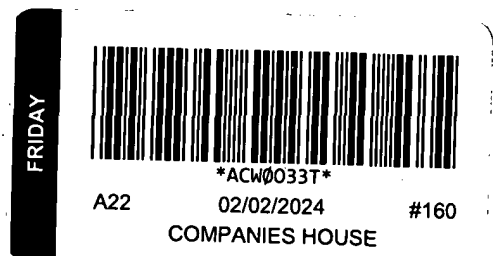


“Revised”

Hunting Energy Services (UK) Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2022



Registered Number: 00908371

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"These are the final accounts replacing a set of accounts previously filed and which were registered by Companies House on 6 October 2023. The accounts filed were incomplete"

Company Information

Directors	B H Ferguson S Barrie A J Johnson I M Park J J Noble
Secretary	John Noble Badentoy Industrial Estate Badentoy Avenue AB12 4YB United Kingdom
Company Number	00908371
Registered Office	5 th Floor, 30 Panton Street London SW1Y 4AJ England United Kingdom
Independent auditor	Deloitte LLP 110 Queen Street Glasgow G1 3BX United Kingdom
Bankers	Barclays Bank Barclays House 5 St Ann's Street Quayside Newcastle Upon Tyne NE1 2BH United Kingdom
Solicitors	CMS Cameron McKenna LLP Queens Road Aberdeen AB15 4ZT United Kingdom

Strategic Report

Business Review

The Company revenue decreased in 2022 by \$(12,203)k due to the Company's operations being transferred to Hunting Energy Services Limited (HESL). All fixed assets, inventory excluding tubulars and personnel were transferred to HESL in July 2022 with the remaining tubular inventory being transferred in September 2022.

Section 172 Statement

This statement has been prepared in compliance with the Companies (Miscellaneous Reporting) Regulations 2018. The Board of Hunting PLC considers that, in complying with its statutory duty during 2022 and under section 172 of the Companies Act 2006 (the "Act"), the Directors have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole.

The Board also engages with its stakeholders when considering major strategic decisions, in the following ways:

- each year the Board reviews its short- and long-term strategy. In recent years these have remained consistent, with a focus on maintaining a firm financial foundation, improving facilities and investing in the development of new technology and in our workforce;
- the Board aims to ensure that our employees work in a safe environment, that they receive appropriate training and are sufficiently rewarded for their efforts;
- over the years we have fostered long-standing relationships with our customers, suppliers and our external advisers. We base our philosophy on sharing our core values with our key stakeholders throughout the supply chain and by keeping in regular contact with suppliers and customers advising them of our market strategy and product innovation;
- as a company operating in the oil industry, we regularly monitor the impact of our activities on the environment and on the communities in which we operate and, in particular, where we maintain active manufacturing facilities; and
- as a Board, we endeavour to operate responsibly and to make carefully considered decisions. We encourage high standards of business conduct from our employees and try to lead by example.

Following engagement with a wide range of stakeholders, the following actions were taken:

- our global Human Resources function, in conjunction with external advisers reviewed and updated workforce hiring and retention policies, and benchmarked remuneration to ensure our employees were paid fairly when compared to similar companies in our sector;
- following consultation with investor groups, the Board has shown a real determination to aid management in implementing climate change reporting policies and in setting realistic targets;
- the Board set up a new Ethics and Sustainability Committee, to receive and action reports from senior operational managers and appointed Jay Glick as Committee Chair;
- the Board also implemented a strategy to diversify some of our technical expertise into non-oil and gas areas and considers that investment in alternative sectors will enable the Company to become more adaptable as its long-term strategy develops;
- the Executive Committee has been strengthened with additional members from Human Resources, Central Compliance, Health & Safety and Information Technology; and
- the Board monitored senior management engagement

Future Developments

Trading has ceased in the Company. At the year end there was \$4k of investments still to be sold. This investment was sold in 2023 with the proceeds of the investment being paid as a dividend.

Strategic Report (continued)

Key Risks and Uncertainties

Principal Risks

The key risks and uncertainties which faced the business included the uncertainties over how our customers will react to future oil and gas prices, the change in the fiscal regime in the UK, as well as the risks associated with operating in foreign territories including foreign exchange risk. These risks were mitigated by a wide range of customers, operating in different territories.

The Company consider minimal risk on the financial statements due to no operations ongoing and minimal balances on the balance sheet.

Financial Risks

The Company manages its foreign exchange risk through entering into hedges where possible. There are no foreign exchange risks to the balance sheet.

Key Performance Indicators (KPIs)

The following KPIs are relevant to an understanding of the performance of the business and are used by management in reviewing the results and operations of the business.

(i) Loss Before Tax (LBT)

This is the key measure for management as it allows them to assess how effectively the Company is being managed.

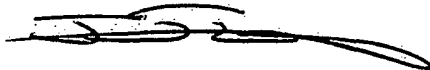
PBT as a percentage of revenue was 32.5% during the year, 60.1% higher than 2021. The higher PBT percentage relates to the gain on sale of assets to HESL.

(ii) Cashflow

The cash position of the Company is constantly reviewed to ensure there are adequate cash balances in place to service customer requirements.

The Company had a free Cashflow (calculated as cashflow from operating activities less purchases of property, plant and equipment and interest received) of \$9,270,689 (2021 - \$34,496,723) during the year. The increase is due to the sale of assets to HESL.

This report was approved by the board of Directors and signed on its behalf.



J J Noble – Director
28 September 2023

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Principal Activities

The Company operate in the offshore oil and gas industry as part of the Hunting Energy Services (International) Limited Group. The majority of the business was conducted in the new pipe joints, accessory equipment manufactures and general repair sections of the oil industry with operations concentrated on the North Sea. Manufacturing operations and inventory were transferred to HESL as part of a Group restructure.

Registered Office

The registered office of the Company is 5th Floor, 30 Pantom Street, London, England, SW1Y 4AJ, United Kingdom.

