Independent Auditor's Report to the Members of Hunting PLC

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 2022 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; • revenue recognition; and • goodwill and non-current asset impairment.	Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ↔ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $4.0 million which was determined on the basis of revenue.	
Scoping	The scope of our group audit includes a number of reporting units across the group, whose results taken together account for 78% and 84% of the group's revenue and net assets respectively. Our audit work covered group operations in seven countries covering 17 reporting units, including a number of investment holding companies.	
Significant changes in our approach	Due to the continued improved financial performance of the group, we determined it appropriate to move to an activity-based metric as the basis for determining materiality, as opposed to a solvency-based metric used in previous years. As revenue is considered a key metric for the primary users of the financial statements, we used revenue as the primary benchmark to determine materiality.	

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:

- we obtained management's assessment of going concern for the group, understanding the process followed by management, including the budgets and forecasts covering the foreseeable future and the assumptions on which management's assessment is based and evaluated these assumptions applied;
- 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 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 assessed the terms of the asset-based borrowing facility that was entered into in February 2022 and understood whether any amounts had been drawn down or were considered, in order to determine whether covenants in the agreement would impact the going concern assessment;
- 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 $272.1 million (2021: $204.4 million), net of a provision of $50.0 million (2021: $59.5 million). The cyclical and current trading environment and market conditions continue to expose the group to the risk of over-valuation of aged inventory and appropriateness of provisioning model. There is a risk that certain inventory lines held may remain technically relevant but demand in the marketplace may be low and therefore there could be excess inventory on hand that will never be sold at or above its carrying amount. Management's judgement in assessing the valuation of inventory is primarily based on expectations of future sales, the forecast turn period and inventory utilisation plans, combined with their consideration of historical sales and their assessment of the continued technological relevance of the group's products. Refer to page 157 of the Audit Committee report and notes 1, 20 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 the relevant controls over the inventory valuation process, including how management estimate their inventory reserves; • obtained and assessed the inventory provisioning models (including mechanical accuracy) and supporting and detailed analysis prepared by management, to determine whether appropriate methodologies have been applied with reference to the level of write-offs and evidence of sale of slow-moving stock in the period to 31 December 2022, and that they appropriately reflect the current market conditions; • challenged any key assumptions such as the historical sales period used to drive expected forward turns, the forecast turn period applied and any additional adjustments factored in by management to uplift recent historical sales run rates to better reflect future trading expectations. This included consideration of historically achieved revenue levels, any significant changes in business structure or markets, third party industry forecasts, production capacity levels and current revenue run rates to demonstrate whether the inferred future revenue levels are reasonable; • where appropriate, evaluated management's comparison of forecast sales against relevant third-party forecasts as a stand-back assessment on the future utilisation of current inventory levels; and • considered the available support from management, including current sales transactions, used to determine an appropriate net realisable value to assess whether inventory is being held at an appropriate amount. Where considered appropriate, we also made direct enquiries of sales and operational personnel.
Key observations	We are satisfied that the judgements taken by management are appropriate in light of the current market conditions.

5.2. Revenue recognition ⟷

Key audit matter description	The revenue recognised by the group in 2022 is $725.8 million (2021: $521.6 million). The group's revenue recognition policy does not generally require a high level of judgement under IFRS 15, however there is a risk relating to the appropriateness of revenue recognition criteria for revenue that is recognised 'over time' when there are material judgments spanning the period end. The key business units with overtime revenue, and therefore where we have identified a key audit matter, are Stafford Spring and Dearborn, which recognised total revenue of $25.0 million (2021: $21.7 million) and $35.7 million (2021: $35.3 million) respectively. There is a potential fraud risk present given the impact of these judgements on the result for the year and the possibility of manipulation. This risk has increased in the year given the changing nature and increasing complexity of the group's contracts, with an increasing portion being recognised over time. The key risks in respect of revenue recognition are: • determining whether it is appropriate to recognise revenue over time or at a point in time, depending on the specific terms of individual contractual arrangements with customers; and • for contracts which are material and where revenue is recognised over time, whether the estimated cost at completion is accurate, given this impacts the calculation of revenue to be recognised. Refer to page 157 of the Audit Committee Report and 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, including how the estimated costs to complete are reviewed and challenged. We identified significant and: • assessed the appropriateness of the revenue recognition model in place, with due consideration of the underlying contractual agreement, and evaluated how the terms were interpreted under the IFRS 15 criteria and assessed the appropriateness of estimated costs to complete by: – inspecting the relevant bill of materials and assessing how estimated costs to complete were valued, for example by matching bills to purchase orders from suppliers or recent purchases of the same material; – inspecting the labour cost estimate and comparing rates to labour rates and comparing the hours to similar contracts or internal schedules; – understanding how much overhead was allocated to contracts (including the estimated future overhead to come) to assess reasonableness; and – evaluating historical estimating accuracy by comparing forecast and actual profit.
Key observations	We are satisfied that revenue has been recognised appropriately and in accordance with IFRS 15 'Revenue from Contracts with Customers'.

5.3. Goodwill and non-current asset impairment ⟷

Key audit matter description	The Group balance sheet has a significant level of goodwill and non-current assets. This includes goodwill of $155.5 million (2021: $164.1 million), which is tested annually for impairment. Intangible assets of $35.7 million (2021: $36.2 million) include customer relationships, unpatented technology and patents and trademarks. The property, plant and equipment balance is $256.7 million (2021: 274.4million) and the right of use assets amounted to $26.0 million (2021: $24.7 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, future market performance and relevant terminal growth rates. The Group has seen recovery in the period, with further forecast recovery expected. We identified a key audit matter 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, as well as the broader macro-economic environment's impact on discount rates. The goodwill recognised relating to Enpro is $5.5 million, after an impairment of $7.0 million was recognised. The valuation is dependent on the market penetration of new technologies and therefore there remains risk in the uptake of this technology. Refer to page 157 of the Audit Committee report and notes 1, 15 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 CGUs we assessed the risk of material misstatement by performing the following procedures: • sensitising 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, whilst considering the potential impact of climate on the long term forecasts; and • calculating 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 evaluated: • whether the future cash flow forecasts and the timing of the forecast recovery in performance of these forecasts are appropriate; • the forecast revenue and growth assumptions and how management have incorporated the impact of new products and new tenders, as well as the reasonableness of the timing and phasing of market recovery; • the terminal growth rates by comparing them to economic and industry forecast; and • the discount rates by comparing the cost of capital assumption for each CGU against comparable organisations and our independently calculated discount rates derived by our valuations specialists. We also assessed the sensitivity disclosures included in the financial statements (note 15) 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 the no additional impairment should be recognised in respect of goodwill and non-current assets and consider the impairment recognised in relation to Enpro is based on reasonable assumptions. The sensitivity disclosures in the financial statements appropriately present the CGUs that are most sensitive to potential future changes in key assumptions.

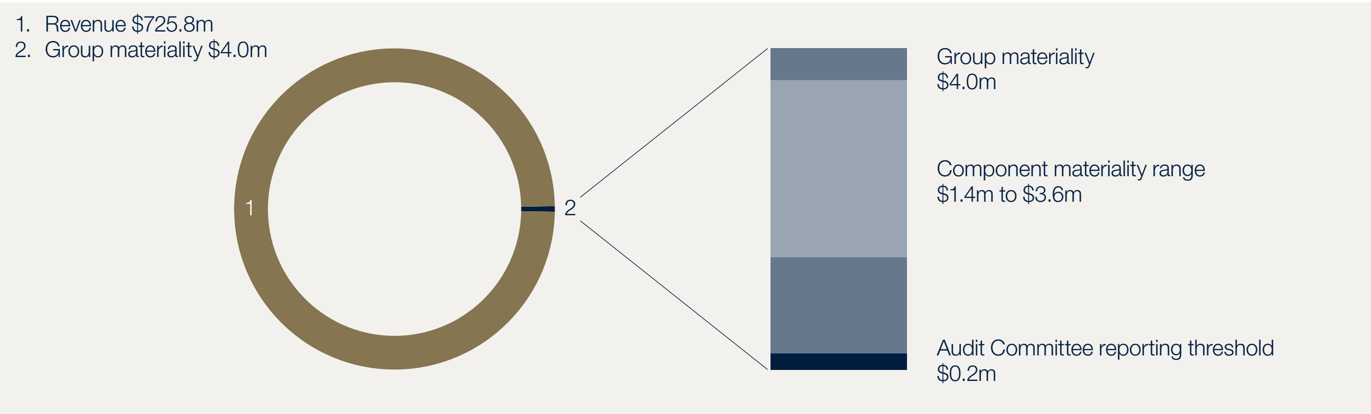
6. Our application of materiality

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	$4.0 million (2021: $3.5 million)	$3.6 million (2021: $3.0 million)
Basis for determining materiality	0.6% of revenue (0.4% net assets)	Parent company materiality equates to 0.4% (2021: 0.3%) of net assets, which is capped at 90% (2021:86%) of group materiality.
Rationale for the benchmark applied	Due to the continued improved financial performance of the group, we determined it appropriate to an activity-based metric as the basis for determining materiality, as opposed to the solvency-based metric used in previous years. As revenue is considered a key metric for the primary users of the financial statements, we used revenue as the primary benchmark to determine materiality.	Given that the 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% (2021: 70%) of group materiality	70% (2021: 70%) 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 placed reliance on the relevant controls over revenue within the Hunting Titan, US Manufacturing and US Connections operating units.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $200,000 (2021: $175,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

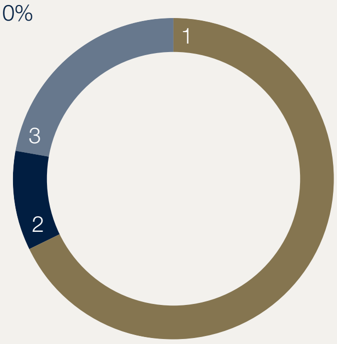
7. An overview of the scope of our audit

7.1. Identification and scoping of components

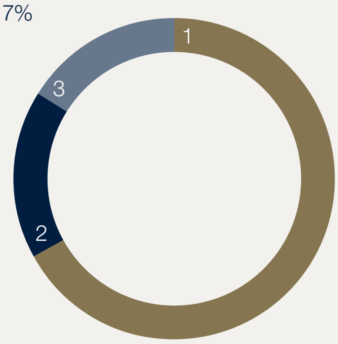
The group has 56 (2021: 57) reporting units and the financial statements reflect a consolidation of entities covering centralised functions, operating units and non-trading legal entities. The systems, processes and controls in place vary across the group and therefore our audit scoping procedures considered each operating unit individually.

Our scoping consisted of three levels, with audit effort split across each scoping level. We identified 10 (2021: 12) operating units across the group that were subject to full scope reporting on their complete financial information, which included three (2021: four) holding company reporting units. Specific audit procedures over certain balances were performed at a further seven (2021: ten) operating 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 78% (2021: over 80%) of the group's revenue and net assets. The range of component materiality levels is $1.4 million to $3.6 million (2021: $1.1 million to $2.8 million).

Revenue
1. Full audit scope 68%
2. Specified audit procedures 10%
3. Review at group level 22%



Net assets
1. Full audit scope 67%
2. Specified audit procedures 17%
3. Review at group level 16%



7.2. Our consideration of the control environment

A new ERP system ("D365") was implemented in the group's US Connections operating unit in 2021. As a result of this implementation, consistent with our audit plan and our approach on business units already live (Hunting Titan and US Manufacturing), we adopted a controls reliance approach across the revenue processes within this business unit, with the exception of controls over the cut-off assertion. The ERP system continues to be rolled out across the group, with a number of smaller business units having gone live in FY22. Consistent with our approach in 2021, we involved 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, controls relevant to our significant risks, and any other controls we deemed relevant. 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 90 to 96.

As a part of our audit, in particular with respect to the key audit matter identified on goodwill and non-current asset impairment discussed in section 5.3 above, 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 175, 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 evaluated whether appropriate disclosures have been made in the financial statements, and 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 (2021: seven) countries, covering 17 (2021: 22) reporting units, including a number of head office entities. Three (2021: four) reporting units were within the group team's scope and residual 14 (2021: 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 visited our US component team during the year, and performed a detailed review of their work over areas including key judgements and significant risks using technology to access component auditors' working papers remotely. 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' responsibilities 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/auditors responsibilities. 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 including those that are specific to the group's sector;
- 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.

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 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 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 and reviewing internal audit reports; 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 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 111;
- 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 110;
- the Directors' statement on fair, balanced and understandable set out on page 158;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 104, 105 and 110;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 104 and 105; and
- the section describing the work of the audit committee set out on page 156.

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 Annual Report on 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 four years, covering the years ending 31 December 2019 to 31 December 2022.

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, United Kingdom

2 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 $m	2021[i] $m
Revenue	3	**725.8**	521.6
Cost of sales		**(554.4)**	(456.7)
Gross profit		**171.4**	64.9
Selling and distribution costs		**(46.1)**	(38.1)
Administrative expenses[ii]		**(124.9)**	(105.2)
Net operating income and other expenses	4	**1.6**	(1.3)
Profit (loss) from operations	6	**2.0**	(79.7)
Finance income	8	**3.0**	1.5
Finance expense	8	**(4.7)**	(3.5)
Share of associates' and joint ventures' loss	16	**(2.7)**	(3.8)
Loss before tax from operations		**(2.4)**	(85.5)
Taxation	9	**(1.3)**	(4.2)
Loss for the year		**(3.7)**	(89.7)
Loss for the year attributable to:			
Owners of the parent		**(4.6)**	(85.8)
Non-controlling interests		**0.9**	(3.9)
		(3.7)	(89.7)

Loss per share		cents	cents
Basic	10	**(2.8)**	(53.2)
Diluted	10	**(2.8)**	(53.2)

i. The administrative expenses and net operating income and other expenses for 2021 have been represented since the 2022 Half Year Report to show a better classification given the nature of the adjusting items.
ii. Included in administrative expenses is the net impairment reversal on trade and other receivables recognised in the year of $0.6m (2021 – $1.6m net impairment loss).

The notes on pages 175 to 227 are an integral part of these condensed consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Comprehensive income:			
Loss for the year		**(3.7)**	(89.7)
Components of other comprehensive income (expense) after tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments		**(9.9)**	0.5
Fair value gains and losses:			
– gains originating on cash flow hedges arising during the year		**0.3**	–
		(9.6)	0.5
Reclassified to profit or loss during the year:			
Fair value gains and losses:			
– losses on cash flow hedges transferred to the income statement		**0.1**	–
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	32,35	**0.1**	(0.2)
Other comprehensive income (expense) after tax		**(9.4)**	0.3
Total comprehensive expense for the year		**(13.1)**	(89.4)
Total comprehensive expense for the year attributable to:			
Owners of the parent		**(13.3)**	(85.8)
Non-controlling interests		**0.2**	(3.6)
		(13.1)	(89.4)

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

Consolidated Balance Sheet

At 31 December 2022

	Notes	2022 $m	2021 $m
ASSETS			
Non-current assets			
Property, plant and equipment	11	**256.7**	274.4
Right-of-use assets	12	**26.0**	24.7
Goodwill	13	**155.5**	164.1
Other intangible assets	14	**35.7**	36.2
Investments in associates and joint ventures	16	**20.1**	19.4
Investments	17	**4.8**	4.6
Trade and other receivables	18	**2.8**	2.0
Deferred tax assets	19	**13.7**	10.3
		515.3	535.7
Current assets			
Inventories	20	**272.1**	204.4
Trade and other receivables	18	**232.4**	155.4
Cash and cash equivalents	21	**29.4**	108.4
Investments	17	**–**	6.8
Current tax assets		**0.1**	0.9
		534.0	475.9
LIABILITIES			
Current liabilities			
Trade and other payables	22	**141.8**	83.0
Lease liabilities	24	**9.1**	8.9
Borrowings	25	**4.9**	1.0
Provisions	27	**4.6**	3.1
Current tax liabilities		**3.4**	3.0
		163.8	99.0
Net current assets		**370.2**	376.9
Non-current liabilities			
Trade and other payables	22	**3.2**	2.7
Lease liabilities	24	**21.5**	22.9
Borrowings	25	**3.9**	3.9
Provisions	27	**4.3**	5.0
Deferred tax liabilities	19	**6.4**	6.8
		39.3	41.3
Net assets		**846.2**	871.3
Equity attributable to owners of the parent			
Share capital	33	**66.5**	66.5
Share premium	33	**153.0**	153.0
Other components of equity	34	**15.8**	38.0
Retained earnings	35	**609.3**	612.4
		844.6	869.9
Non-controlling interests		**1.6**	1.4
Total equity		**846.2**	871.3

The notes on pages 175 to 227 are an integral part of these consolidated financial statements. The financial statements on pages 170 to 227 were approved by the Board of Directors on 2 March 2023 and were signed on its behalf by:

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Consolidated Statement of Changes in Equity

	Notes	Share capital (note 33) $m	Share premium (note 33) $m	Other components of equity (note 34) $m	Retained earnings (note 35) $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2022						
At 1 January 2022		**66.5**	**153.0**	**38.0**	**612.4**	**869.9**	**1.4**	**871.3**
Profit (loss) for the year		–	–	–	(4.6)	(4.6)	0.9	(3.7)
Other comprehensive income (expense)		–	–	(8.8)	0.1	(8.7)	(0.7)	(9.4)
Total comprehensive income (expense)		–	–	(8.8)	(4.5)	(13.3)	0.2	(13.1)
Transfer of cash flow hedging gains to the initial carrying value of hedged items		–	–	(0.1)	–	(0.1)	–	(0.1)
Dividends paid to Hunting PLC shareholders	36	–	–	–	(13.6)	(13.6)	–	(13.6)
Treasury shares								
– purchase of treasury shares		–	–	–	(7.9)	(7.9)	–	(7.9)
– disposal of treasury shares		–	–	–	0.2	0.2	–	0.2
Share options and awards								
– value of employee services		–	–	9.4	–	9.4	–	9.4
– discharge		–	–	(9.1)	8.9	(0.2)	–	(0.2)
– taxation		–	–	–	0.2	0.2	–	0.2
Transfer between reserves		–	–	(13.6)	13.6	–	–	–
At 31 December 2022		**66.5**	**153.0**	**15.8**	**609.3**	**844.6**	**1.6**	**846.2**

	Notes	Share capital (note 33) $m	Share premium (note 33) $m	Other components of equity (note 34) $m	Retained earnings (note 35) $m	Total $m	Non-controlling interests $m	Total equity $m
		Year ended 31 December 2021						
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 (expense)		–	–	0.2	(0.2)	–	0.3	0.3
Total comprehensive income (expense)		–	–	0.2	(86.0)	(85.8)	(3.6)	(89.4)
Dividends paid to Hunting PLC shareholders	36	–	–	–	(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	38	–	–	–	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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 $m	2021 $m
Operating activities			
Profit (loss) from operations		**2.0**	(79.7)
Adjusting items (NGM A)		**12.6**	44.6
Depreciation and non-adjusting amortisation (NGM C)		**37.4**	38.2
EBITDA (NGM C)		**52.0**	3.1
Share-based payments expense	37	**9.9**	9.2
(Increase) decrease in inventories		**(72.3)**	26.6
(Increase) decrease in receivables		**(76.2)**	(19.0)
Increase (decrease) in payables		**61.9**	15.2
Increase (decrease) in provisions		**0.2**	(1.7)
Net taxation (paid) received		**(3.9)**	0.6
Net (gain) loss on disposal of property, plant and equipment		**0.3**	(0.2)
Net (gain) loss on curtailment of leases		**(3.1)**	–
Proceeds from disposal of property, plant and equipment held for rental		**0.2**	–
Purchase of property, plant and equipment held for rental (NGM M)		**(0.5)**	(0.9)
Fair value (gain) loss on disposal of held-for-sale asset		**–**	(0.4)
Legal fees incurred defending patent infringement claim		**(5.6)**	–
Settlement of warranty claim related to corporate transaction		**–**	(1.7)
Restructuring costs		**–**	(2.0)
Other non-cash flow items		**0.3**	(0.2)
Net cash inflow (outflow) from operating activities		**(36.8)**	28.6
Investing activities			
Interest received		**1.2**	0.6
Proceeds from disposal of property, plant and equipment		**6.6**	2.2
Proceeds from disposal of held-for-sale assets		**–**	2.2
Proceeds from disposal of business		**–**	31.5
Increase (decrease) in current investments		**6.7**	(6.9)
Investment in associates and joint ventures	16	**(3.5)**	(5.1)
Convertible financing – Well Data Labs	17	**–**	(2.5)
Purchase of property, plant and equipment (NGM M)		**(15.9)**	(5.7)
Purchase of intangible assets		**(5.6)**	(2.7)
Net cash inflow (outflow) from investing activities		**(10.5)**	13.6
Financing activities			
Interest and bank fees paid		**(4.1)**	(1.0)
Payment of lease liabilities		**(8.0)**	(10.6)
Net proceeds on disposal of lease liabilities		**2.2**	–
Increase in bank borrowings		**2.9**	–
Purchase of non-controlling interest	38	**–**	(3.8)
Dividends paid to Hunting PLC shareholders	36	**(13.6)**	(12.8)
Purchase of treasury shares		**(7.9)**	(7.9)
Proceeds on disposal of treasury shares		**0.2**	0.3
Net cash outflow from financing activities		**(28.3)**	(35.8)
Net cash inflow (outflow) in cash and cash equivalents		**(75.6)**	6.4
Cash and cash equivalents at the beginning of the year		**107.4**	101.7
Effect of foreign exchange rates		**(4.5)**	(0.7)
Cash and cash equivalents at the end of the year		**27.3**	107.4
Cash and cash equivalents at the end of the year comprise:			
Cash and cash equivalents included in current assets	21	**29.4**	108.4
Bank overdrafts included in borrowings	25	**(2.1)**	(1.0)
		27.3	107.4

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 248. 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 113. The financial statements consolidate those of Hunting PLC (the "Company") and its subsidiaries (together referred to as the "Group"), including the Group's interests in associates and joint ventures 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 29). The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 111.

