Hunting PLC
Annual Report and Accounts 2021

Registered number 0974568

HUNTING

Positioned for growth

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Welcome to Hunting

Hunting is a key supplier to the upstream oil and gas industry. Our strategy is to manufacture products and deliver services to our customers, wherever in the world they are operating. Hunting's product offering extends across the life cycle of an oil and gas well, and this focus allows us to create, distribute and sustain value for our shareholders and stakeholders.

Hunting's manufacturing capabilities enable us to participate in a diverse range of sectors other than oil and gas. The Board expects to develop the Group's non-oil and gas offering and grow these areas of the business in the coming years.

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

Market Highlights

$68bbl
Average WTI crude oil price
(2020 – $39bbl)

$75bbl
Year-end WTI crude oil spot price
(2020 – $49bbl)

$101.6bn
Global onshore drilling and production expenditure
(2020 – $93.8bn)

$41.6bn
Global offshore drilling and production expenditure
(2020 – $43.5bn)

1,156
Global average onshore rig count
(2020 – 1,129)

165
Global average offshore rig count
(2020 – 183)

Financial Highlights

$521.6m
Revenue
(2020 – $626.0m)

$114.2m
Total cash and bank at year-end*
(2020 – $101.7m)

$(35.1)m
Underlying loss from operations*
(2020 – $16.4m)

$(79.7)m
Reported loss from operations
(2020 – $220.0m)

(27.1)c
Underlying diluted loss per share*
(2020 – (10.0)c)

(53.2)c
Reported diluted loss per share
(2020 – (143.2)c)

Operational Highlights

Completion of restructuring of European OCTG businesses, to prepare for the return to growth in the North Sea.
- Sale of $31.5m of inventory to Marubeni-Itochu ("MI"), as part of restructuring agreement, following an impairment charge of $5.2m.
- Hunting acquires MI's 40% interest in the residual accessories manufacturing business for $3.8m and secures exclusive three-year threading services deal.
- Impairment of the Fordoun property by $8.6m and a provision of $0.9m recognised following the transaction.

$5.1m equity investment in Cumberland Additive Inc.
- Transaction gives Hunting access to new additive manufacturing and 3D printing technology.
- Provides the Group with new non-oil and gas and traditional energy opportunities.

Joint venture agreement signed with Jindal SAW Limited to access high growth Indian OCTG market.
- Hunting to enter a 49:51 joint venture company and will build a premium threading manufacturing facility in Nashik district, India during 2022.

$2.5m convertible financing provided to Well Data Labs ("WDL").
- The agreement gives Hunting access to software and analytics capabilities.
- Hunting Titan collaborating with WDL on new products for US onshore completions market.

Continued progress on building non-oil and gas capabilities.
- The Group has pursued new sales opportunities in the year, with the development of defence, space and medical revenue streams.

Subsea Spring business expanding rapidly, with good demand for titanium and steel stress joints.
- Significant order wins in the Gulf of Mexico and internationally reported in December 2021 and January 2022.

Board Changes.
- As announced on 11 February 2022, Richard Hunting will retire from the Group after nearly 50 years of service on 20 April 2022.
- The Group also announces the proposed appointment of Paula Harris as a new independent, non-executive Director. The appointment is being submitted to shareholders for approval at the Company's 2022 Annual General Meeting.

Financial Highlights*

New $150m Asset Based Lending facility agreed in February 2022, which replaces the Revolving Credit Facility.
- Borrowing base secured against North American freehold property, inventories and trade receivables.
- Facility agreed with four-year tenor.
- The new facility, combined with our strong cash position, gives the Group an appropriate funding base to manage volatile markets and pursue growth opportunities.

Total cash and bank* at year-end of $114.2m (2020 – $101.7m) with strong cash focus throughout the year.
- Improved year-end position delivered following $27.7m net cash inflow after completion of European OCTG business restructuring.
- Capital expenditure in 2021 was $6.6m (2020 – $14.7m).

Revenue decreased 17% to $521.6m (2020 – $626.0m) reflecting continued subdued markets.
- However, revenue improved through each quarter of 2021 as market conditions stabilised and accelerated in the US onshore market during H2.
- Non-oil and gas revenue reported good resilience at $37.6m compared to the prior year of $39.8m.

EBITDA* of $3.1m (2020 – $26.1m).
- H1 2021 EBITDA loss of $3.6m, followed by a $6.7m EBITDA profit in H2 2021, as US markets slowly recovered.

Results from operations.
- Underlying loss from operations* of $35.1m (2020 – $16.4m).
- Amortisation of acquired intangible assets and exceptional items impacting operating loss totalling $44.6m (2020 – $203.6m).
- Reported loss from operations of $79.7m (2020 – $220.0m).

Total dividends declared in the year of 8.0 cents per share.
- Subject to shareholder approval a Final Dividend of 4.0 cents per share, absorbing $6.4m, to be paid on 13 May 2022 to shareholders on the register on 22 April 2021.

* Non-GAAP measure ("NGM") see pages 216 to 221 and note 2.

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

Overview

2021 has seen Hunting's core markets begin their recovery from the economic decline related to COVID-19. The Company has implemented many initiatives to prepare for this return to growth, including further restructuring of underperforming businesses but also investing in new growth opportunities.

Operating sites
31
(2020 – 31)

Distribution centres
14
(2020 – 16)

Countries of operation
11
(2020 – 11)

Patents granted and pending
518
(2020 – 799)

Employees (at year-end)
1,949
(2020 – 1,923)

Internal manufacturing reject rate
0.13%
(2020 – 0.24%)

Strategic Report

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

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

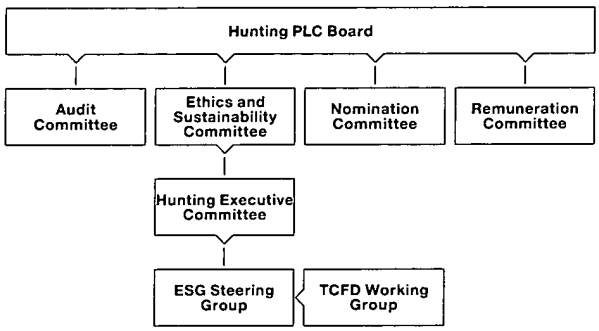
- **Oil Country Tubular Goods ("OCTG")**
- **Perforating Systems**
- **Advanced Manufacturing**
- **Subsea**
- **Intervention Tools**
- **Non-oil and Gas**

The Group's year-end cash and bank position demonstrates the resilience of our business model, despite subdued markets."

Overview & Contents

Corporate Governance

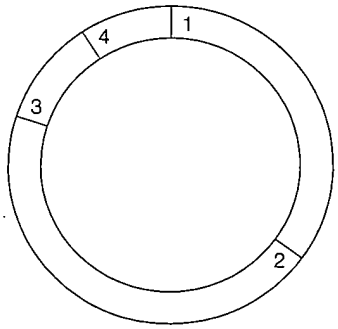
Hunting's governance framework has been enhanced in the year. A new Ethics and Sustainability Board Committee has been formed, along with ESG and TCFD steering groups, which will address our carbon footprint and climate reporting.



Financial Statements

Our results are derived from four operating segments – Hunting Titan; North America; Europe, Middle East and Africa ("EMEA"); and Asia Pacific.

Split of External Revenue by Segment
Year to 31 December 2021
1. Hunting Titan 35%
2. North America 45%
3. EMEA 11%
4. Asia Pacific 9%



Other Information

Hunting has adopted the non-financial reporting recommendations published by the Sustainability Accounting Standards Board ("SASB") in the year.

We have begun to align our disclosures with the relevant sectors of Oil and Gas – Services and Industrial Machinery & Goods.

Management is committed to enhancing these disclosures in future years.

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Despite headwinds, demand for our completion and subsea products accelerated during the second half of 2021. We expect drilling and completion activity to increase during 2022 at a faster pace, generating stronger demand for our full portfolio of products.

Chairman's Statement

Introduction
During the past year, the combination of vaccines, therapeutics, and an improved understanding of COVID-19, has allowed life to return to normal. The growth in demand for oil and gas has also returned to pre-pandemic levels, which has led to a sustained rise in commodity prices. Most energy analysts agree that the energy sector is poised for a multi-year up cycle. Recent geopolitical developments in Ukraine have driven prices even higher. Geopolitical risk is now adding to already high commodity prices. Stronger fundamentals, together with increasing concerns about energy security, will accelerate the pace of demand for Hunting's portfolio of products as the industry pursues secure resources for global production.

Although, product demand increased in H2 2021, the pace was slower than typical of most cyclic recoveries. This was largely due to the capital discipline of our customers, who moderated their capital spending in response to demands from the investment community for better returns. Customers focused on cash generation, dividends and debt reduction.

As we enter 2022, our customers are responding to higher oil prices by increasing capital spending on drilling and production, evidenced by our growing order book and improving activity levels. At the same time, global policy makers grapple with balancing energy security, reducing carbon dioxide emissions, reducing energy poverty, and supplying the energy for continued economic recovery. Hunting's management and Board will closely monitor and respond to these developments appropriately.

Financial Performance
Revenue for the Group decreased 17% in the year to $521.6m, compared to $626.0m in 2020 due to the slower-than-anticipated growth in energy demand as a consequence of continuing spikes in COVID-19 cases. This has led to an underlying loss before tax of $40.6m (2020 – $19.4m). The Group has completed further detailed analysis of its inventory in the year, leading to a net impairment charge of $25.9m being recorded as an exceptional item. In total, after charges for amortisation of acquired intangible assets and exceptional items of $44.9m, the reported loss before tax was $85.5m (2020 – $223.0m). Total cash and bank at the year-end of $114.2m (2020 – $101.7m) was an excellent result for the Group, given the challenging trading conditions, and reflects the efforts of management to generate cash. Our balance sheet also remains robust with net assets at the year-end of $871.3m (2020 – $976.6m). In February 2022 the Group also entered into a new Asset Based Lending facility. This provides Hunting with a more flexible borrowing structure and additional liquidity to fund growth opportunities.

Dividends
In August 2021, the Board declared an Interim Dividend of 4.0 cents per share, which was paid in October. The Board remained mindful of shareholder distributions in the year, and the dividends declared and paid reflect the Group's strong cash position throughout the year and the long-term prospects of the Group. The Board is, therefore, recommending a 2021 Final Dividend of 4.0 cents per share, which will absorb $6.4m of cash, and is to be approved by shareholders at the Company's Annual General Meeting ("AGM") on 20 April 2022. If approved, the Final Dividend will be paid on 13 May 2022 to shareholders on the register on 22 April 2022. This distribution will bring the total dividends paid in respect of 2021 to 8.0 cents per share and a total distribution of $12.8m. The Board remains committed to delivering sustainable dividends, but will continue to assess each dividend proposal on a case-by-case basis.

Governance
We remain acutely aware of the need for Hunting to exercise its corporate responsibility within the context of Environmental, Social and Governance ("ESG") matters.

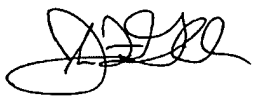
To sharpen the Board's focus on ESG topics, an Ethics and Sustainability Committee has been formed, which had its maiden meeting in December 2021. The Committee will be supported by an internal ESG steering group, comprised of the Group's senior leadership team, along with a Taskforce for Climate-related Financial Disclosures ("TCFD") working group, which will specifically address carbon and climate matters. The Company has also adopted the Sustainability Accounting Standards Board ("SASB") reporting framework, using their standards for Oil and Gas – Services, and Industrial Machinery & Goods companies. Additionally, the Ethics and Sustainability Committee will direct its attention to human capital, with particular emphasis on developing the skills and talent necessary to ensure Hunting is successful in the future. Emphasis within human capital development includes succession planning and diversity considerations. Finally, the Committee will maintain a close watch on compliance matters, as well as product quality assurance, health, safety, and the environment. I would emphasise that Hunting has demonstrated great success in these critical areas.

Retirement of Richard Hunting, CBE
On 11 February 2022, the Company announced that Richard Hunting, non-executive Director, will retire from the Board after nearly 50 years of service. As Chairman of the Company between 1991 and 2017, Richard led Hunting through a major transformation from being a conglomerate with interests in defence, aviation and energy, to a leading upstream energy services group. Richard will step down from the Board at the conclusion of the Company's Annual General Meeting on Wednesday 20 April 2022. I would like to thank Richard for his advice and counsel to Hunting's Directors past and present, which extends over many years, particularly since my appointment in 2017.

Geopolitics
The events in Ukraine over the past few weeks have been monitored closely by the Board, given the implications for commodity prices and geopolitical risk. Hunting's exposure to Europe, Russia and Ukraine is very low, in terms of revenue and asset exposure, since most of our facilities are located in North America.

Conclusion
We are in the early stages of a transformation in the way the global economy is powered. The costs and disruptions brought on by this are only beginning to be recognised. Geopolitical factors will weigh on the pace of progress. Our belief, supported by demand forecasts from the International Energy Agency ("IEA") and other reputable commentators, is that oil and gas will continue to play a vital role in powering the global economy for many years to come, as the transition to lower carbon sources continues. Investment in new sources of oil and gas will be essential to any successful energy transition. To that end, Hunting will continue to be a provider of innovative, value-enhancing products to the energy sector, while we maintain efforts to diversify to adjacent sectors that recognise and reward our core competencies.

On behalf of the Board, I would like to recognise and thank all those who have contributed to the Company's success during this past year. It all starts with our workforce who have worked tirelessly during another challenging year. Our customers and suppliers have been fundamental to what we were able to achieve this past year. I want also to thank our shareholders for their support and commitment to the Company. We are well positioned to share in an improving market over the next year.



John (Jay) F. Glick
Chairman

3 March 2022

Total cash and bank at the year-end of $114.2m was an excellent result for the Group."

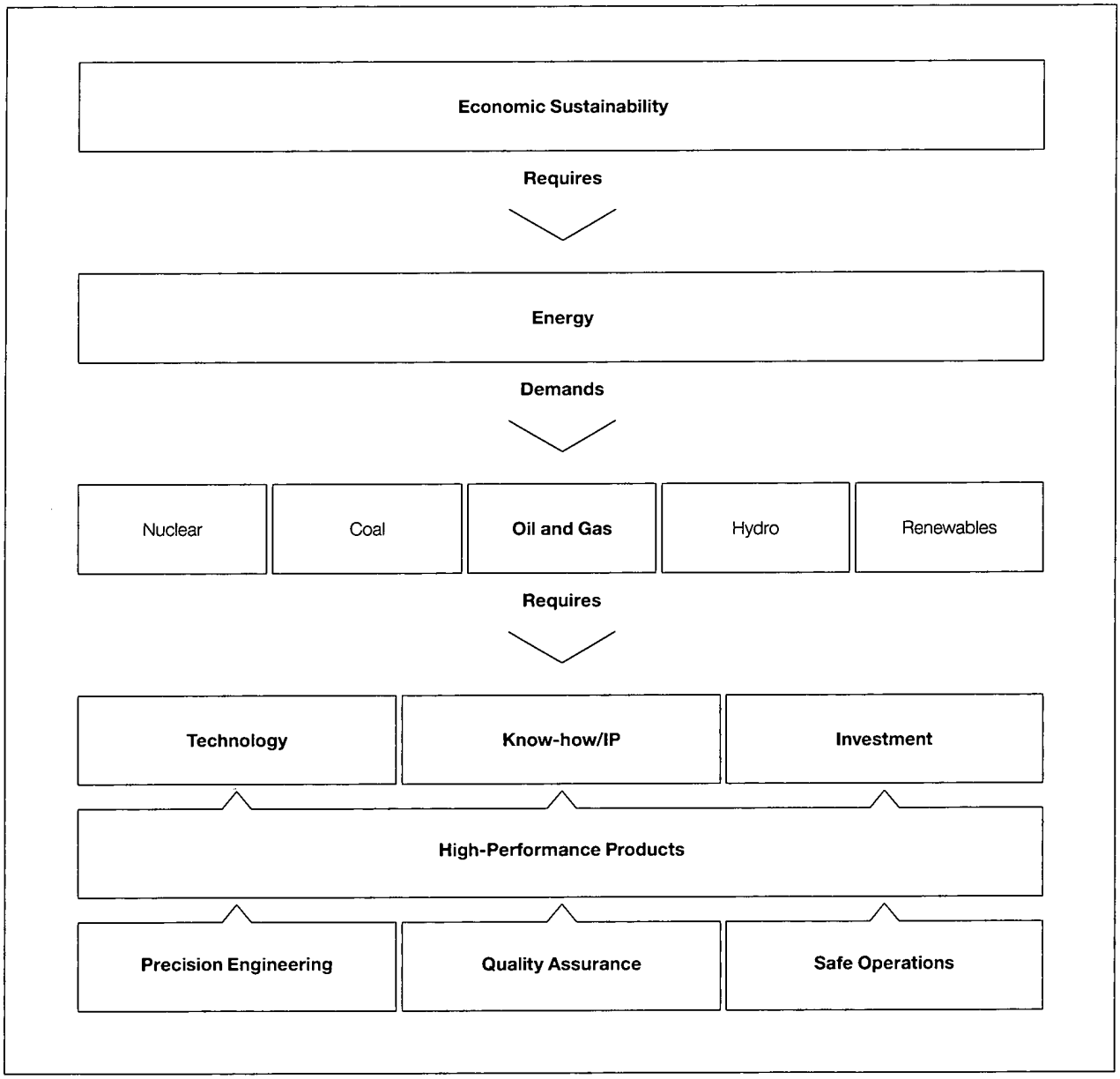
Our Purpose

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

At the heart of Hunting's long-term strategy and success is a reputation based on trust and reliability. Hunting's products are designed to operate in a safe and reliable way, to ensure our customers meet their strategic objectives, while protecting people and the environment. Our strategy aims to offer technically differentiated products that meet these customer demands.

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

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



Our Culture

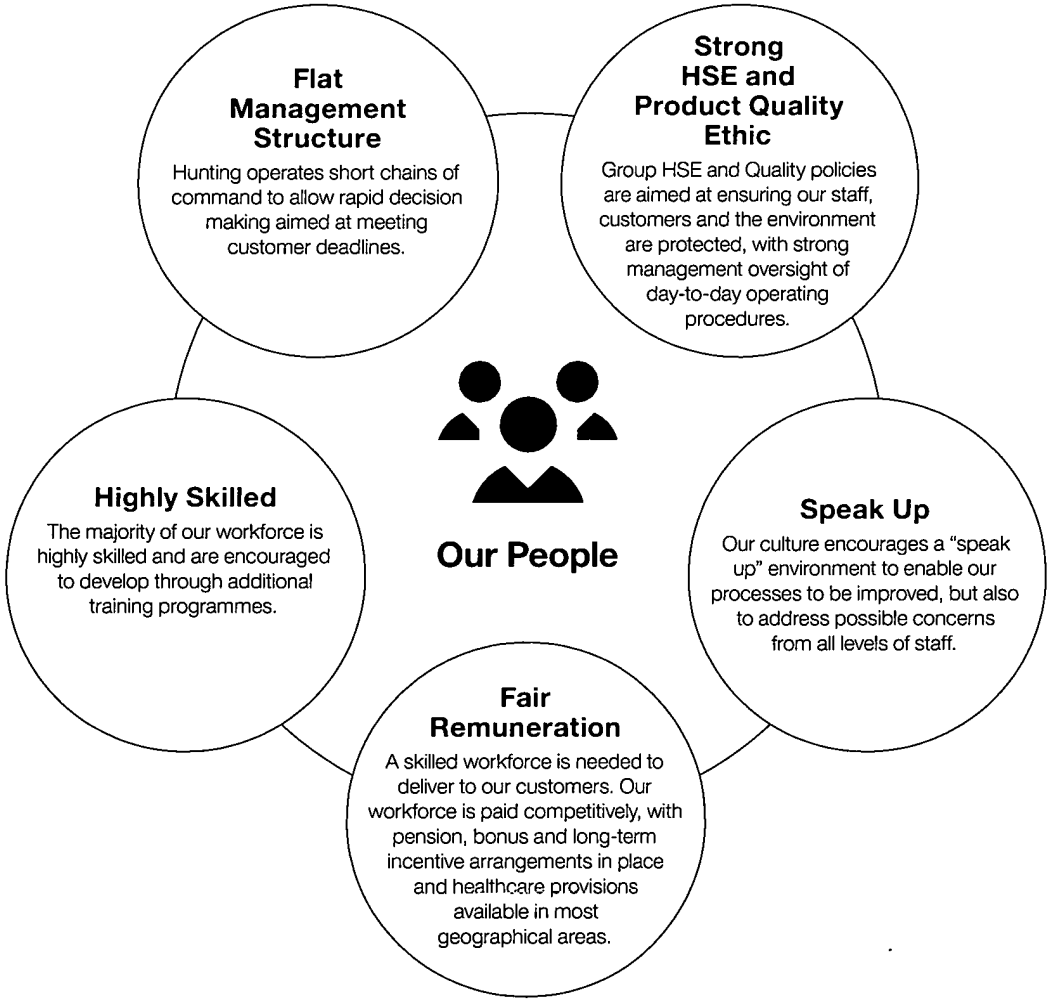
At the heart of Hunting's culture is our people. To ensure we deliver for our customers, we train and develop our people to make sure we maintain a highly skilled workforce ready to deliver quality-assured products and services.

To retain our staff, and to address the key demands of the industry, our employees are fairly remunerated, which, in addition to a base salary, can comprise a range of healthcare and pension benefits and can include an annual bonus that reflects performance levels.

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

Engagement processes have been embedded within all business units to enhance transparent two-way dialogue between the Board and the Group's employees. During the year, Annell Bay our designated non-executive Director for employee engagement met with employees at our Subsea business, as part of our ongoing engagement programme.

Our employees are also encouraged to engage in dialogue with management to raise issues of concern. These procedures are supported by an independent reporting service operated by SafeCall, where confidential matters can be raised with the Board.



Investment Case

Hunting's core competencies lie in providing technological solutions implemented by means of systems design and production, precision machining and quality print-part manufacturing.

Our investment case is underpinned by this expertise. Although we currently target the global oil and gas industry, our skills are equally transferable to other areas such as the aviation, defence, medical, naval and space sectors.