Results

The results of the Company are set out in the Income Statement on page 12.

Dividends

The Directors paid a dividend of \$25,590k (2021 - nil) during the year. A dividend of \$8k has been paid post year end.

Future Developments

The future developments of the Company are disclosed in the strategic report. The Company discloses its financial risk management objectives and policies within the notes to the financial statements in note 21.

Directors

The Directors who held office during the year and up to the date of this report were:

B H Ferguson

S Barrie

A J Johnson

I M Park

J J Noble

Going Concern

The Company has stopped principal trading activities with the trade of this Company transferred to Hunting Energy Services Limited in July 2022. The Company has net current assets of \$4k (2021 - \$7,197k) with no liabilities. This represents an investment which was subsequently sold in 2023. It is the directors' intention to liquidate the Company in the near future. As a result, these financial statements have been prepared on a basis other than going concern.

Independent Auditor

Due to governance on rotation of the Group's external auditor, Deloitte LLP became the Company's external independent auditor effective 2019. Deloitte LLP have been reappointed as the auditor for 2022.

Report of the Directors (continued)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the IAS Regulation.

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

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

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

This report was approved by the board of Directors and signed on its behalf.



J J Noble – Director

28 September 2023

Independent auditor's report to the members of Hunting Energy Services (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hunting Energy Services (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report to the members of Hunting Energy Services (UK) Limited (continued)

Other information (continued)

We have nothing to report in this regard.

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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included anti-bribery legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Hunting Energy Services (UK) Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Hunting Energy Services (UK) Limited (continued)

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.



David Crawford, CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

28 September 2023

Income Statement

For the year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Revenue	3	12,388	24,591
Cost of sales	5	(11,849)	(28,039)
Gross profit/(loss)		539	(3,448)
Other income	4	4,437	768
Selling, general and administrative expenses	5	(1,676)	(3,829)
Operating profit/(loss)		3,300	(6,509)
Finance income	7	772	14
Finance costs	7	(42)	(293)
Profit/(loss) before taxation		4,030	(6,788)
Taxation	8	245	834
Profit/(loss) for the year	24	4,275	(5,954)

The above results are derived from discontinued operations.

The notes on pages 17 to 45 are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Profit/(loss) for the year	24	4,275	(5,954)
Other comprehensive expense			
<i>Items that may be subsequently reclassified to income for the year, net of tax</i>			
Dividend		(25,590)	-
Total other comprehensive expense for the year, net of tax		(25,590)	-
Total comprehensive expense for the year		(21,315)	(5,954)

The above results are derived from discontinued operations.

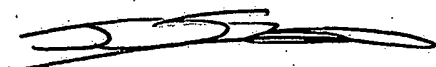
The notes on pages 17 to 45 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Non-current assets			
Property, plant and equipment	9	-	266
Right-of-use assets	10	-	730
Investments	11	-	51
Unlisted investment	12	4	4
Intercompany Loan	13	-	13,636
		4	14,687
Current assets			
Inventories	14	-	10,859
Trade and other receivables	15	-	4,621
Current tax asset	19	-	796
Cash and bank balances	16	-	3
		-	16,279
Total assets		4	30,966
Liabilities			
Non-current liabilities			
Lease liabilities	26	-	(566)
		-	(566)
Current liabilities			
Trade and other payables	17	-	(7,938)
Provisions	18	-	(929)
Lease liabilities	17	-	(214)
		-	(9,081)
Total liabilities		-	(9,647)
Net assets		4	21,319
Equity attributable to the owners of the parent			
Share capital	23	-	2,327
Retained earnings	24	4	37,749
Undistributable reserve	24	-	34
Foreign exchange reserve	24	-	(12,837)
Total equity		4	21,319

The notes on pages 17 to 45 are an integral part of these financial statements. The financial statements on pages 12 to 45 were approved by the board of Directors on 28 September 2023 and were signed on its behalf by:



J J Noble - Director

Hunting Energy Services (UK) Limited

Registered number: 00908371

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Ordinary shares	Retained earnings	Foreign exchange reserve	Undistributable Reserve	Total equity
Year ended 31 December 2022		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January		2,327	31,795	(12,837)	34	21,319
Profit for the year	24	-	4,275	-	-	4,275
Other movements-*		-	(12,803)	12,837	(34)	-
Share capital reduction		(2,327)	2,327	-	-	-
Dividends		-	(25,590)	-	-	(25,590)
Total comprehensive expense		(2,327)	(31,791)	(12,837)	(34)	(21,315)
Balance at 31 December		-	4	-	-	4

*Other movements relates to the reallocation of equity balances prior to dividend payment.

Year ended 31 December 2021		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January		2,327	37,749	(12,837)	34	27,273
Loss for the year	24	-	(5,954)	-	-	(5,954)
Total comprehensive expense		-	(5,954)	-	-	(5,954)
Balance at 31 December		2,327	31,795	(12,837)	34	21,319

Statement of Cash flows

For the year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Operating activities			
Cash generated/(used in) from operations	28	6,417	(34,644)
Interest paid		(8)	(277)
Tax received		1,041	578
Net cash inflow from operating activities		7,450	34,945
Investing activities			
Purchase of property, plant and equipment	9	(33)	(147)
Proceeds from sale of property, plant and equipment	9	-	1
Transfer of intergroup assets	9	191	-
Additions of property, plant and equipment from stock	9	64	-
Right-of-use additions	10	-	(446)
Transfer of right-of-use assets	10	629	-
Profit on disposal of investment		3,351	-
Interest received		477	.2
Net cash inflow/(outflow) from investing activities		4,679	(590)
Financing activities			
Intercompany interest bearing loan receivable		13,636	(34,150)
Payment of capitalised lease liabilities	26	(104)	(197)
Retained earnings group dividend	24	(25,590)	-
Net cash outflow from financing activities		(12,058)	(34,347)
Net increase in cash and cash equivalents		71	8
Cash and cash equivalents at beginning of year		3	3
Effect of foreign exchange rate changes		(74)	(8)
Cash and cash equivalents at the end of the year	15	-	3

Notes to the Financial Statements

1. Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations committee as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a basis other than going concern under the historical cost convention as modified by financial instruments recognised at fair value.