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.

In the prior year, the consolidated income statement included presentation of alternative performance measures, previously referred to as underlying results, in addition to IFRS measures. Hunting has revised the format of the condensed consolidated income statement in the current year to present a single column only with IFRS measures in line with current practice and guidance. The format of the relevant income statement notes has also been updated. Adjusted profitability measures used by management have been presented in the Non-GAAP Measures section, which includes further information on the definitions, purpose and reconciliation to IFRS measures. The prior year numbers have not been restated as this is a presentational change only.

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 those concerning future expectations and other key sources of estimation uncertainty at the end of the reporting period and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements were made in the following areas:

- In determining if the contractual terms for various significant subsea contracts met the requirements of over time revenue accounting as described in note 41;
- In considering whether the conditions were appropriate to recognise deferred tax assets (see note 9); and
- In the assessment of whether an extension option, early termination option or a purchase option in a lessee contract is likely to be exercised by the entity. See note 24.

The key estimates used in the preparation of the accounts were:

- The estimates of future cash flows in the budget and extended forecasts considered in the impairment test for cash generating units and the carrying values (see note 15); and
- Estimates of future turn rates by inventory line item in determining inventory provisions (see note 20).

Climate Change

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 to appropriately. In the judgement of the Directors, the external mid and 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. The Group utilises mid-term forecasts to consider whether there any concerns regarding the carrying values or expected lives of longer-lived assets, including goodwill. Climate related risks are not expected to have a significant adverse impact on the Group's revenue or EBITDA in the medium term. 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.

1. Basis of Preparation continued

Adoption of New Standards, Amendments and Interpretations

There are no new standards that came into effect for the current financial year. A number of amended standards became effective for the financial year beginning on 1 January 2022; however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Future Standards, Amendments and Interpretations

The following standards, amendments and interpretations are effective subsequent to the year-end, and have not been early adopted. The Directors do not expect that the adoption of the standards and amendments listed below will have a material impact on the financial statements of the Group in future periods.

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies[ii]
- Amendments to IAS 8 – Definition of Accounting Estimates[ii]
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[ii]
- IFRS 17 Insurance Contracts[ii]
- Amendment to IAS 1: Non-current Liabilities with Covenants[i/iv]
- Amendment to IAS 1: Classification of Liabilities as Current or Non-current Liabilities[i/iii]
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback[i/iv]

i. Not yet endorsed by the UK as at the date of authorisation of the financial statements.
ii. Mandatory adoption date and effective date for the Company is 1 January 2023.
iii. Mandatory adoption date and effective date for the Company has been deferred until not earlier than 1 January 2024.
iv. Mandatory adoption date and effective date for the Company is 1 January 2024.

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. The Group's cash at bank and in hand balances of $29.4m, bank overdrafts of $2.1m and the bank borrowing of $2.8m at the year-end have 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 Asset Based Lending ("ABL") facility, which commenced on 7 February 2022 (see note 30(d)(i)), will be charged interest based on SOFR plus a margin. The Group's treasury department is responsible for managing the Group's LIBOR transition plan.

2. Segmental Reporting

For the year ended 31 December 2022, 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"). The Hunting PLC Board examines the Group's performance mainly from a geographic perspective, based on the location of the operating activities, as well as by product group, in order to understand the drivers of Group performance and trends. Due to its size and the nature of its operations, Hunting Titan's activities are reported separately.

The Board assesses the performance of the operating segments based on revenue and adjusted operating profit. Adjusted operating profit is a profit-based measure and excludes the Group's share of results from associates and joint ventures as well as the effects of adjusting items (see NGM A). The Directors believe that using the adjusted operating profit provides a more consistent and comparable measure of the operating segment's financial performance from one period to the next. This adjusted measure is used by management for planning, resource allocation and reporting purposes. Adjusted operating profit is reconciled to the unadjusted IFRS result in NGM B. It is important to note that the adjusted operating profits are quite frequently higher than the IFRS operating profits as they often exclude significant costs and should not be regarded as a complete picture of the operating segment's financial performance. The operating segment's unadjusted operating profit is also presented alongside the adjusted operating profit.

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.

Accounting policies used for segmental reporting reflect those used for the Group. The UK is the domicile of Hunting PLC.

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 the 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.

2. Segmental Reporting continued

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. A significant portion of the segment's electronics, complex hole drilling and precision machining work is for non-oil and gas sectors. 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, and 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.

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, legacy 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 multi-product line services and distribution in Norway. The European OCTG businesses are 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 carried out through a subsidiary in which Hunting has a 65% controlling interest and Saja Energy, our business partner, which holds the remaining shares. Hunting's manufacturing capabilities in Saudi Arabia focus on well intervention equipment and OCTG products. In addition, Saudi Arabia acts as a sales hub for other products manufactured globally by the Group, including Well Testing and Perforating Systems.

Asia Pacific

In Indonesia and Singapore, OCTG premium connections and accessories and well intervention equipment are manufactured. In China, OCTG threading and perforating gun manufacturing are carried out in the facility in Wuxi. The perforating guns are sold to Hunting Titan and also in its domestic markets. In order to diversify its revenue streams, the segment has also begun selling micro-hydro generators.

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

	2022					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Adjusted result $m	Adjusting items $m	Reported result $m
Hunting Titan	266.0	(8.2)	257.8	15.9	(5.6)	10.3
North America	349.7	(24.6)	325.1	8.1	(7.0)	1.1
EMEA	71.5	(2.2)	69.3	(6.0)	–	(6.0)
Asia Pacific	80.4	(6.8)	73.6	(3.4)	–	(3.4)
Total from operations	**767.6**	**(41.8)**	**725.8**	**14.6**	**(12.6)**	**2.0**
Net finance expense				(1.7)	–	(1.7)
Share of associates' and joint ventures' loss				(2.7)	–	(2.7)
Profit (loss) before tax from operations				**10.2**	**(12.6)**	**(2.4)**

Adjusting items by operating segment:

	2022		
	Hunting Titan $m	North America $m	Total $m
Legal fees	(5.6)	–	(5.6)
Impairment of goodwill	–	(7.0)	(7.0)
	(5.6)	(7.0)	(12.6)

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

	2021					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Adjusted result $m	Adjusting 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[i]	–	–	–	–	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' loss				(3.5)	(0.3)	(3.8)
Profit (loss) before tax from operations				(40.6)	(44.9)	(85.5)

i. The $1.0m gain recognised on the disposal of a lease and the corresponding right-of-use asset was not allocated to an operating segment as the original property provisions were not allocated to an operating segment at the time they were recognised.

Adjusting 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)

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

	2022 $m	2021 $m
Perforating Systems	**251.9**	181.7
OCTG	**258.8**	172.5
Advanced Manufacturing	**75.1**	59.6
Subsea	**69.0**	58.8
Intervention Tools	**36.4**	25.8
Other	**34.6**	23.2
Total	**725.8**	521.6
Revenue from products is further analysed between:		
Oil and gas	**678.2**	484.0
Non-oil and gas	**47.6**	37.6
Total	**725.8**	521.6

2. Segmental Reporting continued

(b) Other Segment Items

	2022			2021		
	Depreciation[i] $m	Amortisation $m	Impairment[ii] $m	Depreciation[i] $m	Amortisation $m	Impairment[ii] $m
Hunting Titan	**7.5**	**1.3**	**(0.1)**	7.6	6.2	4.4
North America	**19.2**	**2.8**	**5.5**	21.0	2.9	23.9
EMEA	**3.6**	**0.3**	**1.7**	3.8	0.1	14.1
Asia Pacific	**2.7**	**–**	**–**	3.2	0.1	(0.1)
Total	**33.0**	**4.4**	**7.1**	35.6	9.3	42.3

i. Depreciation in 2022 comprises depreciation of property, plant and equipment $26.6m (2021 – $28.9m) and depreciation of right-of-use assets $6.4m (2021 – $6.7m).
ii. Impairment for 2021 has been revised to reflect the change in presentation of the inventory provisions movements in note 20. Impairment comprises the reversal of net impairment of trade and other receivables $0.6m (2021 – $1.6m net impairment charge), the net inventory impairment charge of $0.7m (2021 – $32.1m net impairment charge restated), goodwill $7.0m (2021 – $nil) and property, plant and equipment $nil (2021 – $8.6m).

(c) Geographical Segment Information

Information on the physical location of non-current assets is presented below. The allocated non-current assets below exclude deferred tax assets.

	2022 $m	2021 $m
Hunting Titan – US	**178.8**	181.5
Hunting Titan – Canada	**2.2**	2.4
Hunting Titan – Other	**1.3**	0.6
Hunting Titan	**182.3**	184.5
North America – US	**268.8**	292.5
North America – UK[i]	**4.2**	9.4
North America – Canada	**0.8**	1.2
North America	**273.8**	303.1
EMEA – UK[i]	**19.7**	19.5
EMEA – Rest of Europe	**5.5**	7.2
EMEA – Middle East	**1.5**	2.1
EMEA	**26.7**	28.8
Asia Pacific – China	**10.6**	3.3
Asia Pacific – Indonesia	**2.9**	3.2
Asia Pacific – Singapore	**5.3**	2.5
Asia Pacific	**18.8**	9.0
Unallocated assets:		
Deferred tax assets	**13.7**	10.3
Total non-current assets	**515.3**	535.7

i. The value of non-current assets located in the UK, the Group's country of domicile, is $23.9m (2021 – $28.9m).

Revenue from external customers attributable to the UK, the Group's country of domicile, included in the EMEA and North America operating segments, is $34.5m (2021 – $35.4m). Revenue attributable to foreign countries totalled $691.3m (2021 – $486.2m). Revenue attributable to the US, the Group's largest individual foreign country where revenue is earned, is $517.4m (2021 – $366.9m), which represents 71% (2021 – 70%) of the Group's revenue from external customers. Revenue attributed to an individual country is based on where the invoice is raised; however, customers can either be domestic or international customers.

(d) Major Customer

Included in external revenue is revenue of $63.5m (2021 – $69.4m), which arose from sales to the Halliburton Company Group ("Halliburton"), the Group's largest customer. This represents 9% (2021 – 13%) of the Group's revenue from external customers. All of Hunting's operating segments have benefited from trading with Halliburton. In 2022, no single customer contributed more than 10% to the Group's external revenue, and in 2021 no other single customer 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.

	2022			
	Revenue from contracts with customers $m	**Rental revenue $m**	**Other revenue $m**	**Total external revenue $m**
Hunting Titan	**256.5**	**1.3**	**–**	**257.8**
North America	**317.8**	**2.2**	**5.1**	**325.1**
EMEA	**64.8**	**4.5**	**–**	**69.3**
Asia Pacific	**73.5**	**0.1**	**–**	**73.6**
Total	**712.6**	**8.1**	**5.1**	**725.8**

	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

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. Net Operating Income and Other Expenses

	2022 $m	2021[i] $m
Operating income from subleasing assets (note 24)	**2.1**	1.3
Gain on disposal of property, plant and equipment	**1.1**	0.5
Gain on curtailment of leases	**3.2**	1.0
Fair value gain on disposal of held-for-sale asset	**–**	0.4
Government grants	**0.3**	0.8
Foreign exchange gains[ii]	**1.6**	0.6
Other income[iii]	**1.6**	0.7
Total operating income	**9.9**	5.3
Loss on disposal of property, plant and equipment	**(1.4)**	(0.1)
Foreign exchange losses[iv]	**(1.9)**	(0.6)
Research and development costs expensed	**(4.8)**	(4.7)
Loss on disposal of business	**–**	(0.9)
Other operating expenses[v]	**(0.2)**	(0.3)
Total other operating expenses	**(8.3)**	(6.6)
Net operating income and other expenses	**1.6**	(1.3)

i. The amounts disclosed for 2021 were revised, following the change in presentation of the consolidated income statement, to include amounts that were previously disclosed separately as adjusting amounts. Details of the adjusting items can be found in NGM A.
ii. Includes fair value losses on derivatives designated in a cash flow hedge of $0.1m (2021 – $nil) and fair value losses on derivatives designated in a fair value hedge of $nil (2021 – $0.1m).
iii. Includes fair value gains on derivatives not designated in a hedge of $0.1m (2021 – $nil).
iv. Includes fair value gains on derivatives designated in a fair value hedge of $0.1m (2021 – $nil).
v. Includes fair value losses on derivatives not designated in a hedge of $0.1m (2021 – $0.1m) and $0.1m (2021 – $nil) loss on curtailment of leases.

During the first half of 2022, the Group's Asia Pacific operating segment completed the relocation of its facilities to a new, single site in the Tuas port region of Singapore. As a result of this relocation, the Group disposed of the relevant lease liabilities and derecognised the related right-of-use assets, recording a net gain of $2.4m and a net receipt of $2.4m to exit the lease at Benoi Road. The gain on Benoi Road together with other lease curtailments resulted in a net gain of $3.1m during the year.

5. Material Items

Due to their size and nature, the following items have been disclosed separately, as required by IAS 1.

	2022	
	Gross amount $m	Tax impact $m
Legal fees	(5.6)	–
Impairments of goodwill	(7.0)	–
Total	**(12.6)**	**–**

During the year, Hunting incurred legal fees of $5.6m in defending a claim made by a competitor against the Group relating to a patent infringement. These costs have been included in administrative expenses. No tax has arisen in relation to these legal fees due to the fact deferred tax is not currently recognised in relation to this jurisdiction.

Following the annual review of goodwill, a charge of $7.0m was recognised in relation to Enpro Subsea. Further details can be found in note 15. The impairment charge has been included in administrative expenses. No tax has arisen because the impairment of this goodwill is not a tax deductible expense.

	2021	
	Gross amount $m	Tax impact $m
Impairments of property, plant and equipment	(8.6)	0.8
Net impairments of inventories	(25.9)	0.5
Total	(34.5)	1.3

In 2021, a number of material charges were recognised following the transactions with Marubeni-Itochu that resulted in a change in the European OCTG business' future activity. The material charges comprised an impairment of the Fordoun property by $8.6m as the use of the property and expected cash flows for the property changed; and the impairment of pipe inventory of $5.2m to match the net realisable value determined through the due diligence work.

During 2021, 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 following the slower-than-anticipated return to economic growth for many developed economies after the COVID-19 pandemic, which in turn impacted the drilling activity and equipment purchasing of some of the Group's clients. The net impairment charge considered to be relevant for adjustment in 2021 was $25.9m, which included the $5.2m charge recognised as part of the restructuring exercise discussed above.

6. Profit (Loss) from Operations

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

	2022 $m	2021 $m
Staff costs (note 7)	(194.1)	(150.7)
Depreciation of property, plant and equipment (note 11)	(26.6)	(28.9)
Amortisation of intangible assets (included in cost of sales and administrative expenses) (note 14)	(4.4)	(9.3)
Impairments of property, plant and equipment (included in cost of sales) (note 11)	–	(8.6)
Impairment of goodwill (included in administrative expenses) (note 13)	(7.0)	–
Net gain on curtailment of leases (note 4)	3.1	1.0
Loss on disposal of business (note 4)	–	(0.9)
Fair value gain on disposal of held-for-sale asset (note 4)	–	0.4
Net gain (loss) on disposal of property, plant and equipment (note 4)	(0.3)	0.4
Net lease charges included in profit (loss) from operations (note 24)	(5.1)	(7.3)
Research and development expensed (note 4)	(4.8)	(4.7)

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

	2022 $m	2021 $m
The audit of these financial statements	(2.8)	(2.1)
The audit of the financial statements of the Company's subsidiaries	(0.6)	(0.5)
Total audit	(3.4)	(2.6)
Audit-related assurance services	(0.2)	(0.2)
Total audit and audit-related services	**(3.6)**	(2.8)

7. Employees

	2022 $m	2021 $m
Wages and salaries (including annual cash bonuses)	**(164.4)**	(125.0)
Social security costs	**(12.7)**	(9.7)
Share-based payments (note 37)	**(9.9)**	(9.2)
Pension costs		
– defined contribution schemes (note 32)	**(7.2)**	(7.0)
– unfunded defined benefit schemes[i] (note 32)	**(0.3)**	(0.2)
Net gains on the unfunded DB scheme's assets and liabilities included in net finance expense (note 32)	**–**	0.2
Staff costs for the year	**(194.5)**	(150.9)

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

	2022 $m	2021 $m
Total staff costs included in reported profit (loss) from operations (note 6)	**(194.1)**	(150.7)
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)**	(0.4)
	(194.5)	(150.9)

i. The amounts disclosed were revised to include the unfunded defined benefit schemes operating in the Middle East of $0.2m in 2021.