Our businesses are geared to generate positive cash flows across the oil and gas cycle, which gives strong resilience to our investment proposition, leading to sustained returns to shareholders and creating long-term value.

Core competencies in precision engineering

- Unique capability in precision machining of exotic materials including steel, chrome and titanium alloys.
- Expertise across many critical product groups within the energy supply chain.

New partnerships in the oil and gas supply chain

- OCTG joint venture with Jindal SAW in India.
- Investment in Cumberland Additive.
- Convertible financing provided to Well Data Labs.

Experienced leadership

- 167 years of combined service within the Executive Committee.
- Flat management structure with a short reporting chain.
- Nurturing and rewarding new product development.
- Encouraging innovative solutions.

Product offering supported by robust IP portfolio

- 146 patents pending.
- 372 registered patents.
- New product offerings in the year.

Product quality and safety leadership

- 0.99 recordable incident rate across the Group.
- Manufacturing reject rate of 0.13% is a leading market differentiator.
- HS&E priorities are no-compromise for all stakeholders.

Good profits and returns in the normal phase of the energy cycle

- Robust balance sheet.
- Strong cash position.
- Continued dividend payments.
- $150m Asset Base Lending facility in place for renewed growth phase.

Transferable core skills to non-oil and gas sectors

- Aviation.
- Defence.
- Medical.
- Naval.
- Space.

Environmental, Social and Governance

- Formation of Ethics and Sustainability Committee.
- Focus on carbon emissions reduction across the Group.
- Ongoing investment in our people and communities.

Chief Executive's Statement & Outlook

The Group's diverse portfolio of products and manufacturing locations allows Hunting to have exposure to global onshore and offshore developments, and conventional and unconventional drilling projects.

Introduction

2021 has been a further year of challenge for Hunting, as global economies continued to be buffeted by COVID-19. The year commenced with a degree of optimism as vaccination programmes were rolled out across many countries. However, with the onset of COVID-19 variants, infection rates remained at levels that forced new lockdown measures to be implemented. This had the overall impact of suppressing the anticipated rate of economic recovery and a slower increase to energy demand than many commentators were projecting at the end of 2020. These market conditions, coupled with constrained capital budgets within Hunting's client base in the year, led to a further curtailing of drilling investment and equipment purchasing, particularly within the US offshore and international drilling markets.

The Group's trading performance in 2021 reflects a steady improvement in results for our US onshore businesses, including Hunting Titan, being offset by slower US offshore and international markets. A small, positive EBITDA result was recorded for the full year, however, the monthly sales run-rate increased in H2 2021, following a slow first half to the year. This performance demonstrates the Group's resilience when faced with subdued trading markets, which were supported by the decisive cost-cutting measures implemented in 2020 as COVID-19 gripped most economies.

Hunting Titan reported monthly increases to revenue throughout 2021, driven by the improving WTI oil price, and an increasing US onshore rig count. During Q4 2021, Titan reported a return to bottom-line profitability as sales of perforating guns, charges, and instruments all reported good customer demand.

The North America segment reported mixed results, as domestic and international offshore drilling remained subdued throughout the year.

The EMEA segment reported poor results as international drilling activity remained low throughout 2021.

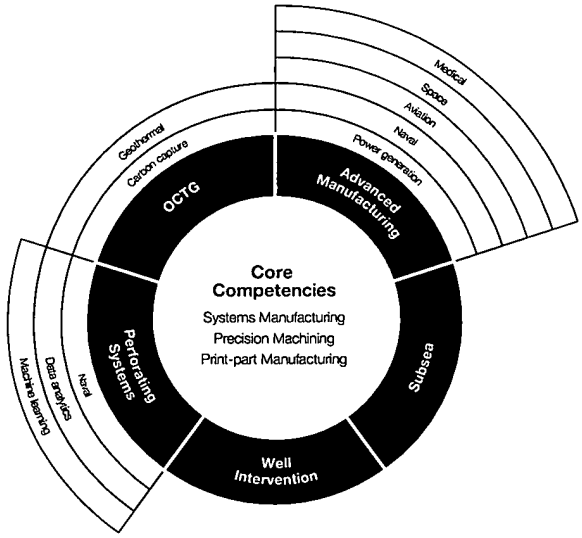
The Asia Pacific segment also reported materially lower results in the year, compared to the prior year, as higher raw material and freight costs in China led to Hunting being less competitive within international OCTG tenders, leading to lower revenue for the segment.

Despite these results, Hunting has delivered a strong Quality Assurance and Health and Safety performance in the year. Management's focus on keeping our staff safe has remained a key priority in the year, with an equal focus on delivering for our clients, despite the market challenges that have persisted.

Group Strategy

Hunting's strategic focus remains on the global oil and gas industry and comprises core competencies in systems design and production, precision machining and print-part manufacturing.

Hunting's Core Competencies – Current and Target Markets



The Group's diverse portfolio of products and manufacturing locations allows Hunting to have access to global onshore and offshore developments and conventional and unconventional drilling projects.

Underpinning this operating footprint, are strong, consistent Quality Assurance and Health and Safety protocols, which positions us as a leader in our chosen part of the energy supply chain.

These core competencies are applicable to many sectors, including medical, aviation, naval, space and other non-oil and gas applications.

During 2021, progress was made in positioning the Group for the return to growth of the oil and gas market, but also to enter new sectors with Hunting well placed as we start 2022.

Energy Transition

While oil and gas will remain a key input into primary energy supplies for the foreseeable future, low carbon technologies, which support the energy transition, continue to develop and Hunting is playing a part in the development of this sector.

In 2020, the Group set up an Energy Transition project team in Aberdeen to pursue projects that align with the evolving industry. As noted last year, Hunting was successful in winning a contract to supply OCTG to the geothermal project at the Eden Project in the UK, and in 2021 supported the completion of this project. As we enter 2022, our EMEA and Asia Pacific segments are pursuing projects in the geothermal and carbon capture and storage sectors, while developing knowledge within these high-growth areas. Hunting's core expertise in OCTG is highly complementary to these new markets and we look forward to greater participation in these areas going forward.

COVID-19

Due to COVID-19 persisting throughout the year, the Group has maintained strict Health and Safety protocols to ensure our staff remain protected.

Working from home provisions were maintained in line with national government guidelines, while social distancing protocols also remained in place at many of the Group's facilities.

As the year progressed, these restrictive working practices were reduced where appropriate; however, operating efficiencies continue to be impacted by COVID-19 measures.

Hurricane Ida

Hunting's Louisiana operations were impacted in the second half of the year by Hurricane Ida. Many of our employees lost their homes and some remain in alternative accommodation. While Ida impacted our operations for a number of weeks, the courage and resilience of our workforce, and the support provided by our businesses and workforce in Texas remains testament to the strong Hunting culture.

Industry Cost Inflation

Raw material and labour cost increases have been a feature across the media during the latter part of the year. Hunting is in a good position to pass on most input cost increases to clients, given the short order cycles across most of our businesses and the bespoke nature of some of our product lines. During H2 2021, Hunting began to implement price increases on certain product lines as market conditions improved to minimise inflationary pressures on our operating margins.

To support key employee retention, the Board approved the award of base salary increases across most areas of the workforce in October, as market conditions improved. This will protect our capabilities and enable us to continue to deliver for our customers.

The Group has set up an Energy Transition team in Aberdeen to pursue projects in this evolving segment of the industry."

Market Summary
Global drilling and production spend increased 4% in 2021 to $143.2bn compared to $137.3bn in 2020.

In Q1 2021, global onshore drilling expenditure was $18.7bn, which rose steadily throughout the year to $32.0bn in Q4 2021 as the WTI oil price increased, and reflected an increase of 71% across the first and last trading quarters of the year. The growth in global offshore drilling expenditure was slower across the year at 13%, increasing to $10.8bn in Q4 2021 compared to $9.6bn in Q1 2021, reflecting the capital discipline within our client base.

While this data supports improving onshore market conditions in the year, global drilling spend in 2021 was still 36% below the industry spend of $222.0bn recorded in 2018, reflecting continued subdued market conditions driven by the COVID-19 pandemic.

The average global rig count in 2021 was 1,321 units, which compares to 1,312 units in 2020 underpinning the curtailed industry activity which persisted throughout the year.

This market data provides context to the Group's 2021 full-year outturn noted on the pages following.

Group Summary

	Underlying[i]		Reported	
	2021 $m	2020 $m	**2021 $m**	2020 $m
Revenue	**521.6**	626.0	**521.6**	626.0
EBITDA[ii]	**3.1**	26.1	**n/a**	n/a
Loss from operations	**(35.1)**	(16.4)	**(79.7)**	(220.0)
Loss before tax	**(40.6)**	(19.4)	**(85.5)**	(223.0)
Loss for the year	**(45.5)**	(18.5)	**(89.7)**	(238.2)
Diluted LPS – cents	**(27.1)**	(10.0)	**(53.2)**	(143.2)

i. Results for the year, as reported under IFRS, adjusted for amortisation of acquired intangible assets and exceptional items.
ii. Non-GAAP measures (see pages 216 to 221).

Hunting reported a 17% decline in revenue in the year to $521.6m, compared to $626.0m in 2020. Revenue in H1 2021 was $244.4m (H1 2020 – $377.7m) and in H2 2021 was $277.2m (H2 2020 – $248.3m) supported by the higher oil price and improved US onshore activity.

Due to the improving US onshore market environment, which included a decrease in the drilled-but-uncompleted well inventory, Hunting Titan increased sales by 17% from $161.7m in 2020 to $189.3m in 2021. The segment has seen good demand for its perforating systems and energetics charges, and coupled with the successful introduction of new products including the H-3™ system, Pre-Loaded Guns and detonation cord, has delivered good sales growth in the year.

Within the North America segment, with the exception of the Subsea Spring and Trenchless units, all businesses reported a year-on-year decline in sales as US offshore and international projects slowed or were deferred. During 2020, the segment benefited from a stronger pre-COVID-19 order book, which unwound throughout the remainder of the year. Revenue in 2021 was $254.6m compared to $311.6m in 2020. Of note, however, is the success of the Subsea Spring business, which increased revenue by 47% in 2021 compared to the prior year, following a number of strong order wins. The Group's Premium Connection business also reported a strong increase in sales within Canada as the rig count increased, supported by renewed interest in the TKC 4040™ connection.

The EMEA segment reported a year-on-year decline in revenue as international activity levels reduced. Overall revenue was $58.1m compared to $78.8m in 2020; however $3.2m of the decline relates to the Group's Singaporean Well Intervention business that was transferred with effect from 1 January 2021 to the Asia Pacific operating segment.

While most businesses within the EMEA segment reported year-on-year declines, the Group's Norway business did report an improvement in sales compared to the prior year due to increased interest in our completion and well intervention product lines.

The Asia Pacific segment has been impacted by higher raw material and freight costs in China, coupled with the removal of a tax break on OCTG products, which further impacted the segment's competitiveness within large international tenders. While these supply chain issues are now showing signs of abating, the segment's revenue in the year was $48.1m in 2021 compared to $109.3m in 2020.

Group EBITDA was $3.1m in 2021 (2020 – $26.1m). As noted in the 2020 Annual Report, the prior year result was predominantly generated in Q1 2020, before the onset of the pandemic. In H1 2021, the Group reported an EBITDA loss of $3.6m as trading conditions reached a low point, followed by an EBITDA profit of $6.7m in H2 2021 as the US onshore market returned to growth and international markets became more stable.

The underlying loss from operations of $35.1m (2020 – $16.4m) reflects the above EBITDA trading result.

The "middle column" items impacting loss from operations were $44.6m (2020 – $203.6m), leading to a reported loss from operations of $79.7m (2020 – $220.0m).

Strategic Initiatives
(a) Restructuring
(i) European OCTG businesses
On 31 December 2021, Hunting announced the completion of a restructuring of its European Oil Country Tubular Goods ("OCTG") businesses. As part of the transaction, Marubeni-Itochu ("MI") purchased $31.5m of OCTG inventory from the Hunting Energy Services (UK) Limited ("HES UK") businesses and will assume ownership and control over existing OCTG supply and storage contracts with clients in the North Sea. The Group has purchased MI's 40% interest in HES UK for $3.8m as part of the restructuring.

HES UK has entered into a Preferred Manufacturer agreement with MI whereby OCTG threading, accessories manufacturing and storage services will be provided on an exclusive basis for an initial period of three years.

Hunting received a net cash inflow of $27.7m, reflecting the purchase of MI's shareholding and the consideration for the purchased inventory. The Group's year-end inventory position has reduced accordingly, which supports management's drive to release cash from working capital to enable the Group to invest in new growth opportunities in its core energy and other markets.

The transaction led to $8.6m of property and $5.2m of inventory impairments being recorded, as well as a provision of $0.9m for contractually committed pipe repairs. Further details of the transaction can be found in note 39.

(ii) US Pipe and Trenchless
In Q1 2021, the Group's US Pipe trading business group was merged with the Trenchless business to align with the US market outlook. Six employees left the Group following this restructuring.

(b) Investment in Cumberland Additive
In August 2021, the Group made a $5.1m investment in Cumberland Additive Holdings ("CAH") for a 27% equity interest. CAH is a strong growth business providing 3D printing and additive manufacturing capabilities to clients operating in the oil and gas, aerospace and defence sectors. The investment provides Hunting with new manufacturing opportunities and new market channels, providing further potential for revenue diversification.

(c) Formation of Indian Joint Venture
In December 2021, the Group entered into an agreement for a 49:51 joint venture with Jindal SAW Limited ("Jindal") to pursue new growth opportunities in India. As part of the agreement, Hunting and Jindal have agreed to establish a premium connection threading facility in Nashik district, India, near Jindal's existing steel mill operations, with a proposed 130,000sq ft manufacturing footprint. The facility is targeted to be operational by the end of 2022, with up to three threading lines being commissioned over time with an annual capacity of 50,000 metric tonnes of OCTG. It is anticipated that the venture will employ c.100 staff when fully operational.

(d) Well Data Labs Convertible Financing
In February 2021, the Group entered into an agreement to provide $2.5m of convertible financing to Well Data Labs ("WDL"), a software business focused on oil and gas drilling data analytics and machine learning. The business has rapidly grown a blue-chip customer base within the upstream energy industry since the company was founded in 2014.

Since the strategic arrangement was concluded, Hunting and WDL have begun a number of collaborative programmes, combining the Group's perforating products and instruments and the software of WDL.

(e) Launch of New Products
Hunting Titan has continued to launch new products to clients in the year, as US onshore drilling activity returned to growth. Titan launched the H-3™ perforating system in H2 2021, which is smaller than the H-1™ perforating system and aligns with evolving industry practice of using more perforating guns per stage during well completion procedures.

(f) Acceleration of Commercialisation of Organic Oil Recovery Technology
In 2021, the Group secured its first major well treatment programme with a Bahraini operator. The c.$1.0m order will see the completion of a 30-well programme to increase production of mature fields.

Hunting is in the process of negotiating an extension to its exclusive marketing agreement with the owner of the technology, which will extend the Group's geographic footprint to include all countries in the Eastern hemisphere. The technology continues to be closely monitored by major international energy groups.

(g) Diversification
The Group has increased its focus on developing non-oil and gas revenue.

Within the North America operating segment, the Advanced Manufacturing group has made good progress in developing defence and medical sales.

The Group's Asia Pacific operating segment has continued the development and production of micro hydro generators. The business has installed units in the Philippines, with further orders to be completed in the early part of 2022.

(h) Operational Footprint
The Group's operating footprint has remained materially unchanged throughout the year with 31 operating sites (2020 – 31) and 14 distribution centres (2020 – 16) at year-end.

In Singapore, a facility consolidation is underway to combine all operating sites into a single location in the Tuas port region in order to reduce costs and improve efficiencies. All operating activities will be transferred to the new location by April 2022.

Outlook
Hunting's trading outlook continues to brighten as the world steadily escapes the negative economic impact of COVID-19.

Years of underinvestment in the energy sector have narrowed the gap between supply and demand fundamentally providing the basis for an increase in oilfield service activity due to enhanced profitability for our E&P clients.

For the Company, every business unit and region is witnessing increased demand for its products as evidenced by rising backlogs, which have notably expanded since the start of the year given a new budget cycle.

While COVID-19-related operational issues continue to persist into Q1 2022, albeit less as the days go on, the Company is well-positioned for a much-improved 2022 given our robust portfolio of technology-enhanced products coupled with the benefit of strategic moves undertaken in the past year.

Jim Johnson
Chief Executive

3 March 2022

Case Study: Eden Project

Geothermal Energy, Harnessing Synergies to Support the Energy Transition

In 2020 Hunting won a tender to provide technical support and casing to ensure a successful first geothermal venture in the UK to heat Cornwall's Eden Project. Hunting intends to expand into the European geothermal market.

Geothermal energy is produced naturally from the earth's core. Vertical wells are drilled deep underground to access the thermal energy stored in the rocks and fluids beneath the earth's crust.

Hunting supported the initial phase of the Eden Geothermal project. The mainly EU funded enterprise has been set up to unlock energy over 4.8km deep in the granite and supply heat to the Eden Project's Biomes, kitchen and greenhouses. The aim is also to generate electricity through steam turbines for Eden and the locality in the region of 4-5MW, which could power an additional 14,000 homes.

For the Eden Geothermal project, the heat being harnessed is close to 180°C. The first of a two-well system has been drilled and on completion both will allow for hot water to be pumped down one well and the second will allow steam to rise to the surface and power the turbines. Effectively this is an industrial scale Ground Source Heat Pump that will provide Base Load renewable energy that is not subject to weather when the sun does not shine or the wind does not blow.

The Group successfully project managed and delivered 20,000ft (c.6.1km) of casing from its Aberdeen facilities (Portlethen and Fordoun, in Aberdeenshire) to the Eden Geothermal site. Casing is integral to ensuring a well's structural integrity, as well as creating a primary barrier to the surrounding formation. Hunting has been supplying casing to the oil and gas sector for decades, and its Netherlands operation has recently supported a geothermal project in Europe with similar products.

Eden Geothermal Project Manager, Max Skerrat, was kind enough to write in support of the Hunting team's role and commitment: "Hunting Energy Services supplied us with all of our casing needs for a 5.3km geothermal well in granite. The casing was ordered in the middle of the first COVID-19 lockdown; however, Hunting still managed to deliver all the casing with no delays to the programme. The communication and aftersales service with experienced onsite technicians in order to help us run the casing was a great help. We would not hesitate to use Hunting again for any of our OCTG requirements."

There are great synergies for our tubular product line across many of the renewable energy industries, including geothermal, making us the ideal choice for this ground-breaking project. We have been able to apply our expert methodology, technical support, logistics and project management skills to deliver our casing safely, which has opened the door for us to support further geothermal projects in line with our overarching energy transition growth strategy."

Ian Park
Managing Director, Hunting Energy Services (UK)

Hunting's trading performance continues to be driven by global economic activity, commodity prices and geopolitical factors. During 2021, while major economies slowly began the exit from COVID-19, commodity prices increased steadily to multi-year highs in the year. This gives the Group confidence in a strong, sustained growth cycle in the short to medium term.

Introduction

The Group's financial performance is linked to the investment cycles of the global oil and gas industry. As such, our key market indicators are oil and gas pricing, global drilling spend and rig counts. Our major region of focus is North America, with our Hunting Titan and North America segments driven by offshore and onshore activity levels. In EMEA and Asia Pacific our businesses are linked to international drilling spend and rig counts, given the wide geographic sales mix of these segments. While the Group uses many market commentators to assist in our strategy development, our main source of market data is the Drilling and Production reports published by Spears & Associates. This data is used to support other financial disclosures, including impairment reviews for current and non-current assets.

Market Review

Increases in commodity prices throughout the year supported a stabilisation in global drilling activity and investment."

Commodity Prices

As global economies began the roll out of vaccination programmes in the early part of the year, commodity prices began to increase, on the assumption that economic activity would accelerate. For the most part, these projections were confirmed; however, with spikes in infection rates, economic growth has been volatile.

The WTI crude oil price started 2021 at $49 per barrel and closed the year at $75 per barrel. The average price during the year was $68 per barrel compared to $39 per barrel in 2020, or an increase of 74% year-on-year.

Natural gas prices also saw strong increases during the year. This was due, in part, to geopolitical tensions in Europe, coupled with demand increases against a backdrop of lower supply.

The Henry Hub natural gas price started 2021 at $2.54 per mmBtu and closed the year at $3.73 per mmBtu. The average price during the year was $3.72 per mmBtu compared to $2.13 per mmBtu in 2020.

Increases in commodity prices throughout the year supported a stabilisation in global drilling activity and investment.

Activity levels, however, did not recover at the same pace as in historic cycles, as exploration and production companies increased shareholder returns at the expense of drilling new wells.

Global Drilling Spend and Rig Counts

Global drilling and production spend increased by 4% in 2021 to $143.2bn, up from $137.3bn in 2020.

This increase was wholly due to the improvement in onshore drilling expenditure, which increased from $93.8bn in 2020, to $101.6bn during the year, or an increase of 8%.

Offshore drilling expenditure decreased in 2021 by 4% to $41.6bn compared to $43.5bn in 2020.

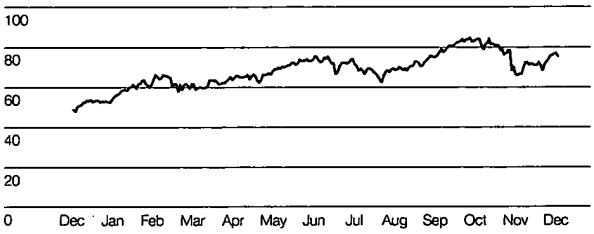
As noted in the Chief Executive's Report and Group Review, this investment in onshore drilling, particularly in the US, has led to improving results in the Hunting Titan operating segment and Hunting's other onshore-focused business units, including the Group's operations in Canada.

The reduction in offshore drilling expenditure has, however, slowed the return to growth of the Group's North America, EMEA and Asia Pacific operating segments.

Global rig count data presents a broadly similar picture to the drilling and production expenditure profiles noted above. In 2021, the total global average rig count increased 1% from 1,312 active units to 1,321 units.