Exemption from preparing group financial statements

The Company is exempt from preparing consolidated financial statements in accordance with section 400 of the Companies Act 2006. The financial statements of the Company are included within the separate consolidated financial statements of the ultimate parent Company, Hunting PLC which can be found on Companies House. The address of the Company's registered office is shown on page 3.

The principal accounting policies applied in the preparation of these financial statements are set out in note 29. These policies have been consistently applied to all the years presented, except for IFRS 16 Leases as described below.

Going Concern

The Company has stopped principal trading activities with the trade of this Company transferred to Hunting Energy Services Limited in July 2022. The Company has net current assets of \$4k (2021 - \$7,197k) with no liabilities. This represents an investment which was subsequently sold in 2023. It is the directors' intention to liquidate the Company in the near future. As a result, these financial statements have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Adoption of new standards, amendments and interpretations

New and amended IFRS Standards that are effective for the current year

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 Company 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 Company in future periods.

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policiesⁱⁱ
- Amendments to IAS 8 – Definition of Accounting Estimatesⁱⁱ
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transactionⁱⁱ
- IFRS 17 Insurance Contractsⁱⁱ
- Amendment to IAS 1: Non-current Liabilities with Covenants^{iv}
- Amendment to IAS 1: Classification of Liabilities as Current or Non-current Liabilitiesⁱⁱⁱ
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback^{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.

Notes to the Financial Statements (continued)

2. Critical Accounting Estimates and Judgements

Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, which are described in note 29, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

No critical judgements within the Company.

Key sources of estimation uncertainty

There is no uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Revenue

	2022	2021
	\$'000	\$'000
Revenue from the sale of goods	9,487	21,624
Revenue from services	2,901	2,853
Royalty income	-	114
	12,388	24,591

4. Other income

	2022	2021
	\$'000	\$'000
Management recharges	480	768
Operating FX gains	255	-
Sundry income	351	-
Profit on disposal of investment	3,351	-
	4,437	768

There were no dividends received in 2022 or 2021 from the Company's subsidiary.

Notes to the Financial Statements (continued)

5. Nature of expenses

	2022	2021
	\$'000	\$'000
Cost of inventories recognised as an expense	11,689	19,412
Impairment*	-	3,674
Utilisation of impairment**	(3,529)	(3,573)
Employee costs and Directors' emoluments (Note 6)	2,257	5,617
Depreciation (Note 9)	43	112
ROU – Depreciation (Note 10)	101	190
Operating lease payments	578	1,522
Transport	67	258
Marketing	23	19
Contract labour	382	519
Other expenses	1,914	4,118
Total cost of sales, distribution costs and administrative expenses	13,525	31,868

*Impairment – the amount of inventory written off through the profit and loss in the year.

**Utilisation of impairment – the amount of impairment provision held as of 31 December 2021 released in the current year.

Other expenses are defined as utilities, repairs and maintenance, insurance and IT costs.

Auditor's remuneration

	2022	2021
	\$'000	\$'000
Audit services – Audit of financial statements	116	124
Tax services – Other taxation advisory services	10	12
Total	126	136

Notes to the Financial Statements (continued)

6. Employee costs and Directors' emoluments

Employee costs, including Directors emoluments, are analysed as follows:

	2022	2021
	\$'000	\$'000
Wages and salaries	1,790	4,275
Social security costs	224	507
Other pension costs	206	531
Share based payments and long term incentive plan	37	304
	2,257	5,617

The above table includes costs in respect of other Group companies that are recharged to the respective Companies.

The average monthly number of persons employed during the year was:

By activity	2022	2021
Factory Direct	20	39
Finance	2	6
Other Administration	5	15
Sales and Marketing	1	7
	28	67

Key Management

Key management comprises the Directors and Senior Management. Their compensation is:

	2022	2021
	\$'000	\$'000
Salaries and short term employment benefits	324	838
Post-employment benefits	93	206
Share based payments and long term incentive plan	27	236
	444	1,280

Notes to the Financial Statements (continued)

6. Employee costs and Directors' emoluments (continued)

Directors

	2022	2021
	\$'000	\$'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	192	564
Share based payments and long term incentive plan	8	14
	200	578

Three (2021 – three) Directors has retirement benefits accruing under a defined contribution pension scheme. There are three (2021 – three) Directors contributing to employee costs.

Highest paid Director

	2022	2021
	\$'000	\$'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	106	233
Share based payments and long term incentive plan	8	7
	114	240

Notes to the Financial Statements (continued)

7. Net finance costs

	2022	2021
	\$'000	\$'000
Finance Income		
Parent undertaking – loans - interest income (Note 27)	477	2
Financing FX gains	221	3
Lease liability FX gains	74	9
	772	14
Finance Costs		
Parent undertaking – loans - interest expense (Note 27)	(8)	(267)
Funding interest expense	-	(10)
Financing FX losses	(27)	-
Bank fees	(1)	(1)
Interest on lease liabilities	(6)	(15)
	(42)	(293)
Net finance costs	730	(279)

8. Taxation

The tax credit in the Income Statement comprised:

	2022	2021
	\$'000	\$'000
Current tax – continuing operations		
Current year	5	(809)
Foreign taxation	-	3
Foreign exchange	109	29
Adjustment in respect of prior years	(359)	(57)
Current income tax income	(245)	(834)
Total tax credit to the Income Statement	(245)	(834)

Notes to the Financial Statements (continued)

8. Taxation (continued)

The tax on the Company's (loss) before tax differs from the theoretical amount that would arise from using the standard rate in the UK applicable to the profit as follows:

	2022	2021
	\$'000	\$'000
Profit/(loss) before taxation	4,030	(6,788)
Tax at 19% (2020 – 19%)	766	(1,290)
Expenses not deductible for tax purposes	(10)	29
Income not subject to tax	(637)	-
Losses not recognised	(119)	452
Exchange adjustment	109	29
Adjustments in respect of prior years	(359)	(57)
Irrecoverable withholding tax	5	3
Total tax credit for the year	(245)	(834)

Factors affecting current and future tax charges

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted during 2022.