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

	2022 Number	2021 Number
North America	**1,486**	1,302
Europe	**223**	223
Asia Pacific	**301**	341
Central America, Middle East and Africa	**92**	51
	2,102	1,917

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

	2022 Number	2021 Number
Hunting Titan	**595**	449
North America	**909**	837
EMEA	**226**	220
Asia Pacific	**301**	341
Central	**71**	70
	2,102	1,917

The actual number of employees at the year-end was 2,258 (2021 – 1,949).

7. Employees continued

Key management comprises the Board and the eleven members of the Executive Committee who acted during the year. Their aggregate remuneration in the year was:

	2022 $m	2021[i] $m
Salaries, annual cash bonuses and short-term employee benefits	**(10.8)**	(5.4)
Post-employment benefits	**(0.4)**	(0.3)
Share-based payments	**(3.4)**	(2.4)
	(14.6)	(8.1)

i. Salaries, annual cash bonuses and short-term employee benefits for 2021 have been restated to include non-executive fees of $0.6m.

Remuneration of the Board, included as part of key management compensation, can be found in the Annual Report on Remuneration on pages 145 to 154. 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.

The total amounts for Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2022 $m	2021 $m
Salaries, annual cash bonuses and short-term employee benefits	**(3.9)**	(2.1)
Gains on exercise of share awards	**(0.2)**	(0.2)
Post-employment benefits	**(0.2)**	(0.1)
	(4.3)	(2.4)

The Group contributes on behalf of the Chief Executive to a US 401K deferred savings plan and an additional deferred compensation scheme. The Finance Director receives an annual cash sum in lieu of contributions to a company pension scheme.

8. Net Finance Expense

	2022 $m	2021 $m
Finance income:		
Interest on bank balances and deposits	**0.4**	0.3
Foreign exchange gains[i]	**1.3**	0.1
Fair value gains on derivative financial instruments	**0.8**	0.7
Other finance income	**0.5**	0.4
	3.0	1.5
Finance expense:		
Interest on lease liabilities	**(1.2)**	(1.5)
Bank fees and commissions	**(2.1)**	(1.3)
Foreign exchange losses	**(1.0)**	(0.6)
Other finance expense[ii]	**(0.4)**	(0.1)
	(4.7)	(3.5)
Net finance expense	**(1.7)**	(2.0)

i. Foreign exchange gains include gains of $0.1m (2021 – $nil) in relation to lease liabilities.
ii. Other finance expense includes fair value losses on derivatives not designated in a hedge of $0.2m (2021 – $0.1m).

9. Taxation

	2022 $m	2021 $m
Current tax		
– current year charge	**(4.3)**	(1.7)
– adjustments in respect of prior years	**(0.7)**	(0.4)
	(5.0)	(2.1)
Deferred tax		
– origination and reversal of temporary differences	**3.5**	(0.1)
– change in tax rate	**(0.2)**	(0.8)
– adjustments in respect of prior years	**0.4**	(1.2)
	3.7	(2.1)
Taxation charge	**(1.3)**	(4.2)

The tax charge for the year was $1.3m (2021 – $4.2m) and the effective tax rate ("ETR") was minus 54% (2021 – minus 5%). The Group's ETR is significantly different to that which might be expected from prevailing jurisdictional rates as it was impacted by a mix of profits and losses in different businesses and is distorted when deferred tax was not fully recognised in loss-making jurisdictions. As there was a small overall loss before tax for the year, the impact of differences in the make-up of losses and profits across the Group had a greater impact on the overall Group ETR. This is particularly notable in the US, where deferred tax is not recognised on the federal tax losses generated in the year. The loss before tax generated in the US (and other jurisdictions where deferred tax has not been recognised), is then offset at a Group level by profitable jurisdictions, mainly the UK, Canada and China, where tax was recognised on these profits as they arose.

When the adjusting items are excluded, the Group's adjusted ETR is 13% (2021 – minus 12%). The calculation of the adjusted tax charge and adjusted effective tax rate can be found in NGM D.

The adjustments in respect of prior years within both current tax and deferred tax, totalling a charge of $0.3m (2021 – $1.6m charge) mainly relate to true-ups of prior year balances.

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in 2021. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

The table below reconciles the tax on the Group's 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 of 4% (2021 – 22%) was used, as this reflects the applicable rates for the countries applied to their respective profits/losses in the year. The weighted average applicable rate is lower than one would normally expect due to the mix of profitable and loss-making jurisdictions in the Group. The total tax charge for the year is different to the weighted average rate of tax of 4% (2021 – 22%) for the following reasons:

	2022 $m	2021 $m
Reported loss before tax	**(2.4)**	(85.5)
Tax at 4% (2021 – 22%)	**0.1**	18.7
Permanent differences including tax credits	**(4.7)**	(3.7)
Current year deferred tax not recognised	**(1.5)**	(16.8)
Recognition of previously unrecognised deferred taxes	**5.3**	–
Change in tax rates	**(0.2)**	(0.8)
Adjustments in respect of prior years	**(0.3)**	(1.6)
Taxation	**(1.3)**	(4.2)

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

	2022			2021		
	Before tax $m	Tax (charged) credited $m	After tax $m	Before tax $m	Tax (charged) credited $m	After tax $m
Exchange adjustments	**(9.9)**	**–**	**(9.9)**	0.5	–	0.5
Fair value gains originating on cash flow hedges arising during the year	**0.4**	**(0.1)**	**0.3**	–	–	–
Fair value losses transferred to the income statement	**0.1**	**–**	**0.1**	–	–	–
Remeasurement of defined benefit pension schemes	**0.1**	**–**	**0.1**	(0.2)	–	(0.2)
	(9.3)	**(0.1)**	**(9.4)**	0.3	–	0.3

The tax relating to the components of other comprehensive income comprises a deferred tax charge of $0.1m (2021 – $nil).

9. Taxation continued

Tax-related Judgements

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. The recoverability of deferred tax assets is supported by deferred tax liabilities against which the reversal can be offset and the expected level of future profits. This is considered by jurisdiction, or by entity, dependent on the tax laws of the jurisdiction. Where there is both a history of loss making and continued loss making in the year, stronger supporting evidence is required to meet recognition policy criteria. Supporting evidence reviewed includes: whether actual results, when excluding non-recurring items, meet or exceed budget; the level of taxable profits generated in the base case and downside case of longer-term forecasts; and the nature of how the deferred tax assets arose and how this relates to the ongoing activities of the business.

The recognition of deferred tax assets as at 31 December 2022 has been based on the forecast accounting profits in the 2023 and 2024 Budget and the extended forecast period as presented to the Board. This is the same forecast that is used to derive cash flows for the goodwill impairment test, per note 15. For periods extending beyond the extended forecast period, profits have been assumed to grow in a manner consistent with the terminal growth rate assumptions used for impairment testing. In addition, a risk factor has been applied to reduce future profits for the extended forecast period and beyond. These adjustments are to reflect the potential decrease in reliability of forecasts for future periods beyond the Board-approved budget period.

Historical tax losses make up the majority of the deductible temporary differences. These losses mainly arose from varying factors including non-recurring events such as losses arising at the start of newly formed businesses and the COVID-19-related downwards pressures on the profits in previous years. The majority of the deferred tax not recognised in the Group is in relation to deferred tax arising in the US. Based on the review of tax adjusted forecasts, as noted above, management have assessed that currently there is not sufficient support for the recognition of a deferred tax asset in respect of historical tax losses and other deductible temporary differences in the US due to uncertainty in recovery. Management will continue to monitor the position in the US and if current forecasts are met then it is expected that the recognition criteria set by Management could be met within the next one to two years.

The main jurisdiction where we have a change in deferred tax recognition is the UK. Previously unrecognised deferred tax assets have been recognised in the period in respect of historical tax losses and other deductible temporary differences in the UK, due to taxable profits arising in the year and continued forecast improved profitability in future periods with the deferred tax assets being forecast to be recovered within nine years. Recognition of the UK deferred tax asset is dependent on the accuracy of the budget and extended forecast period. In assessing the recoverability of deferred tax assets a sensitivity analysis is applied to the extended forecast period accounting profits, to consider a plausible downside scenario. Under the sensitivity analysis, the recovery period of the previously unrecognised deferred tax assets now recognised in the year, would be extended by two years.

10. Loss per Share

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

For diluted earnings (loss) per share, the weighted average number of outstanding Ordinary shares was adjusted to assume conversion of all dilutive potential Ordinary shares. Dilution arises through the possible issue of shares to satisfy awards made under the Group's long-term incentive plans.

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

	2022			2021		
	Loss attributable to Ordinary shareholders $m	**Basic weighted average number of Ordinary shares millions**	**Loss per share cents**	Loss attributable to Ordinary shareholders $m	Basic weighted average number of Ordinary shares millions	Loss per share cents
Basic LPS	**(4.6)**	**160.3**	**(2.8)**	(85.8)	161.2	(53.2)
Effect of dilutive long-term incentive plans	**–**	**9.8**	**–**	–	5.9	–
Diluted LPS[i]	**(4.6)**	**170.1**	**(2.8)**	(85.8)	167.1	(53.2)

i. For the years ended 31 December 2022 and 31 December 2021, the Group reported a loss and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they were not used to calculate diluted loss per share.

The calculation of adjusted earnings (loss) per share can be found in NGM B.

11. Property, Plant and Equipment

	Year ended 31 December 2022				
	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 2022	**267.3**	**338.2**	**24.7**	**111.4**	**741.6**
Exchange adjustments	**(4.5)**	**(3.5)**	**(1.5)**	**–**	**(9.5)**
Additions	**4.7**	**10.9**	**0.5**	**0.9**	**17.0**
Disposals	**(12.0)**	**(13.9)**	**(1.2)**	**–**	**(27.1)**
Reclassification from inventories (note 20)	**–**	**–**	**1.6**	**–**	**1.6**
At 31 December 2022	**255.5**	**331.7**	**24.1**	**112.3**	**723.6**
Accumulated depreciation and impairment:					
At 1 January 2022	**(80.2)**	**(261.2)**	**(16.4)**	**(109.4)**	**(467.2)**
Exchange adjustments	**3.1**	**2.8**	**0.9**	**–**	**6.8**
Charge for the year	**(6.0)**	**(18.2)**	**(1.9)**	**(0.5)**	**(26.6)**
Disposals	**5.2**	**13.7**	**1.2**	**–**	**20.1**
At 31 December 2022	**(77.9)**	**(262.9)**	**(16.2)**	**(109.9)**	**(466.9)**
Net book amount	**177.6**	**68.8**	**7.9**	**2.4**	**256.7**

	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 15(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

The net book amount of property, plant and equipment at 1 January 2021 was $307.1m.

Included in the net book amount is expenditure relating to assets in the course of construction of $0.1m (2021 – $0.1m) for buildings, $0.9m (2021 – $1.0m) for plant and machinery, and $nil (2021 – $5.4m) for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to $3.7m as at 31 December 2022 (2021 – $5.6m).

The net book amount of land and buildings of $177.6m (2021 – $187.1m) comprises freehold land and buildings of $173.7m (2021 – $185.8m) and capitalised leasehold improvements of $3.9m (2021 – $1.3m). The net book value of land and buildings that are leased out is $5.4m at 31 December 2022 (2021 – $4.8m).

In early July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL Borrowing Base was completed. The relevant US properties that security has been granted over as a requirement of the ABL had a carrying value of $88.2m at 31 December 2022. Security was previously granted over specific PPE with a carrying value of $187.0m at 31 December 2021 as a requirement of the Group's committed revolving credit facility, which was terminated in February 2022.

12. Right-of-use Assets

	Year ended 31 December 2022		
	Land and buildings $m	Plant, machinery and motor vehicles $m	Total $m
Cost:			
At 1 January 2022	**63.5**	**2.2**	**65.7**
Exchange adjustments	**(3.0)**	**–**	**(3.0)**
New leases	**4.8**	**0.3**	**5.1**
Lease cessations	**(8.6)**	**(0.2)**	**(8.8)**
Modifications	**4.0**	**(0.2)**	**3.8**
At 31 December 2022	**60.7**	**2.1**	**62.8**
Accumulated depreciation and impairment:			
At 1 January 2022	**(40.1)**	**(0.9)**	**(41.0)**
Exchange adjustments	**1.8**	**–**	**1.8**
Depreciation charge for the year	**(6.1)**	**(0.3)**	**(6.4)**
Lease cessations	**8.6**	**0.2**	**8.8**
At 31 December 2022	**(35.8)**	**(1.0)**	**(36.8)**
Net book amount	**24.9**	**1.1**	**26.0**

	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 net book amount of right-of-use assets at 1 January 2021 was $29.8m.

The Group sub-lets certain right-of-use assets under operating leases. The net book value of items that are sub-let included in the table above is $2.1m (2021 – $1.1m) for land and buildings.

During the year the Group entered into new leases of $5.1m including $4.4m for the Group's new UK headquarters. The Group also had lease modifications of $3.8m including a lease extension of $8.6m in Wuxi, China offset by lease curtailments of $4.7m for the Group's previous UK headquarters and $0.6m for a manufacturing facility disposed of as part of the consolidation of the Singapore facilities. The new lease for the facility at Tuas, Singapore, together with the corresponding right-of-use asset, were recognised in 2021 when the lease was signed.

13. Goodwill

	2022 $m	2021 $m
Cost:		
At 1 January	**532.0**	532.0
Exchange adjustments	**(4.9)**	–
At 31 December	**527.1**	532.0
Accumulated impairment:		
At 1 January	**(367.9)**	(367.8)
Exchange adjustments	**3.3**	(0.1)
Impairment charge for the year (note 15(b))	**(7.0)**	–
At 31 December	**(371.6)**	(367.9)
Net book amount	**155.5**	164.1

The net book amount of goodwill at 1 January 2021 was $164.2m.

Details of the allocation of goodwill by cash-generating unit ("CGU"), identification of the material CGU and impairment sensitivity disclosures are given in note 15(b).

14. Other Intangible Assets

	Year ended 31 December 2022					
	Customer relationships[i] $m	Unpatented technology $m	Patents and trademarks $m	Software $m	Other $m	Total $m
Cost:						
At 1 January 2022	219.8	81.9	74.9	14.7	1.9	393.2
Exchange adjustments	(0.9)	(0.5)	(1.4)	(0.2)	(0.2)	(3.2)
Additions	–	1.0	0.6	2.3	1.8	5.7
Disposals	(211.8)	–	(0.4)	(0.2)	–	(212.4)
At 31 December 2022	7.1	82.4	73.7	16.6	3.5	183.3
Accumulated amortisation and impairment:						
At 1 January 2022	(213.3)	(72.9)	(60.8)	(8.3)	(1.7)	(357.0)
Exchange adjustments	0.2	0.6	0.3	0.2	0.1	1.4
Amortisation charge for the year	(0.7)	(1.0)	(1.6)	(0.9)	(0.2)	(4.4)
Disposals	211.8	–	0.4	0.2	–	212.4
At 31 December 2022	(2.0)	(73.3)	(61.7)	(8.8)	(1.8)	(147.6)
Net book amount	5.1	9.1	12.0	7.8	1.7	35.7

i. The accumulated cost, depreciation and impairment of those customer relationships where the relationship has ended or where the relationship with the customer has changed from when the business was acquired have been disposed of during the year.

14. Other Intangible Assets continued

	Year ended 31 December 2021					
	Customer relationships $m	Unpatented technology $m	Patents and trademarks $m	Software $m	Other $m	Total $m
Cost:						
At 1 January 2021	219.9	80.6	73.9	14.4	1.9	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	14.7	1.9	393.2
Accumulated amortisation and impairment:						
At 1 January 2021	(212.6)	(68.2)	(58.0)	(7.3)	(1.7)	(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)	(8.3)	(1.7)	(357.0)
Net book amount	6.5	9.0	14.1	6.4	0.2	36.2

The net book amount of other intangible assets at 1 January 2021 was $42.9m.

All intangible assets are regarded as having a finite life and are amortised accordingly. Amortisation charges relating to intangible assets were charged to cost of sales and administrative expenses in the consolidated income statement.

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

	2022		2021	
	Internally generated patented technology $m	**Internally generated unpatented technology $m**	Internally generated patented technology $m	Internally generated unpatented technology $m
Cost:				
At 1 January	**11.8**	**28.5**	10.7	27.2
Exchange adjustments	**(0.3)**	**(0.5)**	–	–
Additions	**0.6**	**1.0**	0.9	1.5
Reclassification	**–**	**–**	0.2	(0.2)
At 31 December	**12.1**	**29.0**	11.8	28.5
Accumulated amortisation and impairment:				
At 1 January	**(6.0)**	**(19.5)**	(5.4)	(18.6)
Exchange adjustments	**0.1**	**0.6**	–	–
Amortisation charge	**(0.6)**	**(1.0)**	(0.6)	(0.9)
At 31 December	**(6.5)**	**(19.9)**	(6.0)	(19.5)
Net book amount	**5.6**	**9.1**	5.8	9.0

15. Impairment of Non-current Assets

(a) Impairment Testing Process

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

In Hunting, CGUs are generally separate business units. In certain cases combinations of business units that are tightly integrated through inter-company trading or have a shared management or cost base are treated as a CGU. 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 nominal cash flows (inclusive of inflation) 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 2023 and 2024, cash flows are based on the latest detailed budget, as approved by the Board. For 2025 to 2027, 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 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 2022 to 2027 vary between 3% and 22% (2021 – CAGR from 2021 to 2026 between 6% and 25%). After 2027, a terminal value was calculated assuming growth of 50 basis points above assumed inflation (2021 – 50 basis points), giving nominal growth rates between 2% and 6% (2021 – between 0% and 4%).

Cash flows were discounted using nominal pre-tax rates between 14% and 18% (2021 – 10% and 15%). The discount rates reflected 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 a small-cap premium, currency risk, operational risk and country risk. Required returns on equity were determined using the CAPM model, which is then incorporated into a weighted average cost of capital ("WACC") calculation. Risk free rates are determined using long-dated Government borrowing instruments. As a result of the major economic changes that occurred in 2022, these risk free rates have increased significantly and this is the main driver of the increase in rates.

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. We have considered the significant 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 value of either 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. For loss-making associates with material carrying values, impairment tests were conducted and no impairment was identified.

15. Impairment of Non-current Assets continued

(b) Impairment Tests for Goodwill

(i) Allocation

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

CGU	Operating segment	2022 $m	2021 $m
Hunting Titan	Titan	**114.9**	114.9
US Subsea	North America	**15.0**	15.0
Enpro	North America	**5.5**	14.1
Dearborn	North America	**7.6**	7.6
US Manufacturing	North America	**12.5**	12.5
At 31 December		**155.5**	164.1

Goodwill is tested at least annually for impairment. A charge of $7.0m (note 13) was recognised as a result of the goodwill impairment reviews carried out in the year and related solely to the Enpro CGU (2021 – $nil). In addition to the impairment charge, the goodwill balance decreased by $1.6m due to foreign exchange movements.

(ii) Material CGU

Hunting Titan is the only CGU that is significant in relation to the Group's total carrying amount of goodwill, representing 74% (2021 – 70%) of the balance. There has been a steady improvement in performance during 2022 and there continues to be a positive future outlook for US onshore activity levels. This has resulted in headroom over the carrying value of $229.1m (2021 – $175.9m) in the year-end test in which cash flows were discounted using a nominal pre-tax rate of 15% (2021 – 12%). Given current market expectations, there are no reasonably foreseeable changes in the expected CAGR between 2022 and 2027 or changes in discount rates that would result in a material impairment charge in the next financial year.

