 20 April 2022 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 13 May 2022, to shareholders on the register on 22 April 2022, 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 53.

38. Share-based Payments

(a) 2009 Performance Share Plan ("PSP")

(i) 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. 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. Details of the time-based share option movements during the year are as follows:

	2021 Number of shares	2020 Number of shares
Outstanding at the beginning of the year	**3,601**	3,601
Vested and exercised during the year	**(875)**	–
Outstanding and exercisable at the end of the year	**2,726**	3,601

The weighted average share price at the date of exercise during 2021 was 218.5 pence (2020 – nil 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 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	–	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	**2,726**	3,601	

The fair value charge to the consolidated income statement attributable to the time-based PSP is $nil (2020 – $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 non-financial KPIs including Quality and Safety performance. The 2021 award weightings are TSR 25%; EPS 25%; ROCE 35%; and the Balanced Scorecard 15%. The performance period for the 2021 awards granted under the HPSP is 1 January 2021 to 31 December 2023. The vesting date of the 2021 award is 4 March 2024.

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

	2021 Number of shares	2020 Number of shares
Outstanding at the beginning of the year	**4,387,495**	3,365,222
Granted during the year to executive Directors	**929,935**	835,737
Granted during the year to senior employees	**1,450,949**	1,417,204
Vested and exercised during the year	**(226,292)**	(586,869)
Lapsed during the year	**(784,857)**	(643,799)
Outstanding at the end of the year	**5,757,230**	4,387,495

38. 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 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
11 March 2016	**22,065**	36,474	11.03.19
3 March 2017	**–**	72,735	03.03.20
19 April 2018	**3,485**	905,620	19.04.21
21 March 2019	**1,303,627**	1,308,965	21.03.22
3 March 2020	**2,047,169**	2,063,701	03.03.23
4 March 2021	**2,380,884**	–	04.03.24
Outstanding at the end of the year	**5,757,230**	4,387,495	
Exercisable at the end of the year	**25,550**	109,209	

In 2021, a total of 226,292 awards were exercised (2020 – 586,869). The weighted average share price at the date of exercise during 2021 was 215.2 pence (2020 – 313.7 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:

	2021 Number of shares	2020 Number of shares
Outstanding at the beginning of the year	**3,026,597**	2,936,397
Granted during the year	**1,539,491**	1,485,543
Vested and exercised during the year	**(688,908)**	(1,123,781)
Lapsed during the year	**(82,365)**	(271,562)
Outstanding at the end of the year	**3,794,815**	3,026,597

In 2021, a total of 688,908 awards were exercised (2020 – 1,123,781). The weighted average share price at the date of exercise during 2021 was 252.9 pence (2020 – 302.6 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 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
1 May 2014	**2,771**	3,482	01.05.17
28 April 2015	**5,689**	8,127	28.04.18
11 March 2016	**47,646**	67,727	11.03.19
3 March 2017	**23,578**	55,203	03.03.20
19 April 2018	**45,226**	640,512	19.04.21
21 March 2019	**879,605**	922,314	21.03.22
3 March 2020	**1,269,498**	1,329,232	03.03.23
4 March 2021	**1,520,802**	–	04.03.24
Outstanding at the end of the year	**3,794,815**	3,026,597	
Exercisable at the end of the year	**124,910**	134,539	

38. 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:

	2021	2020
Date of grant/valuation date	**04.03.21**	03.03.20
Weighted average share price at grant	**261.9p**	311.6p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**53.0%**	39.5%
Risk-free rate	**0.10%**	0.23%
Expected life	**3 years**	3 years
Fair value	**183.9p**	193.8p

(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:

	2021	2020
Date of grant/valuation date	**04.03.21**	03.03.20
Weighted average share price at grant	**261.9p**	311.6p
Exercise price	**nil**	nil
Expected dividend yield	**nil**	nil
Expected volatility	**53.0%**	39.5%
Risk-free rate	**0.10%**	0.23%
Expected life	**3 years**	3 years
Fair value	**261.9p**	311.6p

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 (2020 – $2.4m) and the charge to the consolidated income statement in respect of time-based HPSP awards is $6.3m (2020 – $6.6m). These charges are recognised in operating expenses.

(c) Cash Conditional Share Awards

The Company also grants Cash Conditional Awards annually to employees in certain overseas tax jurisdictions. These awards are aligned with the rules of 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.

38. Share-based Payments continued

(c) Cash Conditional Share Awards continued

(i) Performance-based Awards

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

	2021 Number of shares	2020 Number of shares
Outstanding at the beginning of the year	**165,243**	–
Granted during the year	**176,897**	165,243
Outstanding at the end of the year	**342,140**	165,243

Details of the cash conditional performance-based awards outstanding at 31 December 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
3 March 2020	**165,243**	165,243	03.03.23
4 March 2021	**176,897**	–	04.03.24
Outstanding at the end of the year	**342,140**	165,243	

The charge to the consolidated income statement attributable to the performance-based cash conditional awards is $0.3m (2020 – <$0.1m).

The fair value of the cash conditional performance-based awards is calculated at the date of grant using the same assumptions and model as the fair value of the performance-based awards not subject to a market-related condition (see 38(b)(ii) above). The fair value of the award at 31 December 2021 was 169.2 pence (2020 – 223.0 pence).