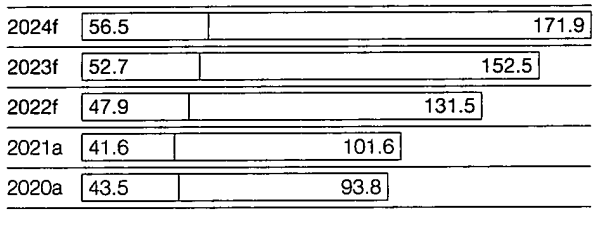
The global onshore rig count increased 2% to average 1,156 active units and the global offshore rig count declined 10% to average 165 active units.

WTI Oil Price
($ per barrel)



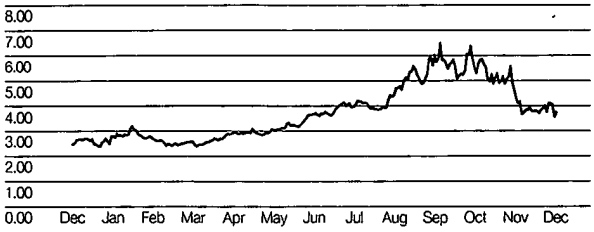
Source: FT

Global Drilling and Production Expenditure
($bn)
○ Offshore ○ Onshore



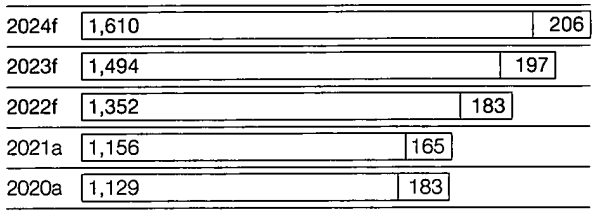
Source: Spears & Associates

Henry Hub Natural Gas Price
($ per mmBtu)



Source: FT

Global Rig Counts
(#)
○ Offshore ○ Onshore



Source: Spears & Associates

North America

Drilling activity in North America is weighted towards onshore projects, with operators comprising integrated energy majors and independent drilling companies. This market composition leads to quicker changes to activity as commodity prices move with economic activity and sentiment. In 2020, US onshore drilling activity responded rapidly to the impact of lower commodity prices and in 2021, as the WTI oil price increased, companies began re-committing to new onshore projects that have supported the Hunting Titan segment, and the onshore-focused businesses within the North America segment, which includes the Group's Canada business.

US onshore drilling and production spend increased by 8% in 2021 to $70.8bn, up from $65.5bn in 2020.

US offshore drilling expenditure decreased in 2021 by 21% to $2.2bn compared to $2.8bn in 2020.

In Canada, drilling expenditure increased 48% from $6.9bn to $10.2bn, as the rig count increased, which was supported in part by the strong pricing of Western Canada Select crude oil, which averaged $54 per barrel in 2021 compared to $28 per barrel in 2020.

The average US onshore rig count increased by 10% in 2021 to 459 active units compared to 419 units in 2020, which supported this new activity.

The average US offshore rig count declined by 13% in the year to 14 active units compared to 16 units in 2020.

In Canada, the average rig count increased by 46% in the year to 131 active units compared to 90 units in 2020.

International

Outside of North America, drilling spend and rig count data covers the Asia Pacific, Europe, the Middle East, Africa and Central and South America regions. As COVID-19 persisted throughout these economies, drilling activity remained curtailed as new lockdown measures and slower vaccination rollouts hampered recovery, despite the strong commodity prices being reported. This had the overall effect of curtailing activity within the Group's EMEA and Asia Pacific operating segments in the year. International onshore drilling and production spend decreased by 4% in 2021 to $21.0bn from $21.9bn in 2020. International offshore drilling expenditure also decreased in 2021, by 2% to $39.1bn compared to $40.1bn in 2020.

In 2021, international rig count movements, by region, were as follows:

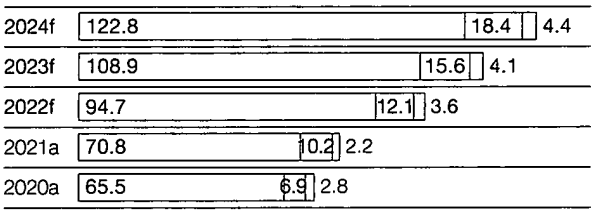
Region	2020/2021 Rig Count Movement
Asia Pacific	-6%
Europe	-11%
Middle East	-22%
Africa	-10%
Central/South America	+27%

Source: Spears & Associates

The average international onshore rig count decreased by 9% in 2021 to 566 active units compared to 622 units in 2020. The average international offshore rig count declined by 10% in the year to 150 active units, compared to 166 units in 2020.

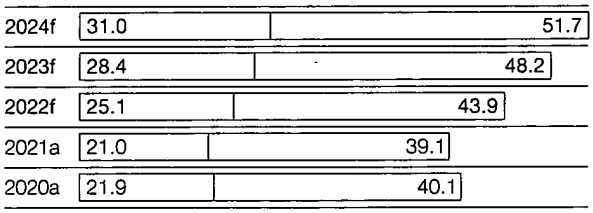
This market activity in Europe, the Middle East and Asia Pacific provides context to the Group's regional results as noted in the Group Review and Segmental Review.

North America Drilling and Production Expenditure
($bn)
O US onshore O Canada O US offshore



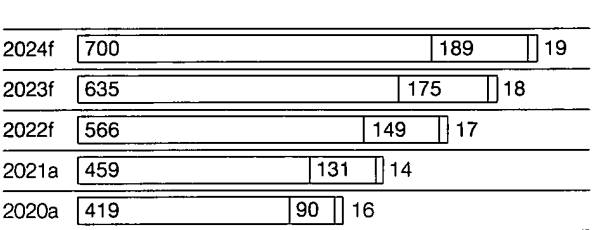
Source: Spears & Associates

International Drilling and Production Expenditure
($bn)
O Onshore O Offshore



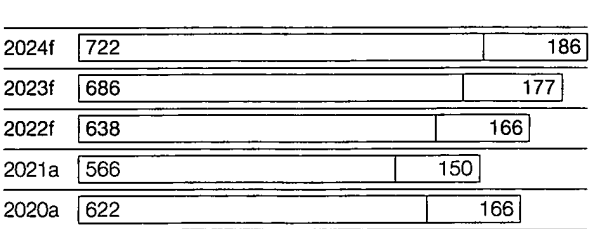
Source: Spears & Associates

North America Rig Counts
(#)
O US onshore O Canada O US offshore



Source: Spears & Associates

International Rig Counts
(#)
O Onshore O Offshore



Source: Spears & Associates

Carbon Capture and Storage
A rapidly emerging sub-sector of the global energy market is carbon capture and storage ("CCS"), which aims to curtail the output of carbon-based gases into the atmosphere.

While this is a fledgling area of the market, the commitment of many of the Group's customers to this area is now a strong opportunity – and as such Hunting is pursuing participation in projects that offer good rates of return.

The chart below illustrates the approved CCS projects up to 2030 and beyond, indicating this will be a strong growth area in the short to medium term.

Hunting's product portfolio is well aligned with this sector, with the Group's OCTG, semi-premium and premium connections and accessory manufacturing providing a broad range of products applicable to CCS developers.

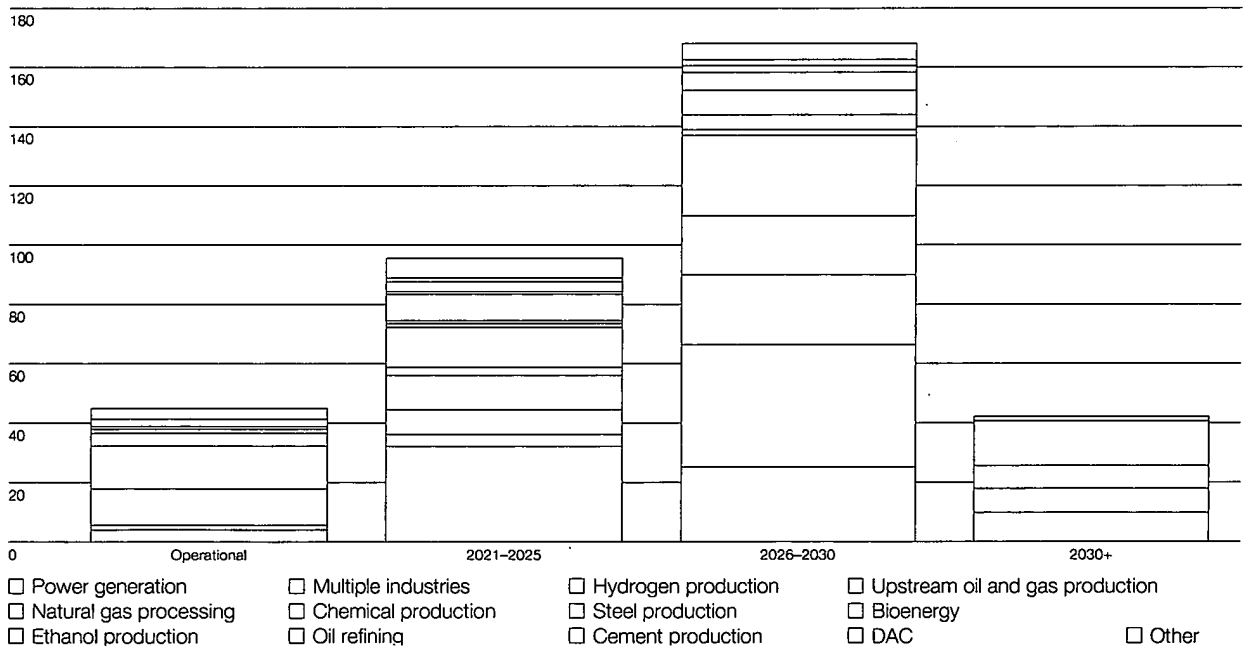
Outlook
The market outlook for oil and gas appears to be robust in the short to medium term with many commentators indicating that 2022 will see the start of a strong and sustained upcycle in respect of industry activity and drilling investment.

This is supported by current commodity pricing and the need for new drilling to deliver the anticipated levels of primary energy demand that are projected for the next decade.

Hunting remains well positioned to capture traditional and emerging growth opportunities within the global energy market as the sector returns to growth. Hunting Titan retains a strong market share, driven by its technology leadership in the area of unconventional resource development, while Hunting's Subsea businesses have delivered strong order wins in the international offshore arena.

In addition, the Group's OCTG businesses have the breadth and depth of technology to deliver new conventional energy projects as well as carbon capture and geothermal projects.

Operational and Planned Carbon Capture Capacity by Industry Source (million tonnes per annum)**, by start-up timing**



Source: Wood Mackenzie

Our Strategy & Related KPIs

Hunting's strategic priorities are based on a business model designed to deliver sustainable long-term shareholder value while recognising our corporate responsibilities.

Growth

Our aim is to continue to develop our global presence and supply a comprehensive range of products for use in the wellbore. We will grow through capital investment in existing businesses and through acquisition.

Strategic Focus Areas
- Extend global presence and enter new markets
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

Operational Excellence

We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver reliable products, which are quality-assured to the highest industry standards and which offer improved cost efficiencies.

Strategic Focus Areas
- Leverage strong brand
- Maintain and enhance quality control
- Maintain operational flexibility
- Leverage lean manufacturing
- Strengthen relationships with customers and suppliers

Strong Returns

In normal phases of the oil and gas cycle, our business has the capability to produce high levels of profitability, strong cash generation and good returns on capital leading to growing dividends to shareholders.

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

Corporate Sustainability

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

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

* Non-GAAP measure, see pages 216 to 221.

2021 Progress

- During 2021, Hunting completed two strategic investments in high growth businesses (i) the provision of $2.5m convertible financing to Well Data Labs, a drilling software business and (ii) a $5.1m investment in Cumberland Additive, a 3D printing and additive manufacturing business.
- In December 2021, the Group signed a joint venture agreement with Jindal SAW Limited in India. The new JV company will construct a threading facility in the Nashik district, India, near Jindal's steel mill.
- Hunting also pursued non-oil and gas sales in the year, with the Advanced Manufacturing group securing new opportunities.

Related Risks

- Geopolitics
- Competition
- Climate change
- Product quality
- Commodity prices
- Shale drilling

Related KPIs

Revenue ($m)

2021	**521.6**
2020	626.0

Underlying Loss from Operations* ($m)

2021	**-35.1**
2020	-16.4

Non-oil and Gas Revenue ($m)

2021	**37.6**
2020	39.8

2021 Progress

- The Group continued to leverage its strong global brand and in the year successfully received its first commercial order for the Organic Oil Recovery technology from an operator in the Middle East.
- Hunting invested in a new Quality Management System in the year, which operates alongside the D365 ERP system.
- The Group developed its third-party licensee relationships in Canada to manufacture premium connections.

Related Risks

- Product quality
- Key executives
- Competition

Related KPIs

ISO 9001:2015 (Quality) Accredited Operating Sites (%)

2021	**80.0**
2020	71.0

Quality Assurance – Manufacturing Reject Rate (%)

2021	**0.13**
2020	0.24

Operating Footprint (m sq ft)

2021	**2.8**
2020	2.8

2021 Progress

- The Group continued to launch new products and in the year introduced the H-3™ perforating system and new energetics charges.
- The Group also restructured its European OCTG businesses in the year, leading to a net cash inflow of $27.7m being received from Marubeni-Itochu following the sale of inventory.

Related Risks

- Commodity prices
- Competition

Related KPIs

Underlying Gross Margin* (%)

2021	**19**
2020	20

Free Cash Flow* ($m)

2021	**54.4**
2020	47.8

Underlying Return on Average Capital Employed* (%)

2021	**-4**
2020	-2

2021 Progress

- The Group formed an Ethics and Sustainability Board Committee in the year, which will oversee ESG and CSR issues.
- The Company is formally reporting against the requirements of the Task Force for Climate-related Financial Disclosures.
- Hunting has chosen to adopt the SASB reporting framework for reporting non-financial and ESG-related information.

Related Risks

- Key executives
- Health, safety and environment

Related KPIs

Safety Incident Rate (#)

2021	**0.99**
2020	0.67

Scope 1 and 2 GHG Emissions (tonnes)

2021	**18,859**
2020	25,416

Intensity Factor (kg/$k)

2021	**36.2**
2020	40.6

Total cash and bank increased to $114.2m at 31 December 2021, primarily due to our European OCTG restructuring and strong working capital controls which were maintained in the year.

Group Review

Introduction
COVID-19 continued to impact the Group during 2021. However, as the WTI crude oil price increased steadily throughout the year, US onshore activity grew, which benefited the trading results of the Hunting Titan operating segment. The North America operating segment reported mixed results overall, given the subdued US offshore and international drilling markets. However, this performance was partially offset by positive activity in Canada. The EMEA operating segment continued to be impacted by COVID-19 lockdown measures, while the Asia Pacific operating segment reported materially lower revenue due to inflationary pressures emanating from China.

Hunting reported an EBITDA of $3.1m (2020 – $26.1m), which reflects the EBITDA loss of $3.6m reported in H1 2021, followed by an EBITDA profit of $6.7m in H2 2021 as market conditions improved.

Management remained focused on reducing working capital and generating cash in the year, with reductions in inventory generating cash of $58.1m, including $31.5m received from Marubeni-Itochu as part of the European OCTG business restructuring. Total cash and bank increased to $114.2m at 31 December 2021 (2020 – $101.7m), primarily due to our European OCTG restructuring and strong working capital controls in place throughout the year.

Market Summary
Global drilling and production spend increased 4% in 2021 to $143.2bn compared to $137.3bn in 2020.

In Q1 2021, global onshore drilling expenditure was $18.7bn, which rose steadily throughout the year to $32.0bn in Q4 2021 as the WTI oil price increased, and reflects an increase of 71% across the first and last trading quarters of the year.

Global offshore drilling expenditure was $9.6bn in Q1 2021, increasing to $10.8bn in Q4 2021, an increase of 13% across the year.

As detailed in the Market Review, the average US onshore rig count increased from 419 active units in 2020 to 459 units in 2021, while in Canada the average rig count increased from 90 units in 2020 to 131 units in 2021. The average US offshore rig count reduced from 16 units to 14 units.

The international average rig count reduced from 788 active units in 2020 to 716 units in 2021. The biggest decline was in the Middle East, where average rig counts declined 22%, in addition to reductions of 11% and 6% in Europe and Asia Pacific respectively.

Results from Operations
The Group reported a 17% decrease in revenue to $521.6m (2020 – $626.0m) driven by lower activity, but also capital discipline within the Group's client base which negatively impacted equipment purchasing. In H2 2021, the Group saw an improvement in trading with revenue for the period of $277.2m, which was $32.8m higher than H1 2021 and $28.9m higher than H2 2020.

Revenue within the Hunting Titan segment increased 17% from $161.7m to $189.3m as onshore activity levels in the US and Canada improved throughout the year. Hunting Titan has been the first business to return to growth, as commodity prices and US onshore activity levels increased from Q3 2020 onwards. The segment's revenue profile during 2021 has been encouraging, given that it has traded ahead of management's expectations throughout the year.

The North America segment, which contains the Group's widest product offering, and which services both offshore and onshore US and Canadian drilling markets, recorded an 18% decline in its revenue in the year. The decline in North America was partly due to the disposal of the Drilling Tools business, which recorded revenue of $8.9m in 2020, with the returns on our investment in Rival reported as part of the Group's share of associates' results.

While the North America segment saw modest demand for its premium and semi-premium connections, it also saw subdued trading, particularly within its US Manufacturing and Advanced Manufacturing businesses, as oil and gas equipment purchasing slowed further as capital discipline was maintained within the Group's client base. Offsetting this overall performance, Hunting's Subsea Spring business recorded a number of strong order wins for its titanium stress joints. In Q4 2021, it secured new orders in South America, including Brazil and Guyana, which positions the business well for 2022. Following the change to the Group's business model in Canada, which was implemented in August 2020, Hunting now outsources threading work to third parties. During 2021, strong demand for the Group's semi-premium and premium connections has been reported, leading to profitable trading for Hunting's Canada OCTG business in the year.

The Group's EMEA operating segment has seen challenging trading conditions throughout 2021, driven by new lockdown measures being implemented in the UK and countries across the European Union in the early part of the year, which impacted sentiment for the remainder of the year. As noted in the Chief Executive's Report, on 31 December 2021 Hunting announced a major restructuring of our European OCTG businesses, which included selling a significant proportion of inventory to Marubeni-Itochu, which has released capital back to the Group, in addition to taking 100% ownership of the Hunting Energy Services (UK) Limited business. The restructuring presents an opportunity for Hunting to consolidate its European operating presence further and to align the Group's UK and Netherlands businesses with the prevailing market outlook.

The Group's Asia Pacific operating segment also reported subdued trading, as COVID-19 continued to impact market sentiment, but also due to lower international tender wins in the year as raw material and freight costs increased in China, which reduced Hunting's competitiveness.

The continued impact of the market downturn has led to a reduction in the Group's underlying gross margin from 20% to 19%, as the under absorption of costs and some challenges on pricing continued. Underlying gross profit declined 19% from $124.8m in 2020 to $100.6m in 2021.

Group Segment Summary

	2021			2020		
Business unit	**Segment revenue $m**	**Underlying[i] result from operations $m**	**Reported[i] result from operations $m**	Segment revenue $m	Underlying[i] result from operations $m	Reported[i] result from operations $m
Hunting Titan	**189.3**	**(0.9)**	**(9.0)**	161.7	(5.6)	(126.0)
North America	**254.6**	**(16.1)**	**(38.7)**	311.6	(3.5)	(62.0)
Europe, Middle East and Africa	**58.1**	**(11.2)**	**(26.2)**	78.8	(12.0)	(33.9)
Asia Pacific	**48.1**	**(6.9)**	**(6.8)**	109.3	4.7	1.9
Central	**–**	**–**	**1.0**	–	–	–
Inter-segment elimination	**(28.5)**	**–**	**–**	(35.4)	–	–
Group segment total	**521.6**	**(35.1)**	**(79.7)**	626.0	(16.4)	(220.0)

i. Results for the year, as reported under IFRS, adjusted for amortisation of acquired intangible assets and exceptional items.

Exceptional items charged to cost of sales totalled $35.7m in the year (2020 – $56.7m), reflecting impairment of property, plant and equipment ("PPE") of $8.6m, restructuring costs of $1.2m and net inventory impairments of $25.9m, as certain inventory was written down to its net realisable value due to reduced turn rates, increased ageing of inventories or inventory selling prices being lowered.

Reported gross profit was, therefore, $64.9m compared to $68.1m in 2020. Accordingly, the reported gross margin was 12% (2020 – 11%).

As a consequence of this performance, the Group reports an underlying loss from operations of $35.1m (2020 – $16.4m), with the underlying operating margin decreasing from -3% in 2020 to -7% in 2021.

Charges for the amortisation of acquired intangible assets and exceptional items recorded within the Group's 2021 half-year results totalled $3.5m, comprising amortisation of acquired intangible assets of $4.3m, restructuring costs of $1.2m, a credit for the reversal of inventory impairments of $0.8m, profit on disposal of Canadian assets of $0.2m and a gain on the surrender of the Biggin Hill lease of $1.0m.

In H2 2021, the Group recorded additional amortisation of acquired intangible assets of $2.4m and exceptional items comprising net inventory provisions of $26.7m, impairment of PPE $8.6m, the settlement of a warranty claim of $1.7m in relation to a corporate transaction, a loss on the disposal of a business of $0.9m and restructuring costs of $0.8m.

Amortisation of acquired intangible assets and exceptional items impacting loss from operations recorded in the year are summarised in the table below.

Amortisation and Exceptional Items	2021 $m	2020 $m
Amortisation of acquired intangible assets	**6.7**	17.3
Net inventory impairments	**25.9**	34.2
PPE impairments	**8.6**	19.4
Other impairments	**–**	124.3
Restructuring costs	**2.0**	10.3
Settlement of warranty claim	**1.7**	–
Loss on disposal of business	**0.9**	–
Acquisition costs	**–**	1.4
Profit on surrender of lease	**(1.0)**	–
Reversal of contingent consideration	**–**	(2.5)
Profit on disposal of Canadian assets	**(0.2)**	(0.8)
Total	**44.6**	203.6

The charges for amortisation and exceptional items impacting loss from operations totalled $44.6m (2020 – $203.6m), leading to a reported loss from operations of $79.7m (2020 – $220.0m). The reported operating margin was therefore -15% (2020: -35%).