(c) CGU Sensitivities

In considering sensitivities of material changes to impairment, a materiality level of $4.0m has been used (2021 – $3.5m).

(i) Enpro

At the 2021 year-end, Enpro was identified as being sensitive to potential future material impairments. Cash flows were discounted using a nominal pre-tax rate of 16% (2021 – 13%). This change in the discount rate was the main driver of the impairment charge of $7.0m as noted above, together with a modest reduction in management's growth assumptions. A reduction in the forecast revenue CAGR between 2022 and 2027 by 5% in actual results or future forecasts, or a further increase in discount rates by 2%, could result in a material impairment charge in the next financial year. At 31 December 2002, the Group is carrying $5.5m of goodwill and $4.4m 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 15% (2021 – 12%) and no impairment was identified. Should the forecast revenue CAGR deteriorate between 2022 and 2027 by 7% in actual results or future forecasts, this could result in a material impairment charge in the next financial year. Dearborn is part of the North America operating segment.

(iii) Other CGUs

For other CGUs that carry goodwill, management has concluded that there are no reasonable changes in key assumptions that will give rise to material goodwill impairment charges within the next financial year.

(d) Impairment of Property, Plant and Equipment

No impairment has been charged against property, plant and equipment during 2022. In 2021, an impairment charge of $8.6m was made, which related to the restructuring of the European OCTG business and the consequential change of usage and expected cash flows for the property used by the business. This charge was shown in the EMEA operating segment (note 2(a)).

16. Investments in Associates and Joint Ventures

Movement on investments in associates and joint ventures:

	2022 $m	2021 $m
At 1 January	**19.4**	18.1
Exchange adjustments	**(0.1)**	–
Additions	**3.5**	5.1
Share of associates' and joint ventures' loss for the year	**(2.7)**	(3.8)
At 31 December	**20.1**	19.4

During the year, the Group invested $1.9m in its Indian joint venture arrangement with Jindal SAW, and a further $1.6m in Cumberland Additive Holdings LLC ("Cumberland"), increasing its effective interest to 29.2%. During 2021, the Group purchased 27% of the share capital of Cumberland for $5.1m.

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

(a) Material Associates and Joint Ventures

The tables below provide summarised financial information for Rival Downhole Tools LC ("Rival"), which is considered to be a material associate of the Group. The Group has a 23.5% interest in the equity shares of Rival. 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.

	Rival	
	2022 $m	2021 $m
Summarised statement of comprehensive income:		
Revenue	**39.6**	27.2
Loss from operations	**(6.8)**	(13.4)
Total comprehensive expense	**(6.8)**	(13.4)

The Group's share of Rival's loss from operations was $1.6m (2021 – $3.2m). Amortisation of $0.3m (2021 – $0.3m) was charged in the year to the Group's income statement in relation to the intangible assets recognised at the time the investment in Rival was made.

	Rival	
	2022 $m	2021 $m
Summarised balance sheet:		
Non-current assets	**24.2**	35.2
Current assets	**17.4**	10.4
Total assets	**41.6**	45.6
Non-current liabilities	**(2.6)**	(0.5)
Current liabilities	**(6.8)**	(6.1)
Total liabilities	**(9.4)**	(6.6)
Net assets	**32.2**	39.0
Reconciliation to carrying amounts:		
Opening net assets at 1 January	**39.0**	52.4
Loss for the year	**(6.8)**	(13.4)
Closing net assets	**32.2**	39.0
Group's share of equity %	**23.5%**	23.5%
Group's share of net assets	**7.5**	9.1
Goodwill	**2.1**	2.1
Other intangible assets	**2.4**	2.7
Carrying amount at 31 December	**12.0**	13.9

(b) Individually Immaterial Associates and Joint Ventures

In addition to the material associates disclosed above, the Group also has interests in a number of individually immaterial associates and joint ventures, all of which are unlisted, that are accounted for using the equity method. The Group's share of the results and its aggregated assets and liabilities, are as follows:

	2022 $m	2021 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	**8.1**	5.5
Share of immaterial associates' and joint ventures' loss for the year	**(0.8)**	(0.3)

17. Investments

	2022 $m	2021 $m
Non-current:		
Listed equity investments and mutual funds	**1.9**	1.9
Well Data Labs convertible financing	**2.9**	2.7
	4.8	4.6
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, which had a fair value of $2.9m (2021– $2.7m) at the year-end (note 29(b)).

18. Trade and Other Receivables

	2022 $m	2021 $m
Non-current:		
Prepayments	**2.7**	1.7
Other receivables	**0.1**	0.3
	2.8	2.0

	2022			
	Contracts with customers $m	**Rental receivables $m**	**Other receivables $m**	**Total $m**
Current:				
Contract assets (note 23)	**8.6**	**–**	**–**	**8.6**
Trade receivables	**180.1**	**2.1**	**0.9**	**183.1**
Accrued revenue	**2.0**	**0.2**	**–**	**2.2**
Gross receivables	**190.7**	**2.3**	**0.9**	**193.9**
Less: provisions for impairment	**(3.3)**	**(0.4)**	**–**	**(3.7)**
Net receivables	**187.4**	**1.9**	**0.9**	**190.2**
Prepayments	**–**	**–**	**37.9**	**37.9**
Other receivables	**–**	**–**	**4.3**	**4.3**
Net book amount	**187.4**	**1.9**	**43.1**	**232.4**

	2021			
	Contracts with customers $m	Rental receivables $m	Other receivables $m	Total $m
Current:				
Contract assets (note 23)	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

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 $0.6m (2021 – $1.1m), derivative financial assets of $0.6m (2021 – $0.1m) and other receivables of $3.2m (2021 – $1.4m), 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 committed ABL bank facility, security has been granted over certain US and Canadian trade and other receivables, which had a carrying value of $96.3m at 31 December 2022. For the receivables pledged as security, their carrying value approximates their fair value. Security was previously granted over certain trade and other receivables with a carrying value of $102.4m at 31 December 2021 as a requirement of the Group's committed revolving credit facility, which was terminated in February 2022.

18. Trade and Other Receivables continued

Impairment of Trade and Other Receivables

The Group applies 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 macro-economic 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 2022, 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	**101.9**	**36.6**	**17.6**	**8.2**	**9.5**	**6.3**	**180.1**
Trade receivables – rental receivables	**0.5**	**0.6**	**0.3**	**0.5**	**0.1**	**0.1**	**2.1**
Trade receivables – other	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.9**
Total trade receivables	**103.3**	**37.2**	**17.9**	**8.7**	**9.6**	**6.4**	**183.1**
Contract assets	**8.6**	**–**	**–**	**–**	**–**	**–**	**8.6**
Accrued revenue – contracts with customers	**2.0**	**–**	**–**	**–**	**–**	**–**	**2.0**
Accrued revenue – rental receivables	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Other receivables	**3.8**	**–**	**–**	**–**	**–**	**–**	**3.8**
	117.9	**37.2**	**17.9**	**8.7**	**9.6**	**6.4**	**197.7**

Since the year-end 31 December 2021, there has been a modest decrease in the ageing of trade receivables despite the increase in trade receivables by $55.0m from $128.1m to $183.1m at 31 December 2022, with trade receivables not overdue at the year-end comprising 56% of gross trade receivables compared to 53% at 31 December 2021. 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.

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned above. The carrying value of each class of receivables approximates their fair value as described in note 29(b)(iv).

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.

18. Trade and Other Receivables continued

Impairment of Trade and Other Receivables continued

Whilst a proportion, 9% (2021 – 12%), 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 administrative 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:

	2022		
	Contracts with customers $m	**Rental receivables $m**	**Total $m**
At 1 January 2022	**(4.3)**	**(0.3)**	**(4.6)**
Charge to the consolidated income statement – lifetime expected credit losses	**(0.2)**	**(0.1)**	**(0.3)**
Unused provisions released to the consolidated income statement	**0.9**	**–**	**0.9**
Utilised against receivables written off	**0.3**	**–**	**0.3**
At 31 December 2022	**(3.3)**	**(0.4)**	**(3.7)**

The provision for the impairment of trade and other receivables has decreased by $0.9m to $3.7m at the year-end, as the risk of bad debts for the Group in the coming months decreases with the increase in activity in the oil and gas sector. Debtors are not experiencing the same cash flow difficulties they had during the global economic downturn, which was brought about by COVID-19. Financial assets that were written off during the year are no longer subject to enforcement activity.

	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)

19. Deferred Tax

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

	2022 $m	2021 $m
Deferred tax assets	13.7	10.3
Deferred tax liabilities	(6.4)	(6.8)
	7.3	3.5

The movement in the total deferred tax shown in the balance sheet is as follows:

	2022 $m	2021 $m
At 1 January	3.5	5.5
Exchange adjustments	–	0.1
Credit (charge) to the consolidated income statement	3.9	(1.3)
Change in tax rates	(0.2)	(0.8)
Total credit (charge) to the consolidated income statement	3.7	(2.1)
Taken direct to equity	0.1	–
At 31 December	7.3	3.5

The change in tax rates relates to an increase in the blended State rate applied to the recognised US deferred tax liability balance (2021 – UK deferred tax balances). The UK standard rate of corporation tax will increase from 19% to 25% from 1 April 2023. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind.

Deferred tax assets of $354.8m gross and $87.1m tax (2021 – $377.7m gross and $92.1m tax) have not been recognised as the assessment of recoverability at 31 December 2022 is that it is uncertain and therefore does not meet the criteria for recognition under IAS 12. This includes $216.9m gross and $51.0m tax (2021 – $262.9m gross, and $61.5m tax) in respect of trading losses, the majority of which do not have an expiry date. A deferred tax asset of $24.2m (2021 – $16.1m) has been recognised in respect of tax losses in various locations where recognition assessment has provided support that sufficient future taxable profits will be available against which the tax losses could be utilised. See note 9 for further details on the recognition assessment performed at each balance sheet date.

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 2022 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	At 31 December 2022 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	16.1	(0.4)	8.5	–	–	24.2	10.0	14.2
Inventory	1.4	(0.1)	(0.5)	–	–	0.8	0.8	–
Goodwill and intangibles	(14.1)	0.3	(5.7)	(0.2)	–	(19.7)	(0.3)	(19.4)
Accumulated tax depreciation	(1.6)	0.2	0.5	–	–	(0.9)	0.3	(1.2)
Share-based payments	0.4	–	0.4	–	0.2	1.0	1.0	–
Other	1.3	–	0.7	–	(0.1)	1.9	1.9	–
	3.5	–	3.9	(0.2)	0.1	7.3	13.7	(6.4)

	At 1 January 2021 $m	Exchange adjustments $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $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. Inventories

	2022 $m	2021 $m
Raw materials	**118.7**	87.7
Work in progress	**82.7**	51.4
Finished goods	**120.7**	124.8
Gross inventories	**322.1**	263.9
Less: provisions for impairment	**(50.0)**	(59.5)
Net inventories	**272.1**	204.4

	2022 $m	2021[i] $m
Gross inventories:		
At 1 January	**263.9**	325.6
Exchange adjustments	**(3.7)**	0.1
Inventory additions	**584.5**	369.8
Expensed to cost of sales in the consolidated income statement	**(521.0)**	(399.6)
Reclassification to property, plant and equipment (note 11)	**(1.6)**	(0.5)
Disposal of business	**–**	(31.5)
At 31 December	**322.1**	263.9
Provisions for impairment:		
At 1 January	**(59.5)**	(37.2)
Exchange adjustments	**0.9**	0.1
Charge to the consolidated income statement (cost of sales)	**(6.4)**	(34.4)
Provisions utilised against inventories written off	**9.3**	9.7
Provisions released to the consolidated income statement	**5.7**	2.3
At 31 December	**(50.0)**	(59.5)
Net inventories	**272.1**	204.4

i. The inventory provision movements for 2021 have been revised to align them with the current year presentation, and are discussed below.

The Group's inventory is highly durable and is well maintained and it can hold its value well with the passing of time. The nature of our market is that demand for products depends on the technical requirements of the projects being developed. For some markets and product lines there may be a limited number of sales, or even no sales, to form a benchmark in the current year. Management looks at relevant historical activity levels and has to form a judgement as to likely future demand in light of market forecasts and likely competitor activities. The complexity of this process was exacerbated during the COVID-19 downturn, which severely impacted economic activity in both 2021 and 2021, lowering oil and gas prices and demand, and therefore reducing inventory turn rates and increasing the ageing of inventories.

During 2021, the Group reported a $22.3m increase in the inventory provision to $59.5m, which represented 23% of gross cost balances. Charges of $34.4m were recognised and $9.7m of provisions were utilised in the period, and $2.3m of provisions were released. A net charge of $25.9m was recognised as a material item (note 5) and as an adjusting item (NGM A). The 2021 movement analysis has been adjusted to break out provisions released to the income statement into the release of unutilised provisions and utilisations in the year, which have been amalgamated with full write-offs. During 2022, conditions have improved and provisions have reduced by $9.5m to $50.0m at 31 December 2022, which represents 16% of gross cost balances. The reduction in provisions has largely been through the utilisation of provisions. New charges in the year broadly offset the reversal of unutilised provisions that occur when inventory that has been provided for is sold for more than its net realisable value.

In 2021, the Group was carrying pressure control equipment ("PCE") inventory in North America that was particularly impacted by the capital constraints applied during the COVID-19 pandemic downturn. Provisions in respect of this equipment of $11.3m were carried at 31 December 2021. At 31 December 2022, the provision is $10.9m, reflecting some utilisation against sales. This inventory is still considered sensitive to changes in future expectations and a 20% reduction in expected turn rates would increase the provisions by $1.0m. Management has considered the judgements and estimates made in each of the Group's businesses and, other than PCE, has not identified any individual estimates, which in the event of a change, would lead to a material change in the next financial period. Provisions for inventories held at NRV are subject to change if expectations change.

Inventories of $194.5m are expected to be realised within 12 months of the balance sheet date (2021 – $128.8m) and $37.2m after 12 months (2021 – $75.6m).

In accordance with the requirements of the Group's committed ABL bank facility, security has been granted over inventories in certain US and Canadian subsidiaries, which had a carrying value of $142.9m. Security was previously granted over inventories with a gross value of $184.3m at 31 December 2021 as a requirement of the Group's committed revolving credit facility, which was terminated in February 2022.

21. Cash and Cash Equivalents

	2022 $m	2021 $m
Cash at bank and in hand	**29.4**	96.8
Fixed Term Funds	**–**	6.8
Short-term deposits with less than 3 months to maturity	**–**	4.8
Cash and cash equivalents	**29.4**	108.4

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. Please see note 30(c)(i) for further disclosures on credit risk.

As shown in note 26, cash and cash equivalents for cash flow statement purposes also includes bank overdrafts shown in borrowings in note 25.

22. Trade and Other Payables

	2022 $m	2021 $m
Non-current:		
US deferred compensation plan obligation (note 32(b)(i))	**1.9**	1.9
Other payables	**0.8**	0.6
Social security and other taxes	**0.5**	0.2
	3.2	2.7

	2022 $m	2021 $m
Current:		
Trade payables	**66.8**	40.5
Accruals	**56.9**	28.7
Social security and other taxes	**7.8**	5.9
Contract liabilities (note 23)	**8.8**	6.1
Other payables[i]	**1.5**	1.8
	141.8	83.0

i. Other payables include derivative financial liabilities of $0.1m (2021 – $0.2m).

23. Contract Assets and Liabilities

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

	2022 $m	2021 $m	2020 $m
Contract assets (note 18)	**8.6**	9.9	9.8
Contract liabilities (note 22)	**(8.8)**	(6.1)	(2.4)
Trade receivables – contracts with customers (note 18)	**180.1**	126.5	109.1
Loss allowance (note 18)	**(3.3)**	(4.3)	(4.0)
Net trade receivables – contracts with customers	**176.8**	122.2	105.1

(a) Significant Changes in Contract Assets and Contract Liabilities

Contract assets decreased from $9.9m at 31 December 2021 to $8.6m at 31 December 2022 due to decreased levels of bespoke customer work-in-progress in the Subsea Spring business, which were offset by an increase 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 $6.1m at 31 December 2021 to $8.8m at 31 December 2022, reflecting the improvement in orders for the region.

23. Contract Assets and Liabilities continued

(b) Revenue Recognised in Relation to Contract Liabilities

The following table shows how much of the revenue recognised in the relevant reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2022 $m	2021 $m
Revenue recognised that was included in the contract liability balance at the beginning of the year	29.7	2.2
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous years	–	–
Total	**29.7**	2.2

(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 expected to be recognised as revenue in the following periods:

	2022 Revenue $m	2021 Revenue $m
Hunting Titan	29.8	13.7
North America	312.5	156.3
EMEA	28.3	21.8
Asia Pacific	102.4	19.7
	473.0	211.5
Revenue within 1 year	402.3	180.6
Revenue after 1 year	70.7	30.9
	473.0	211.5

The amounts disclosed above do not include variable consideration, which is subject to significant risk of reversal.

It is expected that 85% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue in the 2023 financial year (2021 – 85% in 2022) and the remaining 15% in future years (2021 – 15% after 2022).

24. Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between three and ten years, but may have extension options as described below. Rental contracts for equipment and vehicles are typically made for fixed periods of between three and seven years. The Group also has short-term leases and leases of low-value assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. As at 31 December 2022, the Group did not have any commitments for leases that were due to commence in 2023 or later. There were no commitments for leases at the end of 2021.

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 12.

	2022 $m	2021 $m
Lease liabilities		
Current	9.1	8.9
Non-current	21.5	22.9
	30.6	31.8

During the first half of 2022, the Group's Asia Pacific operating segment completed the consolidation of its facilities to a single site in the Tuas port region of Singapore. As a result of this relocation, the Group exited a number of leases, with the lease for Tuas signed in October 2021 for an initial term of three years. During the year, the Group's UK headquarters moved to different premises, with the lease at Hanover Square reassigned and a new ten-year lease for the Panton Street premises signed.

During the second half of the year, Wuxi, China extended a lease on one of its facilities, thereby increasing lease liabilities.

24. Leases continued

(b) Amounts Recognised in the Consolidated Income Statement

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

	2022 $m	2021 $m
Depreciation of right-of-use assets (note 12)	**(6.4)**	(6.7)
Net gain on surrender of leases (note 4)	**3.1**	1.0
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and administrative expenses)	**(1.8)**	(1.6)
Lease charges included in profit (loss) from operations	**(5.1)**	(7.3)
Interest on lease liabilities (included in finance costs) (note 8)	**(1.2)**	(1.5)
Foreign exchange gains on lease liabilities (note 8)	**0.1**	–
Lease charges included in loss before tax	**(6.2)**	(8.8)

Following the relocation of the Group's Asia Pacific businesses' facilities to a new, single site in the Tuas port region of Singapore, relevant lease liabilities were disposed and the related right-of-use assets were derecognised, recording a net gain of $2.4m on the lease at Benoi Road.

The gain on Benoi Road together with other lease curtailments in the period resulted in a net gain of $3.1m during the year, which was recognised in net operating income and other expenses in note 4.

(c) Amounts Recognised in the Statement of Cash Flows

	2022 $m	2021 $m
Payments for short-term and low-value leases (included as part of net cash inflow from operating activities)	**(1.8)**	(1.6)
Payments for capitalised leases	**(8.0)**	(9.3)
Lease surrender receipt (payment) – consolidated statement of cash flows	**2.2**	(1.3)
	(7.6)	(12.2)

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 Group received a net receipt of $2.4m to exit the lease at Benoi Road and made lease curtailment payments of $0.2m in the year, resulting in a net receipt of $2.2m in the consolidated statement of cash flows.