(ii) Time-based Awards

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

	2021 Number of shares	2020 Number of shares
Outstanding at the beginning of the year	**159,920**	78,380
Granted during the year	**121,192**	126,170
Vested and exercised during the year	**(15,182)**	(15,435)
Lapsed during the year	**(18,824)**	(29,195)
Outstanding at the end of the year	**247,106**	159,920

The weighted average share price at the date of exercise during 2021 was 247.5 pence (2020 – 206.2 pence).

Details of the cash conditional time-based awards outstanding at 31 December 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
19 April 2018	**1,482**	6,017	19.04.21
21 March 2019	**38,751**	49,460	21.03.22
3 March 2020	**89,036**	104,443	03.03.23
4 March 2021	**117,837**	–	04.03.24
Outstanding at the end of the year	**247,106**	159,920	

The charge to the consolidated income statement attributable to the time-based cash conditional awards is $0.2m (2020 – <$0.1m).

The fair value of the cash conditional awards is calculated at the date of grant using the same assumptions and model as the fair value of performance-based awards not subject to a market-related performance condition (see 38(b)(ii) above). The fair value of the award at 31 December 2021 was 169.2 pence (2020 – 223.0 pence).

(d) Amounts Included in the Accounts

The charge to the consolidated income statement attributable to the cash conditional share awards is $0.5m (2020 – <$0.1m) and the total charge attributable to the equity-settled awards is $8.7m (2020 – $9.0m). The total charge to the consolidated income statement for the year for share-based payments is $9.2m (2020 – $9.0m), see note 8. The total liability in relation to the cash-settled awards included in accruals at the year-end is $0.6m (2020 – $0.1m), of which $nil (2020 – $nil) related to awards that had vested.

39. Related-party Transactions

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

	2021 $m	2020 $m
Settlement of warranty claim related to a corporate transaction (note 6)	**(1.7)**	–
Acquisition of non-controlling interest from Marubeni-Itochu	**(3.8)**	–
Disposal of pipe business to Marubeni-Itochu (note 21)	**31.5**	–
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.

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 54). Accordingly, the Directors do not consider there to be an ultimate controlling party.

(a) Restructuring of European OCTG Businesses

On 31 December 2021, the Group entered into a transaction with Marubeni-Itochu Steel Inc and Marubeni-Itochu Tubulars Europe PLC (collectively referred to as Marubeni-Itochu), the non-controlling interest in Hunting Energy Services (UK) Limited ("HES UK") and its subsidiary Hunting Energy Services B.V. ("HES BV"), whereby Hunting purchased Marubeni-Itochu's 40% interest in these companies for $3.8m and became the sole shareholder.

Hunting and Marubeni-Itochu also entered into a Business Purchase agreement with MI on the same date, which comprises the following main components:

- MI purchased OCTG inventory held by HES UK and HES BV for $31.5m.
- 11 employees were transferred from HES UK to MI.
- Hunting will work with MI to novate existing North Sea customer contracts
- HES UK and HES BV will become MI's preferred suppliers for their manufacturing and yard services.
- MI will cancel approximately $8m of inventory that is currently held on consignment arrangements by HES UK.
- HES UK and HES BV will be free to sell the remaining pipe inventory held at completion, approximately $5m for HES UK and $0.9m for HES BV, but no new pipe inventory. MI will assist Hunting in this process.

(b) Warranty Claim

In October 2021, the Group paid $1.7m in settlement of a warranty claim in relation to the transfer of assets, and their condition, as part of a corporate transaction.

(c) Hunting Energy Saudi Arabia LLC

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.

40. Events After the Balance Sheet Date

Asset Based Lending Facility

On 7 February 2022 the Group concluded a refinancing of its core borrowing facilities by entering into a new $150m Asset Based Lending facility ("ABL"). The ABL facility has a four-year term, maturing on 7 February 2026 and replaces the $160m Revolving Credit Facility that was cancelled as part of the ABL completion process. Further details on the ABL have been provided in note 31 and in the Strategic Report on page 27.

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 arising on business combinations 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.

(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.
- Exceptional items are typically significant costs, which may occur in more than one accounting period; significant costs directly related to an acquisition, disposal or a major business change, such as transaction costs and restructuring costs; or unusual in nature and outside the normal course of business. Exceptional items also include the reversal of items previously treated as exceptional in a prior period, such as inventory provision reversals or impairment reversal.
- 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.

41. Principal Accounting Policies continued

(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.

41. Principal Accounting Policies continued

(h) 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, 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.

(i) Leases – Lessees

- Lessees are required to recognise lease obligations as a liability and a right-of-use asset. The cost of the lease is subsequently recognised in the 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.

(j) Goodwill

- Goodwill arises when the fair value of the consideration paid for a business exceeds the fair value of the Group's share of the net assets acquired.
- Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses.
- Goodwill is allocated to CGUs 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.