Notes to the Financial Statements (continued)

9. Property, Plant and Equipment

Year ended 31 December 2022

	Leasehold buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January	80	12,111	12,191
Additions	-	21	21
Disposals	-	(90)	(90)
Group transfers	(80)	(12,042)	(12,122)
At 31 December	-	-	-
Accumulated Depreciation and impairment:			
At 1 January	80	11,762	11,842
Charge for the financial year	-	43	43
Disposals	-	(90)	(90)
Group transfers	(80)	(11,715)	(11,795)
At 31 December	-	-	-
Net book amount	-	-	-

Year ended 31 December 2021

	Leasehold buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000
Cost:			
At 1 January	80	11,994	12,074
Additions	-	147	147
Disposals	-	(30)	(30)
At 31 December	80	12,111	12,191
Accumulated Depreciation and impairment:			
At 1 January	80	11,762	11,842
Charge for the financial year	-	112	112
Disposals	-	(29)	(29)
At 31 December	80	11,845	11,925
Net book amount	-	266	266

Notes to the Financial Statements (continued)

10. Right-of-use assets

Year ended 31 December 2022

	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost:			
At 1 January	37	945	982
Group transfers	(37)	(945)	(982)
At 31 December	-	-	-
Accumulated Depreciation:			
At 1 January	10	242	252
Charge for financial year	6	95	101
Disposals	(16)	(337)	(353)
At 31 December	-	-	-
Net book amount	-	-	-

Year ended 31 December 2021

	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost:			
At 1 January	12	536	548
Additions	37	409	446
Disposals	(12)	-	(12)
At 31 December	37	945	982
Accumulated Depreciation:			
At 1 January	8	66	74
Charge for financial year	14	176	190
Disposals	(12)	-	(12)
At 31 December	10	242	252
Net book amount	27	703	730

The Company has no current leases at the end of the year. Lease commitments are disclosed on note 26.

Amounts recognised in profit and loss.

	2022 \$'000	2021 \$'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	(101)	(190)
Interest expense on lease liabilities	(6)	(15)

Notes to the Financial Statements (continued)

11. Investments

Investment in subsidiary undertakings	2022 \$'000	2021 \$'000
Cost and net book amount:		
At 1 January	51	51
Disposal of investment	(51)	-
At 31 December	-	51

A list of the key investments, including the name, country of residence, country of incorporation and proportion of ownership interest are provided below.

Direct Subsidiaries	Registered Address
Hunting Energy Services BV (100.0%)	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
B Ordinary Shares	

Hunting Energy Services BV principal trading activities are consistent with Hunting Energy Services (UK) Limited. The Company sold the full investment in the subsidiary to Hunting Energy Holdings Ltd for \$3,402k in 2022.

12. Unlisted Investment

	2022 \$'000	2021 \$'000
Unlisted investment	4	4

The investment relates to JFETC Singapore and was sold in 2023.

13. Intercompany Loans

	2022 \$'000	2021 \$'000
Intercompany loan – interest bearing	-	13,636

The intercompany loan is held with Hunting Knightsbridge Holdings Ltd which is under common control of Hunting PLC.

Notes to the Financial Statements (continued)

14. Inventories

	2022	2021
	\$'000	\$'000
Raw materials	-	3,288
Work in progress	-	1,625
Finished goods	-	9,475
Less: provision for impairment	-	(3,529)
Total inventories	-	10,859

15. Trade and other receivables, net

	2022	2021
	\$'000	\$'000
Trade receivables	-	961
Less: provision for impairment of receivables	-	(3)
Net trade receivables	-	958
Amounts owed by Group undertakings	-	577
Other receivables	-	311
Prepayments and accrued income	-	2,775
Total trade and other receivables, net	-	4,621

The amounts owed by group undertakings are in relation to entities under common control of Hunting PLC.

The ageing of the overdue trade receivables is as follows:

Number of days overdue	2022	2021
	\$'000	\$'000
1 – 30 days	-	641
31 – 60 days	-	179
61 – 90 days	-	2
91 - 120 days	-	9
More than 120 days	-	2
	-	833

Notes to the Financial Statements (continued)

15. Trade and other receivables, net (continued)

All of these balances relate to customers for whom there is no recent history of default. Movements on the provision for impairment of trade receivables are shown below:

	2022	2021
	\$'000	\$'000
At 1 January	11	11
Provision for impairment of receivables	-	3
Unused amounts reversed	(11)	(11)
At 31 December	-	3

16. Cash and bank balances

	2022	2021
	\$'000	\$'000
Total cash and bank balances	-	3

17. Trade and other payables and derivative financial instruments

	2022	2021
	\$'000	\$'000
Current liabilities		
Trade payables	-	6,702
Accruals and deferred income	-	768
Amounts owed to Group undertakings	-	461
VAT payable	-	7
Lease liabilities	-	214
Total current liabilities	-	8,152
Non-current liabilities		
Lease liabilities	-	566
Total Non-current liabilities	-	566

The amounts owed to group undertakings are in relation to entities under common control of Hunting PLC.

Notes to the Financial Statements (continued)

18. Provisions

	2022	2021
	\$'000	\$'000
Onerous contracts		
At 1 January	929	-
Provision charge	-	929
Amounts utilised	(505)	-
Transferred to Hunting Energy Services Ltd	(424)	-
At 31 December	-	929

In Dec 2022 there was no (2021 – nil) provision taken for repairs on pipe and pup joints.