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

(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 $2.1m (2021 – $1.3m) and is included in 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 11. Rental revenue earned during the year was $8.1m (2021 – $6.1m) 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 2022 $m	Property 2021 $m
Year one	**1.9**	0.7
Year two	**1.0**	0.7
Year three	**0.9**	0.5
Year four	**0.7**	0.3
Year five	**0.7**	–
Year six	**0.7**	–
Total lease income receivable	**5.9**	2.2

25. Borrowings

	2022 $m	2021 $m
Non-current:		
Shareholder loan from non-controlling interest	3.9	3.9
Current:		
Bank borrowings unsecured (note 30(d)(i))	2.8	–
Bank overdrafts secured	2.1	1.0
	4.9	1.0
Total borrowings	8.8	4.9

In accordance with the requirements of the Group's committed ABL bank facility, security has been granted over certain freehold property, receivables and inventories. The carrying amounts of the assets pledged as security are disclosed in notes 11, 18 and 20. Security was previously granted over certain property, plant and equipment, receivables and inventories as a requirement of the Group's committed revolving credit facility.

The shareholder loan from a non-controlling interest, bank borrowings and the bank overdrafts are financial liabilities measured at amortised cost. The shareholder loan and bank overdrafts are denominated in US dollars and the bank borrowings are denominated in Renminbi. The shareholder loan is interest-free and not repayable on demand.

26. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. Net cash (debt) (NGM K) is a non-GAAP measure; however, management and the Group treasury function monitor total cash and bank (NGM J) 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 2022 $m	Cash flow $m	Non-cash movements on lease liabilities[i] $m	Exchange movements $m	At 31 December 2022 $m
Cash and cash equivalents (note 21)	108.4	(74.5)	–	(4.5)	29.4
Bank overdrafts secured (note 25)	(1.0)	(1.1)	–	–	(2.1)
Cash and cash equivalents – per cash flow statement	107.4	(75.6)	–	(4.5)	27.3
Cash deposits with more than 3 months to maturity (note 17)	6.8	(6.7)	–	(0.1)	–
Total lease liabilities (note 24)	(31.8)	8.0	(8.4)	1.6	(30.6)
Shareholder loan from non-controlling interest (note 25)	(3.9)	–	–	–	(3.9)
Bank borrowings (note 25)	–	(2.9)	–	0.1	(2.8)
Liabilities arising from financing activities	(35.7)	5.1	(8.4)	1.7	(37.3)
Total net cash (debt)	78.5	(77.2)	(8.4)	(2.9)	(10.0)

i. Non-cash movements on lease liabilities comprise new leases of $4.6m, lease modifications of $2.6m and interest expense of $1.2m.

During the year, $1.0m of loan facility fees were amortised and $3.0m were paid in respect of the Asset Based Lending ("ABL") facility. The fees for the ABL facility were capitalised in prepayments and are amortised over the expected useful life of the facility.

	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 21)	102.9	6.2	–	(0.7)	108.4
Bank overdrafts secured (note 25)	(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 17)	–	6.9	–	(0.1)	6.8
Total lease liabilities (note 24)	(40.3)	10.6	(2.3)	0.2	(31.8)
Shareholder loan from non-controlling interest (note 25)	(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 2021, $0.3m of loan facility fees were amortised and $0.3m were paid in respect of the ABL facility.

27. Provisions and Contingent Liabilities

(a) Provisions

	Asset decommissioning and remediation $m	Other $m	Total $m
At 1 January 2022	4.3	3.8	8.1
Exchange adjustments	(0.1)	(0.1)	(0.2)
Charged to the consolidated income statement	–	2.2	2.2
Charged to right-of-use assets	0.5	–	0.5
Provisions utilised	(0.6)	(0.7)	(1.3)
Unwinding of discount	0.1	–	0.1
Unutilised amounts reversed	(0.1)	–	(0.1)
Remeasurement	(0.4)	–	(0.4)
At 31 December 2022	**3.7**	**5.2**	**8.9**

Provisions are due as follows:

	2022 $m	2021 $m
Current	4.6	3.1
Non-current	4.3	5.0
	8.9	8.1

Asset decommissioning and remediation obligations of $3.7m (2021 – $4.3m) relate to the Group's obligation to restore leased properties and the Group's obligation to dismantle, remove and restore items of property, plant and equipment for the Group's legacy exploration and production ("E&P") activities. The restoration provisions of $1.5m are expected to be utilised at the end of the respective leases, with $0.1m within one year, $0.9m within two years and $0.5m in ten years. The provision of $2.2m in relation to the Group's E&P activities is expected to be used over the next twelve years, with approximately $0.2m within one year, $1.3m in year two and $0.7m in years seven to twelve. The timing and amounts of these payments are best estimates based on operators' and reserve engineers' experience. Provision is made on a discounted basis; however, the impact of discounting is not material.

Other provisions include provisions for onerous contracts of $0.7m (2021 – $0.4m), restructuring provisions of $0.2m (2021 – $0.3m), provision for a pension fund for officers and ratings in the mercantile marine industry from a legacy subsidiary of $0.9m (2021 – $1.0m), warranties and tax indemnities of $1.1m (2021 – $1.6m), litigation costs of $1.8m (2021 – $nil) and $0.5m (2021 – $0.5m) 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. In the 2021 Annual Report and Accounts, a claim against the Group from a competitor relating to a patent infringement was disclosed. The Group continues to deny any such infringement and will defend this claim robustly. The legal case was settled in Hunting's favour in early January 2023. However, the competitor still has the right to make an appeal. Based on the legal process conducted to date, and an update from the legal advisers, Hunting does not believe that an outflow is probable. Although management continues to believe it is unlikely the case will be lost, the maximum potential exposure, based on legal advice, is estimated at $3.0m.

28. Derivatives and Hedging

(a) Currency Derivatives

The Group uses derivatives for economic hedging purposes and no speculative positions are entered into by the Group. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. The Group has used spot and forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. Foreign exchange outright contracts are used to manage exposures, with funding swaps being used to produce required currencies when needed.

Fair values of outstanding derivative financial instruments:

	2022		2021	
	Total assets $m	Total liabilities $m	Total assets $m	Total liabilities $m
Forward foreign exchange contracts – cash flow hedges	0.4	–	–	–
Forward foreign exchange contracts – fair value hedges	0.1	–	–	–
Foreign exchange swaps – not in a hedge	0.1	(0.1)	0.1	(0.2)
Net book amount	**0.6**	**(0.1)**	0.1	(0.2)

Net fair value gains on contracts that are not designated in a hedge relationship of $0.6m (2021 – $0.5m) were recognised in the consolidated income statement during the year, with $nil (2021 – $0.1m loss) in net operating income and other expense (note 4) and a net $0.6m gain (2021 – $0.6m gain) in net finance expense (note 8).

28. Derivatives and Hedging continued

(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 GBP/USD or EUR/USD exchange rates, being the hedged risk. Fair value gains of $0.1m (2021 – $0.1m losses) were recognised in the consolidated income statement in net operating income and other expense (note 4) during the year. At the year-end, the fair value of derivative assets designated in a fair value hedge was $0.1m (2021 – immaterial).

(c) Cash Flow Hedge

The Group 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, EUR/NOK, EUR/GBP, GBP/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 previously deferred in equity and included as part of the cost of inventory, will impact profit or loss as part of the cost of inventories sold.

The Group also entered into forward foreign exchange contracts to hedge certain receipts from customers and these highly probable forecast transactions have been designated in a cash flow hedge relationship. The value of the forward foreign exchange contract matches the value of the forecast cash flow and they move in opposite directions as a result of movements in the GBP/USD, GBP/NOK and GBP/EUR exchange rates, being the hedged risk. It is anticipated that the trade receivables will be collected within 12 months after the invoice is issued, at which time the amount previously deferred in equity, will be taken to profit or loss.

During the year, the Group entered into contracts to purchase a machine and an intangible asset from suppliers in a currency other than the Group subsidiary's functional currency. These highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts. The value of the forward foreign exchange contract matches the value of the forecast asset purchases and they move in opposite directions as a result of movements in the GBP/USD and EUR/USD, being the hedged risk. This will effectively result in recognising the assets at the fixed foreign currency rate for the hedged purchases. As the fair value gains or losses will form part of the base cost of the assets, these will impact profit or loss as part of the depreciation or amortisation charge of the assets.

The Group's cash flow hedge reserve, which is disclosed as part of other components of equity in note 34, relates to the spot component of forward foreign exchange contracts. The balance on the cash flow hedge reserve at the beginning of the year is immaterial and at the year-end is a post-tax gain of $0.3m. The movements during the year are shown in note 34.

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

		2022	2021
Carrying amount of the forward foreign exchange contracts – other receivables (note 18)	$m	**0.4**	<0.1
Notional amount of the forward foreign exchange contracts	$m	**18.5**	2.4
Maturity date		**03.01.23 to 21.08.23**	18.01.22 to 03.01.23
Hedge ratio[i]		**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	$m	**(0.4)**	<(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.

29. 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 30. 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 30.

29. Financial Instruments continued

(a) Financial Instruments at Amortised Cost

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

	2022 $m	2021 $m
Financial assets at amortised cost:		
Trade and other receivables (note 18):		
Trade receivables	**183.1**	128.1
Accrued revenue	**2.2**	3.8
Other receivables – non-current	**0.1**	0.3
Other receivables – current[i]	**3.1**	1.1
Less: provisions for impairment	**(3.7)**	(4.6)
Cash and cash equivalents (note 21):		
Cash at bank and in hand	**29.4**	96.8
Cash deposits with less than 3 months to maturity	**–**	4.8
Investments (note 17):		
Cash deposits with more than 3 months to maturity	**–**	6.8
	214.2	237.1
Financial liabilities at amortised cost:		
Trade and other payables[ii] (note 22):		
Trade payables	**(66.8)**	(40.5)
Accruals – current[iii]	**(29.4)**	(21.5)
Other payables – current[iv]	**(1.0)**	(1.2)
Borrowings (note 25):		
Shareholder loan from non-controlling interest	**(3.9)**	(3.9)
Bank borrowings unsecured	**(2.8)**	–
Bank overdrafts secured	**(2.1)**	(1.0)
	(106.0)	(68.1)

i. Excludes non-financial assets of $0.6m (2021 – $1.1m) and those financial assets measured at fair value of $0.6m (2021 – $0.1m).
ii. Excludes non-current payables of $0.8m (2021 – $0.6m) as these are non-financial liabilities.
iii. Excludes accruals of $27.5m (2021 – $7.2m) for accruals recognised under IAS 19 and IFRS 2 that are outside the scope of IFRS 7. 2021 accruals were restated to exclude these items.
iv. Excludes non-financial liabilities of $0.4m (2021 – $0.4m) and financial liabilities measured at fair value of $0.1m (2021 – $0.2m).

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

	2022 $m	2021 $m
Net foreign exchange gains (losses) included in operating income and other operating expenses (note 4)	**(0.3)**	0.1
Net foreign exchange gains (losses) included in net finance expense (note 8)	**0.2**	(0.5)
Interest on bank balances and deposits (note 8)	**0.4**	0.3
Bank fees and commissions (note 8)	**(2.1)**	(1.3)
Other finance income (note 8)	**0.1**	–

(b) Financial Instruments Measured at Fair Value

(i) Valuation Techniques used to Determine Fair Values

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

Fixed Term Funds ("FTFs") and money market funds ("MMFs") are debt instruments measured at fair value through profit or loss, with the fair value 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 gains on these instruments were immaterial in the year and were recognised in finance income.

The listed equity investments and mutual funds are equity instruments measured at fair value through profit or loss, with the fair value 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 gain or loss for the year was $nil on these instruments. The fair value gain in 2021 of $0.2m was recognised in finance income (note 8) during the year.

The fair value of the convertible financing provided to Well Data Labs in February 2021 was determined by considering the probability weighted average of the different scenarios' discounted cash flows using a discount rate of 12% (2021 – 8%). The most significant unobservable inputs to the fair value calculation are the probability of a conversion to equity and change of control assumptions. The fair value at 31 December 2022 was $2.9m (2021 – $2.7m) (note 17), with fair value gains of $0.2m (2021 – $0.2m) recognised in finance income during the year (note 8). At 31 December 2022, management considers there to be no reasonable changes in unobservable inputs that would result in a significant change in fair value.

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 foreign 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 28.
- The fair value of foreign currency 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.

29. Financial Instruments continued

(b) Financial Instruments Measured at Fair Value continued

(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 2022 $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	**2.9**	**–**	**–**	**2.9**
Current derivatives in a hedge				
Derivative financial assets	**0.5**	**–**	**0.5**	**–**
Current derivatives held for trading				
Derivative financial assets	**0.1**	**–**	**0.1**	**–**
Derivative financial liabilities	**(0.1)**	**–**	**(0.1)**	**–**
	5.3	**1.9**	**0.5**	**2.9**

	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

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.
- 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 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.

(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:

	2022 $m	2021 $m
Fair value gains on the listed equities and mutual funds (other finance income – note 8)	**0.1**	0.2
Fair value gain on Well Data Labs convertible financing (other finance income – note 8)	**0.2**	0.2
Fair value gains on money market funds (other finance income – note 8)	**0.1**	–
Fair value gains (losses) on financial instruments mandatorily measured at fair value through profit or loss:		
Net fair value gains (losses) on derivative financial instruments (note 4)	**–**	(0.2)
Net fair value gains on derivative financial instruments (net finance expense – note 8)	**0.6**	0.6
Fair value gain on disposal of held-for-sale asset – operating income (note 4)	**–**	0.4

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 Carried at Amortised Cost

Due to their short-term nature, the carrying value of cash deposits with more than three 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 bank borrowings approximates their fair value.

30. 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, together with the investment of surplus cash. The Group's treasury function is responsible for implementing the policies and providing a centralised service to the Group for funding, 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, Chinese Renminbi and Saudi Arabia Riyal. 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.

Foreign exchange rates that the Group has the largest exposures to are:

	Sterling		Chinese Renminbi		Saudi Arabia Riyal		Canadian dollars	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Average exchange rate to US dollars	**0.81**	0.73	**6.73**	6.45	**3.75**	3.75	**1.30**	1.25
Year-end exchange rate to US dollars	**0.83**	0.74	**6.92**	6.37	**3.75**	3.75	**1.35**	1.26

The aggregate net foreign exchange losses recognised in profit or loss during the year were $nil (2021 – $0.4m loss).

(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. Treasury engages with business units to help identify transactional exposures. External hedging activity is then performed by Treasury on behalf of the business units to ensure that transactional risk is managed appropriately and in accordance with Treasury policy. 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 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.

At 31 December 2022	**Currency of denomination** Sterling $m	US dollars $m	UAE dirham $m	Singapore dollars $m	Saudi Arabia Riyal $m	Chinese Renminbi $m	Other currencies $m	**Total $m**
Functional currency of Group's entities:								
Sterling	**–**	**(2.2)**	**–**	**–**	**–**	**–**	**(0.1)**	**(2.3)**
US dollars	**(2.8)**	**–**	**(1.2)**	**(1.3)**	**1.4**	**2.4**	**(0.1)**	**(1.6)**
Canadian dollars	**–**	**(1.5)**	**–**	**–**	**–**	**–**	**–**	**(1.5)**
Euro	**(0.1)**	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.5**
Chinese CNY	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**–**	**(0.1)**
	(2.9)	**(3.2)**	**(1.2)**	**(1.3)**	**1.4**	**2.4**	**(0.2)**	**(5.0)**

At 31 December 2021	Currency of denomination Sterling $m	US dollars $m	UAE dirham $m	Singapore dollars $m	Saudi Arabia Riyal $m	Chinese Renminbi $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)	(0.4)	0.1	(0.5)	(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)	(0.4)	0.1	(0.4)	(4.9)

Financial instruments comprise cash balances, trade and other receivables, accrued revenue, trade and other payables, accrued expenses, finance lease liabilities, provisions and intra-Group balances. Derivatives designated in a cash flow hedge are excluded as fair value gains and losses arising on these are recognised in other comprehensive income.

30. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk continued

(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 exchange 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. The accumulated foreign exchange net post-tax gains included in the currency translation reserve in respect of net investment hedges at the beginning and end of the year is $25.0m.

(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, 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.

(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 AAA-mf Fitch 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 $29.4m (2021 – $96.8m), with $19.7m (2021 – $80.8m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $9.7m (2021 – $16.0m), $6.2m (2021 – $14.9m) 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. This cash balance could be used by the Group to service intercompany loans, which total $5.2m at the year-end. In order for the Group to access the balance of $1.0m, a dividend would need to be declared.

During the year, the treasury function invested surplus cash in line with its cash management and investment policies in short-term deposits, Fixed Term Funds ("FTFs") and money market funds ("MMFs"). 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.

The credit ratings of the financial institutions where the Group's total cash and bank balances have been invested are listed below:

	Credit rating		2022 $m	2021 $m
Cash at bank and in hand	Fitch	F1 to F1+	**19.7**	80.8
Cash at bank and in hand	N/A		**9.7**	16.0
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	AA-(dcr)	**0.2**	–
Derivative financial assets	Fitch	A+(dcr)	**0.4**	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.

30. Financial Risk Management continued

(c) Credit Risk continued

(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 $158.9m (2021 – $99.7m) comprised individual balances greater than $0.2m, with no individual customer balance representing more than 7% (2021 – 8%) of the year-end receivables balance of $183.1m (2021 – $128.1m).

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 2022 as trading improved following the global economic downturn. The Group used 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 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 2022, 37% of sales, which is more than $263m (2021 – 36%/$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, whereby the rating is based on only a single source rather than a consensus rating which has been derived from a number of contributing views.

	% of Revenue	
Credit Benchmark – Credit Consensus Ratings	**2022**	2021
aa	**2**	2
a	**16**	9
bbb	**19**	25
bb	**3**	9
b	**3**	3
c	**0**	1
No rating	**57**	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 18.

(iii) 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 (2021 – $1.9m) and are expected to be fully recovered.

The Group has provided Well Data Labs with $2.5m in convertible financing, the fair value of which was $2.9m at 31 December 2022 (2021 – $2.7m). The investment is considered to have a low credit risk and is expected to be fully recovered, although the credit risk of the debt instrument has increased during the year. This increased risk has been reflected in the fair value calculation of the debt instrument.

30. Financial Risk Management continued

(d) Liquidity Risk

(i) Bank Facilities

The Group's treasury function ensures 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 treasury function ensures flexibility in funding by maintaining availability under committed credit facilities. The Group's credit facilities are provided by a variety of funding sources and total $186.9m (2021 – $164.2m) at the year-end.

The Group's undrawn borrowing facilities were as follows:

	2022 $m	2021 $m
Secured committed facilities	**155.0**	160.0
Unsecured uncommitted facilities	**31.9**	–
Secured uncommitted facilities	**–**	4.2
	186.9	164.2

Following the cancellation of the RCF in February 2022, a $15m money market line and a $2m overdraft facility were withdrawn, as the banks providing these facilities, although previously part of the RCF lending group, decided not to participate in the ABL arrangements and subsequently withdrew their lending commitment to the Group.