(k) Other Intangible Assets

- Other intangible assets, whether obtained through acquisition or internal development, are capitalised when it is probable that the future economic benefits that are attributable to the asset will be generated, provided the cost of the asset can be measured reliably.
- Capitalisation 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

41. Principal Accounting Policies continued

(l) Investments in Associates
- The Group's interests in associates are accounted for using the equity method of accounting.
- Upon initial recognition as at the date of acquisition, the interests are recognised in the balance sheet at cost plus directly incurred acquisition-related expenses. The excess of cost above the share of net assets is ascribed to goodwill and other intangible assets, as appropriate. The intangible assets are subsequently amortised and presented in the consolidated income statement as part of the post-tax share of associates' results.
- Subsequently, the carrying amount is adjusted to include the Group's share of the increase or decrease in the associates' net assets after the date of acquisition. The Group's share of the associates' net profit or loss after taxation is incorporated in the consolidated income statement as post-tax share of associates' results. The Group's share of the associates' net assets plus direct acquisition expenses, goodwill and other acquisition-related intangible assets are incorporated in the consolidated balance sheet as investments in associates.

(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.

(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 and qualifying Fixed Term Funds and money market funds with a maturity of less than 3 months from the date of deposit.
- Short-term deposits, FTFs 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. These instruments are held for the purpose of settling current or potential cash commitments in the short term by the treasury function.
- 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, contract assets, trade receivables, accrued revenue and other receivables.
- Any other debt instruments, including money market funds and Fixed Term 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 (1) equity instruments, and (2) debt instruments that are convertible into equity, are subsequently measured at fair value through profit or loss. Changes in the fair value of these 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 convertible debt instrument is currently a loan on which interest is earned prior to its potential conversion into equity, the conversion of which is dependent upon events outside of the Group's control.
- 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.

41. Principal Accounting Policies continued

(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.

(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.

(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.

41. Principal Accounting Policies continued

(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 and cash-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; the obligation to settle the cash-settled awards is recognised as a liability.

(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 note 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.

Company Balance Sheet

At 31 December 2021

	Notes	2021 $m	2020 $m
ASSETS			
Non-current assets			
Investments in subsidiaries	C4	**331.3**	436.8
Other receivables	C5	**460.1**	273.6
		791.4	710.4
Current assets			
Other receivables	C5	**1.2**	1.7
Current tax asset		**0.2**	–
		1.4	1.7
LIABILITIES			
Current liabilities			
Other payables	C6	**1.6**	1.3
Provisions		**0.2**	0.4
Current tax liability		**–**	0.2
		1.8	1.9
Net current liabilities		**0.4**	0.2
Non-current liabilities			
Provisions		**0.8**	0.6
Net assets		**790.2**	709.6
Equity attributable to owners of the parent			
Share capital	C13	**66.5**	66.5
Share premium	C13	**153.0**	153.0
Other components of equity	C14	**22.6**	37.1
Retained earnings	C15	**548.1**	453.0
Total equity		**790.2**	709.6

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 $92.7m (2020 – $8.6m) has been accounted for in the financial statements of the Company.

The notes on pages 207 to 215 are an integral part of these financial statements. The financial statements on pages 204 to 215 were approved by the Board of Directors on 3 March 2022 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 2021				
At 1 January 2021		**66.5**	**153.0**	**37.1**	**453.0**	**709.6**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**92.7**	**92.7**
Dividends paid to equity shareholders	C16	**–**	**–**	**–**	**(12.8)**	**(12.8)**
Treasury shares						
– purchase of treasury shares	C15	**–**	**–**	**–**	**(8.1)**	**(8.1)**
– disposal of treasury shares	C15	**–**	**–**	**–**	**0.3**	**0.3**
Share options and awards						
– value of employee services	C14	**–**	**–**	**8.7**	**–**	**8.7**
– discharge	C14, C15	**–**	**–**	**(10.4)**	**10.2**	**(0.2)**
Transfer between reserves		**–**	**–**	**(12.8)**	**12.8**	**–**
		–	**–**	**(14.5)**	**2.4**	**(12.1)**
At 31 December 2021		**66.5**	**153.0**	**22.6**	**548.1**	**790.2**

	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, C14	(0.8)	–	0.6	(5.1)	(5.3)
Treasury shares						
– purchase of treasury shares	C15	–	–	–	(9.4)	(9.4)
– disposal of treasury shares	C15	–	–	–	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	–
		(0.8)	–	(10.0)	(3.1)	(13.9)
At 31 December 2020		66.5	153.0	37.1	453.0	709.6

Company Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 $m	2020 $m
Operating activities			
Profit from operations		**194.4**	4.6
Share-based payments expense		**8.7**	9.0
Increase (decrease) in receivables		**0.3**	(0.6)
Increase (decrease) in payables		**0.1**	(5.2)
Net exchange differences		**(0.1)**	–
Taxation paid		**(0.1)**	(0.4)
Net cash inflow from operating activities		**203.3**	7.4
Investing activities			
Interest received		**3.5**	4.5
Loan issued		**(186.4)**	–
Loan issued repaid		**–**	10.6
Net cash (outflow) inflow from investing activities		**(182.9)**	15.1
Financing activities			
Dividends paid to equity shareholders	C16	**(12.8)**	(8.2)
Share buyback		**–**	(5.1)
Purchase of treasury shares		**(7.9)**	(9.4)
Disposal of treasury shares		**0.3**	0.2
Net cash outflow from financing activities		**(20.4)**	(22.5)
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 223. 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 United Kingdom. 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 93.