19. Current tax asset

	2022	2021
	\$'000	\$'000
Corporation tax	-	796

20. Deferred tax asset

The Company has deferred tax assets of nil gross and nil tax (2021 \$16,520,000 gross and \$4,130,000 tax) that have not been recognised as realisation of the tax benefit is not probable. This includes nil gross and nil tax (2021 \$14,761,000 gross and \$3,690,000 tax) in respect of trading losses which have no expiry date.

21. Derivatives and financial instruments

Currency

When necessary the Company uses forward foreign exchange contracts to hedge its exposure to exchange rate movements. There were no forward foreign exchange contracts in place at 31 December 2022 (2021 - nil).

Fair values of financial assets and financial liabilities

The carrying value of each measurement category of the Company's financial assets and liabilities are stated below, together with a comparison of fair value and carrying amount for each class of financial asset and financial liability.

Under IFRS 13, fair value measurements should be classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes to the Financial Statements (continued)

21. Derivatives and financial instruments (continued)

	Loans and receivables	Financial liabilities measured at amortised cost	Total carrying amount	Total fair value (Level 3)
2021	\$'000	\$'000	\$'000	\$'000
Current assets				
Net trade receivables (Note 14)	958	-	958	958
Amounts owed by Group undertakings (Note 14)	577	-	577	577
Prepayments and accrued income (Note 14)	2,775	-	2,775	2,775
Other receivables (Note 14)	311	-	311	311
Cash and cash equivalents (Note 15)	3	-	3	3
Current liabilities				
Trade payables (Note 16)	-	(6,035)	(6,035)	(6,035)
Accruals and other payables (Note 16)	-	(768)	(768)	(768)
Amounts owed to Group undertakings (Note 16)	-	(461)	(461)	(461)
Amounts owed to non-controlling shareholder (Note 16)	-	(667)	(667)	(667)
VAT liability (Note 16)	-	(7)	(7)	(7)
	4,624	(7,938)	(3,314)	(3,314)

22. Post retirement benefits

Pensions

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).

Within the UK, the Hunting PLC Group operates a funded pension scheme, which includes a defined benefit section with benefits linked to final salary and a defined contribution section with benefits dependent on future investment returns. The defined benefit section is closed to new UK employees who are offered membership of the defined contribution section. The majority of UK employees are members of one of these arrangements.

There was \$206k (2021 - \$531k) of contribution from the Company to the defined contribution scheme in 2022.

Full details of the Pension schemes on offer are detailed on page 214 in the Annual Report & Accounts of Hunting PLC.

Notes to the Financial Statements (continued)

23. Ordinary shares

	2022 \$'000	2021 \$'000
Authorised, Allotted, Called up and Fully Paid		
1 (2021: 1,000,000) ordinary shares of £1 each	-	2,327

Hunting Energy Services (UK) Limited is a private limited company domiciled and incorporated in the United Kingdom.

24. Retained earnings and other reserves

	Foreign Exchange Reserve		Undistributable Reserve		Retained Earnings		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
At 1 January	(12,837)	(12,837)	34	34	31,795	37,749	18,992	24,946
Loss/profit for the year	-	-	-	-	4,275	(5,954)	4,275	(5,954)
Other movements	-	-	(34)	-	(10,476)	-	(10,510)	-
Exchange rate adjustments	12,837	-	-	-	-	-	12,837	-
Dividend paid	-	-	-	-	(25,590)	-	(25,590)	-
At 31 December	-	(12,837)	-	34	-	31,795	-	18,992

In 2022, the dividend per share was £25,590k (2021 – nil).

25. Share based payments

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

(i) Performance-based awards and options

The Company participated in the Hunting PLC nil-cost, performance-based share awards and options under the PSP between 2009 and 2013. Under the PSP, annual conditional awards of shares and options were made to executive Directors and senior employees of the Hunting PLC Group. Awards and options are subject to performance conditions during the vesting period. The PSP was replaced by the 2014 Hunting Performance Share Plan ("HPSP") following approval by the shareholders of Hunting PLC at its Annual General meeting on 16 April 2014. There is no longer a charge to the income statement attributable to this scheme.

(ii) Time-based awards and options

The Company participated in the Hunting PLC nil-cost, time-based share awards and options under the PSP between 2009 and 2013. Annual awards were made to employees, subject to continued employment, during the vesting period. There were no performance conditions attached. The final grant under the PSP occurred in 2013 and vested in 2016 and option holders had seven years in which to exercise their vested awards. Details of the time-based PSP awards and options movements during the year are as follows:

Notes to the Financial Statements (continued)

25. Share-based payments (continued)

	2022	2021
	Number of awards	Number of awards
Outstanding and exercisable at the beginning of the year	1,867	2,742
Exercised during the year	-	875
Transferred to Hunting Energy Services Ltd	(1,867)	-
Outstanding and exercisable at the end of the year	-	1,867

The weighted average share price at the date of exercise during 2022 was nil pence (2021 – 218.5 pence). Share awards can only be exercised by the employees to whom they were granted.

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

	2022	2021	
	Number of shares	Number of shares	Normal vesting date
Date of grant:			
17 April 2012	-	866	17.04.15
20 March 2013	-	1,001	20.03.16
Outstanding and exercisable at the end of the year	-	1,867	

25. Share based payments (continued)

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

(i) Performance-based awards

The Company participated in the Hunting PLC performance-based share awards, which are granted annually to executive Directors and senior employees of the Hunting PLC Group, under the HPSP. Awards are granted at nil cost under the HPSP. The performance-based HPSP awards are divided into four tranches of differing proportions. Each tranche is subject to a three-year vesting period and Company performance is measured against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS"), (iii) average underlying Return on Capital Employed ("ROCE") and (iv) a Balanced Scorecard, comprising of non-financial KPIs including Quality and Safety performance. The 2021 award weightings are – EPS 25%; TSR 25%; ROCE 35% and the Balanced Scorecard 15%. The performance period for the 2021 awards granted under the HPSP is 1 January 2021 to 31 December 2023. The vesting date of the 2021 awards is 3 March 2024.