Net finance expense during the year was $2.0m (2020 – $3.0m). The decrease is due to a lower interest expense on lease liabilities of $0.4m and other finance expenses being lower.

The underlying loss from associates was $3.5m in the year (2020 – $nil), mainly reflecting the trading of Rival Downhole Tools Inc. ("Rival") where Hunting holds a 23.5% equity interest. An amortisation charge of $0.3m was also recognised in the "middle column" on the intangible assets recognised on the acquisition of the Group's shareholding in Rival.

This has led to an overall underlying loss before tax of $40.6m (2020 – $19.4m).

After the "middle column" charges noted above, which totalled $44.9m (2020 – $203.6m), the reported loss before tax was $85.5m (2020 – $223.0m).

The Group's underlying tax charge was $4.9m (2020 – $0.9m credit), reflecting an effective tax rate ("ETR") for 2021 of -12% (2020: 5%). A tax credit of $0.7m (2020 – $16.1m charge) has been included in the consolidated income statement in respect of amortisation of acquired intangible assets and exceptional items.

The reported tax charge was therefore $4.2m (2020 – $15.2m) and the reported ETR was -5% (2020: -7%). The Group's ETR is significantly different to that which might be expected following the losses made by the Group and continues to be impacted by the mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss-making jurisdictions.

The underlying loss after tax was therefore $45.5m (2020 – $18.5m) and the reported loss after tax was $89.7m (2020 – $238.2m).

The underlying diluted loss per share in the year was 27.1 cents (2020 – 10.0 cents). Reported diluted loss per share was 53.2 cents (2020 – 143.2 cents).

Cash Flow

Summary Group Cash Flow	2021 $m	2020 $m
Underlying EBITDA (NGM A)	**3.1**	26.1
Add: share-based payments	**9.2**	9.0
	12.3	35.1
Working capital movements (NGM J)	**22.8**	38.8
Net tax received (paid)	**0.6**	(5.0)
Proceeds from business and asset disposals	**35.9**	3.9
Gains on business and asset disposals	**(0.6)**	(2.4)
Lease payments	**(10.6)**	(10.4)
Settlement of warranty claim	**(1.7)**	–
Restructuring costs	**(2.0)**	(10.7)
Other (NGM L)	**(2.3)**	(1.5)
Free cash flow (NGM M)	**54.4**	47.8
Capital investments (NGM K)	**(6.6)**	(14.7)
Intangible asset investments	**(2.7)**	(4.3)
Convertible financing – Well Data Labs	**(2.5)**	–
Investment in Cumberland Additive	**(5.1)**	–
Acquisition of businesses	**(3.8)**	(34.2)
Dividends paid to Hunting PLC shareholders and NCI	**(12.8)**	(9.1)
Net purchase of treasury shares	**(7.6)**	(9.2)
Share buyback	**–**	(5.1)
Net cash flow	**13.3**	(28.8)
Foreign exchange	**(0.8)**	3.5
Movement in total cash and bank	**12.5**	(25.3)
Opening total cash and bank	**101.7**	127.0
Closing total cash and bank (NGM H)	**114.2**	101.7

Hunting reports an underlying EBITDA of $3.1m in 2021 (2020 – $26.1m) that, when adjusted for non-cash share-based payment charges, resulted in a cash inflow of $12.3m (2020 – $35.1m).

During the year, there was an inflow of working capital totalling $22.8m (2020 – $38.8m) as working capital remained an area of focus and tight controls were implemented across the Group's operations. Inventory reductions continued to impact cash flow favourably by $26.6m, excluding the impact of the sale of $31.5m of inventory to Marubeni-Itochu. Inventory days decreased in 2021 to 163 days (2020 – 270 days) (NGM D) as a result of the inventory cash inflows as well as the increase in impairment charges. As business activity levels improved in Q4 2021, trade and other payables increased resulting in an inflow of $15.2m in the year. Receivables outflows were $19.0m as receivables balances increased. Receivable days reduced to 87 days from 92 days at December 2020 (NGM E), as trading conditions stabilised throughout the year. Although there is an element of seasonality in the Group's operations, the overall impact of this on working capital and liquidity is not considered significant.

As a consequence of the taxable losses recorded by the Group, tax payments were limited and were offset by a refund in the UK of $2.4m due to an overpayment made in 2020. This resulted in a net tax receipt of $0.6m (2020 – $5.0m paid) in the year.

Proceeds from the disposal of assets and businesses totalled $35.9m (2020 – $3.9m) and comprise $31.5m for the disposal of the OCTG business to Marubeni-Itochu as part of the European OCTG restructuring, $2.2m received for the held-for-sale property at the end of 2020 and $2.2m for the disposal of PPE, including $1.8m received on the disposal of Canadian assets.

Gains on business and asset disposals of $0.6m (2020 – $2.4m) relate to the gains on the disposal of PPE and held-for-sale assets.

During the year, $10.6m (2020 – $10.4m) was paid in relation to the Group's lease arrangements, including $1.3m on the surrender of the Group's Biggin Hill lease.

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 in 2020.

Restructuring costs paid totalled $2.0m (2020 – $10.7m) in the year, reflecting further efforts to reduce costs.

As a result of the above, free cash flow recorded a net inflow of $54.4m compared to a net inflow of $47.8m in 2020.

During the year, the Group made some targeted investments, comprising $5.1m in Cumberland Additive Holdings Inc for a 27% equity share, $2.5m in convertible financing to Well Data Labs and the acquisition of the 40% non-controlling interest in HES UK, which was purchased from Marubeni-Itochu for $3.8m. In 2020, the Group invested $34.2m in acquiring Enpro.

Capital investment was constrained during the year in order to conserve cash and totalled $6.6m (2020 – $14.7m). Expenditure in the year included $4.1m on PPE within the North America segment, with $0.5m in respect of the relocation of the Specialty business; $1.1m within Hunting Titan, which included further investment in detonation cord manufacturing and Pre-Loaded Gun capacity; $0.5m on PPE in EMEA; and $0.4m in Asia Pacific.

Intangible asset investment was $2.7m (2020 – $4.3m), with $2.3m in Hunting Titan relating to internal development costs for new products and technology.

Dividends paid to Hunting PLC shareholders in the year totalled 8.0 cents per share (2020 – 5.0 cents), which absorbed $12.8m (2020 – $8.2m). In 2020, a dividend of $0.9m was also paid to non-controlling interests ("NCI"). A 2021 Final Dividend totalling 4.0 cents per share has been proposed by the Board, which will be paid on 13 May 2022, subject to approval by shareholders at the Company's Annual General Meeting.

During the year, 2.7m Ordinary shares were purchased as treasury shares through Hunting's Employee Benefit Trust for a total consideration of $7.9m. These shares will be used to satisfy future awards under the Group's share award programme. This was offset by $0.3m received on the disposal of treasury shares.

Overall, in the year, the Group recorded a net cash inflow of $13.3m (2020 – $28.8m outflow), which was predominantly driven by the net cash received following the restructuring of the Group's European OCTG businesses.

As a consequence of the above cash flows and $0.8m foreign exchange losses, total cash and bank was $114.2m (NGM H) at the year-end (31 December 2020 – $101.7m).

Balance Sheet

Summary Group Balance Sheet	2021 $m	2020 $m
Property, plant and equipment	**274.4**	307.1
Right-of-use assets	**24.7**	29.8
Goodwill	**164.1**	164.2
Other intangible assets	**36.2**	42.9
Investments in associates	**19.4**	18.1
Working capital (NGM C)	**278.0**	358.3
Taxation (current and deferred)	**1.4**	6.0
Provisions	**(8.1)**	(8.9)
Other net assets (NGM F)	**2.7**	1.6
Capital employed (NGM G)	**792.8**	919.1
Total cash and bank	**114.2**	101.7
Lease liabilities	**(31.8)**	(40.3)
Shareholder loan from NCI	**(3.9)**	(3.9)
Net cash (note 27)	**78.5**	57.5
Net assets	**871.3**	976.6
Equity shareholders' funds	**869.9**	964.4
Non-controlling interests	**1.4**	12.2
Total equity	**871.3**	976.6

Property, plant and equipment was $274.4m at 31 December 2021 (2020 – $307.1m). Additions of $6.5m and other items of $0.3m were offset by depreciation of $28.9m, an impairment charge of $8.6m relating to the UK OCTG facility at Fordoun following its change of use and expected cash flows, and disposals of $2.0m.

Right-of-use assets totalled $24.7m at 31 December 2021 compared to $29.8m at 31 December 2020. The movement during the year included additions of $2.1m and modifications of $0.9m, offset by depreciation of $6.7m, foreign exchange movements of $0.3m and disposals of $1.1m in respect of the surrender of the Group's lease at Biggin Hill, leading to an overall decline of $5.1m being recorded.

Goodwill of $164.1m was largely unchanged at the balance sheet date compared to the 2020 year-end position of $164.2m.

Other intangible assets ("OIA") reduced by $6.7m to $36.2m at 31 December 2021, primarily due to the amortisation charge of $9.3m recorded in the year (2020 – $20.8m). The amortisation charge for the year is significantly lower following the impairment of customer relationships and unpatented technology in 2020. The total reduction to OIA, including foreign exchange movements of $0.1m, was offset by additions of $2.7m on internal development of new products and software systems.

Investments in associates increased by $1.3m to $19.4m at 31 December 2021. The acquisition of the 27% interest in Cumberland Additive for $5.1m was offset by the Group's share of post-tax losses from associates recognised in the year of $3.5m, together with an amortisation charge of $0.3m on acquired intangible assets recognised on the acquisition of the Rival equity interest.

As part of the preparation of the full-year accounts, reviews of the carrying values of the Group's current and non-current assets were undertaken, including an assessment of triggers to impairments, given that a number of the Group's regional markets had not recovered at the rate assumed by management at the start of the year. At the year-end, net inventory provisions of $25.8m were recorded as 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.

Working capital (NGM C) reduced by $80.3m, with the balance at 31 December 2021 being $278.0m (2020 – $358.3m). The reduction was mainly driven by a net inventory reduction of $84.0m that includes the $31.5m disposal of OCTG to Marubeni-Itochu as part of the restructuring of the Group's European OCTG businesses and $25.8m of net inventory impairments, together with management's ongoing drive to reduce stock levels across all of the Group's segments. Trade receivables increased by $19.3m and payables increased by $15.6m in the year as activity levels improved, particularly in Q4 2021. However, given the reduction in inventory, the Group recorded a reduction in working capital.

Net tax assets on the balance sheet have reduced from $6.0m at 31 December 2020 to $1.4m at 31 December 2021. This reduction reflected the tax charge for the year of $4.2m, including $1.6m for prior year true-ups and increases in deferred tax due to changes in tax rates of $0.8m, net cash receipts of $0.6m, with a small offset from foreign exchange movements.

Provisions decreased to $8.1m (2020 – $8.9m) in the year and other net assets increased by $1.1m to $2.7m (2020 – $1.6m).

As a result of the above changes, capital employed in the Group decreased by $126.3m to $792.8m. The underlying return on average capital employed was -4% in 2021 compared to -2% in 2020 (NGM P).

Total cash and bank balances increased by $12.5m, as described above, to $114.2m (NGM H). Net cash (NGM I) at 31 December 2021 was $78.5m (2020 – $57.5m). Net cash includes $31.8m of lease liabilities, which decreased by $8.5m during the year.

Total equity at 31 December 2021 was $871.3m, which, after non-controlling interests of $1.4m, resulted in equity shareholders' funds of $869.9m (2020 – $964.4m). This is a decrease of $94.5m over 31 December 2020 and reflects the reported loss for the year attributable to equity shareholders of $85.8m; dividends paid of $12.8m; and the net purchase of treasury shares of $7.8m, being offset by a net credit of $8.5m in relation to share awards and the acquisition of the non-controlling interest in HES UK from Marubeni-Itochu resulting in a gain of $3.4m.

Financial Capital Management
Hunting ended 2021 with a robust balance sheet and a total cash and bank balance of $114.2m (2020 – $101.7m).

As noted below, the Group entered a new $150m Asset Based Lending ("ABL") facility on 7 February 2022, which replaced the $160m Revolving Credit Facility ("RCF"). Given the "covenant-light" structure of the ABL, the new facility has materially increased the Group's liquidity through the trading cycle and provides Hunting with a more flexible and reliable source of committed funding to pursue new growth opportunities.

In our Going Concern assessment on page 93, the Directors consider the likelihood that the Group will require access to our new facility, or any other source of external funding, to support our existing operations in the next 12 months as remote.

Capital employed is managed in order to ensure an appropriate level of financing is available for the Group's day-to-day operations. The balance of debt and equity is managed having due regard to the respective cost of funds and their availability.

The Group operates a centralised treasury function, with policies and procedures approved by the Board. These cover funding, banking relationships, foreign currency, interest rate exposures and cash management, together with the investment of surplus cash.

The Group operates in a number of geographic territories and results are generated in a number of different currencies. The US dollar is the most significant functional currency; however, where this is not the case, the Group is subject to the effects of foreign exchange rate fluctuations with respect to currency conversions. Individual entities are generally required to borrow from the central treasury function in their functional currency. The treasury function's strategy is to manage its own currency exposure by using foreign exchange swaps to convert US dollars into the different currencies required by the entities. Spot and forward foreign exchange contracts are also used to mitigate the exposure caused by purchases and sales in non-functional currencies. The Group's liquidity is monitored by the central treasury function on a daily basis and a variety of cash forecasts, looking at different time horizons, are prepared on a periodic basis. Management's judgement is that the level of headroom available under the Group's total credit facilities provides ongoing flexibility and continues to support the business as outlined in this Strategic Report.

Further detail on financial risks is provided within note 31.

(a) $160m Revolving Credit Facility
While the Group maintained a healthy total cash and bank balance throughout the year, the Group retained its $160m multi-currency RCF, with the bank covenants and terms remaining unchanged until the facility was cancelled on 7 February 2022. The covenants prevailing during 2021, which exclude the impact of IFRS 16 adoption for covenant testing purposes, included:

- The ratio of net debt to consolidated EBITDA permitted under the revolving credit facility must not exceed a multiple of three times (the "leverage covenant"); and
- Consolidated EBITDA must also cover relevant finance charges by a minimum of four times (the "interest cover covenant").

The revolving credit facility was not utilised in the year.

For covenant testing purposes, the Group's definition of EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Similarly, net cash/debt and finance expenses are adjusted to accord with the definition within the facility agreement and accordingly exclude the lease liabilities recognised following the adoption of IFRS 16. EBITDA, for covenant testing purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December.

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

Further details of the facility, including the terms and conditions applicable until its cancellation, are given in note 31.

(b) $150m Asset Based Lending Facility
On the 7 February 2022, the Company concluded a refinancing of its core borrowing facilities by entering into a new $150m Asset Based Lending facility ("ABL"). The ABL facility has a four-year term, maturing on 7 February 2026 and replaces the $160m Revolving Credit Facility, as described above, that was cancelled as part of the ABL completion process. An accordion feature of up to $50m has also been agreed. Assuming there is Lender support to do so at the appropriate time, this feature allows the Company to increase the total facility quantum to $200m.

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

The main objective of the refinancing was to deliver a more flexible funding arrangement, leveraging the strength of the Company's balance sheet to unlock bank funding by linking the Company's borrowing capacity to secured asset values rather than earnings. The ABL construct provides a degree of insulation against the historical cyclicality of the oil and gas sector and the sensitivity of a conventional RCF earnings based covenant regime.

The three asset classes that form the "Borrowing Base" against which bank capital can be advanced are North American trade receivables, inventories and freehold properties. These asset classes have demonstrated strong value resilience "through the cycle". The Borrowing Base may be recalibrated periodically based on the then-prevailing in-scope asset values, as would be typical for facilities of this nature. Accordingly, availability under the ABL facility will fluctuate to the extent that the underlying asset values change over time, either up or down.

Whereas the RCF depended on a certain level of EBITDA being maintained to access the facility, the amount available in an ABL structure moves in line with the borrower's balance sheet, which, in Hunting's case, is historically much more stable than earnings. It is this robustness in Hunting's balance sheet that underpins the commercial justification for moving the Company's funding base from a conventional earnings-based RCF into an ABL arrangement.

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

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

The ABL structure will provide the Group with access to consistently higher levels of committed liquidity than would have been available under the now-cancelled RCF, due to significantly reduced sensitivity to the prevailing earnings environment. It is management's view, therefore, that the primary refinancing objective has been accomplished and this new ABL facility provides a strong foundation to support the strategic growth aspirations of the Company.

On behalf of the Board

Jim Johnson
Chief Executive

Bruce Ferguson
Finance Director

3 March 2022

Case Study: Organic Oil Recovery

Organic Oil Recovery ("OOR") – Confronting the Energy Transition

OOR evolved out of the ingenuity of Hunting's TEK-HUB™, which identifies and develops new and future solutions to current challenges facing the offshore sector. The technology is a joint venture between Hunting and Titan Oil Recovery Inc, a Californian technology company.

OOR technology releases oil trapped in existing reservoirs, helping tackle carbon dioxide emissions by reducing the need to undertake further exploration and drilling campaigns for new reserves.

This environmentally-friendly technology, using microbes in the reservoir, has been adopted by an increasing number of customers in geographies as diverse as the wilds of the UK's North Sea and the arid deserts of the Arabian peninsula.

The process involves injecting supplemental nutrients in batches into the reservoir to increase resident microbial populations. The microbes then move to the oil/water interface, reducing surface tension and releasing significant quantities of trapped residual oil. The technology also has the added benefit of reducing Hydrogen Sulfide ("H_2S") by targeting specific species of microbes to outcompete sulphate-reducing bacteria.

Hunting is uniquely positioned to bring this technology to market through its numerous global bases allowing the technology to be robustly deployed under the right conditions. The OOR team has been specifically drawn from key Hunting staff with the express purpose of establishing and accelerating customers' successful adoption of OOR technology.

The OOR team, based in Aberdeen and the Middle East, is recording increasing interest in the technology, which has no impact on the surrounding ecology, to assist in the energy transition by reducing carbon emissions and helping to avoid having to undertake costly and environmentally-challenging exploration programmes, which are estimated to cause ten per cent of the oil and gas sector's carbon dioxide emissions*.

The process, which uses totally organic ingredients, can enhance and extend oil production by 100% in fields that might be considered uneconomic and ready for abandonment, thereby extending the lifespan of ageing platforms and reservoirs, avoiding further impact on our already under-pressure planet.

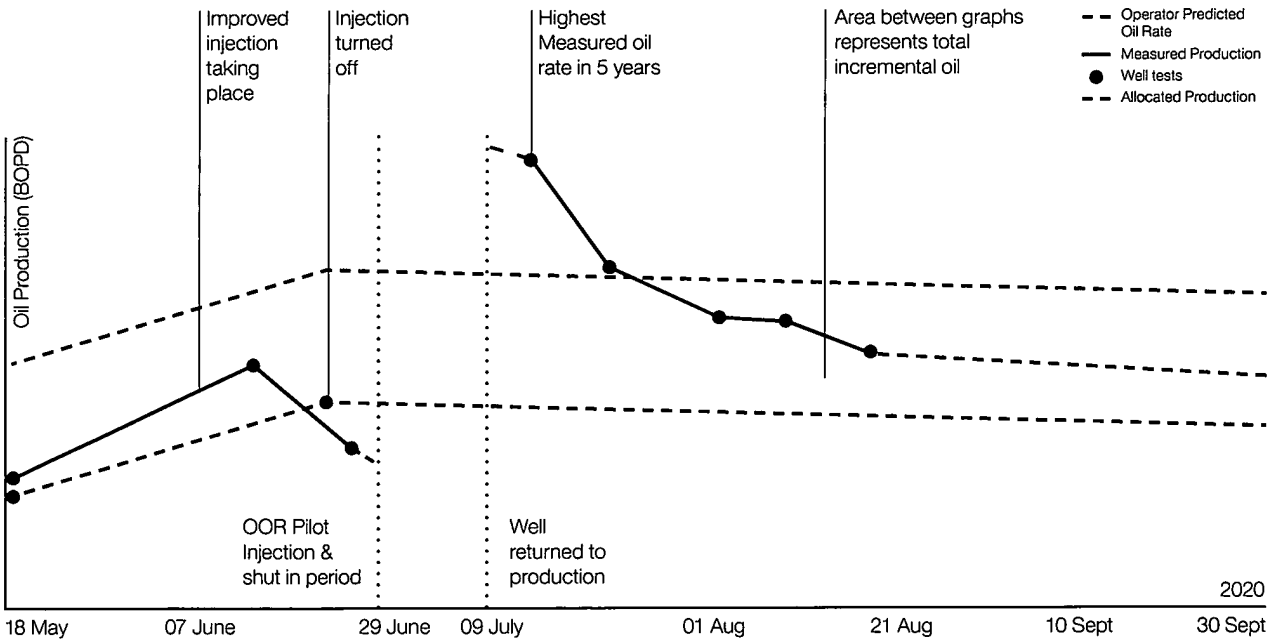
Organic microbial supplements.

Significant adoption of the technology has occurred in the Middle East including a number of National Oil Companies. Projects in Oman, Bahrain and Saudi Arabia are now underway, with advanced discussions with numerous others in Kuwait, UAE and Qatar.

Additionally, a significant project is already underway with a major North Sea operator where initial technology results were extremely positive.

The Hunting team is also delivering and building on already committed projects in both mainland Europe and internationally, driving and establishing a strong commercial base in Azerbaijan with our experienced distributor, and gradually developing opportunities in less advanced regions such as the Far East (Malaysia/Thailand/Indonesia) and Africa (Nigeria/Angola) where we have initial commitments from E&P companies.

Results/incremental oil production



* Source: McKinsey – Strategies for OFSE companies confronting the energy transition. November 2021.

2021 has seen a steady improvement in US onshore activity, driven predominantly by the higher WTI crude oil price. Our US offshore and international businesses were adversely impacted by the slower-than-anticipated rate of recovery.

All our segments have made steps to position themselves for the future, including new technology development, revenue diversification and preparing for the energy transition.