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 86 to 90 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 - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 $459.9m at the year-end has a variable interest rate that is referenced to relevant central bank rates and will not be affected by the IBOR reforms.

There is currently uncertainty around the 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 each subsidiary's future trading prospects, 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 believes 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

	2021 $m	2020 $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

	2021 $m	2020 $m
Cost:		
At 1 January and 31 December	**436.8**	436.8
Impairment:		
At 1 January	**–**	–
Impairment charge for the year	**(105.5)**	–
At 31 December	**(105.5)**	–
Net book amount	**331.3**	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.

The recoverable amount for one of the investments was based on the net asset value of the investment. Following receipt of a dividend, the carrying value of the investment was compared to the net asset value of the investment and the deficit of $105.5m was recognised as an impairment charge in the income statement.

The recoverable amount for the other investment 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 2021, 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 2022, cash flows are based on the latest detailed budget as approved by the Hunting PLC Board. For 2023 to 2026, 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 2021 to 2026 vary between 6% and 25% (2020 – CAGR from 2020 to 2025 between 8% and 18%). After 2026, a terminal value has been calculated assuming growth of 50 basis points above assumed inflation (2020 – 50 basis points), giving nominal growth rates between 0% and 4% (2020 – between 0% and 1%). Cash flows have been discounted using nominal pre-tax rates between 10% and 15% (2020 – 11% and 13%). The discount rates reflect current market assessments of the equity market risk premiums, the volatility of returns, the risks associated with the cash flows, the likely external borrowing rate of the subsidiary and expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

No further 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.

C5. Other Receivables

	2021 $m	2020 $m
Non-current:		
Loans receivable from a subsidiary – interest-bearing	**459.9**	273.5
Prepayments	**0.2**	0.1
	460.1	273.6
Current:		
Receivables from subsidiaries	**0.6**	1.1
Prepayments	**0.6**	0.6
	1.2	1.7

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 2021 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 2021, 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 (2020 – 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

	2021 $m	2020 $m
Current:		
Payables to subsidiaries	**–**	0.2
Accruals	**1.0**	0.6
Other payables	**0.6**	0.5
	1.6	1.3

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 2021, the Company had no outstanding forward foreign exchange contracts (2020 – $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 gain (2020 – $0.1m loss) were recognised in the income statement during the year.

C8. Financial Instruments

(a) Financial Instruments at Amortised Cost
The loan receivable from a subsidiary and current receivables from subsidiaries of $460.5m (2020 – $274.6m) are financial assets measured at amortised cost. The interest-bearing loan receivable from a subsidiary is unsecured and interest is charged based on a margin over bank lending rates. During the year, the Company received interest of $3.5m (2020 – $4.5m) on the interest-bearing loan.

Payables to subsidiaries, accruals and other payables of $1.6m (2020 – $1.3m) are financial liabilities carried at amortised cost.

Net foreign exchange gains of $0.1m (2020 – $nil) have been recognised in profit or loss during the year in relation to financial instruments carried at amortised cost.

(b) Financial Instruments Measured at Fair Value
The Company has used forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. These financial instruments do not qualify for measurement at either amortised cost or at fair value through other comprehensive income ("FVTOCI"), therefore they are financial instruments that have mandatorily been measured at fair value through profit or loss ("FVTPL"). 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. Details of the fair value gains and losses recognised during the year on derivative contracts are given in note C7.

Fair Values of Other Financial Instruments (unrecognised)
Due to their short-term nature, the carrying value of current receivables from subsidiaries, payables to subsidiaries, accruals, other payables and provisions 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, cash flow interest rate and fair value interest rate risks), as well as 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 2021 on which exchange differences would be recognised in the income statement in the following year, was $nil (2020 – $0.9m) for Sterling denominated financial assets. Loans receivable from a subsidiary of $0.5m (2020 – $0.3m) 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 2021, on which exchange differences would be recognised in the income statement in the following year, was $1.6m (2020 – $1.1m) 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 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 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 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.

C9. Financial Risk Management continued

(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.

(ii) Barclays Composite Accounting System

The Company is party to a cross-guarantee and set-off arrangement with Barclays Bank UK PLC. There is no set-off in the presentation of cash balances held by the Company in the financial statements. Under this arrangement, the Company is jointly and severally liable for any gross liability position held by any of the companies party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of $2.2m.

(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 dates 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.

	2021		2020	
	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
Accruals	**1.0**	**1.0**	0.6	0.6
Other payables	**0.6**	**0.6**	0.5	0.5
	1.6	**1.6**	1.3	1.3

The Company did not have any derivative financial liabilities at the end of 2020 or 2021.

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:

	2021 $m	2020 $m
Total equity	**790.2**	709.6
Net cash:		
Loans receivable from subsidiary (note C5)	**(459.9)**	(273.5)
Capital employed	**330.3**	436.1

The increase in total equity during the year is mainly attributable to the profit and total comprehensive income for the year of $92.7m and the increase of $8.5m for the net share-based payment charge being offset by the payment of dividends of $12.8m and the net increase in treasury shares of $7.8m.

Loans receivable from a subsidiary increased by $186.4m largely due to dividend income of $200.0m, as well as royalty income and interest income received during the year being offset by dividend payments of $12.8m and net payments for the purchase of treasury shares of $7.6m. 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 2021.