Secured Committed Facilities: Asset Based Lending Facility

The Group's Revolving Credit Facility ("RCF") was cancelled on 7 February 2022, and replaced with a new $150.0m Asset Based Lending ("ABL") facility. The ABL facility has a four-year term, maturing on 7 February 2026. An accordion feature of up to $50.0m was also agreed. This feature allows the Group to increase the total facility quantum to $200.0m, subject to the approval of its bank lending group.

The Group's borrowing capacity is linked to secured asset values. The three main asset classes that form the "Borrowing Base" against which bank capital is 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. The carrying amounts of the assets pledged as security is discussed in notes 11, 18 and 20.

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 111.

At inception of the ABL (and annually thereafter) a field examination and asset appraisal process was 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", could 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 was in excess of $100m. The opening availability at 7 February 2022 was based on in-scope trade receivables and inventory balances only. However, in early July 2022, the legal process to finalise accession of the in-scope US freehold properties into the ABL Borrowing Base was completed. Consequently, the full facility quantum of $150.0m was made available for utilisation by the Company, as the total value of the secured assets exceeded the current facility limit of $150.0m.

The Group did not make any drawdowns on the ABL during the year and it remained undrawn at the period end.

In January 2023, one of the banks in the ABL lending group provided a $2.4m letter of credit in favour of one of the Group's major customers, which has an expiration date of February 2026. This amount has been permanently carved out of the total facility amount that Hunting is able to utilise under the ABL.

Unsecured Uncommitted Facilities

In August 2022, the Asia Pacific operating segment was successful in winning an order worth up to $86m in revenue for Hunting's proprietary connection technology and associated OCTG for a large offshore project with CNOOC in China. The order is the largest OCTG and Premium Connection order win in the Group's recent history and, consequently, has demanded substantial working capital investment in order to procure raw materials from local steel mills.

In light of strict regulations in China that apply to intercompany loans made by offshore companies to foreign invested entities, whereby treasury could only provide $5.0m of the Group's available cash as an intercompany loan, the treasury function had to consider a number of different funding options in order to provide the liquidity required to support this contract. However, treasury was also able to provide support and oversight to the local Wuxi finance team in arranging a series of bilateral working capital loans provided by local banks in Wuxi. Two of the facilities, Bank of Jiangsu for CNY50.0m, (maturing October 2023) and ICBC for CNY25.0m (maturing December 2023) were arranged by the local finance team in Wuxi. A third facility for CNY165.0m was provided by HSBC China in Suzhou, but arranged by Hunting's treasury function in London by leveraging the global relationship that the Group has established with the bank and that is managed out of the UK. There is no formal termination date on this facility, which means it is available until further bilateral agreement.

The facilities totalling CNY240.0m ($34.7m) have all been arranged on an uncommitted, unsecured basis and are only available to the Group's Chinese subsidiary. Interest on all three facilities is based on the China Loan Prime Rate, which at 31 December 2022 stood at 3.65%. At the year-end, $2.8m of the facilities were utilised, as shown in note 25.

30. Financial Risk Management continued

(d) Liquidity Risk continued

(ii) Management of Cash

The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and that adequate liquidity levels are maintained. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable it to monitor the Group's requirements. A consolidated 12-week forecast, produced weekly, is maintained by the Group's treasury function, which monitors long- and short-term liquidity requirements of the Group and also identifies any unexpected variances week-on-week.

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 to ensure that funds are managed in the best interests of the Group. 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 Board-approved treasury policy. 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.

Cash Management Arrangements

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

In addition, a similar cash concentration structure has been organised with Wells Fargo Bank, N.A. 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. Treasury has organised banking arrangements with HSBC in China on behalf of the Group's Chinese business units and, therefore, has visibility of any cash balances held with HSBC and transaction data for these accounts via HSBC's proprietary online banking system. For balances held at other Chinese banks, treasury has visibility either via its SWIFT connection or from information supplied by Hunting's local entity.

Deposits and Investments of Surplus Cash

Short-term deposits and investments in FTFs and MMFs 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 MMFs 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, FTFs and MMFs, in line with its cash management and investment policies that would enable a fair return, whilst maintaining the ability to access the cash easily. 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. However, as the working capital requirements of the Group changed throughout the year, the use of these cash products greatly reduced and by the end of 2022, there were no balances held in deposits.

At the end of 2021, the Group held $4.8m in deposits with a maturity less than three months, classified as cash and cash equivalents (note 21); $6.8m in FTFs, classified as cash and cash equivalents (note 21); and held $6.8m in deposits with a maturity greater than three months, which were classified as current investments on the balance sheet (note 17). The Group included the deposits with a maturity greater than three months in its calculation of total cash and bank (see NGM J). At the end of 2022, no surplus cash was held in deposits or FTFs. The fair value gains recognised on the FTFs and MMFs in the year of $0.1m (2021 – immaterial) and the interest earned on the deposits during the year of $0.3m (2021 – $0.1m) were included in finance income.

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

30. Financial Risk Management continued

(d) Liquidity Risk continued

(iii) Future Cash Flows of Financial Liabilities

The following tables analyse the expected timings of cash outflows for each of the Group's non-derivative financial liabilities. The tables analyse the cash outflows into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity 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.

2022	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	**66.8**	**–**	**–**	**66.8**	**66.8**
Accruals	**29.4**	**–**	**–**	**29.4**	**29.4**
Other payables	**1.0**	**–**	**–**	**1.0**	**1.0**
Lease liabilities	**8.9**	**16.4**	**9.5**	**34.8**	**30.6**
Secured bank loans	**0.7**	**1.6**	**–**	**2.3**	**–**
Bank borrowings unsecured	**2.8**	**–**	**–**	**2.8**	**2.8**
Shareholder loan from non-controlling interest	**–**	**–**	**3.9**	**3.9**	**3.9**
Bank overdrafts secured	**2.1**	**–**	**–**	**2.1**	**2.1**
Total	**111.7**	**18.0**	**13.4**	**143.1**	**136.6**

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[i]	21.5	–	–	21.5	21.5
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	73.8	21.8	8.8	104.4	99.9

i. 2021 has been restated to exclude accruals of $7.2m for accruals recognised under IAS 19 and IFRS 2 that are outside the scope of IFRS 7.

The Group had no net settled financial liabilities at the year-end (2021 – 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 2022 $m	Between one and five years 2022 $m	Total 2022 $m	On demand or within one year 2021 $m	Between one and five years 2021 $m	Total 2021 $m
Currency derivatives:						
Inflows	**47.5**	**–**	**47.5**	43.4	1.2	44.6
Outflows	**(47.1)**	**–**	**(47.1)**	(43.5)	(1.2)	(44.7)

(e) Capital Risk Management

The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on pages 40 and 41. 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 are made together with the parameters for meeting external financial covenants.

31. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash at bank and in hand, 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 2022. 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% (2021 – 1.0%) 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 impact on the consolidated income statement, with all other variables held constant, in applying the sensitivity above results in a $0.1m (2021 – $0.3m) increase or decrease in post-tax profit for an increase or decrease in US interest rates. There is no impact on other comprehensive income ("OCI") for a change in US interest rates.

(ii) Other Interest Rates

For all other interest rates, there is an immaterial impact on post-tax profit or loss for any reasonably possible changes in other interest rates, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates. There is no impact on OCI for a change in other interest rates.

(b) Foreign Exchange Rate Sensitivity

Management has considered the impact of changes to the various foreign exchange rates on the exposed financial assets and liabilities disclosed in note 30(a)(i). The sensitivity rates chosen 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. There is an immaterial impact on post-tax profit or loss and on OCI for any reasonably possible changes in the foreign exchange rates.

32. Post-employment Benefits

(a) Defined Contribution Arrangements

A number of defined contribution ("DC") arrangements, which are open to current employees, are operated across the Group. Employer contributions to these arrangements are charged directly to profit and loss and in 2022 these totalled $7.2m (2021 – $7.0m).

(b) Unfunded Defined Benefit Schemes

(i) US 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 $0.1m (2021 – $nil) for the employer's current service cost (recognised in administrative expenses) and $nil (2021 – $0.2m gains) fair value gains or losses on the listed equities and mutual funds (recognised in other finance income note 8).

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

	2022 $m	2021 $m
Present value of the obligation at the start of the year	**1.9**	1.7
Current service cost (equal to the notional contributions)	**0.1**	–
Remeasurement – excess of notional investment returns over interest cost	**(0.1)**	0.2
Present value of the obligation at the end of the year	**1.9**	1.9

The obligation of $1.9m (2021 – $1.9m) is presented in the consolidated balance sheet in non-current payables (note 22).

(ii) Middle East Defined Benefit Schemes

The Group operates two unfunded defined benefit pension schemes in Dubai and Saudi Arabia, whereby local law requires payment to be made to an employee when they leave their employment with the business unit based on their salary and number of years of service. The combined obligation at the year-end was $0.7m (2021 – $0.5m), with $0.2m (2021 – $0.2m) recognised in the consolidated income statement during the year.

33. 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 31 December 2020, 2021 and 2022	**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 250. All of the Ordinary shares in issue are fully paid.

At 31 December 2022, 5,370,963 (2021 – 4,282,065) Ordinary shares were held by an Employee Benefit Trust. Details of the carrying amount are set out in note 35.

34. Other Components of Equity

	2022					
	Merger reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Capital redemption reserve $m	Hedge reserve $m	Total $m
At 1 January 2022	25.4	15.6	(3.8)	0.8	–	38.0
Exchange adjustments	–	–	(9.2)	–		(9.2)
Share options and awards						
– value of employee services	–	9.4	–	–	–	9.4
– discharge	–	(9.1)	–	–	–	(9.1)
Fair value gains and losses:						
– gains originating on cash flow hedges arising during the year	–	–	–	–	0.4	0.4
– gains transferred to balance sheet on disposal of cash flow hedges	–	–	–	–	(0.1)	(0.1)
– losses transferred to income statement on disposal of cash flow hedges	–	–	–	–	0.1	0.1
– taxation	–	–	–	–	(0.1)	(0.1)
Transfer between reserves	(13.6)	–	–	–	–	(13.6)
At 31 December 2022	**11.8**	**15.9**	**(13.0)**	**0.8**	**0.3**	**15.8**

	2021					
	Merger reserve $m	Share-based payments reserve $m	Currency translation reserve $m	Capital redemption reserve $m	Hedge reserve $m	Total $m
At 1 January 2021	38.2	17.3	(4.0)	0.8	–	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	(3.8)	0.8	–	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, $13.6m (2021 – $12.8m) was transferred from the merger reserve to retained earnings. This portion of the reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 have now met the definition of qualifying consideration.

The share-based payments reserve represents the Group's obligation to settle share-based awards issued to its employees. When employees exercise their awards, the portion of the share-based payments reserve which represents the share-based payment charge for those awards is transferred to retained earnings and the Group discharges its obligation.

The currency translation reserve contains the accumulated foreign exchange differences that arise from the translation of the financial statements of the Group's foreign operations into US dollars when the Group's entities are consolidated, together with exchange differences arising on foreign currency loans used to finance foreign currency net investments. The currency translation reserve also includes the accumulated foreign exchange net gains in respect of net investment hedges, which will be released to the income statement on the disposal or dissolution of the relevant subsidiary.

The capital redemption reserve is a statutory, non-distributable reserve into which amounts are transferred following the purchase of the Company's own shares out of distributable profits.

The hedge reserve represents the accumulated fair value gains and losses in relation to the spot component of forward foreign exchange contracts designated in a cash flow hedge that were taken out to hedge the purchase of an asset, such as PPE or inventory, in a foreign currency. The fair value gain or loss accumulated in the hedge reserve is transferred to the cost of the asset when it is acquired.

35. Retained Earnings

	2022 $m	2021 $m
At 1 January	**612.4**	692.6
Loss for the year	**(4.6)**	(85.8)
Remeasurement of defined benefit pension schemes net of tax (note 32)	**0.1**	(0.2)
Dividends paid to Hunting PLC shareholders	**(13.6)**	(12.8)
Treasury shares		
– purchase of treasury shares	**(7.9)**	(8.1)
– proceeds on disposal of treasury shares	**0.2**	0.3
Share options and awards		
– discharge	**8.9**	10.2
– taxation	**0.2**	–
Acquisition of non-controlling interest	**–**	3.4
Transfer between reserves	**13.6**	12.8
At 31 December	**609.3**	612.4

The share options and awards taxation credit taken directly to equity of $0.2m (2021 – $nil) comprised a deferred tax credit.

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

	2022 $m	2021 $m
Cost:		
At 1 January	**(15.0)**	(10.6)
Purchase of treasury shares	**(7.9)**	(8.1)
Cost of treasury shares disposed	**3.7**	3.7
At 31 December	**(19.2)**	(15.0)

At 31 December 2022, 5,370,963 Ordinary shares were held by the Employee Benefit Trust (2021 – 4,282,065). The Company purchased 2,130,142 (2021 – 2,703,100) additional treasury shares during the year for $7.9m (2021 – $8.1m). The loss on disposal of treasury shares during the year, which is recognised in retained earnings, was $3.5m (2021 – $3.4m).

36. Dividends Paid to Hunting PLC Shareholders

	2022		2021	
	Cents per share	$m	Cents per share	$m
Ordinary dividends:				
2021 final dividend	**4.0**	**6.4**	–	–
2022 interim dividend	**4.5**	**7.2**	–	–
2020 final dividend	**–**	**–**	4.0	6.4
2021 interim dividend	**–**	**–**	4.0	6.4
	8.5	**13.6**	8.0	12.8

A final dividend of 4.5 cents per share has been proposed by the Board, amounting to an estimated distribution of $7.2m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 19 April 2023 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 12 May 2023, to shareholders on the register on 21 April 2023, 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 62.

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

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	**2,726**	3,601
Vested and exercised during the year	**(866)**	(875)
Lapsed during the year	**(859)**	–
Outstanding and exercisable at the end of the year	**1,001**	2,726

The weighted average share price at the date of exercise during 2022 was 282.0 pence (2021 – 218.5 pence).

Details of the time-based PSP awards and options outstanding at 31 December 2022 are as follows:

	2022 Number of shares	2021 Number of shares	Normal vesting date	Expiry date
Date of grant:				
17 April 2012	**–**	1,725	17 April 2015	17 April 2022
20 March 2013	**1,001**	1,001	20 March 2016	20 March 2023
Outstanding and exercisable at the end of the year	**1,001**	2,726		

The fair value charge to the consolidated income statement attributable to the time-based PSP is $nil (2021 – $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 five tranches of differing proportions. Each tranche is subject to a three-year vesting period and Company performance is measured against various performance measures, as shown in the table below.

The performance period for the 2022 awards granted under the HPSP is 1 January 2022 to 31 December 2024. The vesting date of the 2022 award is 4 March 2025 and, for share options, the option holder has seven years in which to exercise their vested awards. Share awards can only be exercised by the employees to whom they were granted.

The award weightings for the years 2020, 2021 and 2022 are in the table below.

Performance measure	**Award weighting 2022 %**	Award weighting 2021 %	Award weighting 2020 %
Total Shareholder Return ("TSR") of a bespoke comparator group	**25**	35	35
Adjusted diluted earnings per share ("EPS")	**20**	25	25
Return on average capital employed ("ROCE")	**20**	25	25
Free cash low ("FCF")	**20**	–	–
Balance strategic scorecard – non-financial KPIs comprising Quality and Safety performance	**15**	15	15

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

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	**5,757,230**	4,387,495
Granted during the year to executive Directors	**1,506,466**	929,935
Granted during the year to senior employees	**2,170,275**	1,450,949
Vested and exercised during the year	**(95,035)**	(226,292)
Lapsed during the year	**(1,697,611)**	(784,857)
Outstanding at the end of the year	**7,641,325**	5,757,230

37. Share-based Payments continued

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

(i) Performance-based Awards continued

Details of the performance-based HPSP awards outstanding at 31 December 2022 are as follows:

	2022 Number of shares	2021 Number of shares	Normal vesting date	Expiry date
Date of grant:				
11 March 2016 – options	**22,065**	22,065	11 March 2019	11 March 2026
19 April 2018 – options	**3,485**	3,485	19 April 2021	19 April 2028
21 March 2019 – options	**2,272**	204,933	21 March 2022	21 March 2029
21 March 2019 – awards	**–**	1,098,694	21 March 2022	21 March 2025
3 March 2020 – options	**303,732**	306,486	3 March 2023	3 March 2030
3 March 2020 – awards	**1,722,521**	1,740,683	3 March 2023	3 March 2026
4 March 2021 – options	**346,282**	356,388	4 March 2024	4 March 2031
4 March 2021 – awards	**1,897,447**	2,024,496	4 March 2024	4 March 2027
4 March 2022 – options	**506,709**	–	4 March 2025	4 March 2032
4 March 2022 – awards	**2,836,812**	–	4 March 2025	4 March 2028
Outstanding at the end of the year	**7,641,325**	5,757,230		
Exercisable at the end of the year	**27,822**	25,550		
Weighted average remaining contractual life of options outstanding at the end of the year	**8.27 years**	8.29 years		

In 2022, a total of 95,035 awards were exercised (2021 – 226,292). The weighted average share price at the date of exercise during 2022 was 327.7 pence (2021 – 215.2 pence).

(ii) Time-based Awards

The Company also grants time-based share awards annually to senior employees under the HPSP, which are subject to a three-year vesting period. 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. For share options, option holders have seven years in which to exercise their vested awards. Share awards can only be exercised by the employees to whom they were granted.

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

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	**3,794,815**	3,026,597
Granted during the year	**2,695,411**	1,539,491
Vested and exercised during the year	**(882,875)**	(688,908)
Lapsed during the year	**(225,105)**	(82,365)
Outstanding at the end of the year	**5,382,246**	3,794,815

In 2022, a total of 882,875 awards were exercised (2021 – 688,908). The weighted average share price at the date of exercise during 2022 was 324.6 pence (2021 – 252.9 pence).

Details of the time-based HPSP awards outstanding at 31 December 2022 are as follows:

	2022 Number of shares	2021 Number of shares	Normal vesting date	Expiry date
Date of grant:				
1 May 2014 – options	**1,568**	2,771	1 May 2017	1 May 2024
28 April 2015 – options	**3,932**	5,689	28 April 2018	28 April 2025
11 March 2016 – options	**39,942**	47,646	11 March 2019	11 March 2026
3 March 2017 – options	**11,737**	23,578	3 March 2020	3 March 2027
19 April 2018 – options	**33,718**	45,226	19 April 2021	19 April 2028
21 March 2019 – options	**57,599**	156,204	21 March 2022	21 March 2029
21 March 2019 – awards	**–**	723,401	21 March 2022	21 March 2025
3 March 2020 – options	**216,863**	238,428	3 March 2023	3 March 2030
3 March 2020 – awards	**975,642**	1,031,070	3 March 2023	3 March 2023
4 March 2021 – options	**289,650**	314,094	4 March 2024	4 March 2031
4 March 2021 – awards	**1,129,512**	1,206,708	4 March 2024	4 March 2024
4 March 2022 – options	**458,869**	–	4 March 2025	4 March 2032
4 March 2022 – awards	**2,163,214**	–	4 March 2025	4 March 2025
Outstanding at the end of the year	**5,382,246**	3,794,815		
Exercisable at the end of the year	**148,496**	124,910		
Weighted average remaining contractual life of options outstanding at the end of the year	**7.98 years**	8.13 years		

37. Share-based Payments continued

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

(iii) Fair Value of HPSP Awards

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

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

The assumptions used in this model were as follows:

	2022	2021
Date of grant/valuation date	4 March 2022	4 March 2021
Weighted average share price at grant	226.0p	261.9p
Exercise price	nil	nil
Expected dividend yield	nil	nil
Expected volatility	55.2%	53.0%
Risk-free rate	1.04%	0.10%
Expected life	3 years	3 years
Weighted average fair value at grant	167.1p	183.9p

(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:

	2022	2021
Date of grant/valuation date	4 March 2022	4 March 2021
Weighted average share price at grant	226.0p	261.9p
Exercise price	nil	nil
Expected dividend yield	nil	nil
Expected volatility	55.2%	53.0%
Risk-free rate	1.04%	0.10%
Expected life	3 years	3 years
Weighted average fair value at grant	226.0p	261.9p

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 zero coupon UK government bond yield 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 \$3.6m (2021 – \$2.4m) and the charge to the consolidated income statement in respect of time-based HPSP awards is \$5.8m (2021 – \$6.3m). These charges are recognised in administrative expenses.