Segmental Review

Hunting Titan

The segment saw a return to growth in 2021, as the US onshore rig count increased and drilling expenditures accelerated as commodity prices improved.

Hunting Titan launched new products in the year, including the H-3™ perforating system, which aligns with evolving onshore completion techniques. The business also increased its capacity for Pre-Loaded Guns to address customer demand. To meet this increasing demand, Hunting Titan has reopened its manufacturing facility at Oklahoma City.

North America

The segment's sales declined year-on-year, as US offshore and international drilling projects slowed.

The Subsea Spring and Trenchless business units did, however, report revenue increases during 2021 as new orders were secured for the Group's titanium stress joints, as well as the ongoing robust investment in US infrastructure.

Hunting's Premium Connection business has also reported good sales growth in Canada, as drilling investment increased.

EMEA

Activity levels across the EMEA region declined in 2021 as new lockdown measures were implemented in the first half of the year, which impacted drilling in the UK, Europe and the Middle East.

The Group restructured its European OCTG operations to prepare for the region's return to growth. As part of this process, Hunting purchased the 40% equity interest in the Hunting Energy Services (UK) Limited business not already owned and is now the sole shareholder in the business.

The management team in Europe has formed an Energy Transition team to pursue new carbon capture and geothermal projects, with a project delivered in the UK in 2021.

Asia Pacific

The Asia Pacific segment was impacted by rising raw material and freight costs in China, which reduced our competitiveness within large international OCTG tenders. The segment has, however, continued to win smaller tenders in the year.

The Group's Singapore operations are currently being consolidated into a single location, which is expected to be completed by April 2022.

The segment also completed its first sales of its micro hydro generators, as part of efforts to diversify its revenue streams.

Hunting Titan

		2021	2020
Market Indicators*			
US Land – average rig count	#	**459**	419
Canada – average rig count	#	**131**	90
Revenue			
Perforating	$m	**66.1**	48.8
Energetics	$m	**49.1**	41.6
Instruments	$m	**61.9**	60.6
Perforating Systems	$m	**177.1**	151.0
Other product lines	$m	**7.3**	6.0
External revenue	$m	**184.4**	157.0
Inter-segment revenue	$m	**4.9**	4.7
Segment revenue	$m	**189.3**	161.7
Profitability			
Reported operating loss	$m	**(9.0)**	(126.0)
Acquisition amortisation and exceptional items	$m	**8.1**	120.4
Underlying operating loss	$m	**(0.9)**	(5.6)
Underlying operating margin	%	**0**	-3
Cash flow			
Capital investment	$m	**1.1**	3.9
Balance sheet			
Property, plant and equipment	$m	**54.0**	57.6
Inventory	$m	**85.5**	105.9
Operational			
Headcount (period end)	#	**517**	380
Headcount (average)	#	**449**	481
Operating sites	#	**5**	4
Service and distribution sites	#	**12**	14
Operational footage	Kft²	**651**	613

*Source – Spears & Associates DPO December 2021.

Introduction
Hunting Titan's business focuses predominantly on the US and Canadian onshore drilling and completion markets. The segment manufactures from five main operating sites, four in the US and one in Mexico.

Hunting Titan has a network of distribution centres throughout the US and Canada, from which the majority of the segment's sales are derived.

In more normal markets, Hunting Titan utilises the global manufacturing footprint of the wider Group to assist in meeting customer demand. In the year, the Electronics business continued to manufacture switches for Titan.

Market Overview
US onshore drilling and production spend increased by 8% in 2021 to $70.8bn, up from $65.5bn in 2020. The average US onshore rig count increased by 10% in 2021 at 459 active units compared to 419 units in 2020.

In Canada, drilling expenditure increased 48% from $6.9bn in 2020 to $10.2bn in 2021, while the average rig count increased by 46% in the year to 131 active units, compared to 90 units in 2020.

This market data underpins the strengthening performance of Hunting Titan throughout the year.

With the steady decrease in drilled-but-uncompleted wells ("DUCs") since mid-2020, along with limited investment in new wells, Hunting Titan has reported good demand for its products as new completion activity grew which, along with the increase in the number of active frac-crews in the year, supported growth in 2021 and provides a robust outlook for the business into 2022.

Segment Performance
Segment revenue increased 17% to $189.3m (2020 – $161.7m), given the strengthening US and Canadian onshore drilling markets. With increasing sales, the segment was able to return to bottom line profitability during Q4 2021, although reporting an underlying loss from operations of $0.9m for the full year (2020 – $5.6m).

During the year, Hunting Titan's international sales have increased by 23% from $22.2m in 2020 to $27.2m in 2021, as interest in the Group's various product lines increased in Asia Pacific, the Middle East and South America.

Following the charge for amortisation of acquired intangible assets of $4.9m (2020 – $14.8m) and exceptional items of $3.2m, including $3.1m of net inventory impairments, the reported loss from operations for the year was $9.0m (2020 – $126.0m).

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

Perforating Guns and Hardware
Sales of Perforating Guns and Hardware increased by 35% in the year from $48.8m in 2020 to $66.1m, as market conditions improved across the US and Canada.

The H-1™ perforating system continues to see modest demand and in the year the H-3™ perforating system was launched to clients, leading to good customer uptake in H2 2021. The H-3™ system is shorter than the H-1™ system and other conventional guns, in line with industry efforts to reduce tool string length and weight.

Hunting Titan also increased the manufacturing capacity for its Pre-Loaded Gun offering in the year, which has seen good demand from customers. The Group has invested in its Milford, Pampa, DuBois and Odessa facilities to meet this increasing demand.

The business has continued to roll out its E-Gun perforating gun to international clients and during 2021 received interest from Norway, Saudi Arabia and other key drilling regions. Management notes that US completion practices continue to be adopted internationally, which has supported increased interest for Hunting Titan's products outside of North America.

Energetics
Sales of Energetics charges and associated products increased from $41.6m in 2020 to $49.1m in 2021 as the North America onshore drilling market continued its return to growth.

The business has seen a further increase in the demand for its EQUAfrac™ consistent hole shaped charges. In line with the evolving market, Hunting Titan increased its bundled product offering to clients, to include charges, switches and detonation cord, which contributed to the increase in revenue in the year.

Hunting Titan has also started discussions with a number of defence-related customers to develop products outside of the oil and gas industry.

A ControlFire® Exploded Foil Initiator Cartridge.

Instruments
Sales of Hunting Titan's Instruments product lines have increased from $60.6m in 2020 to $61.9m in 2021.

The T-Set One rental tool offering continues to gain traction within North America.

New Technology
New products and systems continue to be a critical element of Hunting Titan's growth strategy and, in 2021, the business launched technology to clients to align with the evolving completions market.

The business has launched the H-3™ perforating system, as noted above, and has commenced the development of a new self-orienting perforating system to align with customer needs.

Hunting Titan also commercialised new EQUAfrac™ shaped charges, which not only address the demand for self-orienting products in the US market, but also charges for plug and abandonment products in international markets.

The HT71 modular detonator was launched, in tandem with the H-3™ system.

The business also introduced new variants of its detonation cord, which incorporates HMX technology.

In December 2021, Hunting Titan concluded a licence agreement with Nammo Defense Systems Inc. to utilise its extrudable time delay technology for completion processes. Time delay fuses provide a controlled delay for operators to position perforating guns after commencing the firing sequence in a tubing-conveyed perforating operation. The licensing agreement allows Hunting Titan to enter the oil and gas market with its own version of time delay products and removes constraints associated with purchasing time delay fuses from outside manufacturers.

As noted in the Chief Executive's Report, Hunting has provided convertible financing to Well Data Labs ("WDL"). Hunting Titan has commenced a number of product development programmes with the business to integrate WDL's software into Hunting Titan's instrumentation products as well assisting the development of other new product lines.

In Q1 2022, Titan will also launch a new Perf+ automated shooting panel for use on the ControlFire™ platform.

Manufacturing and Distribution
Hunting Titan aligned its manufacturing and distribution footprint with the strengthening onshore market conditions across North America, leading to the reopening of the Oklahoma City manufacturing facility and the closing of two distribution centres in the year.

At the year-end, the business operated from five operating sites and 12 distribution centres, located in the US, Canada and Indonesia.

Other Financial Information
During the year, Hunting Titan recorded capital investment of $1.1m (2020 – $3.9m) mainly relating to investment in Hunting's Pre-Loaded Gun and detonation cord product lines.

Inventory decreased by $20.4m to $85.5m in the year, as efforts to work off excess stock continued, in addition to an increase in provisions of $3.7m.

As the US onshore drilling market improved throughout the year, selected recruitment commenced within the segment, leading to a 36% year-on-year increase in headcount to 517 (2020 – 380).

North America

		2021	2020
Market Indicators*			
US Land – average rig count	#	**459**	419
US Offshore – average rig count	#	**14**	16
US Total – spend	$bn	**73.0**	68.4
Canada – average rig count	#	**131**	90
Canada – spend	$bn	**10.2**	6.9
Revenue			
OCTG & Premium Connections	$m	**97.1**	112.1
Advanced Manufacturing	$m	**55.4**	71.7
Subsea	$m	**58.8**	69.8
Drilling Tools	$m	**–**	8.9
Intervention Tools	$m	**5.8**	6.1
Other product lines	$m	**15.8**	15.0
External revenue	$m	**232.9**	283.6
Inter-segment revenue	$m	**21.7**	28.0
Segment revenue	$m	**254.6**	311.6
Profitability			
Reported operating loss	$m	**(38.7)**	(62.0)
Acquisition amortisation and exceptional items	$m	**22.6**	58.5
Underlying operating loss	$m	**(16.1)**	(3.5)
Underlying operating margin	%	**-6**	-1
Other financial measures			
Capital investment	$m	**4.1**	8.8
Property, plant and equipment	$m	**195.1**	211.6
Inventory	$m	**78.1**	105.0
Operational			
Headcount (period end)	#	**836**	880
Headcount (average)	#	**837**	1,150
Operating sites	#	**14**	15
Service and distribution sites	#	**2**	2
Operating footage	Kft²	**1,380**	1,403

* Source – Spears & Associates DPO December 2021.

Introduction
Hunting's North America segment incorporates the US businesses and the OCTG business in Canada and generates revenue from all the Group's product lines. On 1 January 2021, the US and Canada segments were merged, with prior-year financial data being restated to reflect this change in reporting.

The main areas of focus for most businesses in the segment are the domestic US and Canada markets, with the Subsea and Advanced Manufacturing businesses more internationally focused. In addition, the segment manufactures components on behalf of Hunting Titan when required.

The segment also generates a large proportion of the Group's non-oil and gas sales, which are derived from the Trenchless business that services the telecommunications sector, and the Advanced Manufacturing group.

Market Overview
US onshore drilling and production spend increased by 8% in 2021 to $70.8bn, up from $65.5bn in 2020, while US offshore drilling expenditure decreased in 2021 by 21% to $2.2bn compared to $2.8bn in 2020.

The average US onshore rig count increased by 10% in 2021 to 459 active units compared to 419 units in 2020, which supported Hunting's onshore businesses within the North America segment. The average US offshore rig count declined by 13% in the year to 14 active units compared to 16 units in 2020.

In Canada, drilling expenditure increased 48% from $6.9bn in 2020 to $10.2bn in 2021, while the average rig count increased by 46% in the year to 131 active units compared to 90 units in 2020.

Segment Performance
The segment's performance in 2020 reflected stronger trading in Q1, supported by a robust order book, which slowly unwound throughout the year. This led to the Group's North America businesses starting 2021 with lower backlogs leading to the lower sales reported in the year. However, in the second half of the year, a notable increase in the order book was reported. Segment revenue therefore decreased 18% from $311.6m in 2020 to $254.6m in 2021, with $8.9m of the decline relating to the Drilling Tools business that was sold in December 2020. The underlying operating loss for the segment widened in the year to $16.1m (2020 – $3.5m). This reflected the strong capital discipline put in place by customers, which limited equipment purchasing during the year, the decline in US and global offshore drilling markets, and the continued impact of COVID-19, resulting in slower economic growth and impacting operating efficiency. Following the charges for the amortisation of acquired intangible assets and exceptional items, which totalled $22.6m in the year (2020 – $58.5m) and included $18.1m net inventory provisions, the segment recorded a reported loss from operations of $38.7m (2020 – $62.0m).

OCTG, Premium Connections and Accessories
The Group's OCTG, Premium Connections and Accessories businesses now incorporate results from Canada, given the merging of the US and Canada segments on 1 January 2021.

Hunting's Premium Connections business, while reporting a year-on-year decline in revenue, saw a solid contribution from Canada, driven by the increasing rig count, but also from a strong, renewed interest in the TKC 4040™ semi-premium connection for heavier oil drilling applications. In Canada, Hunting has a number of third-party licencees for its connection technology which have supported this demand in the year. In the US, the Group's TEC-LOCK Wedge™ connection reported sustained demand from onshore clients while, offshore, Hunting's WEDGE-LOCK™ connection continued to report modest demand from a number of clients who continued their drilling programmes in the Gulf of Mexico.

The Group's Accessories Manufacturing business reported difficult trading during 2021 as US offshore and international drilling markets continued to decline. In H2 2021, the business was also impacted by Hurricane Ida, which halted production at its Louisiana facilities for between two to three weeks as local infrastructure was repaired.

Advanced Manufacturing
The Advanced Manufacturing group comprises the Dearborn, Electronics and Specialty business units.

In the year, the Dearborn and Electronics businesses continued to be impacted by subdued global oil and gas markets, predominantly driven by the cost discipline of clients leading to lower capital equipment purchasing for downhole MWD/LWD tools.

Despite this, the Electronics business continued to support Hunting Titan in the manufacture of firing switches for onshore drilling clients. The unit also continued to diversify its revenue and, in the year, secured new sales for medical and military applications following qualifications received in prior years.

The Dearborn business also continued to diversify its revenue and, during 2021, secured new orders from SpaceX and Blue Origin for their commercial space programmes.

Revenue and losses within the Specialty business were broadly consistent with 2020, despite the increase in US onshore rig count, with customer capital constraints limiting activity.

Subsea
Hunting's Subsea business comprises the Stafford, Spring and Enpro business units.

Pressure Control Equipment ready for shipping to the customer.

Following the acquisition in August 2019, the Subsea Spring unit has made strong progress under Hunting's ownership and, in the year, secured a number of major orders for its titanium stress joints for projects in the Gulf of Mexico, Guyana and Brazil. This has led to a material increase in year-on-year revenue. In December 2021, the business secured a major multi-year contract with ExxonMobil whereby titanium stress joints will be applied to floating production, storage and offloading units.

The Subsea Stafford and Enpro businesses, after a strong 2020, have reported lower sales in 2021 as some offshore projects were deferred. However, with the increased oil price, new tenders have increased in the year, supporting a stronger outlook for the businesses.

Intervention Tools
Well intervention tool sales were marginally lower in the year compared to 2020, despite the increasing onshore drilling activity across North America.

Trenchless
Hunting's Trenchless business has reported a year-on-year increase in revenue, as 5G fibre rollouts continued across the US along with other new infrastructure investment.

The business also incorporates Hunting's Pipe trading interests, which were merged early in 2021 as part of a restructuring undertaken in response to the general market outlook.

Other Financial Information
During the year, the North America segment recorded capital investment of $4.1m (2020 – $8.8m), primarily due to $1.5m of equipment purchases and upgrades at the Group's facilities at Ameriport and Trenchless; $0.7m on rental fleet; $0.5m was spent as part of the relocation of Specialty to the Group's Conroe facility; and other items of $1.4m.

Inventory decreased by $26.9m to $78.1m as efforts to reduce stock and generate cash continued throughout the year. The fall of $26.9m is largely due to increased inventory provisions; however, reductions were also achieved through the focus on minimising working capital. Provisions for pressure control equipment inventory increased by $11.3m as the turn rates in 2020 and 2021 substantially reduced as a result of capital constraints applied by customers during the global downturn.

The segment relocated its Specialty business to the Group's former Drilling Tools facility at Conroe, leading to the closure of one operating site.

The year-end headcount decreased to 836 (2020 – 880), as further cost-reduction measures were implemented, specifically within the US. Manufacturing and Pipe business units.

EMEA

(Europe, Middle East and Africa)

		2021	2020
Market indicators*			
Europe – average rig count	#	**81**	90
Europe – well count	#	**711**	778
Europe – spend	$bn	**12.5**	11.9
North Sea – average rig count	#	**26**	22
North Sea – spend	$bn	**11.2**	10.2
Middle East – spend	$bn	**16.6**	20.4
Revenue			
OCTG & Premium Connections	$m	**30.3**	42.2
Intervention Tools	$m	**15.4**	24.4
Perforating Systems	$m	**4.6**	3.5
Other product lines	$m	**7.4**	8.0
External revenue	$m	**57.7**	78.1
Inter-segment revenue	$m	**0.4**	0.7
Segment revenue	$m	**58.1**	78.8
Profitability			
Reported operating loss	$m	**(26.2)**	(33.9)
Acquisition amortisation and exceptional items	$m	**15.0**	21.9
Underlying operating loss	$m	**(11.2)**	(12.0)
Underlying operating margin	%	**-19**	-15
Other Financial Measures			
Capital investment	$m	**0.5**	1.0
Property, plant and equipment	$m	**9.7**	11.6
Inventory	$m	**23.1**	59.7
Operational			
Headcount (period end)	#	**224**	229
Headcount (average)	#	**220**	279
Operating sites	#	**8**	8
Operating footage	Kft²	**236**	236

* Source – Spears & Associates DPO December 2021.

Introduction
Hunting's European operations comprise businesses in the UK, Netherlands and Norway. These operations provide OCTG (including threading, pipe storage and accessories manufacturing) and well intervention products in the UK; OCTG and well testing equipment manufacturing in the Netherlands; and well intervention services and distribution in Norway. Hunting's Middle East operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group's operations in Saudi Arabia are through a 65% arrangement with Saja Energy.

From 1 January 2021, the Group's Singaporean Well Intervention business was transferred to the Asia Pacific operating segment as part of a management restructuring. This contributed to the lower revenue reported by the EMEA segment in the year.

On 31 December 2021, Hunting announced the completion of a restructuring of its European Oil Country Tubular Goods ("OCTG") businesses. As part of the transaction, Marubeni-Itochu ("MI") purchased $31.5m of OCTG inventory from the Hunting Energy Services (UK) Limited ("HES UK") businesses and will assume ownership and control over existing OCTG supply and storage contracts with clients in the North Sea.

HES UK has entered into a Preferred Manufacturer agreement with MI whereby OCTG threading, accessories manufacturing and storage services will be provided on an exclusive basis for an initial period of three years.

This restructuring simplifies the Group's presence in the North Sea and positions Hunting for the return to growth anticipated for the region.

Market Overview
The Group's EMEA markets further declined in 2021, as COVID-19 continued to impact sentiment within Hunting's client base. Across the European region as a whole, the average rig count declined from 90 units to 81 units. However, drilling spend in the region increased marginally from $11.9bn in 2020 to $12.5bn in 2021.

In the Middle East, drilling spend decreased from $20.4bn in 2020 to $16.6bn in 2021, with the average rig count reducing from 316 to 246 units. The declines in rig count recorded in the Middle East were particularly high in Kuwait and Saudi Arabia.

Segment Performance
The EMEA operating segment's revenue was $58.1m in the year compared to $78.8m in the prior period as activity levels declined, leading to an underlying operating loss of $11.2m compared to a loss of $12.0m in 2020. As noted above, the Singaporean Well Intervention business was transferred to the Asia Pacific segment at the start of the year, which had contributed $3.2m in sales in 2020.

Following the charges for the amortisation of acquired intangible assets and exceptional items, which totalled $15.0m, the reported operating loss was $26.2m compared to a loss of $33.9m in 2020.

OCTG
The Group's North Sea business started 2021 with a degree of optimism, as clients began detailed planning of drilling programmes for completion in the year. With new lockdown measures implemented, the market recovery slowed materially, leading to an overall year-on-year decline in revenue, as projects were again deferred and ad-hoc pipe sales slowed. The business continued to support those customers which sustained their drilling plans and, in the second half of the year, the order book of the UK business increased. Within the Netherlands OCTG operation, a major order was secured with Tubacex in Spain for a project in South America, which is due to be delivered in 2022-23.

As the year progressed, the business secured price increases on its existing contracts. In addition, with the restructuring noted above, Hunting can focus on its core expertise of pipe threading and accessories manufacturing, which provides the opportunity for further working capital efficiency gains in the future.

Well Intervention and Well Testing
The segment's well intervention revenue was down by more than one-third versus 2020. However, the majority of the decline arose due to two large orders for Qatar that were placed in early 2020 prior to the COVID-19 outbreak, with the remainder due to capital discipline being applied by customers.

In Norway, the Group reports higher revenue in the year, as interest in Hunting's perforating and well intervention product lines increased.

Organic Oil Recovery
In the year, the Organic Oil Recovery technology continued to increase in profile across the industry, particularly in the Middle East. The segment received its first commercial sales order in the year for a multi-well treatment programme. Other field trials have been successfully completed, which have delivered strong increases in the production for end-of-life fields. These trials have served to broaden interest with major integrated energy companies in the Middle East and Central Asia.

Other Financial Information
During the year, there was limited investment in property, plant and equipment.

Inventory declined by $36.6m compared to December 2020, with $31.5m sold as part of the restructuring deal with Marubeni-Itochu after $5.2m of impairment had been reflected as part of the transaction values agreed.

There was a modest decline in the year-end headcount from 229 at the end of 2020 to 224. As part of the deal with Marubeni-Itochu, 11 employees will be transferred in 2022.

Asia Pacific

		2021	2020
Market Indicators*			
Far East – average rig count	#	**160**	171
Far East – spend	$bn	**12.8**	12.5
Middle East – spend	$bn	**16.6**	20.4
Revenue			
OCTG & Premium Connections	$m	**42.0**	107.2
Other product lines	$m	**4.6**	0.1
External revenue	$m	**46.6**	107.3
Inter-segment revenue	$m	**1.5**	2.0
Segment revenue	$m	**48.1**	109.3
Profitability			
Reported operating (loss) profit	$m	**(6.8)**	1.9
Acquisition amortisation and exceptional items	$m	**(0.1)**	2.8
Underlying operating (loss) profit	$m	**(6.9)**	4.7
Underlying operating margin	%	**-14**	4
Other Financial Measures			
Capital investment	$m	**0.4**	1.0
Property, plant and equipment	$m	**6.5**	7.9
Inventory	$m	**18.8**	22.1
Operational			
Headcount (period end)	#	**302**	364
Headcount (average)	#	**341**	426
Operating sites	#	**4**	4
Operating footage	Kft²	**545**	545

* Source – Spears & Associates DPO December 2021.