The analysis excludes the impact of movements in market variables on the carrying value of provisions and on non-financial assets and liabilities.

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

- Foreign exchange rate and interest rate sensitivities have an asymmetric impact on the Company's results, that is an increase in rates does not result in the same amount of movement as a decrease in rates;
- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to be outstanding for the whole year; and
- The carrying values of financial assets and liabilities carried at amortised cost do not change as interest rates change.

(a) Interest Rate Sensitivity

The post-tax impact on the income statement, with all other variables held constant, at 31 December 2021, for an increase of 1.0% (2020 – 0.1%) in US interest rates, is to increase profits by $3.7m (2020 – $0.2m). If the US interest rates were to decrease by 1.0% (2020 – 0.1%), then the post-tax impact would be to reduce profits by $3.7m (2020 – $0.2m). The movements arise on US dollar denominated intra-Group loans. There is no impact on OCI for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity

If the Sterling foreign exchange rate was to increase or decrease by 3%, the post-tax impact on the income statement, with all other variables held constant, at 31 December 2021 would be $nil. At 31 December 2020, for an increase or decrease of 10% in the Sterling foreign exchange rate, the post-tax impact on the income statement was an increase or decrease in profits of $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 33 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 34 of the Group's financial statements.

C14. Other Components of Equity

	Year ended 31 December 2021				
	Capital redemption reserve $m	**Share-based payments reserve $m**	**Currency translation reserve $m**	**Merger reserve $m**	**Total $m**
At 1 January 2021	**0.8**	**17.3**	**(19.2)**	**38.2**	**37.1**
Share options and awards					
– value of employee services	**–**	**8.7**	**–**	**–**	**8.7**
– discharge	**–**	**(10.4)**	**–**	**–**	**(10.4)**
Transfer between reserves	**–**	**–**	**–**	**(12.8)**	**(12.8)**
At 31 December 2021	**0.8**	**15.6**	**(19.2)**	**25.4**	**22.6**

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, $12.8m (2020 – $8.2m) was transferred from the merger reserve to retained earnings. This portion of the reserve is now considered to be realised as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

	Year ended 31 December 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

C15. Retained Earnings

	2021 $m	2020 $m
At 1 January	**453.0**	447.5
Profit for the year	**92.7**	8.6
Dividends paid to equity shareholders (note C16)	**(12.8)**	(8.2)
Share buyback	**–**	(5.1)
Treasury shares		
– purchase of treasury shares	**(8.1)**	(9.4)
– proceeds on disposal of treasury shares	**0.3**	0.2
Share options and awards		
– discharge	**10.2**	11.2
Transfer between reserves	**12.8**	8.2
At 31 December	**548.1**	453.0

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

	2021 $m	2020 $m
Cost:		
At 1 January	**(10.6)**	(12.8)
Purchase of treasury shares	**(8.1)**	(9.4)
Cost of treasury shares disposed	**3.7**	11.6
At 31 December	**(15.0)**	(10.6)

At 31 December 2021, 4,282,065 Ordinary shares were held by the Employee Benefit Trust (2020 – 2,562,281). During the year, the Company purchased 2,703,100 additional treasury shares for $8.1m. The loss on disposal of treasury shares during the year, which is recognised in retained earnings, was $3.4m (2020 – $11.4m).

C16. Dividends Paid to Equity Shareholders

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

C17. Share-based Payments

Please see note 38 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:

	2021 $m	2020 $m
Transactions:		
Royalties receivable	**7.1**	6.5
Management fees payable	**(9.6)**	(6.4)
Recharges of share options and awards and administrative expenses	**9.5**	5.1
Loans to subsidiary	**(186.4)**	–
Loans to subsidiary repaid	**–**	10.6
Interest receivable on inter-company loans	**3.5**	4.5
Dividends received from subsidiaries	**200.0**	6.6
Year-end balances:		
Payables to subsidiaries	**–**	(0.2)
Receivables from subsidiaries	**0.6**	1.1
Loans owed by subsidiaries	**459.9**	273.5

All balances between the Company and its subsidiaries are unsecured.

C18. Related-party Transactions continued

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.

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 54). Accordingly, the Directors do not consider there to be an ultimate controlling party.

C19. Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Associates[i]	Registered address[ii]
Rival Downhole Tools LC (23.5%)	5535 Brystone Drive, Houston, Texas, 77041-7013, USA
Cumberland Additive Holdings LLC (27%)	3813 Helios Way, Suite B200, Pflugerville, Texas, 78660, 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.
ii. Associates are incorporated and operate in the countries indicated.

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	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	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 (83%)	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.	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]	319 St Vincent Street, Glasgow, G2 5AS, Scotland
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 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
Hunting Energy Services India Private Limited	602, Block A, Naurang House, 21 KG Marg, Canaught Place, New Delhi, Central Delhi 110001, India
National Coupling Company, Inc.	1316 Staffordshire Road, Staffordshire, Texas, 77477, USA
Hunting Energy Services, LLC	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Premium Finishes, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Hunting Dearborn, Inc.	6 Dearborn Drive, Fryeburg, Maine, USA

C20. Subsidiaries continued

Subsidiaries[i/iii]	Registered address
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 Supply, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Hunting Titan, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
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
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. 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 and will be dissolved in March 2022.