37. Share-based Payments continued

(c) Cash Conditional Share Awards

The Company also grants cash conditional awards annually to employees in certain overseas tax jurisdictions. These awards are aligned with the rules of the HPSP and are subject to employees continued employment during the vesting period. Awards are granted at nil cost and are settled at the closing mid-market price of a Hunting PLC Ordinary share on the third anniversary of the date of grant.

(i) Performance-based Awards

The performance-based cash conditional awards to 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 various performance measures as shown in the table below. The performance period for the 2022 awards is 1 January 2022 to 31 December 2024.

The award weightings for the years 2020, 2021 and 2022 are in the table below.

Performance measure	**Award weighting 2022 %**	Award weighting 2021 %	Award weighting 2020 %
TSR of a bespoke comparator group	**25**	35	35
Adjusted diluted earnings per share (“EPS”)	**20**	25	25
Return on average capital employed (“ROCE”)	**20**	25	25
Free cash low (“FCF”)	**20**	–	–
Balance strategic scorecard – non-financial KPIs comprising Quality and Safety performance	**15**	15	15

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

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	**342,140**	165,243
Granted during the year	**204,262**	176,897
Outstanding at the end of the year	**546,402**	342,140

Details of the cash conditional performance-based awards outstanding at 31 December 2022 are as follows:

	2022 Number of shares	2021 Number of shares	Normal vesting date
Date of grant:			
3 March 2020	**165,243**	165,243	3 March 2023
4 March 2021	**176,897**	176,897	4 March 2024
4 March 2022	**204,262**	–	4 March 2025
Outstanding at the end of the year	**546,402**	342,140	

The charge to the consolidated income statement attributable to the performance-based cash conditional awards is $0.2m (2021 – $0.3m).

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 37(b)(iii) above). The weighted average fair value of the award at 31 December 2022 was 333.0 pence (2021 – 169.2 pence).

37. Share-based Payments continued

(c) Cash Conditional Share Awards continued

(ii) Time-based Awards

The Company also grants time-based cash conditional awards annually, which are subject to a three-year vesting period. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached.

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

	2022 Number of shares	2021 Number of shares
Outstanding at the beginning of the year	**247,106**	159,920
Granted during the year	**325,564**	121,192
Vested and exercised during the year	**(40,233)**	(15,182)
Lapsed during the year	**–**	(18,824)
Outstanding at the end of the year	**532,437**	247,106

The weighted average share price at the date of exercise during 2022 was 328.0 pence (2021 – 247.5 pence).

Details of the cash conditional time-based awards outstanding at 31 December 2022 are as follows:

	2022 Number of shares	2021 Number of shares	Normal vesting date
Date of grant:			
19 April 2018	**–**	1,482	19 April 2021
21 March 2019	**–**	38,751	21 March 2022
3 March 2020	**89,036**	89,036	3 March 2023
4 March 2021	**117,837**	117,837	4 March 2024
4 March 2022	**325,564**	–	4 March 2025
Outstanding at the end of the year	**532,437**	247,106	

The charge to the consolidated income statement attributable to the time-based cash conditional awards is $0.3m (2021 – $0.2m).

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 37(b)(ii) above). The weighted average fair value of the award at 31 December 2022 was 333.0 pence (2021 – 169.2 pence).

(d) Amounts Included in the Accounts

The charge to the consolidated income statement attributable to the cash conditional share awards is $0.5m (2021 – $0.5m) and the total charge attributable to the equity-settled awards is $9.4m (2021 – $8.7m). The total charge to the consolidated income statement for the year for share-based payments is $9.9m (2021 – $9.2m), see note 7. The total liability in relation to the cash-settled awards included in accruals at the year-end is $0.9m (2021 – $0.6m), of which $nil (2021 – $nil) related to awards that had vested.

38. Related-party Transactions

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

	2022 $m	2021 $m
Settlement of warranty claim related to a corporate transaction	**–**	(1.7)
Acquisition of non-controlling interest from Marubeni-Itochu	**–**	(3.8)
Disposal of pipe business to Marubeni-Itochu	**–**	31.5
Additional investment in Cumberland (note 16)	**(1.6)**	–
Investment in Indian joint venture arrangement with Jindal SAW (note 16)	**(1.9)**	–
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.

During the year, revenue of $12.3m (2021 - $6.3m) was generated from sales to BestLink Tube Pte. Ltd., the minority interest holder in Hunting Energy Services (China) Pte. Ltd.

All ownership interests in associates are in the equity shares of those companies. The ownership interests in associates, joint ventures 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 7. 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 61). 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 on the same date, which included the sale of OCTG inventory held by HES UK and HES BV to Marubeni-Itochi for $31.5m.

(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.

39. Events After the Balance Sheet Date

In January 2023, one of the banks in the ABL lending group provided a $2.4m letter of credit in favour of one of the Group's major customers, which has an expiration date of February 2026. This amount has been permanently carved out of the total facility amount that Hunting is able to utilise under the ABL.

40. Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Hunting PLC on 2 March 2023.

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 and joint ventures.
- 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 is recognised to depict the transfer of promised goods or services to customers and is measured at the amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.
- 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; 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 has an enforceable right to payment for the work completed to date; 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.
- In respect of revenue that is recognised over time, Hunting uses an input method for measuring the progress towards completion of its performance obligations and consequently for measuring the amount of revenue that is recognised. Specifically, revenue is recognised in proportion to the total expected consideration that mirrors the costs incurred to date relative to the total expected costs to complete the performance. This method is considered to be the most appropriate as the inclusion of all costs, being materials, labour and direct overheads, best reflects the activities required in performing the promise to the customer.
- 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 does not have an enforceable right to payment for the work completed to date.
- The events that trigger the recognition of revenue at a point in time are most commonly: (i) delivery of the product in accordance with the contractual terms; or (ii) when the product is made available to the customer for collection; or (iii) when the customer notifies the Group that the customer has accepted the product following a period of inspection by the customer. Hunting utilises the customer acceptance approach when Hunting is responsible for transporting goods (in addition to supplying them to the customer) and the risk of damage during transportation, due either to the method or the distance, is considered sufficient to impede management from being able to substantively determine that control of the goods would pass to the customer prior to acceptance.
- When revenue from a customer is recognised, the amount is reported as a contract asset if the performance obligation is incomplete as this asset reflects that it is conditional upon Hunting completing the work. The revenue is reported as accrued income if the performance obligation has been completed but a sales invoice has not yet been issued. The revenue is recognised as a trade receivable if a sales invoice has been issued as this asset reflects that it is unconditional other than the passage of time. The Group reports a contract liability when amounts received and receivable from the customer exceed the value of the work done to date, reflecting that the Group is obligated to transfer goods or services in order to settle the prepayment from the customer.

(ii) Rental Revenue

- Rental revenue from operating leases, being leases in which Hunting does not transfer substantially all of the risks and rewards of the leased asset to the customer, is recognised as the income is earned.
- Revenue from finance leases, being leases in which Hunting, as a manufacturer/dealer-lessor, transfers substantially all of the risks and rewards of the leased asset to the customer, is measured as the fair value of the underlying asset or if lower the present value of the lease payments. The carrying value of the leased asset minus the unguaranteed residual value is charged to cost of sales and interest earned during the term of the lease is recognised as finance income.

(c) Interest

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

41. Principal Accounting Policies continued

(d) Foreign Currencies

(i) Individual Subsidiaries', Associates' and Joint Ventures' Financial Statements

- The financial statements for each of the Group's subsidiaries, associates and joint ventures 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, associates and joint ventures are translated into US dollars at the exchange rates ruling at the balance sheet date.
- The income statements of subsidiaries, associates and joint ventures 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.

(e) 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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.
- Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- The recoverability of deferred tax assets is reviewed at each balance sheet date and deferred tax assets are recognised to the extent that sufficient taxable profit is expected to be available to allow the deferred tax asset to be utilised.
- 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.

(f) 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 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.

41. Principal Accounting Policies continued

(g) Leases

- Lessees:
  With regard to lessee contracts, the entity recognises a lease obligation as a liability and a right-of-use asset at the inception of the contract, except with regard to the two exemptions noted below. In measuring the lease obligation, the entity takes account of all fixed payments and the known amount of variable payments. Management also assesses the likelihood of the entity exercising extension options, early termination options and purchase options when contractually offered, and incorporates the relevant assumed cash flows in the initial measurement. These future gross cash flows are then discounted using the incremental borrowing rate ("IBR") that is relevant to each lease. The interest rate implicit in the lease is not used as the entity is unable to access the specific financials of the lessor that would be required in order to determine that rate. The IBR is determined by reference to (i) the weighted average period of the lease term; and (ii) the risk-free rate of the currency of the lease, adjusted for country-specific government bond yields for contracts denominated in the Euro; and (iii) the market risk premium associated with the currency of denomination of the contract; and (iv) a financing spread associated with the financial status and country of location of the lessee entity; and (v) an asset-specific adjustment associated with the perceived security that each type of asset provides to the lessor. The right-of-use asset is usually initially measured as equal to the initial measurement of the lease liability plus any contracted remediation work that would be required at the end of the lease term as there are usually no initial direct costs or lease payments made prior to the inception of the contract.

  Whenever circumstances change post-inception, for example when the judged likelihood of whether an option will or will not be exercised, or indices relevant to the measurement of variable payments change, or the lease term is extended with regard to a contract that does not offer an extension option, the lease obligation is re-measured and the right-of-use asset is correspondingly amended. Re-measurement of the lease obligation is most commonly based on a revised IBR as the change in circumstances has most commonly resulted from a change in the lease term.

  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. Depreciation is charged on a straight-line basis over the lease term; to date the entity has not and is not expected to exercise a purchase option which would otherwise shorten the depreciation period.

  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 over the lease term. The two exemptions apply to:
  – leases that have a duration of one year or less; and
  – leases of assets that would have cost $5,000 or less, when new, to acquire if the asset had been purchased rather than leased.

- Lessors:
  Hunting leases equipment to customers in the capacity of a manufacturer/dealer lessor. Consequently, the leased asset is derecognised and a finance lease receivable is recognised on the balance sheet in respect of the future amounts payable by the customer.

(h) 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.

(i) 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

(j) Investments in Associates and Joint Ventures

- The Group's interests in these investments 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 the investments' results.
- Subsequently, the carrying amount is adjusted to include the Group's share of the increase or decrease in the investments' net assets after the date of acquisition. The Group's share of the investments' net profit or loss after taxation is incorporated in the consolidated income statement as post-tax share of associates' and joint ventures' results. The Group's share of the investments' net assets plus direct acquisition expenses, goodwill and other acquisition-related intangible assets are incorporated in the consolidated balance sheet as investments in associates and joint ventures.

(k) 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 whether or not an indication of impairment actually exists.
- Where assets do not generate their own independent cash flows, they are tested at a cash generating unit ("CGU") level and, if impairment is identified, the carrying amount of the CGU is reduced to its recoverable amount. For assets that do generate independent cash flows, the specific asset is impaired to its recoverable amount if impairment is identified.
- Where impairment exists, an asset or CGU is written down to its recoverable amount being the higher of: (a) its fair value minus costs to sell; and (b) its value in use. Details of how value in use is determined are given in note 15.
- Impairments are recognised immediately in the consolidated income statement.
- An impairment to goodwill is never reversed. When applicable, an impairment of any other asset or CGU 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.

(l) 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.

(m) Cash and Cash Equivalents

- Cash and cash equivalents comprise cash at bank and in hand, short-term deposits and qualifying Fixed Term Funds ("FTFs") and money market funds with a maturity of less than three 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.

(n) 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 the convertible financing, 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 applies lifetime expected credit losses ("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

(o) 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.

(p) Debt Issue Costs

- Transaction costs in relation to the arrangement of the ABL facility are capitalised and subsequently amortised on a straight-line basis over the expected useful life of the facility. The charge is recognised within finance expense in the income statement. Capitalised costs are presented in the balance sheet as a reduction to any drawn down debt with any excess over the drawn amount presented as a prepayment for services.

(q) Derivatives and Hedging

- Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.
- The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the derivative 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.

(r) Provisions

- Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.
- The measurement of a provision is based on the most likely amount and timing of the expenditures. Payments that are expected to arise after more than one year are discounted to their present value using a risk-free interest rate that is relevant to the region in which the past event occurred. The risk-free interest rate is based on the redemption yields of government securities.

41. Principal Accounting Policies continued

(s) Post-employment Benefits

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

(t) 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.

(u) 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.

(v) Merger Reserve

- The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time. The reserve is currently non-distributable and will be transferred to distributable retained earnings when the proceeds meet the definition of a qualifying consideration.

(w) Dividends

- Dividends to the Group's shareholders are recognised as liabilities in the Group's financial statements in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. All dividends are dealt with in the statement of changes in equity.

(x) 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.

Non-GAAP Measures

(unaudited)

The performance of the Group is assessed by the Directors using a number of measures, which are not defined under IFRS, and are therefore considered to be non-GAAP measures ("NGMs"). However, the measures used by the Group may not be comparable with similarly described measures presented by other businesses.

The Group presents adjusted profitability measures below, which exclude adjusting items (see NGM A). The adjusted results, when considered together with results reported under IFRS, provide investors, analysts and other stakeholders with helpful complementary information and they aid comparison of the Group's financial performance from one period to the next. These adjusted measures are used by management for planning, reporting and performance management purposes. The adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement, with details of the adjusting items provided in NGM A. It is important to note that the adjusted results are quite frequently higher than the IFRS results as they often exclude significant costs and should not be regarded as a complete picture of the Group's financial performance, which is presented by the IFRS results in the income statement.

In addition, the Group's results and financial position are analysed 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. This section provides a definition of each NGM presented in this report, the purpose for which the measure is used, and a reconciliation of the NGM 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

A. Adjusting Items

Due to their size and nature, the following items are considered to be adjusting items and have been presented separately.

	2022 Gross $m	2022 Tax $m
Impairments of goodwill (note 5)	**(7.0)**	**–**
Legal fees (note 5)	**(5.6)**	**–**
Total adjustments to profit (loss) from operations	**(12.6)**	**–**

	2022 $m
Gross adjusting items	**(12.6)**
Tax attributable to adjusting items	**–**
Adjusting items after tax	**(12.6)**
Adjusting items after tax attributable to Ordinary shareholders	**(12.6)**
Adjusting items after tax attributable to non-controlling interests	**–**
	(12.6)

	2021 Gross $m	2021 Tax $m
Impairments of property, plant and equipment	(8.6)	0.8
Net impairments of inventories	(25.9)	0.5
Restructuring costs	(2.0)	–
Gain on disposal of Canadian assets	0.2	–
Gain on surrender of lease	1.0	(0.4)
Amortisation of acquired intangible assets	(6.7)	(0.4)
Settlement of warranty claim related to a corporate transaction	(1.7)	–
Loss on disposal of business	(0.9)	0.2
Total adjustments to profit (loss) from operations	(44.6)	0.7
Amortisation of acquired intangible assets – associates (note 16)	(0.3)	–
Total adjustments to loss before tax	(44.9)	0.7

Income Statement Non-GAAP Measures continued

A. Adjusting Items continued

	2021 $m
Gross adjusting items	(44.9)
Tax attributable to adjusting items	0.7
Adjusting items after tax	(44.2)
Adjusting items after tax attributable to Ordinary shareholders	(42.1)
Adjusting items after tax attributable to non-controlling interests	(2.1)
	(44.2)

The following items were recognised as adjusting items during 2021:

- Amortisation of acquired intangible assets relates to amortisation of intangible assets arising on the acquisition of businesses.
- A number of associated charges were recognised due to the restructuring of the European OCTG business, and the changes in future activity resulting from the transactions with Marubeni-Itochu including: an impairment of the Fordoun property by $8.6m as the use of the property and expected cash flows for the property had 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.
- During 2021, 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. A net impairment charge of $25.9m, including the $5.2m charge recognised on the Marubeni-Itochu transaction discussed above, was 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 during 2021. 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 was incurred on the restructuring programme begun in 2020.
- 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 was not allocated to an operating segment as the original property provisions were not allocated to an operating segment at the time they were recognised.
- A further gain of $0.2m on the disposal of Canadian assets was recognised, following the gain of $0.8m recognised in 2020, in relation to the closure of the Canadian operations. The Group received disposal proceeds of $1.8m for these assets during 2021.

B. Adjusted Profitability Measures

Certain reported profit and loss measures are adjusted for the items described in NGM A. This is the basis used by the Directors in assessing performance.

	2022 $m	2021 $m
Profit (loss) from operations – consolidated income statement	**2.0**	(79.7)
Add back adjusting items (NGM A)	**12.6**	44.6
Adjusted profit (loss) from operations	**14.6**	(35.1)
Share of associates' and joint ventures' profit (loss) – consolidated income statement	**(2.7)**	(3.8)
Add back adjusting items (NGM A)	**–**	0.3
Adjusted share of associates' and joint ventures' profit (loss)	**(2.7)**	(3.5)
Loss before tax from operations – consolidated income statement	**(2.4)**	(85.5)
Add back adjusting items (NGM A)	**12.6**	44.9
Adjusted profit (loss) before tax from operations	**10.2**	(40.6)
Loss for the year attributable to Ordinary shareholders – consolidated income statement	**(4.6)**	(85.8)
Add back adjusting items after tax attributable to Ordinary shareholders (NGM A)	**12.6**	42.1
Adjusted profit (loss) from operations attributable to Ordinary shareholders	**8.0**	(43.7)
	millions	millions
Basic weighted average number of Ordinary shares (note 10)	**160.3**	161.2
Long-term incentive plans (note 10)	**9.8**	5.9
Adjusted weighted average number of Ordinary shares (note 10)	**170.1**	167.1
	cents	cents
Adjusted earnings (loss) per share:		
Adjusted basic EPS (LPS)	**5.0**	(27.1)
Adjusted diluted EPS (LPS)[i]	**4.7**	(27.1)

i. For the year ended 31 December 2021, the Group reported a loss from operations attributable to Ordinary shareholders and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they have not been used to calculate diluted loss per share.

Income Statement Non-GAAP Measures continued

C. 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.

Calculation definition: Adjusted results before share of associates' and joint ventures' results, interest, tax, depreciation, impairment and amortisation.