Notes to the Financial Statements (continued)

25. Share based payments (continued)

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

	2022	2021
	Number of awards	Number of awards
Outstanding and exercisable at the beginning of the year	85,089	28,215
Transferred to HGMS*	-	(23,107)
Transferred to Hunting Energy Services Ltd**	(85,089)	-
Granted during the year	-	44,674
Vested and exercised during the year	-	(1,718)
Lapsed during the year	-	(9,189)
Outstanding at the end of the year	-	85,089

*Employees transferred to H G Management Services Limited, a Group company whose ultimate parent is Hunting PLC.

**Employee transferred to Hunting Energy Services (UK) Limited, a group company whose ultimate parent is Hunting PLC

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

	2022	2021	
	Number of awards	Number of awards	Normal vesting date
Date of grant:			
21 March 2019	-	10,142	21.03.21
3 March 2020	-	30,273	03.03.23
4 March 2021	-	44,674	04.03.24
Outstanding at the end of the year	-	85,089	

In 2022, nil awards vested and were exercised in respect of the 2018 HPSP grant (2021 – 1,718). The weighted average share price at the date of exercise during 2022 was nil pence (2021 – 256.7 pence).

Notes to the Financial Statements (continued)

25. Share based payments (continued)

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

(ii) Time-based awards

The Company participated in the Hunting PLC time-based share awards under the HPSP. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost under the HPSP.

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

	2022	2021
	Number of awards	Number of awards
Outstanding and exercisable at the beginning of the year	182,114	139,146
Transferred to Hunting Energy Services Ltd*	(182,114)	19,670
Transferred from HESL Dubai	-	6,532
Granted during the year	-	65,803
Vested and exercised during the year	-	(43,093)
Lapsed during the year	-	(5,944)
Outstanding at the end of the year	-	182,114

*Employees transferred to Hunting Energy Services Ltd (2020 – from Hunting Energy Services Ltd Dubai), Group companies whose ultimate parent is Hunting PLC.

The weighted average share price at the date of exercise during 2022 was nil pence (2021 – 247.4 pence).

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

	2022	2021	
	Number of awards	Number of awards	Normal vesting date
Date of grant:			
11 May 2014	-	2,667	01.15.17
28 April 2015	-	3,585	28.04.18
11 March 2016	-	7,085	11.03.19
3 March 2017	-	7,559	03.03.20
19 April 2018	-	6,193	19.04.21
21 March 2019	-	26,412	21.03.22
3 March 2020	-	62,810	03.03.23
4 March 2021	-	65,803	04.03.24
Outstanding at the end of the year	-	182,114	

Notes to the Financial Statements (continued)

25. 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 Hunting PLC Group 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	3 March 2022	3 March 2021
Weighted average share price at grant	-	261.9p
Expected volatility	-	53.0%
Risk free rate	-	0.10%
Expected life	-	3 years
Fair value	-	183.9p

(2) The fair value of performance-based awards not subject to a market-related performance condition, specifically Hunting PLC Group performance against EPS and ROCE targets, and the time-based HPSP awards has been calculated using the Black-Scholes pricing model.

The assumptions used in this model were as follows:

	2022	2021
Date of grant/valuation	4 March 2022	4 March 2021
Weighted average share price at grant	-	261.9p
Expected volatility	-	53.0%
Risk free rate	-	0.10%
Expected life	-	3 years
Fair value	-	261.9p

Notes to the Financial Statements (continued)

25. Share based payments (continued)

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

(iii) Fair value of HPSP awards (continued)

The methods to calculate the assumptions for both models are:

- The expected volatility was calculated using historic weekly volatility, equal in length to the remaining portion of the performance period at the date of grant.
- The expected life of the award has been calculated commensurate with the vesting period. The risk-free rate is based on the UK gilt rate commensurate with the vesting period prevailing at the date of grant.
- Participants are entitled to a dividend equivalent over the number of shares that make up their award. It is accumulated over the vesting period and released subject to the achievement of the performance conditions. This is factored into the fair value calculation and as a result the dividend yield 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 recognised in the income statement attributable to the HPSP awards is \$37k (2021: \$304k) These are recognised in administrative expenses.

26. Leases

The Company leases various premises and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between three and ten years. Rental contracts for vehicles are typically made for fixed periods of three to five years. The Company also has short-term leases and leases of low-value assets which are kept off the balance sheet. 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 Company did not have any commitments for leases that were due to commence in 2022 or later. There were no commitments for leases at the end of 2021.

(a) Amounts Recognised in the Balance Sheet

The analysis of right-of-use assets is presented in note 11.

	2022	2021
	\$'000	\$'000
Lease liabilities		
Current	-	214
Non-current	-	566
	-	780

Notes to the Financial Statements (continued)

26. Leases (continued)

(b) Amounts Recognised in the Income Statement

The income statement includes the following amounts relating to leases:

	2022 \$'000	2021 \$'000
Depreciation of right-of-use assets (note 10)	101	190
Lease liability FX gains	(74)	(8)
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and operating expenses)	578	1,523
Lease charges included in underlying loss from operations	605	1,705
Lease charges included in reported loss from operations	605	1,705
Interest on lease liabilities (included in finance costs (note 7))	6	15
Lease charges included in loss before tax	611	1,720

(c) Amounts Recognised in the Statement of Cash Flows

	2022 \$'000	2021 \$'000
Payments for short-term and low-value leases	578	1,523
Principal payments for capitalised leases	104	197
	682	1,720

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

27. Parent company and related parties

Hunting Energy Services (International) Limited, a Company registered in England and Wales, is the immediate parent undertaking of the Company. Hunting PLC, a Company registered in England and Wales is the ultimate parent undertaking and controlling party of the Company. Hunting PLC is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2022.