Changes to the Group

i) Cumberland Additive Holdings LLC

On 24 August 2021, the Group purchased 27% of the share capital of Cumberland Additive Holdings LLC for $5.1m. The investment is recognised as an investment in an associate.

ii) Formation of Indian Joint Venture

In December 2021, the Group entered into an agreement for the formation of a new 49:51 joint venture with Jindal SAW Limited ("Jindal") to pursue new growth opportunities in India. The new joint venture entity has yet to be incorporated.

iii) Singapore Reorganisation

On 1 January 2021, Hunting Energy Services (Well Intervention) Pte. Ltd and Hunting Energy Services (International) Pte. Ltd were merged in to Hunting Energy Services Pte. Ltd as part of a reorganisation in Singapore.

iv) Canada Reorganisation

Hunting Titan ULC was merged in to Hunting Energy Services (Canada) Ltd as part of the Canadian reorganisation on 1 January 2021.

v) Purchase of 40% Non-controlling Interest

On 31 December 2021, the Group entered into a transaction with Marubeni-Itochu Steel Inc and Marubeni-Itochu Tubulars Europe PLC (collectively referred to as Marubeni-Itochu), the non-controlling interest in Hunting Energy Services (UK) Limited and its subsidiary Hunting Energy Services B.V., whereby Hunting purchased Marubeni-Itochul's 40% interest in these companies for $3.8m and became the sole shareholder.

vi) Other

Hunting Pension Trust Limited was dissolved on 19 January 2021.

Non-GAAP Measures

(unaudited)

The performance of the Group is assessed by the Directors using a number of non-GAAP measures ("NGMs").

The Group's results are presented both before and after amortisation of acquired intangible assets and exceptional items. However, the results before amortisation of acquired intangible assets and exceptional items are quite frequently higher than the results including these items. Underlying profitability measures are presented excluding amortisation of acquired intangible assets and exceptional items as this provides management with useful additional information about the Group's performance and enables management to form a view of the Group's performance from one period to the next, before the impact of items that occur infrequently; relate to non-trading events; or are significant non-cash impairments as a result of prevailing economic conditions and expectations. Underlying profitability measures are reconciled to unadjusted IFRS results on the face of the income statement, with details of amortisation of acquired intangible assets and exceptional items provided in note 6.

In addition, the Group's results are described using certain other measures that are not defined under IFRS and are therefore considered to be NGMs. These measures are used by management to monitor ongoing business performance. However, the measures used by the Group may not be comparable with similarly titled measures presented by similar businesses.

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. EBITDA is frequently used by analysts, investors and other interested parties to evaluate the profitability of companies.

Calculation definition: Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation.

	2021 $m	2020 $m
Reported loss from operations – consolidated income statement	**(79.7)**	(220.0)
Depreciation of property, plant and equipment (note 12)	**28.9**	32.1
Depreciation of right-of-use assets (note 13)	**6.7**	7.5
Reversal of impairment of right-of-use assets (note 13)	**–**	(0.6)
Non-exceptional amortisation of intangible assets (note 7)	**2.6**	3.5
Non-exceptional amortisation and depreciation	**38.2**	42.5
Amortisation of acquired intangible assets and exceptional items (note 6)	**44.6**	203.6
Underlying EBITDA	**3.1**	26.1

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 before tax divided by underlying loss before tax, expressed as a percentage.

	2021 $m	2020 $m
Underlying taxation charge (credit) (note 10)	**4.9**	(0.9)
Underlying loss before tax for the year – consolidated income statement	**(40.6)**	(19.4)
Underlying tax rate	**-12%**	5%

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 derivative financial assets and deferred bank fees, plus inventories less trade and other payables excluding derivative financial liabilities and retirement plan obligations.

	2021 $m	2020 $m
Trade and other receivables – non-current (note 19)	**2.0**	2.0
Trade and other receivables – current (note 19)	**155.4**	136.3
Inventories (note 21)	**204.4**	288.4
Trade and other payables – current (note 23)	**(83.0)**	(67.9)
Trade and other payables – non-current (note 23)	**(2.7)**	(2.4)
Add: non-working capital US deferred compensation plan obligation (note 23)	**1.9**	1.7
Add: non-working capital current other receivables and other payables	**–**	0.2
	278.0	358.3

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.

	2021 $m	2020 $m
Inventories (note 21)	**204.4**	288.4
Underlying cost of sales for October to December	**115.2**	98.4
Inventory days	**163 days**	270 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.

	2021 $m	2020 $m
Trade receivables (note 19)	**128.1**	111.4
Contract assets (note 19)	**9.9**	9.8
Accrued revenue (note 19)	**3.8**	3.2
Less: provisions for receivables (note 19)	**(4.6)**	(4.5)
Net receivables	**137.2**	119.9
Revenue for October to December	**145.2**	119.3
Trade receivable days	**87 days**	92 days

F. Other Net Assets

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

	2021 $m	2020 $m
Non-current investments (note 18)	**4.6**	1.7
Held-for-sale asset (note 12)	**–**	1.8
Non-working capital US deferred compensation plan obligation (NGM C)	**(1.9)**	(1.7)
Non-working capital current other receivables and other payables (NGM C)	**–**	(0.2)
	2.7	1.6

Balance Sheet Non-GAAP Measures continued

G. Capital Employed

Purpose: Used in the calculation of the return on average capital employed (see NGM P).