	2022 $m	2021 $m
Profit (loss) from operations – consolidated income statement	2.0	(79.7)
Add back adjusting items (NGM A)	12.6	44.6
Adjusted profit (loss) from operations (NGM B)	14.6	(35.1)
Add back:		
Depreciation of property, plant and equipment (note 11)	26.6	28.9
Depreciation of right-of-use assets (note 12)	6.4	6.7
Non-adjusting amortisation of other intangible assets	4.4	2.6
	37.4	38.2
EBITDA	52.0	3.1

D. Adjusted Tax Charge and Effective Tax Rate

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

Calculation definition: The adjusted taxation charge (credit) divided by adjusted profit (loss) before tax, expressed as a percentage.

	2022 $m	2021 $m
Taxation charge – consolidated income statement	(1.3)	(4.2)
Tax charge (credit) on adjusting items (NGM A)	–	(0.7)
Adjusted taxation charge	(1.3)	(4.9)
Adjusted profit (loss) before tax for the year (NGM B)	10.2	(40.6)
Adjusted effective tax rate	13%	(12)%

Adjusting items are taxed on an item-by-item basis as shown in NGM A.

Balance Sheet Non-GAAP Measures

E. Working Capital

Purpose: Working capital is a measure of the Group's liquidity identifying whether the Group has sufficient assets to cover liabilities as they fall due.

Calculation definition: Trade and other receivables excluding receivables from associates, derivative financial assets and deferred bank fees, plus inventories less trade and other payables excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	2022 $m	2021 $m
Trade and other receivables – non-current (note 18)	2.8	2.0
Trade and other receivables – current (note 18)	232.4	155.4
Inventories (note 20)	272.1	204.4
Trade and other payables – current (note 22)	(141.8)	(83.0)
Trade and other payables – non-current (note 22)	(3.2)	(2.7)
Add: non-working capital US deferred compensation plan obligation (note 22)	1.9	1.9
Less: non-working capital current other receivables and other payables	(1.4)	–
	362.8	278.0

F. 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 adjusted 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.

	2022 $m	2021 $m
Inventories (note 20)	272.1	204.4
Adjusted cost of sales for October to December	157.1	115.2
Inventory days	159 days	163 days

Balance Sheet Non-GAAP Measures continued

G. 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.

	2022 $m	2021 $m
Trade receivables (note 18)	**183.1**	128.1
Contract assets (note 18)	**8.6**	9.9
Accrued revenue (note 18)	**2.2**	3.8
Less: provisions for receivables (note 18)	**(3.7)**	(4.6)
Net receivables	**190.2**	137.2
Revenue for October to December	**207.1**	145.2
Trade receivable days	**84 days**	87 days

H. Other Net Assets

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

	2022 $m	2021 $m
Non-current investments (note 17)	**4.8**	4.6
Non-working capital US deferred compensation plan obligation (NGM E)	**(1.9)**	(1.9)
Non-working capital current other receivables and other payables (NGM E)	**1.4**	–
	4.3	2.7

I. Capital Employed

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

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

The Group's capital comprised:

	2022 $m	2021 $m
Total equity – consolidated balance sheet	**846.2**	871.3
Net (cash) debt (note 26)	**10.0**	(78.5)
	856.2	792.8

J. 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 three months to maturity from the date of deposit; and short-term deposits of more than three months to maturity from the date of deposit; less bank overdrafts and bank borrowings.

The Group's total cash and bank comprised:

	2022 $m	2021 $m
Cash and cash equivalents (note 21)	**29.4**	108.4
Bank overdrafts secured – current borrowings (note 25)	**(2.1)**	(1.0)
Cash and cash equivalents – consolidated statement of cash flows	**27.3**	107.4
Bank borrowings – current borrowings (note 25)	**(2.8)**	–
Current investments – investment of surplus cash – consolidated balance sheet	**–**	6.8
	24.5	114.2

Balance Sheet Non-GAAP Measures continued

K. 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 J) less total lease liabilities and the shareholder loan from a non-controlling interest.

The Group's net cash (debt) comprised:

	2022 $m	2021 $m
Total cash and bank (NGM J)	**24.5**	114.2
Total lease liabilities (note 24)	**(30.6)**	(31.8)
Shareholder loan from non-controlling interests – non-current borrowings (note 25)	**(3.9)**	(3.9)
	(10.0)	78.5

Cash Flow Non-GAAP Measures

L. Cash Flow Working Capital Movements

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

	2022 $m	2021 $m
Working capital – opening balance	**278.0**	358.3
Foreign exchange	**0.5**	1.1
Exceptional items impacting working capital:		
Net impairments of inventories (note 5)	**–**	(25.9)
Disposal of business	**–**	(31.5)
Adjustments:		
Transfer to property, plant and equipment (note 11)	**(1.6)**	(0.5)
Capital investment debtors/creditors cash flows	**(0.6)**	0.1
Other non-cash flow movements	**0.1**	(0.4)
Other cash flow movement	**(0.2)**	(0.4)
Working capital – closing balance (NGM E)	**(362.8)**	(278.0)
Cash flow	**(86.6)**	22.8

M. 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.

	2022 $m	2021 $m
Property, plant and equipment additions (note 11)	**17.0**	6.5
Capital investment debtors/creditors cash flows (NGM L)	**(0.6)**	0.1
Cash flow	**16.4**	6.6
Per the consolidated statement of cash flows:		
Purchase of property, plant and equipment held for rental – operating activities	**0.5**	0.9
Purchase of property, plant and equipment – investing activities	**15.9**	5.7
Cash flow	**16.4**	6.6
Hunting Titan	**3.9**	1.1
North America	**7.2**	4.1
EMEA	**0.7**	0.5
Asia Pacific	**2.6**	0.4
Central	**2.0**	0.5
Cash flow	**16.4**	6.6

Cash Flow Non-GAAP Measures continued

N. 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.

	2022 $m	2021 $m
Increase (decrease) in provisions – consolidated statement of cash flows	**0.2**	(1.7)
Other non-cash flow items	**0.3**	(0.2)
	0.5	(1.9)

O. 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.

	2022 $m	2021 $m
EBITDA (NGM C)	**52.0**	3.1
Add: share-based payment charge (note 37)	**9.9**	9.2
	61.9	12.3
Working capital movements (NGM L)	**(86.6)**	22.8
Lease payments – consolidated statement of cash flows	**(8.0)**	(10.6)
Net interest and bank fees paid – consolidated statement of cash flows	**(2.9)**	(0.4)
Net tax received (paid) – consolidated statement of cash flows	**(3.9)**	0.6
Proceeds from business and asset disposals – consolidated statement of cash flows	**9.0**	35.9
Net gains on business and asset disposals – consolidated statement of cash flows	**(2.8)**	(0.6)
Legal fees to defend patent infringement claim – consolidated statement of cash flows	**(5.6)**	–
Restructuring costs – consolidated statement of cash flows	**–**	(2.0)
Settlement of a warranty claim related to a corporate transaction	**–**	(1.7)
Other operating cash and non-cash movements (NGM N)	**0.5**	(1.9)
Free cash flow	**(38.4)**	54.4
Reconciliation to the consolidated statement of cash flows:		
Net cash inflow (outflow) from cash and cash equivalents	**(75.6)**	6.4
Cash flow from bank borrowings	**(2.9)**	–
Cash flow from current investments – investment of surplus cash	**(6.7)**	6.9
Net cash inflow (outflow) from total cash and bank	**(85.2)**	13.3
Add investment in non-current assets:		
Purchase of property, plant and equipment	**15.9**	5.7
Purchase of property, plant and equipment held for rental	**0.5**	0.9
Purchase of intangible assets	**5.6**	2.7
Investments in associates and joint ventures	**3.5**	5.1
Convertible financing – Well Data Labs	**–**	2.5
	25.5	16.9
Add (deduct) transactions with shareholders:		
Purchase of treasury shares	**7.9**	7.9
Disposal of treasury shares	**(0.2)**	(0.3)
Purchase of non-controlling interest	**–**	3.8
Dividends paid to Hunting PLC shareholders	**13.6**	12.8
	21.3	24.2
Free cash flow	**(38.4)**	54.4

Other Non-GAAP Measures

P. 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 Q).

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

	2022 cents	2021 cents
Interim dividend	**4.5**	4.0
Final dividend	**4.5**	4.0
	9.0	8.0

Q. 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.

	2022		2021	
	Adjusted cents	**Reported cents**	Adjusted cents	Reported cents
Earnings (loss) per share				
Basic (NGM B/note 10)	**5.0**	**(2.8)**	(27.1)	(53.2)
Diluted (NGM B/note 10)	**4.7**	**(2.8)**	(27.1)	(53.2)
Dividend (NGM P)	**9.0**	**9.0**	8.0	8.0
Dividend cover				
Basic	**0.6x**	**n/a**	n/a	n/a
Diluted	**0.5x**	**n/a**	n/a	n/a

R. Return on Average Capital Employed

Purpose: Measures the levels of return the Group is generating from its capital employed.

Calculation definition: Adjusted profit before interest and tax, amended to include the share of associates' and joint ventures' 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.

	2022 $m	2021 $m
Average monthly gross capital employed (13-point average)	**821.3**	882.6
Adjusted profit (loss) from operations (NGM B)	**14.6**	(35.1)
Adjusted share of associates' and joint ventures' loss (NGM B)	**(2.7)**	(3.5)
	11.9	(38.6)
Return on average capital employed	**1%**	-4%

Financial Record[i]

(unaudited)

	2022 $m	2021 $m	2020 $m	2019[ii] $m	2018[ii] $m
Revenue	**725.8**	521.6	626.0	960.0	911.4
EBITDA	**52.0**	3.1	26.1	139.7	142.3
Depreciation and non-exceptional amortisation and impairment	**(37.4)**	(38.2)	(42.5)	(45.4)	(37.6)
Profit (loss) from operations	**14.6**	(35.1)	(16.4)	94.3	104.7
Net finance expense	**(1.7)**	(2.0)	(3.0)	(1.2)	(0.7)
Share of associates' and joint ventures' profit (loss)	**(2.7)**	(3.5)	–	–	–
Profit (loss) before tax	**10.2**	(40.6)	(19.4)	93.1	104.0
Taxation	**(1.3)**	(4.9)	0.9	(17.0)	(22.0)
Profit (loss) for the year	**8.9**	(45.5)	(18.5)	76.1	82.0
	cents	cents	cents	cents	cents
Basic earnings (loss) per share	**5.0**	(27.1)	(10.0)	45.0	51.6
Diluted earnings (loss) per share	**4.7**	(27.1)	(10.0)	43.9	49.6
Dividend per share[iii]	**9.0**	8.0	9.0	5.0	9.0
	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**256.7**	274.4	307.1	354.7	360.2
Right-of-use assets	**26.0**	24.7	29.8	36.7	–
Goodwill and other intangible assets	**191.2**	200.3	207.1	308.7	329.7
Working capital	**362.8**	278.0	358.3	433.3	436.5
Associates and joint ventures	**20.1**	19.4	18.1	0.7	0.7
Taxation (current and deferred)	**4.0**	1.4	6.0	19.8	13.7
Provisions	**(8.9)**	(8.1)	(8.9)	(8.4)	(14.2)
Other net assets	**4.3**	2.7	1.6	0.4	3.2
Capital employed	**856.2**	792.8	919.1	1,145.9	1,129.8
Total cash and bank	**24.5**	114.2	101.7	127.0	65.2
Lease liabilities	**(30.6)**	(31.8)	(40.3)	(45.2)	–
Other borrowings	**(3.9)**	(3.9)	(3.9)	(3.9)	(3.9)
Net cash (debt)	**(10.0)**	78.5	57.5	77.9	61.3
Net assets	**846.2**	871.3	976.6	1,223.8	1,191.1
Non-controlling interests	**(1.6)**	(1.4)	(12.2)	(15.9)	(14.0)
Equity attributable to owners of the parent	**844.6**	869.9	964.4	1,207.9	1,177.1
	cents	cents	cents	cents	cents
Net assets per share	**513.2**	528.4	592.2	733.3	721.4

i. Income statement measures are presented after reflecting adjusting items.
ii. IFRS 16 Leases was adopted with effect from 1 January 2019. The modified retrospective approach was applied and consequently information for 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.

Glossary

A

ABC
Anti-Bribery and Corruption.

ABL
Asset Based Lending.

Adjusted*
Results for the year, as reported under IFRS, adjusted for certain items as determined by management, which is the basis used by the Directors in assessing performance and they aid a more effective comparison of the Group's financial performance from one period to the next.

AED
United Arab Emirates dirham.

AGM
Annual General Meeting.

AMG
Advanced Manufacturing Group – combines the precision engineering and manufacturing capabilities in Hunting's US segment for the Electronics division and Hunting Dearborn product lines.

API
American Petroleum Institute.

AUD
Australian dollar.

Average gross capital employed*
See NGM R.

B

Basic EPS*
Basic (loss) earnings per share – calculated by dividing the (loss) earnings from operations items attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year.

bbl
Barrel of crude oil – one barrel of oil equals 159 litres or 42 US gallons.

BCA
The Building and Construction Authority (Singapore).

BEIS
The UK Government's Department for Business, Energy & Industrial Strategy.

BOE
Barrel of Oil Equivalent.

bn
Billion.

bopd
Barrels of Oil Per Day.

C

c
Cents.

CAD
Canadian dollar.

CAGR
Compound Annual Growth Rate.

Capital employed*
See NGM I.

Capital investment – "Capex"*
See NGM M.

CCS
Carbon Capture and Storage.

CDP
Carbon Disclosure Project.

CGU
Cash-generating unit.

CNY
Chinese Yuan Renminbi.

CO_2
Carbon dioxide.

CO_2e
Carbon dioxide equivalent.

CO_2 intensity factor
Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per $'000 of revenue.

CODM
Chief Operating Decision Maker.

CTR
Currency Translation Reserve.

D

DEFRA
The UK Government's Department for Environment, Food & Rural Affairs.

Diluted EPS (LPS)*
Diluted earnings (loss) per share – calculated by dividing earnings (loss) from operations attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, as 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. When the effect of dilutive share options and long-term incentive plans is anti-dilutive, they are not included in the calculation of diluted earnings (loss) per share.

Dividend cover*
See NGM Q.

Downhole
Downhole refers to something that is located within the wellbore.

DPS*
See NGM P.

DPT
Direct Pull Tube.

DUC
Drilled-but-Uncompleted Well.

E

EBITDA*
See NGM C.

EBT
Employee Benefit Trust.

ECL
Expected Credit Losses.

EIA
US Energy Information Administration.

EMEA
Europe, Middle East and Africa.

ESEF
European Single Electronic Format.

ESG
Environmental, Social and Governance.

ETR
Effective Tax Rate.

EUR
Euro.

ExCo
The Hunting Executive Committee.

F

FCA
Financial Conduct Authority.

FRC
Financial Reporting Council.

FCCR
Fixed Charge Cover Ratio.

FPSO
Floating production, storage and offloading.

Free cash flow*
See NGM O.

ft
Feet.

FTF
Fixed Term Fund.

FVLCD
Fair value less costs of disposal.

G

GAAP
Generally Accepted Accounting Principles.

GHG
Greenhouse Gas.

GRI
Global Reporting Initiative.

GWh
Gigawatt hour – 1 billion watt hours.

H

HPSP
Hunting Performance Share Plan.

HRSP
Hunting Restricted Share Plan.

HSE
Health, Safety and Environment.

I

IAS
International Accounting Standards.

IBOR
Interbank Offered Rate.

ICBC
Industrial and Commercial Bank of China.

IEA
International Energy Agency.

IFRS
International Financial Reporting Standards as adopted by the European Union.

Incident rate
An OSHA recordable incident rate (or incident rate) is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.

Intensity factor
The total controlled Scope 1 and Scope 2 emissions divided by the total revenue of the Group.

Internal manufacturing reject rate
Percentage of parts rejected during manufacturing processes.

Inventory days*
See NGM F.

IP
Intellectual Property.

ISO
International Organization for Standardization.

K

k
Thousand.

KPI
Key Performance Indicator.

kWh
Kilowatt hour – 1,000 watt hours.

Kyoto Protocol
International agreement between nations to mandate country-by-country reductions in greenhouse gas emissions.

L

Lean
A production practice that eliminates wasteful processes, thereby reducing production time and costs, and improving efficiency.

LIBOR
London Interbank Offered Rate.

LNG
Liquefied Natural Gas.

LTIP
Long-Term Incentive Plan.

M

m
Million.

m²
Square metre.

m³
Cubic metre.

mmBtu
1 million British thermal units.

MRT
Mass Rapid Transit System (Singapore).

MWD/LWD
Measurement-while-drilling/Logging-while-drilling.

MWh
Megawatt hours – 1,000,000 watt hours.

N

NCI
Non-controlling Interest.

Net Cash (Debt)*
See NGM K.

NGM
Non-GAAP measure – see pages 240 to 246.

NOK
Norwegian Kroner.

NMFR
Near miss frequency rate.

NRV
Net realisable value.

O

OCI
Other comprehensive income.

OCTG
Oil Country Tubular Goods – pipe and tubular goods and products used in the oil and gas industry, such as drill pipe, pipe casing and production pipes.

OEM
Original equipment manufacturer.

OIA
Other intangible assets.

OOR
Organic Oil Recovery.

OSHA
The US Occupational Safety and Health Administration.

P

p
Pence.

PCB
Printed circuit board.

PCE
Pressure control equipment.

PLG
Pre-loaded gun.

PPE
Property, plant and equipment.

PSP
Performance Share Plan.

Q

QMS
Quality Management System.

R

RCF
Revolving Credit Facility.

Recordable incidents
An OSHA recordable incident is recorded is recordable if it results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness. Also included are any significant injuries or illnesses diagnosed by a physician or other licensed health care professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

ROCE*
See NGM R.

S

S&P
Standard & Poor's.

SASB
Sustainability Accounting Standards Board.

Scope 1
Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the entity. Scope 1 emissions include fossil fuels burned on site, emissions from vehicles and other direct sources.

Scope 2
Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity, heating and cooling or steam generated off site but purchased by the entity.

SDG
The United Nations Sustainable Development Goal.

SGD
Singapore dollar.

SID
Senior Independent Director.

SOFR
US Secured Overnight Financing Rate.

SONIA
Sterling Overnight Index Average.

sq
Square.

SURF
Subsea, umbilicals, risers and flowlines.

T

TCFD
Task Force on Climate-related Financial Disclosures.

TNMFR
Total Near Miss Frequency Rate.

Total Cash and Bank*
See NGM J.

Trade Receivable days*
See NGM G.

TRIR
Total Recordable Incident Rate.

TSJ
Titanium Stress Joint.

TSR*
Total Shareholder Return – the net share price change plus the dividends paid during that period.

TVIR
Total vehicle incident rate.

U

UAE
United Arab Emirates.

UK
United Kingdom.

US
United States.

USD
US dollar.

W

Wellbore
The wellbore refers to the drilled hole.

Well completion
Well completion refers to the processes of preparing a well for production. This involves the assembly of downhole tubulars and equipment required to enable safe and efficient production from an oil or gas well.

Well construction
Well construction refers to the initial drilling and processes of constructing the wellbore in an oil and gas well. These processes typically include drilling and logging the hole; running, cementing and logging the casing; hydraulic fracturing or stimulating the well and monitoring well performance and integrity.

Well intervention
Well intervention refers to any operation carried out on an oil or gas well that maintains or enhances the production of the well or provides well diagnostics.

Working capital*
See NGM E.

WTI
West Texas Intermediate – the price per barrel of Texas light sweet crude oil.

WTW
WillisTowersWatson.

* Non-GAAP measure.