Introduction
Hunting's Asia Pacific operating segment covers four operating facilities across China, Indonesia and Singapore and services OCTG customers predominantly in Asia Pacific and the Middle East.

In China, the Group operates from a facility in Wuxi, which has OCTG threading and perforating gun manufacturing capabilities.

In Indonesia and Singapore, Hunting manufactures OCTG premium connections and accessories.

On 1 January 2021, the Group's Singaporean Well Intervention business was transferred from the EMEA segment. The Asia Pacific segment is currently consolidating its facilities in Singapore to a single operating site in the Tuas port area. This initiative is scheduled to be completed by April 2022.

Market Overview
Across the Asia Pacific region the average rig count declined by 6% from 171 active units to 160 units as the impact of COVID-19 persisted during the year. Drilling spend was, however, materially unchanged at $12.8bn in 2021 compared to $12.5bn in 2020.

As noted previously, in the Middle East drilling spend decreased from $20.4bn in 2020 to $16.6bn in 2021, which reduced revenue within the segment.

Segment Performance
Revenue in the year decreased 56% to $48.1m compared to $109.3m in the prior year, leading to an underlying loss from operations of $6.9m in 2021 compared to a $4.7m profit in 2020.

Following the net credits for the amortisation of acquired intangible assets and exceptional items, which totalled $0.1m, the reported operating loss was $6.8m compared to a $1.9m profit in 2020.

OCTG
2021 was an extremely challenging year for the segment, driven in part by the ongoing impact of COVID-19 as well as the market changes emanating from China.

As widely reported, raw material costs increased in the first half of the year and, in addition, freight charges from mainland China also increased. Further, in August 2021 the Chinese government removed a tax rebate on OCTG exports, which further exacerbated the already declining market conditions in the region. These actions had the overall impact of increasing the costs of OCTG supply into international markets, which made Hunting less competitive in large OCTG international tenders.

However, the business continued to win small- to medium-size OCTG tenders in the year and, as market conditions improved in the Middle East, particularly in Kurdistan, the outlook for the segment has improved materially from Q4 2021.

Through its partnership with Jindal SAW Limited ("Jindal"), a number of OCTG supply contracts were also secured in the year.

India Joint Venture
On 23 December 2021, Hunting announced the formation of a new 49:51 joint venture with Jindal SAW. The agreement formalises a closer working partnership between the two companies, following the formation of a strategic alliance in 2019 when Hunting and Jindal began cooperating to develop their presence in the rapid growth OCTG market in India.

Under the terms of the joint venture agreement, Hunting and Jindal will build a dedicated premium connection threading facility in Nashik district, India, near Jindal's existing steel mill operations, with a proposed 130,000sq ft manufacturing footprint.

The facility is targeted to be operational by the end of 2022, with up to three threading lines being commissioned over time with an annual capacity of 50,000 metric tonnes of OCTG. It is anticipated that the venture will employ c.100 staff once fully operational.

As part of the commercial agreement with Jindal, Hunting will provide a premium connection threading licence to the joint venture.

New Technology
The Asia Pacific segment has continued to assist in the development of a micro hydro generation system. Prototypes have been installed in the Philippines and the first sales order was delivered in the year. Further trials are anticipated in 2022.

Other Financial Information
Inventory decreased during the year to $18.8m (2020 – $22.1m).

Additions of $0.4m to PPE in the year were modest.

The headcount also reduced from 364 to 302 in the year, as cost reduction measures were implemented.

Key Performance Indicators

Our Progress

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

11 2021 **11** 2020

Countries with active operations

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

2.8m 2021 **2.8m** 2020

Operating footprint (sq ft)

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

80% 2021 **71%** 2020

ISO 9001:2015 (Quality) accredited operating sites

Percentage of operating sites with ISO 9001:2015 accreditation.

0.13% 2021 **0.24%** 2020

Internal manufacturing reject rate

Percentage of parts rejected during manufacturing processes.

36.2 2021 **40.6** 2020

CO_2 intensity factor

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

1,949 2021 **1,923** 2020

Year-end employees

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

19 2021 **16** 2020

No. of recordable incidents

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

0.99 2021 **0.67** 2020

Incident rate (OSHA method)

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

These are regularly reviewed to ensure they remain appropriate. For details on the movements of these metrics, please refer to the Group Review on pages 22 to 27.

Financial performance is measured on an underlying basis from operations and, other than revenue, these measures are non-GAAP measures (further information on non-GAAP measures ("NGM") can be found on pages 216 to 221).

Revenue
($m)

2021	**521.6**
2020	626.0
2019	960.0

Revenue is earned from products and services sold to customers from the Group's principal activities (see notes 2 and 3).

Capital Investment*
($m)

2021	**6.6**
2020	14.7
2019	36.0

Cash spend on tangible non-current assets (see NGM K).

Underlying EBITDA*
($m)

2021	**3.1**
2020	26.1
2019	139.7

Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation (see NGM A).

Inventory Days*

2021	**163**
2020	270
2019	214

Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days (see NGM D).

Underlying (Loss) Profit from Operations*
($m)

2021	**-35.1**
2020	-16.4
2019	94.3

Underlying (loss) profit from operations before net finance costs and tax (see consolidated income statement and note 2).

Underlying Return on Average Capital Employed*
(%)

2021	**-4**
2020	-2
2019	8

Underlying (loss) profit before interest and tax, adjusted to include the share of associates' post-tax results, as a percentage of average gross capital employed (see NGM P).

Underlying Operating Margin*
(%)

2021	**-7**
2020	-3
2019	10

Underlying (loss) profit from operations as a percentage of revenue.

Free Cash Flow*
($m)

2021	**54.4**
2020	47.8
2019	138.8

All cash flows before transactions with shareholders and investment in non-current assets (see NGM M).

Underlying Diluted (Loss) Earnings Per Share*
(cents)

2021	**-27.1**
2020	-10.0
2019	43.9

Underlying (loss) earnings attributable to Ordinary shareholders, divided by the weighted average number of Ordinary shares in issue during the year adjusted for all potentially dilutive Ordinary shares (see note 11).

Total Cash and Bank*
($m)

2021	**114.2**
2020	101.7
2019	127.0

Total cash and bank comprises cash at bank and in hand, Fixed Term Funds, short-term deposits with less than 3 months to maturity and money market funds less bank overdrafts (see NGM H).

* Non-GAAP measure ("NGM") see pages 216 to 221 and notes 2 and 11.

Subsea Technologies – Strategic Acquisitions Delivering Results

The acquisition of RTI Energy Systems was completed in 2019 and now forms part of Hunting's Subsea Technologies division.

Case Study: **Subsea/RTI**

Subsea Technologies provides proprietary Original Equipment Manufacturer ("OEM") technology and know-how. The unit is unique to the industry as the only supplier of Titanium Stress Joints ("TSJs"), a position it has held for the last twenty of its thirty-year history. These offer a more reliable, compact and lower cost Riser Stress Joint than flexible joints and steel tapered stress joints. Recent contract wins consistently justify that investment decision.

Subsea Technologies is a leading integrated solutions provider for the global offshore energy industry. The business supplies products to and supports all aspects of the offshore process beginning with pre-FEED (front-end engineering design), field development, installation and offshore support, all the way through to decommissioning. Our SURF (subsea, umbilicals, risers, flowlines) team is the leading manufacturer of production riser technologies for deepwater applications within the offshore oil and gas industry. In the first two years following the acquisition of RTI's stress joint business, the business strategy has been overhauled to target regions beyond their traditional Gulf of Mexico footprint. In addition, the product portfolio has been expanded to include development solutions focused on the expansive Floating, Production, Storage and Offloading global market. The results speak for themselves: nine major projects won over the past 18 months exceeding $73 million in revenue during a suppressed global market. RTI fits perfectly into our Hunting Subsea Technologies strategy.

The subsequent acquisition of Enpro Subsea Limited in February 2020 furthered Hunting's Subsea strategy. Enpro specialises in well maximisation through enhancement technologies that are integratable with standard hardware thereby reducing further field development costs and delivering first oil faster.

Our acquisition strategy is to acquire businesses that have advanced engineered product lines focused in arenas where the Tier 1 contractors have not been successful in competing.

Following the acquisitions of both RTI and Enpro, our Hunting Subsea Technologies division consists of three operational businesses connected through a global strategy. This strategy is diverse with respect to the End Users (Majors, Independents, National Oil Companies), Engineering, Procurement and Construction Contractors, OEMs as well as specific regional requirements in areas such as Brazil and Africa. To accomplish our strategy and aggressive goal structure, resources across all three businesses have been integrated and aligned.

Utilising our established relationships within One Subsea, TechnipFMC and Baker Hughes, we are negotiating partnerships that will enable them to deliver field development strategies to the oil companies accomplishing:

- Shorter time to "first oil";
- Reduced capital expenditure requirements for Phase 1 developments; and
- Create flexibility within the field's operational requirements.

Deployment of Subsea decommissioning technology.

Hunting's financial and operational resources enable us to leverage our core competencies in systems design and production, precision machining and quality print-part manufacturing. This allows us to add value for our stakeholders.

Our Business Model

We have a strong brand and reputation

Hunting's standing in the global oil and gas industry is supported by our skilled employees, our manufacturing and safety policies, and our aim to be close to where our customers operate. A key part of our strategy for growth and ambition for a high calibre reputation is through our commitment to our clients with many oil service and exploration and production companies relying on our expertise.

We have skilled manufacturers

The training and development of our employees helps us deliver for our customers. We operate complex machinery, supported by rigorous Health and Safety and Quality Assurance protocols which supports our service and products offering.

We add value for our customers

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

We develop proprietary technology

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our proprietary know-how, we are well positioned to secure market share by utilising our intellectual property.

We strategically source critical materials

The Group has a strategy of ensuring that critical materials are not sourced from a single supplier which provides assurance to our customers that we will always be in a position to deliver. Long lead-time material supplies are regularly reviewed to ensure market pricing remains competitive. Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue on quality expectations.

Strong stakeholder engagement

Our engagement activities with our customers, suppliers and employees enable the Board to understand the needs of all our key stakeholders, and allow us to execute our strategy more efficiently. The discussions with our customers help us shape our new product development strategy, as clients seek to commercialise oil and gas reserves as safely and cost effectively as possible.

We look after our people

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and voluntary workforce turnover rate. This demonstrates Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Significant capital resources

The Group ends 2021 with a strong balance sheet, supportive shareholders along with a new lending group which was finalised in February 2022. This financial strength will assist us in our growth strategy in the coming years, as the global oil and gas industry returns to growth.

Precision machining for energy and new markets

01. Our Resources

Our financial and human capital and operational resources enable us to be a critical supplier in the oil and gas supply chain.

These resources are also being applied to non-oil and gas sectors.

Financial

Shareholders
For more information see pages 53 & 54

Lenders
For more information see page 54

Operational

Facilities
For more information see pages 47 to 49

Quality Assurance
For more information see page 47

Intellectual Property
For more information see page 47

Employees
For more information see pages 55 to 58

02. Our Operating Segments

Our global presence enables us to deliver for a client wherever our expertise is required.

Hunting's leading Quality Assurance protocols and robust Health and Safety practices help us leverage our position in the supply chain.

Health, Safety and Environment ("HSE")

Hunting Titan

North America

Europe, Middle East and Africa ("EMEA")

Asia Pacific

Quality and Operational Excellence

For more information see pages 48 and 49

03. Our Products and Services

Hunting's diverse product portfolio enables us to participate in most oil and gas projects undertaken by our clients.

Our intellectual property portfolio supports our position in the supply chain and is a barrier to entry for other potential suppliers.

Oil Country Tubular Goods ("OCTG")

Perforating Systems

Advanced Manufacturing

Subsea

Intervention Tools

Non-oil and Gas

For more information see pages 50 to 51

04. Our Stakeholders

Our stakeholders enable us to deliver our business strategy and model. Our employees work closely with customers and suppliers and through that engagement we help to position the Company for the future.

Shareholders and Lenders

Customers

Employees

Suppliers

Environment

Governments

Communities

For more information see pages 52 to 74

01. Our Resources

31
Operating sites

2.8m
sq ft
Operating footprint

1,304
Machines

$274.4m
Net book value PPE

80%
ISO 9001:2015 (Quality) accredited facilities

A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines."

Operational

Management Principles

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

Develop Our People
People are at the heart of our business. Our broad product portfolio demands experienced machining and production engineers across our manufacturing disciplines and facilities. Our administration, finance and sales staff are also encouraged to develop their skills through training and professional development programmes.

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

Apply Unified Operating Standards and Procedures
Demanding Health, Safety and Quality Assurance policies are developed centrally and then applied locally. We continually monitor and raise our operating standards.

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

Facilities

The Group has an established global network of operating sites and distribution centres located close to our customers and within the main global oil and gas producing regions. Our operating sites are used for the manufacture, rental, trading and distribution of products. The manufacture of goods and the provision of related manufacturing services is, by far, the main source of income for the Group. A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines. In Hunting's rental businesses it is critical that an appropriate range of equipment is stored and maintained. Generally, this must be configured to meet specific customer requirements.

In certain product lines, particularly OCTG, Hunting holds inventory to support its customers' requirements and to take advantage of particular market opportunities. Our distribution centres are primarily used in the Hunting Titan and intervention tools business groups, where close proximity to drilling operations is important. 2021 has seen the closing of two distribution centres to save costs. The Group has retained its global manufacturing presence in areas where sustained activity is anticipated.

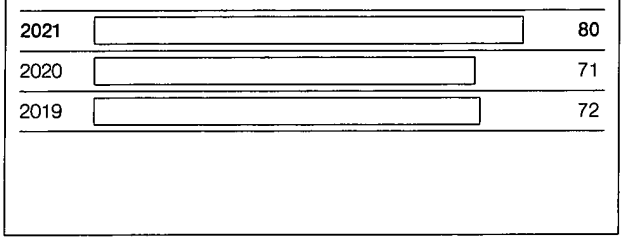
Quality Assurance

The Group's Quality Assurance programme, for all its products, is a key feature of our business strategy, as it supports our standing within our customer base. Detailed policies are implemented within all facilities and in the year, the Group reported a manufacturing reject rate of 0.13% (2020 – 0.24%).

Facility ISO Accreditations

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

Facility ISO 9001:2015 Accreditations
(%)



More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitoring and enhancing quality, while reducing the environmental impact of our operations and improving Health, Safety and Environmental ("HSE") standards.

Hunting's seamless Quality Management System ("QMS") is certified and accredited for these ISO standards and all facilities are operated in accordance therewith. Operational and production excellence is a key driver of our engagement and relationship with customers.

Quality assurance for each component manufactured is a key differentiator in our drive to be an industry-leading provider of critical components and measurement tools.

Intellectual Property

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio provides us with a competitive advantage and allows us to enjoy better margins and more operational flexibility. In 2021, Hunting had a total of 518 patents being either granted or pending at year-end.

CNC machines are operated at all facilities.

Hunting has installed automated lines in recent years.

02. Our Operating Segments

Introduction

Hunting reports its performance based on its key geographic operating regions. Hunting Titan is a large, separate division, which is reported as a stand-alone segment that operates in several geographic locations. A description of each segment is noted below.

Hunting Titan
Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include perforating gun systems, shaped charge technologies and well completion instrumentation.

The business has four manufacturing facilities in the US and one facility in Mexico, supported by 12 distribution centres, primarily located in Canada and the US.

North America
The North America segment was formed on 1 January 2021, following the merging of the Group's US and Canada operating segments. The segment supplies OCTG, premium connections, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets.

The North America segment has 14 operating facilities, mainly located in Texas and Louisiana.

Europe, Middle East and Africa ("EMEA")
The EMEA segment derives its revenue primarily from the supply of OCTG and intervention tools to operators in the North Sea. The segment has operations in the UK, the Netherlands, Norway, Saudi Arabia and the UAE.

Revenue from the Middle East and Africa is generated from the sale and rental of intervention tools across the region, with local operations also acting as sales hubs for other products manufactured globally by the Group, including OCTG and perforating systems.

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

Hunting Titan

	2021	2020
Operational sites	**5**	4
Distribution centres	**12**	14
Year-end employees	**517**	380

North America

	2021	2020
Operational sites	**14**	15
Distribution centres	**2**	2
Year-end employees	**836**	880

Europe, Middle East and Africa ("EMEA")

	2021	2020
Operational sites	**8**	8
Distribution centres	**0**	0
Year-end employees	**224**	229

Asia Pacific

	2021	2020
Operational sites	**4**	4
Distribution centres	**0**	0
Year-end employees	**302**	364

Total

	2021	2020
Operational sites	**31**	31
Distribution centres	**14**	16
Year-end employees	**1,949**	1,923

Total year-end employees includes 70 (2020 – 70) head office and corporate personnel.

03. Our Products and Services

Oil Country Tubular Goods ("OCTG")

Operating Basis:
Manufacturing
Trading

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

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

Global Operating Presence
North America, EMEA and Asia Pacific.

Related Strategic Focus Areas
Hunting has entered into a joint venture agreement with Jindal SAW to access the high growth OCTG market in India.

Related Principal Risks
- Commodity prices
- Shale drilling
- Competition
- Product quality

Perforating Systems

Operating Basis:
Manufacturing

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

Differentiators
Hunting has a market-leading position in the US, supported by a strong portfolio of patented and unpatented technology.

Global Operating Presence
Operating sites in North America, Mexico and China. Distribution centres in North America and Asia Pacific.

Related Strategic Focus Areas
Hunting has launched a number of perforating and charge technologies in the year, which aligns with the evolving well completions market.

Related Principal Risks
- Commodity prices
- Shale drilling
- Competition
- Product quality

Advanced Manufacturing

Operating Basis:
Manufacturing

Overview
Advanced Manufacturing includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex measurement-while-drilling/ logging-while-drilling ("MWD/ LWD") and formation evaluation tool components. The Hunting Electronics business manufactures printed circuit boards capable of operating in extreme conditions. These businesses work collaboratively with customers implementing their designs to their specifications. Hunting Specialty manufactures products used for onshore drilling and completion activities.

Differentiators
Hunting Dearborn is a world leader in the deep drilling of high grade, non-magnetic components. As a Group, Hunting has the ability to produce fully integrated advanced downhole tools and equipment, manufactured, assembled and tested to the customer's specifications.

Global Operating Presence
North America.

Related Strategic Focus Areas
Our AMG businesses have secured new non-oil and gas sales in the year, with clients including SpaceX and Blue Origin.

Related Principal Risks
- Commodity prices
- Product quality

Subsea

Operating Basis:
Manufacturing

Overview
The Subsea division produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, valves and weldment services.

Following the acquisition of RTI Energy Systems, now known as Subsea Spring, titanium and stainless steel stress joints and production risers have been added to the Group's subsea portfolio.

The addition of Enpro Subsea's product offering also brings modular production technology and know-how to our offshore capabilities.

Differentiators
Hunting's expertise ranges from the manufacture of high pressure seals to complex welding of stress joints.

Global Operating Presence
North America and EMEA.

Related Strategic Focus Areas
Our Subsea Spring business has won a number of large orders for its titanium stress joints.

Related Principal Risks
- Commodity prices
- Product quality

Intervention Tools

Operating Basis:
Manufacturing
Equipment Rental
Trading

Overview
The Group manufactures a range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment.

This business is capital intensive and results are dependent on asset utilisation and rental rates.

Differentiators
Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.

Global Operating Presence
North America, EMEA and Asia Pacific.

Related Strategic Focus Areas
Our Well Intervention business has identified innovative technologies to expand Hunting's product portfolio and has increased sales activities into areas which leverage the Group's brand.

Related Principal Risks
- Commodity prices
- Competition

Non-Oil and Gas

Operating Basis:
Manufacturing

Overview
Across the Group, efforts have been stepped up to diversify revenue streams and leverage our core competencies into new markets.

In the year, Hunting has developed new sales streams in the military and medical sectors, primarily via our Dearborn and Electronics businesses.

In the year, the Group's Asia Pacific segment also delivered its first batch of micro hydro generation systems.

Differentiators
Hunting's complex, precision machining capabilities are applicable to many other sectors outside of oil and gas.

The Group has successfully positioned itself with a number of defence related businesses who recognise our expertise.

Global Operating Presence
North America, Asia Pacific.

Related Strategic Focus Areas
Our non-oil and gas revenue was fairly resilient in the year, with medical, space and military sales secured.

Related Principal Risks
- Product quality

04. Our Stakeholders

Introduction

The Group's stakeholders enable the delivery of Hunting's business model and strategy.

Stakeholder engagement forms a key element of our culture and is an area which has increased over the past few years.

Understanding the needs of our shareholders, customers, suppliers and workforce is achieved by regular dialogue.

Shareholders and Lenders
Our shareholders provide equity capital to the Group. Our institutional investors are mainly located in the UK and shareholder returns are predominantly in the form of dividend distributions. The Directors regularly engage with shareholders to discuss strategy, governance and other matters. This feedback is used to refine our strategic plans.

Our Employees
Hunting's employees deliver our strategic plans. Since 2019 we have increased our engagement activities through perception surveys and town hall meetings. During 2021, the Board's interaction with employees included an employee engagement event at the Group's Subsea business unit, where Annell Bay, the designated non-executive Director for employee engagement, met staff in Houston.

Our Customers
Our clients are critical to the financial success of the Group. Customer dialogue helps us shape our strategy and provides focus to our service offering. Often, customer feedback helps us define new product development.

Suppliers
Hunting's supply chain has increased in importance during 2021 as raw material and component costs have increased. We have worked hard to ensure a secure supply chain in the year, to enable us to continue to deliver for our customers.

Environment and Climate
The Group's environmental impact has also been an area of increased scrutiny by investors during 2021. In the year we have created new ESG and TCFD steering groups to enhance the measuring and monitoring of our carbon footprint as well as completing analysis to understand the longer term climate opportunities and risks to our business model.