Notes to the Financial Statements (continued)

27. Parent company and related parties (continued)

Companies under common control are companies controlled by Hunting PLC. Copies of the financial statements of Hunting PLC may be obtained from the Company Secretary, Hunting PLC, 5 Hanover Square, London W1S 1HE.

Following the share purchase on the 31st December 2021 Hunting Energy Services (UK) Limited is 100% subsidiary of Hunting Energy Services (International) Limited.

Previously Hunting Energy Services (UK) Limited was a 60.0% subsidiary of Hunting Energy Services (International) Limited. Additionally, with 15.0% of the remaining ordinary share capital held by Marubeni-Itochu Tubulars Europe PLC, and 25.0% by Marubeni-Itochu Steel Inc. Transactions with these related parties comprise:

	Under Common Control \$'000's	Non-Controlling Shareholder \$'000's	Payments to Directors \$'000's	Total \$'000's
2022				
Purchases of goods and services	(183)	(18)	-	(201)
Revenue from sale of goods and services	1,555	8,245	-	9,800
Property rental	(566)	-	-	(566)
IFRS2 and LTIP recharge	(37)	-	-	(37)
Net interest paid on loans and agreements	469	177	-	646
Directors' payments	-	-	200	200
	Under Common Control \$'000's	Non-Controlling Shareholder \$'000's	Payments to Directors \$'000's	Total \$'000's
2021				
Purchases of goods and services	(176)	(11,552)	-	(11,728)
Revenue from sale of goods and services	3,742	1,532	-	5,274
Property rental	(1,499)	-	-	(1,499)
IFRS2 and LTIP recharge	(304)	-	-	(304)
Net interest paid on loans and agreements	(265)	(10)	-	(275)
Amounts payable to related parties	(461)	(667)	-	(1,128)
Accounts receivable from related parties	577	-	-	577
Directors' payments	-	-	578	578

Notes to the Financial Statements (continued)

28. Cash generated from operations

Reconciliation of (loss)/profit on ordinary activities before taxation to net cash inflow/(outflow) from operating activities:

	2022	2021
	\$'000	\$'000
Profit/(loss) on ordinary activities before tax	4,030	(6,788)
Adjustments for:		
Depreciation	43	112
Depreciation – ROU	101	190
Finance income	(477)	(2)
Finance costs	8	277
Impairment of inventory	-	3,674
Reversal of impairment	(3,528)	(3,573)
Reversal of impairment of receivables	(3)	(8)
Lease liabilities	(602)	459
Provisions	(929)	929
Profit on disposal of investment	(3,351)	-
Investment elimination offset	51	-
Changes in working capital:		
Decrease in inventories	14,388	35,214
Decrease/(increase) in trade and other receivables	4,624	(636)
(Decrease)/increase in trade and other payables	(7,938)	4,796
Cash generated from operations	6,417	34,644

29. Principal Accounting Policies

Investments

Investments in the Company balance sheet are valued at the lower of cost and recoverable amounts and represent investments in the equity share capital of subsidiary undertakings and jointly controlled entities. Income from investments is credited to the profit and loss account when dividends are declared. Impairment to investments is considered on an annual basis. Any impairment in carrying value which is deemed as being permanent is taken immediately as a charge to the income statement.

Revenue

Revenue from contracts with customers is measured as the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.

Notes to the Financial Statements (continued)

29. Parent company and related parties (continued)

Revenue (continued)

Revenue is recognised when control of the promised goods or services is transferred to the customer. Consequently, revenue for the sale of a product is recognised either:

- wholly at a single point in time when the entity has completed its performance obligation, which is most commonly indicated by delivery of the products; or
- 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:

- Work undertaken to enhance customer-owned products – most commonly the lathing of a thread onto the ends of customer-owned plain-end pipe.
- The manufacture of goods that are specifically designed for and restricted to the use of a particular customer, such as the manufacture of bespoke specialised circuitry and housing, and for which Hunting is entitled to a measure of recompense that reflects the fair value of the stage of production prior to their completion.
- The provision of services in which the customer obtains the benefit while the service is being performed – most commonly the storage and management services of customer-owned pipe.

Hunting's activities that require revenue recognition at a point in time comprise:

- The sale of goods that are not specifically designed for use by one particular customer. Products include tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which is resold as threaded pipe.
- The manufacture of goods that are specifically designed for one particular customer but for which Hunting is not entitled to a measure of recompense that reflects the fair value of the stage of production prior to completion.

Property, plant and equipment and depreciation

Property, plant and equipment are 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.

Depreciation is charged so as to write off the cost of assets to their residual value, over their estimated useful lives. Assets are depreciated using the straight-line method at the following rates:

Leasehold buildings	2.0%
Plant and equipment	6% - 33.3%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Interest

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

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

Foreign currencies

The financial statements for the Company are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is USD.

Notes to the Financial Statements (continued)

29. Parent company and related parties (continued)

Foreign currencies (continued)

The net assets of non-sterling denominated subsidiaries and associates are translated into sterling at the exchange rates ruling at the Balance Sheet date. The income statements of subsidiaries and associates are translated into sterling at the average rates of exchange for the year. Exchange differences arising on the consolidation of the net assets of overseas subsidiaries and joint ventures are dealt with through the foreign currency translation reserve, whilst those arising from trading transactions are dealt with in the income statement.

The year end exchange rates of US Dollar to GBP Sterling and to Euro are 1.2060 (2021: 1.3545) and 1.0676 (2021: 1.1911) respectively.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'selling, general, and administrative expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in other comprehensive.

Taxation

The tax charge represents the sum of tax currently payable, deferred tax and managements estimated provision for a portfolio of tax claims. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are taxable or deductible in a different year. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward; and in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

A tax charge is created to reflect management's best estimate of the amount payable in relation to a portfolio of tax claims and the risk of occurrence of each claim as at the balance sheet date.