Calculation definition: Capital employed is total equity plus net or minus net cash as applicable.

The Group's capital comprised:

	2021 $m	2020 $m
Total equity – consolidated balance sheet	**871.3**	976.6
Net cash (note 27)	**(78.5)**	(57.5)
	792.8	919.1

H. Total Cash and Bank

Purpose: Total cash and bank is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and reviews weekly forecasts to ensure there is sufficient liquidity to meet business requirements. 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.

Calculation definition: Cash and cash equivalents, comprising cash at bank and in hand, Fixed Term Funds, money market funds and short-term deposits of less than 3 months to maturity from the date of deposit, less bank borrowings.

The Group's total cash and bank comprised:

	2021 $m	2020 $m
Cash and cash equivalents (note 22)	**108.4**	102.9
Cash deposits with more than 3 months to maturity – current investments (note 18)	**6.8**	–
Bank overdrafts secured – current borrowings (note 26)	**(1.0)**	(1.2)
	114.2	101.7

I. Net Cash (Debt)

Purpose: Net cash (debt) is a measure of the Group's liquidity and reflects the Group's cash and liquid assets that would remain if all of its debt were to be immediately paid off.

Calculation definition: Net cash (debt) comprises total cash and bank (NGM H) less total lease liabilities and the shareholder loan from a non-controlling interest.

The Group's net cash (debt) comprised:

	2021 $m	2020 $m
Total cash and bank (NGM H)	**114.2**	101.7
Total lease liabilities (note 25)	**(31.8)**	(40.3)
Shareholder loan from non-controlling interests – non-current borrowings (note 26)	**(3.9)**	(3.9)
	78.5	57.5

Cash Flow Non-GAAP Measures

J. Cash Flow Working Capital Movements

Purpose: Reconciles the working capital movements in the Summary Group Cash Flow in the Strategic Report.

	2021 $m	2020 $m
Working capital – opening balance	**358.3**	433.3
Foreign exchange	**1.1**	–
Exceptional items impacting working capital:		
Impairments of inventories (note 6)	**(28.0)**	(34.2)
Reversal of impairments of inventories (note 6)	**2.1**	–
Impairments of receivables (note 6)	**–**	(1.2)
Profit on disposal of Canada assets (note 6)	**–**	0.6
Acquisition	**–**	0.5
Disposal of business	**(31.5)**	(2.7)
Adjustments:		
Transfer to property, plant and equipment (note 12)	**(0.5)**	(0.6)
Capital investment debtors/creditors cash flows	**0.1**	(0.1)
Asset disposals debtors/creditors cash flows	**–**	1.7
Other non-cash flow movements	**(0.4)**	–
Other cash flow movement	**(0.4)**	(0.2)
Working capital – closing balance (NGM C)	**(278.0)**	(358.3)
Cash flow	**22.8**	38.8

K. 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.

	2021 $m	2020 $m
Property, plant and equipment additions (note 12)	**6.5**	14.8
Capital investment debtors/creditors cash flows (NGM J)	**0.1**	(0.1)
Cash flow	**6.6**	14.7
Per the consolidated statement of cash flows:		
Purchase of property, plant and equipment held for rental – operating activities	**0.9**	3.0
Purchase of property, plant and equipment – investing activities	**5.7**	11.7
Cash flow	**6.6**	14.7
Hunting Titan	**1.1**	3.9
North America	**4.1**	8.8
EMEA	**0.5**	1.0
Asia Pacific	**0.4**	1.0
Central	**0.5**	–
Cash flow	**6.6**	14.7

L. 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.

	2021 $m	2020 $m
Decrease in provisions – consolidated statement of cash flows	**(1.7)**	(0.2)
Other non-cash flow items	**(0.6)**	(1.3)
	(2.3)	(1.5)

Cash Flow Non-GAAP Measures continued

M. 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 and is a KPI used by management.

Calculation definition: All cash flows before transactions with shareholders and investment in non-current assets.