Governments
The Group has continued its engagement with local tax authorities in the year to remain fully compliant with all evolving legislation.

Our Communities
Hunting continues to assist communities through a wide range of activities. Throughout the COVID-19 pandemic, the Group has provided safety masks to at-risk members of the community.

Sustainability Accounting Standards Board ("SASB") Reporting
Throughout this section, Hunting has introduced the SASB reporting codes relevant to its non-financial data. Please refer to the SASB reporting tables on pages 226 and 227, which provide the detail to each area of reporting, Hunting's compliance to the reporting recommendation and the page location of the relevant information.

Shareholders

Hunting's shareholders are important stakeholders, providing a key source of capital to allow growth for the longer term. The Group has one class of Ordinary shares.

At 31 December 2021, the total number of Ordinary shares in issue was 164.9m (2020 – 164.9m), and the number of shareholders on the register was 1,337 (2020 – 1,403).

During the year, the Group purchased 2.7m Ordinary shares, which were transferred to Hunting's Employee Benefit Trust, for a total cost of $8.1m.

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

TSR forms a large portion of the longer-term remuneration paid to the executives of the Group, with demanding vesting targets measured against our industry peers.

In 2021, Hunting PLC's Ordinary shares achieved a TSR of -22% on an annualised basis, given the ongoing subdued economic activity due, in part, to COVID-19.

Dividend Policy
Each dividend proposal considered by the Board is determined on its own merits taking into account the considerations outlined below. This flexible approach is influenced by the cyclical nature of the oil and gas sector which, as recent history demonstrates, can produce significant swings in activity levels and cash generation.

Dividends, therefore, reflect business performance over time and will not necessarily be progressive. In assessing the level of dividend that is appropriate, the Board considers not only the results and position of the business for the financial year in question, but reviews mid-term projections and downside sensitivities for a three-year period as used in the Viability Assessment.

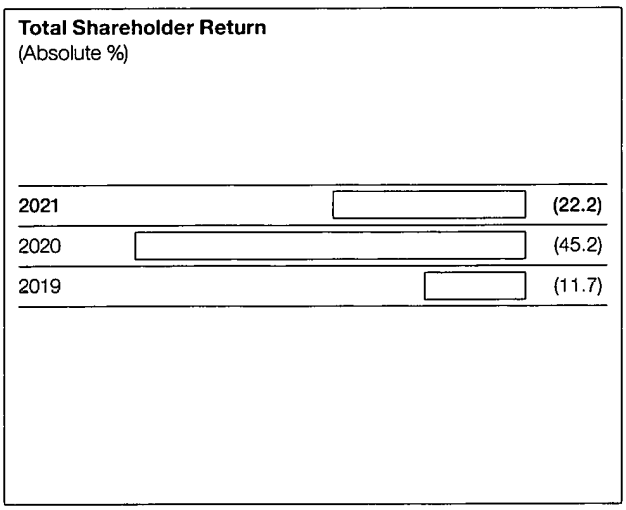
A company's dividend capacity is typically constrained either by distributable reserves or by liquidity. Hunting PLC has in excess of $300m of distributable reserves and Hunting Energy Holdings Limited, a direct UK subsidiary of Hunting PLC, which directly or indirectly controls the operating businesses of the Group, has distributable reserves in excess of $300m.

The Board considers that these distributable reserves are capable of servicing dividends for the foreseeable future and that any dividend constraints will be driven by liquidity.

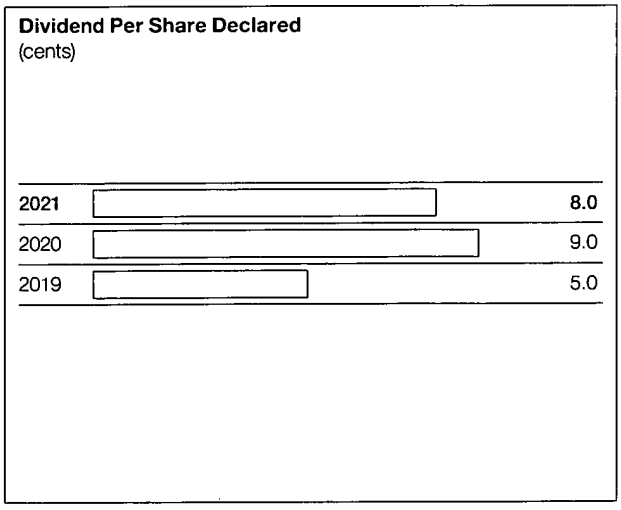
Shareholder Engagement
Regular shareholder engagement meetings are organised through an annual calendar of work co-ordinated by the Group's Head of Investor Relations and is summarised below. These meetings allow the Board to understand the views of our key investors. In the year, 100 meetings were held with institutional investors (2020 – 159) and five investment conferences were attended (2020 – five).

	Event	Roadshows	Conferences	Other
January				Chairman and SID shareholder meetings.
February				
March	Annual Results	UK	UBS JP Morgan Simmons	Remuneration, consultation and engagement.
April	AGM and Q1 Trading Statement			
May				
June	H1 Pre-Close Trading Statement		RBC Capital Markets	
July				
August	Half Year Results	UK		
September				
October	Q3 Trading Statement			
November			JP Morgan	
December	FY Pre-Close Trading Statement			

Total Shareholder Return
(Absolute %)



Dividend Per Share Declared
(cents)



Major Shareholders
The Company's major shareholders, as at 31 December 2021, are listed below:

	Notes	Number of Ordinary shares	% of ISC
M & G Investment Management		11,872,568	7.2
GLG Partners		11,729,398	7.1
BlackRock	(6)	11,205,787	6.8
Hunting Investments Limited	(1/4/5)	11,003,487	6.7
Schroder Investment Management		10,765,892	6.5
Franklin Templeton		7,064,037	4.3
Slaley Investment Limited	(5)	6,424,591	3.9
Janus Henderson Investors		6,126,688	3.7
J Trafford – as trustee	(2/5)	5,228,660	3.2
Dimensional Fund Advisers		4,925,591	3.0
David RL Hunting	(1/2/3/4/5)	194,120	0.1
– as trustee		3,157,750	1.9
– other beneficial		1,875,950	1.1
Issued share capital – at 31 December 2021		**164,940,082**	**100.0**

Notes:
1. Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.
2. After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 5,228,660 Ordinary shares.
3. Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.
4. Richard H Hunting (non-executive Director of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.
5. In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests"), entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 3 March 2022, the Hunting Family Interests, party to the agreement, totalled 24,210,900 Ordinary shares in the Company, representing 14.7% of the total voting rights.
6. On 17 February 2022, BlackRock informed the Company that it had increased its shareholding to 12,738,874 Ordinary shares, representing 7.7% of the issued share capital.
On 22 February 2022, BlackRock further informed the Company that it had increased its shareholding to 13,786,233 Ordinary shares, representing 8.4% of the issued share capital.

Board Engagement and Decision Making – Shareholders
The Directors of Hunting receive a report detailing the Company's major shareholders at each Board Meeting, with a briefing by the Chief Executive and Finance Director on meetings that have recently occurred with key matters being regularly discussed following this engagement. The Chief Executive and Finance Director meet with major shareholders after the Half Year and Full Year Results, and during 2021 followed a plan of investor meetings with shareholders in the UK and North America. The Chairman and Senior Independent Director also met with institutional investors in January 2021 and January 2022 to discuss governance, strategy and remuneration.

In line with recommendations from investor groups and UK regulators, the Company has increased its disclosures in the area of Climate Change and reports its information aligned with the Task Force on Climate-related Financial Disclosures ("TCFD"). The Group has adopted a risk management framework to monitor climate risk and has maintained its carbon reduction targets, as set in 2019.

Hunting has also started to report against the Sustainability Accounting Standards Board ("SASB") recommendations in the year, which is an area that will see increased disclosures in future years.

The Board also sets the Company's dividend policy, following a review of the financial performance for the relevant reporting period, and considers proposals by the executive Directors on the level of distribution. The Group's Audit Committee reviews dividend proposals as part of its regular programme of work and makes a recommendation to the Board. Dividends are declared on the announcement of each set of Group results and are usually paid in May, following shareholder approval at the Company's Annual General Meeting, and in October. Given the proportion of UK shareholders on the share register, the Group's current practice is to pay all dividends in Sterling. In the year, the Group has reported a strong cash position and, despite its financial results, has continued to declare and pay dividends in recognition of the underlying strength of the Company. The Directors are proposing a 2021 Final Dividend of 4.0 cents per share, which will be subject to approval by shareholders at the AGM.

Our Lenders

In the period, the Group had a multi-currency revolving credit facility ("RCF"), totalling $160.0m, provided by four banks comprising HSBC, Barclays, DBS and Wells Fargo. For the whole of 2021, the facility remained unutilised given the positive net cash position held throughout the year.

As noted in the Group Review, Hunting commenced discussions to refinance the RCF into a new $150m Asset Based Lending ("ABL") facility towards the end of H1 2021. Negotiations continued throughout the remainder of the year, with the new facility signed on 7 February 2022. The ABL lending group now comprises Wells Fargo and HSBC.

Board Engagement and Decision Making – Lenders
The Directors are briefed at each Board meeting by the Finance Director on the Group's financial position and the relationship with members of the bank lending group. Regular meetings between the Chief Executive, Finance Director and Group Treasurer and the RCF lenders were held during the year to brief the banks on the performance and position of the Group. As mentioned above, negotiations around the Group's new $150m ABL facility concluded in early February 2022. Hunting PLC management and the Board look forward to building on the engagement we have had with HSBC and Wells Fargo during the refinancing and are grateful for their ongoing support.

Our Employees

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

At 31 December 2021, the Group had 1,949 employees (2020 – 1,923) across its global operations. SASB Code: RT-IG-000.B.

The ongoing impact of COVID-19 on the Group's operations has been a key feature of 2021, as many facilities have continued to adopt social distancing protocols to keep our employees safe and healthy during these challenging times. As global vaccination programmes were rolled out, most facilities wound down working-from-home arrangements that had been in place since March 2020, however, deep cleaning, the wearing of face masks and sanitising protocols remained in place to continue to protect our staff.

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

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

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and voluntary workforce turnover rate noted below. This demonstrates Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Average employee tenure	**10.2 years**
Group employee voluntary turnover rate	**10.5%**

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

While the Board, through the work of the newly formed Ethics and Sustainability Committee, monitors procedures to comply with our published Code of Conduct, responsibility for our employees lies for the most part with local management, to enable local matters to be addressed, with all businesses complying with the Group's ethical employment and human rights policies as published in the Hunting PLC Code of Conduct (located at www.huntingplc.com).

Health and Safety

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

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

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

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

During the year, there were no fatalities across the Group's operations (2020 – nil), with 19 recordable incidents (2020 – 16).

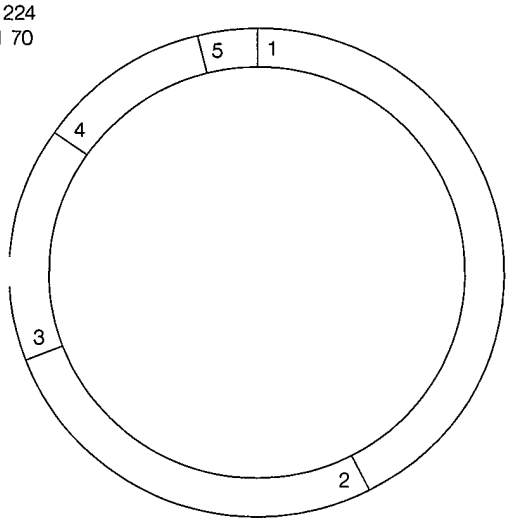
The recordable incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA" and calculated by multiplying the number of incidents by 200,000 and dividing by the total numbers of hours worked) in the US, was 0.99 compared to 0.67 in 2020. This incident rate reflects a 48% year-on-year increase compared to the prior year, as new employees were hired in Hunting Titan and activity increased in the second half of the year. The industry average incident rate in 2021 was 4.0 (2020 – 4.0).

The "near miss" frequency rate (calculated by multiplying the number of incidents by 200,000 and dividing by the total numbers of hours worked) was 0.78 in 2021 (2020 – 0.89) reflecting 15 near misses (2020 – 17).

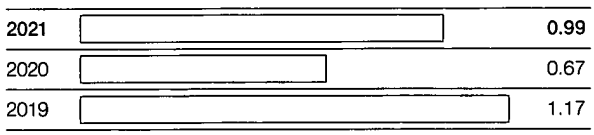
In the year, the number of hours worked decreased by 21% to 3.8m hours (2020 – 4.8m hours) as trading declined within the Group's offshore and international businesses. SASB Code: EM-SV-320a.1, EM-SV-320a.2, RT-IG-320a.1 and EM-SV-000.D.

Employees (at year-end)

1. North America 836
2. Hunting Titan 517
3. Asia Pacific 302
4. EMEA 224
5. Central 70



Total Recordable Incident Rate



Our Business Model
continued

Across all its global operations, Hunting is committed to achieving and maintaining our Health, Safety and Environment ("HSE") goals of: No Accidents, No Harm to People, and No Damage to the Environment. Hunting has defined rules and guidelines for HSE training, protective equipment, and high-risk operations. This is covered by the Group's Health, Safety and Environmental Global Manual that is accredited to ISO 14001 "Environmental Management System" and in accordance with ISO 45001 "Occupational Health and Safety Management System". Manufacturing and services are provided by Hunting facilities that are strategically located to serve its customers. All activities, products and services are provided in compliance with the Company's Health, Safety and Environmental policy.

Hunting has utilised services to provide climate, noise, and air quality testing over the past several years. The Group will continue utilising these services annually to achieve an accurate sample of Hunting's operations to ensure compliance and safety for all its employees. As a result of these protocols, Hunting has continuously been able to improve the working conditions across all platforms.

The HSE department has continued to grow all aspects of Health and Safety awareness during the COVID-19 pandemic. One of the biggest challenges that the department had to overcome were the travel restrictions. Being faced with travel restrictions, the Group had to increase the use of technology to continue HSE awareness. The HSE department adapted an online meeting strategy that was scheduled at the desired frequency for general meetings or action plans. The development of the new HSE Management System in OnBase, allowed the department to be completely remote without any restrictions on achieving success and compliance.

OnBase was created as the new application to hold the framework of the Group's Global HSE Management System. This system was completely redesigned to achieve a united structure for all operations. Hunting's internal processes are now completely seamless, captured within one application. OnBase allows the Group to continuously enhance the management system to stay in compliance with all local regulatory agencies.

Training
The Group operates an embedded Health and Safety training programme for its employees, with each shop-floor member of staff attending weekly "Tool Box" sessions, where HSE messaging is re-enforced.

In line with the SASB standards, the following health, safety and emergency response training for employees is noted in the chart below.

As an embedded programme for new employees, the Group provides ethics training through a Code of Conduct training course, to ensure awareness of our published policies. The programme incorporates anti-bribery and corruption, modern slavery, fraud and tax modules to ensure our employees understand their responsibilities on joining the Group.

Employee Engagement
In 2019, Hunting commissioned its first all-employee survey, to enhance its global workforce engagement initiatives. This initiative is planned to be repeated in the coming year.

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

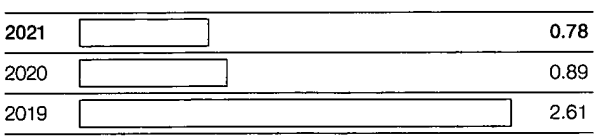
- providing a safe and comfortable working environment for all employees and contractors;
- respecting the rights of each individual with a zero tolerance approach to any form of discrimination, harassment or bullying;
- providing training and development programmes to our global workforce;
- not employing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

Diversity
The Group's gender diversity profile for 2021 is detailed on page 57. Hunting's policies promote prejudice-free decision making, ensuring all stakeholder interests are taken into consideration and commit Hunting to building a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit. Furthermore, the policy focuses on recruitment, training and development, conditions of work and disciplinary procedures.

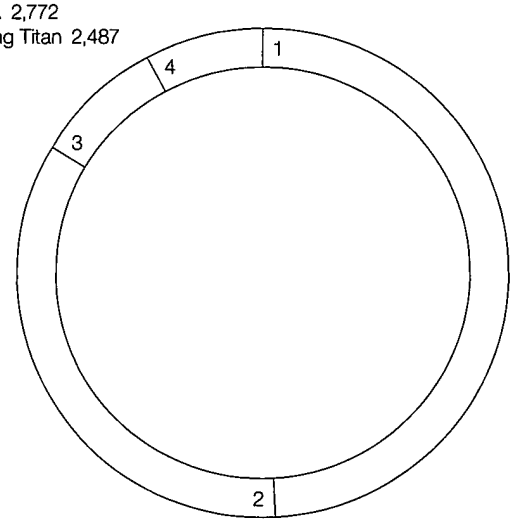
Gender Diversity
Hunting's gender diversity policy commits the Group to:

- an embedded culture of equal opportunities for all employees, regardless of gender;
- require external recruitment consultants to submit their diversity policies to the Group prior to appointment;
- ensure that external consultants appointed by Hunting provide the right Board shortlists comprising of an appropriate gender balance; and
- a periodic review by the Nomination Committee of its progress in complying with best practice recommendations.

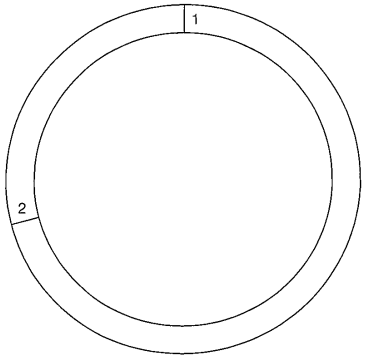
Near-miss Frequency Rate



Training Hours Completed by Operating Segment
1. Asia Pacific 16,042
2. North America 11,264
3. EMEA 2,772
4. Hunting Titan 2,487

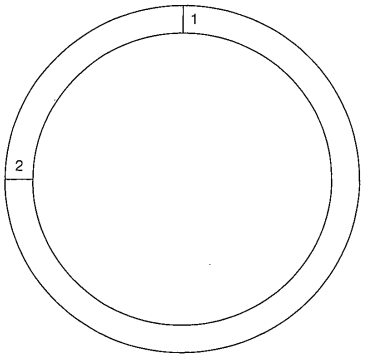


Board
1. Male 5 – 71%
2. Female 2 – 29%



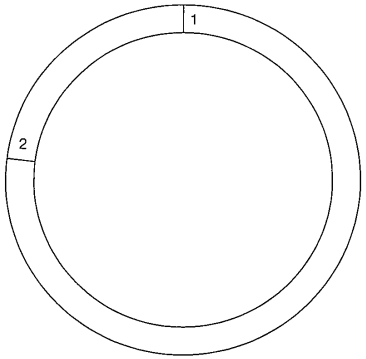
Hunting's Well Testing plant in the Netherlands.

Senior Management
1. Male 63 – 75%
2. Female 21 – 25%



Quality checks being completed at Enpro.

Workforce
1. Male 1,502 – 77%
2. Female 447 – 23%



OCTG threading occurs in most regions.

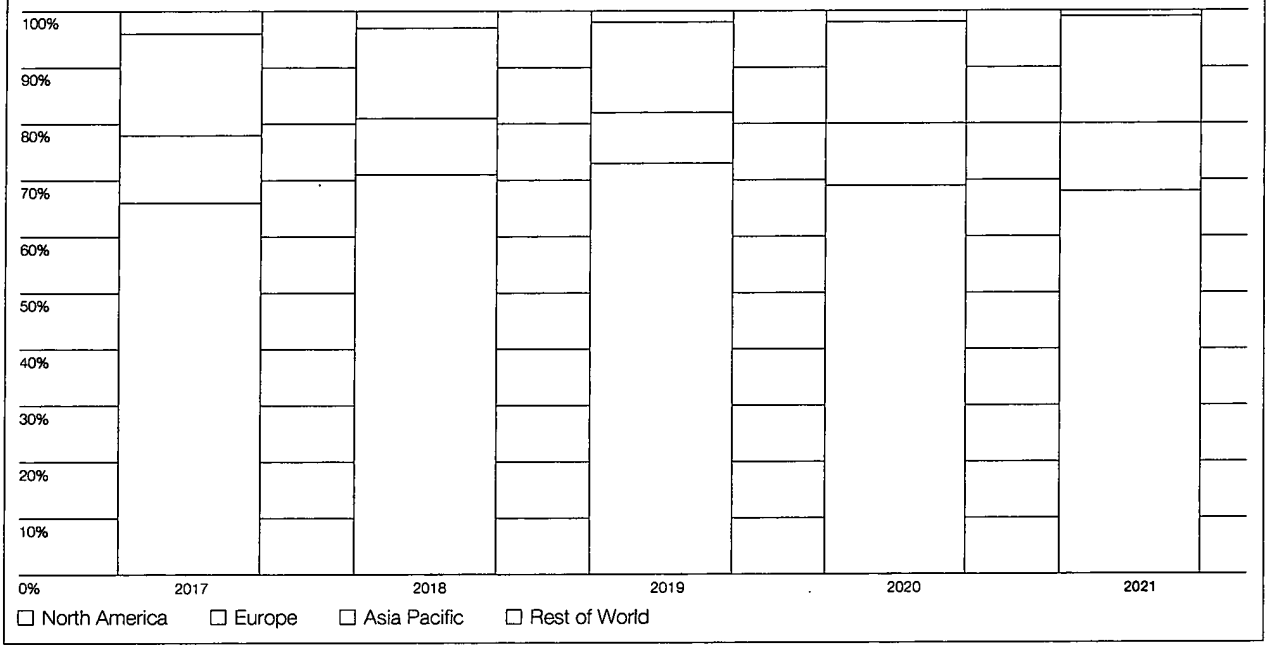
CNC machining in Aberdeen, UK.

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

Gender diversity data of Hunting's Board, senior management and workforce is noted in the charts on page 57.

Ethnicity
Hunting is committed to an ethnically diverse workforce and extends its global operating footprint to 11 countries. The Group remains North American focused, with over c.70% of employees from that region at 31 December 2021.