Notes to the Financial Statements (continued)

29. Principal Accounting Policies (continued)

Inventories

Inventories, including work in progress, 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 sale in the ordinary course of business. The cost of work in progress includes direct labour, material costs and production overheads.

Consignment stock

At the end of the year the Company have consignment stock agreements with Mitsui & Co. Europe PLC. These are a mix of open-ended and closed-end consignment agreements which allow the Company to defer taking title for the stock in their inventory until it is either used or meets the conditions of the consignment deal.

The Closed-end Consignment agreements work on the basis of a twelve month period. As the stock is used, the value of the stock used is due for payment 30 days after being taken out of consignment. However, if the Company has not used the stock within twelve months of the goods being delivered into the Company's yard, then it automatically transfers to Company stock and is due for payment 30 days later. The third parties retain title and control of the stock in the intervening period and therefore it is not recognised by the Company until it takes title. Value of consignment stock for which the Company has not taken title at 31 December 2022 was nil (2021: \$17,270k).

The Open-ended Consignment agreement has no date limit and is invoiced to the Company when it is used. It is also due for payment 30 days after use.

Funding Agreement

The Company has an agreement with Mitsui & Co. Europe PLC to defer payment of the amounts becoming due under the Consignment Stock Agreements in place between the parties. Interest is payable by the Company for the period that the invoice is not settled.

Retirement benefits

A number of defined contribution ("DC") arrangements, which are open to current employees, are operated across the Group. The charge to the Income Statement is the amount of contributions payable to the scheme in the year.

Share-based payments

The Hunting PLC operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Notes to the Financial Statements (continued)

29. Principal Accounting Policies (continued)

Share-based payments (continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, Hunting PLC issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant received from Hunting PLC of options over its equity instruments to the employees of the Company undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

Leases

The Company only have operating leases and the rental of these is charged to the Income Statement on a straight-line basis over the life of the lease.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of less than three months from the date of deposit that are readily convertible to a known amount of cash. Accrued interest is disclosed as part of the year-end balance.

For cash flow statement purposes, cash and cash equivalents include bank overdrafts and short-term deposits with a maturity of less than three months from the date of deposit. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Financial assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the income statement.

The Company's debt instruments are classified either into amortised cost or fair value through profit or loss.

Debt instruments that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets. Debt instruments held for collection of contractual cash flows include the loan note, contract assets, trade receivables, accrued revenue and other receivables.

Notes to the Financial Statements (continued)

29. Principal Accounting Policies (continued)

Financial assets (continued)

The Company's financial assets that are equity instruments are subsequently measured at fair value through profit or loss. Changes in the fair value of the equity instruments are recognised in other operating income, operating expenses, finance income or finance expense, as appropriate. Financial assets that are equity instruments comprise listed equity investments and mutual funds.

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan note that is carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend on whether there has been a significant increase in credit risk. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue.

The Company has chosen to apply lifetime ECLs to trade receivables, accrued revenue, contract assets and lease receivables, both short-term and long-term, upon their initial recognition.

Financial Liabilities

Financial liabilities are initially recognised at fair value at the trade date which is normally the consideration. The Company subsequently re-measures all its non-derivative financial liabilities, including trade payables, at amortised cost.

Capital Management

The Company's objective when managing capital is to provide sufficient resources to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt (which includes loans from Group undertakings, trade and other payables and accruals), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and retained earnings.

Gearing Ratio

The management of the Company reviews the capital structure regularly. As part of this review, the Company considers the cost of capital and the risks associated with the capital. The Company will balance its overall capital structure through the issues of new shares as well as the utilisation of bank borrowings.

The gearing ratio at the year-end was as follows:

	2022	2021
	\$'000	\$'000
Amounts owed to Group undertakings	-	(461)
Amounts owed to other Group undertakings	-	(667)
Cash and cash equivalents	-	3
Net debt	-	(1,125)
Equity	4	21,263
Net debt to equity	0.0%	5.3%

Notes to the Financial Statements (continued)

29. Principal Accounting Policies (continued)

Derivatives and financial instruments

Derivatives are initially recognised at fair value at the trade date and are subsequently re-measured at their fair value at each balance sheet date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if it is, the nature of the item being hedged.

Changes in the fair value of derivatives that have not been designated in a hedge relationship are recognised immediately in the income statement.

Cash flow hedge

Hedges of highly probable forecast transactions are cash flow hedges. The effective portion of changes in fair value of these derivatives is recognised in equity. The gains and losses relating to the ineffective portion are recognised immediately in the income statement. Amounts accumulated in equity are dealt with in the income statement at the same time as the gains and losses on the hedged items. When a forecast transaction is no longer expected to occur, the cumulative gains and losses that were reported in equity are immediately transferred to the income statement.

All of the Company's hedges to which hedge accounting is applied, are tested for effectiveness prospectively and retrospectively and are fully documented as hedges at the point of inception of the hedge relationship.

Embedded derivatives

An embedded derivative is a feature in a sales contract or purchase contract that causes the cash flows of the contract to change whenever there is a change in a specified variable. The Company regularly reviews its sales and purchase contracts in order to determine the existence of embedded derivatives within them.

The Company's derivatives that are embedded within a host contract are separated from that contract and measured at fair value unless (1) the host contract is measured at fair value, in which case the fair value of the derivative is subsumed within the fair value of the entire contract, or (2) the derivative is closely related to the host contract, in which case the derivative is measured at cost. An embedded derivative is regarded as not closely related to its host contract when the cash flows it modifies are associated with risks that are not inherent in the contract itself.

Dividend distributions

Dividend distributions to the Company's shareholders are recognised as liabilities in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and are dealt with in the Statement of Changes in Equity. Interim dividends are recognised when paid.

Dividend income

Dividend income received from subsidiary undertakings are recognised in the financial statements in the period that they are received and are dealt with in the Income Statement.

30. Events after the Balance Sheet Date

The investment of \$4k was sold in 2023 for \$8k with a \$8k dividend paid to Hunting Energy Holdings Limited.