	2021 $m	2020 $m
Underlying EBITDA (NGM A)	**3.1**	26.1
Add: share-based payment charge (note 38)	**9.2**	9.0
	12.3	35.1
Working capital movements (NGM J)	**22.8**	38.8
Net tax received (paid) – consolidated statement of cash flows	**0.6**	(5.0)
Proceeds from business and asset disposals – consolidated statement of cash flows	**35.9**	3.9
Net gains on business and asset disposals – consolidated statement of cash flows	**(0.6)**	(2.4)
Lease payments – consolidated statement of cash flows	**(10.6)**	(10.4)
Restructuring costs – consolidated statement of cash flows	**(2.0)**	(10.7)
Settlement of a warranty claim related to a corporate transaction	**(1.7)**	–
Other operating cash and non-cash movements (NGM L)	**(2.3)**	(1.5)
Free cash flow	**54.4**	47.8
Reconciliation to the consolidated statement of cash flows:		
Net cash inflow (outflow) from cash and cash equivalents	**6.4**	(28.8)
Include cash flow on cash deposits with more than 3 months to maturity	**6.9**	–
Net cash inflow (outflow) from total cash and bank	**13.3**	(28.8)
Add investment in non-current assets:		
Purchase of subsidiaries net of cash received including acquisition costs	**–**	34.2
Purchase of property, plant and equipment	**5.7**	11.7
Purchase of property, plant and equipment held for rental	**0.9**	3.0
Purchase of intangible assets	**2.7**	4.3
Investment in associates – Cumberland Additive	**5.1**	–
Convertible financing – Well Data Labs	**2.5**	–
	16.9	53.2
Add (less) transactions with shareholders:		
Purchase of treasury shares	**7.9**	9.4
Disposal of treasury shares	**(0.3)**	(0.2)
Share buyback	**–**	5.1
Purchase of non-controlling interest	**3.8**	–
Dividends paid to Hunting PLC shareholders	**12.8**	8.2
Dividends paid to non-controlling interests	**–**	0.9
	24.2	23.4
Free cash flow	**54.4**	47.8

Other Non-GAAP Measures

N. 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 O).

Calculation definition: The amount in cents returned to Ordinary shareholders.

	2021 Cents per share	2020 Cents per share
First interim dividend	**4.0**	3.0
Second interim dividend	**–**	2.0
Final dividend	**4.0**	4.0
	8.0	9.0

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

Other Non-GAAP Measures continued

O. 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 (loss) per share attributable to Ordinary shareholders divided by the cash dividend per share to be returned to Ordinary shareholders, on an accruals basis.

	2021		2020	
	Underlying	**Reported**	Underlying	Reported
Loss per share				
Basic (note 11)	**(27.1)c**	**(53.2)c**	(10.0)c	(143.2)c
Diluted (note 11)	**(27.1)c**	**(53.2)c**	(10.0)c	(143.2)c
Dividend (NGM N)	**8.0c**	**8.0c**	9.0c	9.0c
Dividend cover				
Basic	**n/a**	**n/a**	n/a	n/a
Diluted	**n/a**	**n/a**	n/a	n/a

P. Underlying 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 underlying 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.

	2021 $m	2020 $m
Average monthly gross capital employed (13-point average)	**882.6**	1,065.5
Underlying loss from operations – consolidated income statement	**(35.1)**	(16.4)
Share of associates' pre-tax losses	**(3.5)**	–
	(38.6)	(16.4)
Underlying return on average capital employed	**-4%**	-2%

Financial Record[i]

(unaudited)

	2021 $m	2020 $m	2019[ii] $m	2018[ii] $m	2017[ii] $m
Revenue	**521.6**	626.0	960.0	911.4	724.9
EBITDA	**3.1**	26.1	139.7	142.3	56.0
Depreciation and non-exceptional amortisation and impairment	**(38.2)**	(42.5)	(45.4)	(37.6)	(41.7)
(Loss) profit from operations	**(35.1)**	(16.4)	94.3	104.7	14.3
Net finance expense	**(2.0)**	(3.0)	(1.2)	(0.7)	(1.5)
Share of associates' post-tax losses	**(3.5)**	–	–	–	(1.3)
(Loss) profit before tax	**(40.6)**	(19.4)	93.1	104.0	11.5
Taxation	**(4.9)**	0.9	(17.0)	(22.0)	(1.0)
(Loss) profit for the year	**(45.5)**	(18.5)	76.1	82.0	10.5

	cents	cents	cents	cents	cents
Basic (loss) earnings per share	**(27.1)**	(10.0)	45.0	51.6	8.0
Diluted (loss) earnings per share	**(27.1)**	(10.0)	43.9	49.6	8.0
Dividend per share[iii]	**8.0**	9.0	5.0	9.0	–

	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**274.4**	307.1	354.7	360.2	383.3
Right-of-use assets	**24.7**	29.8	36.7	–	–
Goodwill and other intangible assets	**200.3**	207.1	308.7	329.7	355.7
Working capital	**278.0**	358.3	433.3	436.5	344.0
Associates	**19.4**	18.1	0.7	0.7	0.7
Taxation (current and deferred)	**1.4**	6.0	19.8	13.7	(6.0)
Provisions	**(8.1)**	(8.9)	(8.4)	(14.2)	(18.0)
Other net assets	**2.7**	1.6	0.4	3.2	22.0
Capital employed	**792.8**	919.1	1,145.9	1,129.8	1,081.7
Total cash and bank	**114.2**	101.7	127.0	65.2	34.3
Lease liabilities	**(31.8)**	(40.3)	(45.2)	–	–
Other borrowings	**(3.9)**	(3.9)	(3.9)	(3.9)	(3.9)
Net cash (debt) (note 27)	**78.5**	57.5	77.9	61.3	30.4
Net assets	**871.3**	976.6	1,223.8	1,191.1	1,112.1
Non-controlling interests	**(1.4)**	(12.2)	(15.9)	(14.0)	(18.8)
Equity attributable to owners of the parent	**869.9**	964.4	1,207.9	1,177.1	1,093.3

	cents	cents	cents	cents	cents
Net assets per share	**528.4**	592.2	733.3	721.4	677.3

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.