Group Ethnicity (%)



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

Board Engagement and Decision Making – Employees
Through the newly formed Ethics and Sustainability Committee, the Board has formalised the reporting of Human Resources matters, with the Group's Chief HR Officer providing reports at each meeting of this newly formed Committee.

As part of Hunting's improved governance framework, the Hunting Executive Committee was also expanded to include the Chief HR Officer, with reports considered at each meeting.

Hunting's Director of Health, Safety and Environment ("HSE"), who is a member of the Executive Committee, reports directly to the Chief Executive and the Directors review a HSE report at each Board meeting. The Directors noted the low number of incidents in the year, reflecting Hunting's strong attention to this area, which has now extended over many years.

Further, the Board received reports from Keith Lough, the Company's Senior Independent Director, on the whistleblowing reports received. In the year, the Group received one report to the SafeCall service (2020 – two reports).

As the Group exited from the impact of the pandemic, an employee engagement event was held at the Group's Subsea business unit in September 2021, where Annell Bay, the designated non-executive Director for employee engagement, met with members of the workforce.

Our Customers

As a member of the oil and gas equipment supply chain, Hunting's broad portfolio of products and services enables the Group to cover a large proportion of the needs of the global energy industry, including onshore and offshore drilling projects and conventional and unconventional resource development, supported by selected high value services to help our customers achieve their strategic objectives. A common theme across all our businesses is our ability to add value for our customers, which is achieved by providing high technology products that lower the cost of operation, resolve technical problems, or simply enable a job to be completed more quickly or safely, without compromising on quality.

The ongoing impact of the COVID-19 pandemic and lower demand for hydrocarbons, have continued to challenge across all levels of the oil and gas supply chain. The major theme of the Group's customer discussions in the year was the improving outlook for energy demand and the ability of the supply chain to meet client needs as and when equipment purchasing recommences in earnest. Hunting has continued to engage its customer base proactively to continue to assist our clients in meeting their strategic objectives and continues to assist customers with technology developments to lower production costs or increase in-field safety.

Our Customer Channels to Market

	Split of Group revenue
Operators Operators are the end consumers of our products and related services. These include national oil companies, international oil companies and independents. Approximately 15% of our sales are made directly to operators.	c.15%
Service Companies Our primary route to market is via other service providers, which generate c.60% of our revenue. These include "1st tier" service companies who can provide project management services to operators. Key customers include Halliburton, Baker Hughes, Schlumberger and PipeCo Services.	c.60%
Steel Mills and Other Oil and Gas Steel mills are key suppliers to our business; however, in some circumstances we can perform threading services for them or supply OCTG products.	c.18%
Non-Oil and Gas Non-oil and gas sales are led by our Trenchless, Dearborn and Electronics operations, which have developed new customers within the aviation, medical, space and telecommunications sectors.	c.7%

Customer Engagement

Client engagement is key to the Group's understanding of the short- to medium-term needs of our various clients. This daily dialogue helps us shape our strategy and focus our product research and development programmes. In the year, the Group continued to launch new products that directly addressed customer needs, some of which resulted from close customer collaboration in response to in-field technical challenges.

As part of our active dialogue and engagement with our customer base, key clients are usually invited to our facilities to review our production capabilities and processes, review new technology and brainstorm on future projects. Customer contact reports are a regular feature of our sales function, which often include issues or concerns, in-field performance feedback and overall customer satisfaction.

Hunting's customer-facing sales teams are directly supported by the Group's Engineering, Quality Assurance and Health, Safety and Environment teams, which all assist in the provision of key operational performance information that supports global tenders and the overall sales function. Further, to embed the Group into our customer base, Hunting is a member of a number of industry and trade association bodies including:

- American Petroleum Institute;
- Society of Petroleum Engineers;
- International Association of Drilling Contractors;
- Aberdeen Renewable Energy Group;
- Carbon Capture & Storage Association; and
- DeepWind.

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

Anti-Bribery and Corruption ("ABC") and Payments Transparency

The Group has processes and procedures in place to monitor and risk-assess bribery and corruption. Hunting's Code of Conduct training course includes detailed modules on ABC compliance and risk assessment procedures. The Group also completes a process of assessing each company role and employee for bribery risk – with a central register being maintained of these employees. SASB Code: EM–SV-510a.2.

Twice a year, each major business unit completes a risk assessment process, detailing management's views on its risk profile against 16 key ABC considerations, and includes details of the mitigating controls in place for each of these risks. The results of this assessment are presented to the Group's Ethics and Sustainability Committee (and before 2021 to the Group's Audit Committee), this also includes a Group ABC risk register.

As part of the Group's Internal Audit function's work programme, a review of these risk registers is undertaken where the ABC risk profile is challenged. Results of this work are to be reported to the Board through the Ethics and Sustainability Committee.

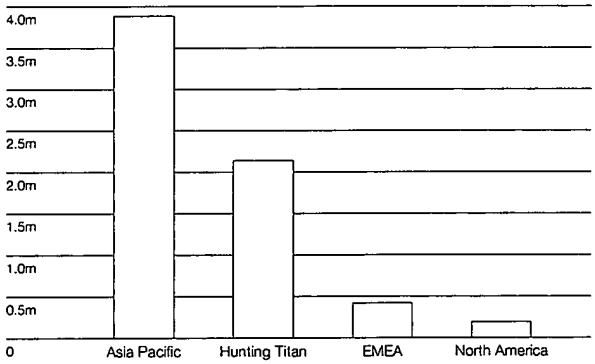
The Group's ABC procedures include the detailed monitoring of entertainment and hospitality with customers and suppliers in our supply chain, with approval procedures in place when high-value events are being planned.

In addition, the Group monitors all agents and charitable donations, with central registers and Board reporting included.

The Group's Whistleblowing Service also promotes the reporting of any employee concerns about ABC issues.

In compliance with SASB Code: EM–SV-510a.1, the Group's net revenues to countries with low rankings for Corruption Perception, as published by Transparency International ("TI") are as follows:

Revenue from Countries with a TI Corruption Perception Score of <25 ($m)



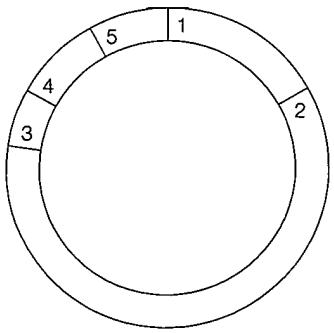
Ethics and Governance
Hunting's close relationship with its customers is also enhanced by our ethical policies and transparent ways of doing business. All of our major customers receive our Code of Conduct, which includes a commitment to be transparent in our business dealings. Regular due diligence on new customers is also undertaken to ensure the Group complies with international trading and sanctions legislation. In many cases, we ask our clients to complete "end user" declarations to confirm that Hunting's products do not conflict or breach trading restrictions or sanctions legislation. The Group also has strong entertainment and hospitality policies, which support our commitment to anti-bribery and corruption.

Board Engagement and Decision Making – Customers
In parallel with the commercial dialogue and engagement undertaken by our leadership teams with our customers, the Board of Hunting, in support of its statutory stakeholder duty, has approved the development of the Group's strategy by reviewing and approving capital investment projects that directly support future customer needs. Board approvals are also required for contracts over a certain monetary value. In the year, the Group provided $2.5m convertible financing to Well Data Labs, a software development company focused on in-field drilling data and analysis, and invested $5.1m in Cumberland Additive, a 3D printing and additive manufacturing business. Other capital investment in the year totalled $6.6m in production capacity and equipment.

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

Capital Investment

1. Hunting Titan 17%
2. North America 62%
3. Asia Pacific 6%
4. EMEA 8%
5. Central 7%



Suppliers

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

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

Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue on quality expectations. Often, supply chain managers visit the facilities of our suppliers to review procedures, including Quality Assurance, Health and Safety performance and employment practices.

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

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

Board Engagement and Decision Making – Suppliers
The Board, through the work of the Ethics and Sustainability Committee, reviews the Group's supply chain risk profile and reviews engagement reports on the Group's dialogue with customers and suppliers. This leads to discussion and challenge by the Directors.

Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue."

Environment

Introduction
Carbon and climate matters have become an area of close scrutiny in recent years, with the Board overseeing the development and introduction of strong governance and reporting initiatives that will support Hunting's commitment to these issues for the long term.

The Directors are mindful that all commitments made by the Group should remain proportionate to the size and profile of our operations, but also to protect our earnings and shareholder returns, which are the basis of our investment case.

Hunting has disclosed its Scope 1 and 2 greenhouse gas emissions since 2013, with the reporting process integrated into our non-financial reporting framework. This has led to attention being given to energy efficiency programmes, which have included low energy and higher efficiency solutions being introduced into many of the Group's facilities, along with the migration to lower carbon electricity arrangements. In 2019 Hunting published its first carbon reduction commitments.

Governance
The Board of Hunting recognises the importance of a strong governance framework to address carbon and climate matters as well as long term sustainability.

As noted in the Corporate Governance Report on pages 99 to 104, 2021 saw the formation of a new Ethics and Sustainability Board Committee, which comprises the independent non-executive Directors of the Company. The new committee monitors and reviews a range of non-financial reporting matters, including the Group's total carbon footprint, the reporting against the framework published by the Task Force for Climate-related Financial Disclosures ("TCFD"), ESG, bribery and corruption, modern slavery and sanctions as well as other key areas.

The Board has appointed Jim Johnson, Hunting's Chief Executive, to oversee the development of these matters and coordinate regular reporting of these issues to the Board. The Chief Executive has in turn empowered the Hunting Executive Committee to develop strong carbon reduction and climate change planning processes for integration into the Group's day-to-day operations.

The Group has formed an internal ESG steering group, which comprises a wider number of senior executives from across the Company, who develop procedures and processes. As part of this initiative a specific TCFD working group has been formed.

Group Climate Policy and Commitment to the Paris Accords
The Board of Hunting has committed to the principles published in the 2015 Paris Agreement, which aims to limit the increase in global temperatures. The Group's Climate Policy was published in January 2020 and can be found at www.huntingplc.com.

While the Group is slowly migrating its electricity supplies to renewable energy sources, the Board believes that stronger carbon reduction targets are realistic and achievable.

Carbon Reporting Roadmap

2013	2019	2020	2021
Commenced Scope 1 and Scope 2 greenhouse gas emissions reporting.	Publication of first carbon reduction and intensity targets.	Initial TCFD disclosures published, including governance and physical risk analysis. External advisers appointed.	TCFD disclosures reported, in line with UK Listing Rules. TCFD steering group formed.

Annual Greenhouse Gas Emissions
To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas ("GHG") data in accordance with the principles of the Kyoto Protocol.

Hunting is committed to addressing environmental issues and embedding a low carbon culture within our operating facilities and our employees. New facilities take into account environmental impact considerations, including protection from extreme weather events, such as wind storms and flooding.

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

Environmentally responsible initiatives implemented across the Group include (1) energy efficiency solutions including more efficient lighting; (2) water capture and recycling; and (3) waste recycling. These initiatives are continuously enhanced to incrementally reduce the Group's overall carbon footprint and environmental impact.

The Company has elected to disclose the breakdown of its greenhouse gas emissions, to enable stakeholders to understand the overall mix of emissions and the likely areas of emissions reduction, as the Group continues to evolve its initiatives to contain and reduce its carbon footprint.

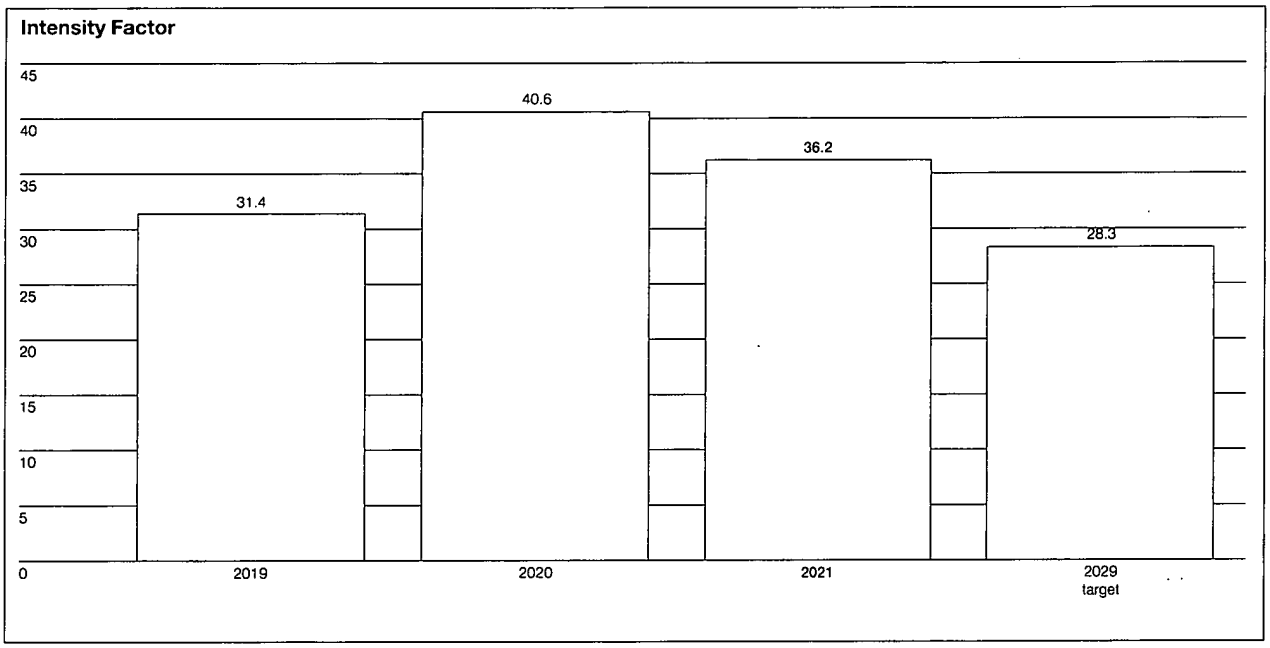
Tonnes CO_2e	2021	2020	2019
Scope 1			
– Fuel consumption, including natural gas	1,680	3,267	4,128
– Vehicle consumption, including diesel and gasoline	2,491	3,338	2,972
Total	**4,171**	**6,605**	**7,100**
Scope 2			
– Electricity purchased	14,688	18,811	23,042
Total	**14,688**	**18,811**	**23,042**
Total Scope 1 and Scope 2 emissions	**18,859**	**25,416**	**30,142**

The Group submits its greenhouse gas data to the Carbon Disclosure Project, which is available at www.cdp.net. The data reported, and carbon dioxide conversion factors used to report the Group's carbon footprint, are based on those published by BEIS and DEFRA in the UK (www.defra.org.uk) and the International Energy Agency.

In the UK, total Scope 1 and 2 emissions in 2021 were 474 tonnes of carbon dioxide equivalent compared to 1,493 tonnes in 2020.

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

Intensity Factor
The Group's intensity factor is based on total carbon dioxide equivalent emissions divided by the Group's revenue in 2021, and was 36.2kg/$k of revenue, compared to 40.6kg/$k of revenue in 2020.

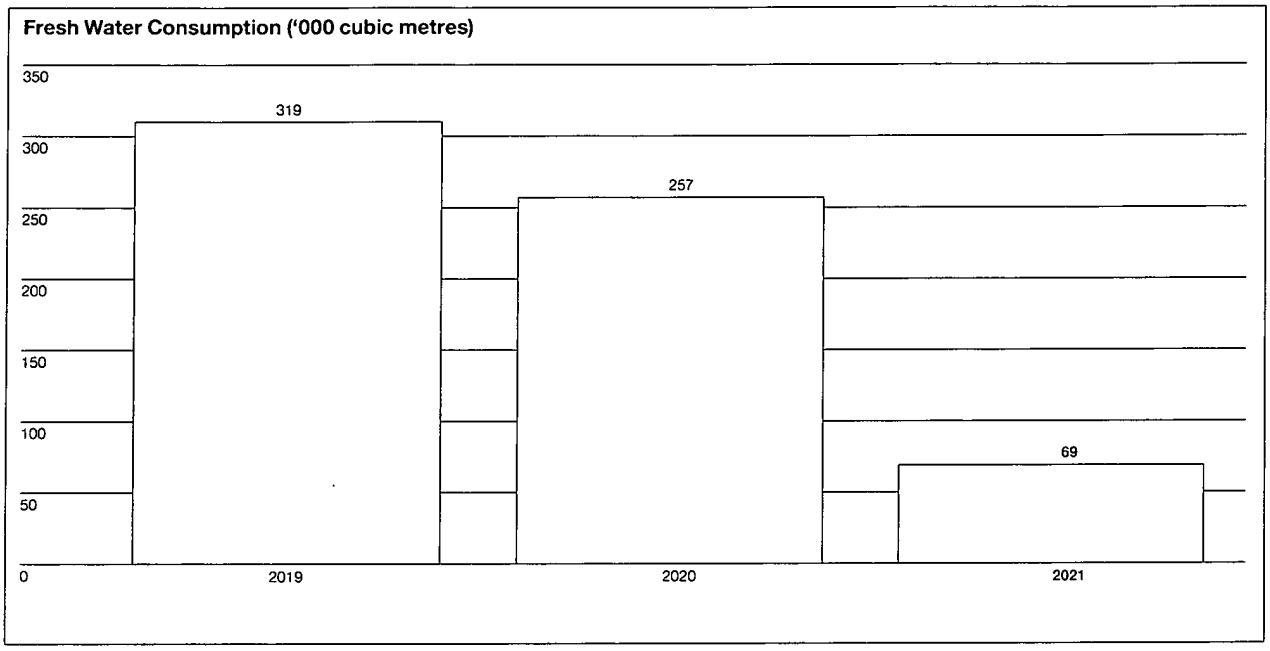


Annual Energy Summary

Energy Type	Units	2021	2020	2019
Natural gas – Group	GWh	**8.5**	13.7	17.7
Natural gas – UK	GWh	**0.2**	2.6	4.2
Vehicle consumption and process emissions – Group	Tonnes CO_2e	**2,491**	3,338	2,972
Vehicle consumption and process emissions – UK	Tonnes CO_2e	**1.4**	3.3	6.0
Electricity purchased – Group	GWh	**40.5**	48.6	55.7
Electricity purchased – UK	GWh	**1.4**	1.4	1.6
Renewable electricity purchased – Group	GWh	**6.3**	5.8	2.1
Renewable electricity purchased – UK	GWh	**0.3**	0.4	0.5

As noted above, Hunting is slowly migrating its electricity purchased to more renewable and sustainable sources. In the US, where the majority of the Group's facilities are located, wind generation capacity is substantial giving the Board confidence that a large proportion of its carbon footprint (predominantly Scope 2 electricity usage) can be eliminated by moving to renewable energy. In the UK, the Group's Aberdeen and London operations have secured renewable energy supplies. SASB Code: EM-SV-110a.1, EM-SV-110a.2 and RT-IG-130a.1.

Water Usage
Water management is becoming a key feature of Hunting's sustainability strategy, with measures being introduced to recycle more fresh water across the Group's facilities. Hunting's historic water usage is as follows:



The Group's primary water consumption is based on supporting property and equipment needs. Hunting has a number of water supplies, some provided by utility networks, which comprise the above figures and some from bore-holes drilled at each location. Our long-term sustainability plans include measuring all water inputs and from 2023 we will be reporting the percentage of water recycled in line with SASB Code: EM-SV-140a.1 and EM-SV-140a.2.

Wherever possible, we work very closely with our global facilities to ensure we reduce our environmental impact, including water consumption, as we realise the importance of protecting these valuable resources. Similarly, where water is used as part of our manufacturing process, the discharge of waste (e.g. cooling) water, is not discharged into the original water source. Our method is to focus on monitoring our water usage and operational risk, and proactive water management. For example, as part of the regional Environmental and Water Management strategy in the EMEA region, the Fordoun site monitors the water discharged from operational activities twice per calendar year. Additionally, we have a commitment to conserving and protecting freshwater resources whenever possible – from water withdrawal, to use and reuse where possible; whilst contaminated water is collected and disposed of as special waste, destined for further recycling.

Waste Management and Recycling
During the year, the majority of the Group's facilities had at least one recycling programme in place. In 2019, the Group initiated a new process to quantitatively collect recycling information on metal, paper/wood and plastics. The following table shows the data collected in the year.

Metal recycling	**3,060** tonnes
Wood/paper recycling	**67** tonnes
Plastics recycling	**43** tonnes

Board Engagement and Decision Making – Environment
The Board has overseen the development of carbon and climate initiatives, which have included the formation of the Ethics and Sustainability Committee, the formation of an internal ESG steering group and a TCFD working group. These working groups have a specific remit to review climate and carbon matters, and accelerate the development of a strong sustainability agenda for the Group's senior leadership team to address.

As part of this process, the development of ESG initiatives and carbon data management has been introduced into the annual bonus objectives of the executive Directors, as noted in detail in the Annual Report on Remuneration. The Board also engaged third party analysis of the Group's climate risk, which is outlined in the TCFD section of the report on the pages following.

Task Force for Climate-related Financial Disclosures
Under the UK Listing Authorities reporting requirement, (LR 9.8.6(8)) Hunting presents its TCFD disclosures. The Directors are reporting against the four key reporting pillars of (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics and Targets. Further, the Directors also note that it has made good progress in reporting against all of the 11 recommended disclosures as prescribed by the Listing Rules and TCFD's guidance. The Directors' approach to the implementation of TCFD reporting in 2021 has been to focus on the recommended reporting pillars of Governance and Risk Management to provide a strong internal framework for all of the Group's business units to build on in the coming years. It is noted that Hunting published its first carbon reduction commitments in 2019. In addition to increasing its Governance framework and Risk Management procedures, Hunting has developed a Group-level climate change risk assessment and has also completed detailed due diligence on its geographic footprint, to evaluate the current climate-related risk profile and has also developed a number of future risk scenarios, which provides investors with insight into the Group's possible risk profile of its asset base.

Hunting continues to evaluate the impact of climate change on its current and non-current assets and in 2022 plans to complete further modelling of the financial impact of climate change. Given the absence of science-based carbon reduction targets, the Directors have not, as yet, aligned Hunting with the UK's Net Zero ambition. However, the Board is confident of progress in this area in the coming year, as the above due diligence is completed. Further, in 2022 the Board are planning to complete an assessment of the Group's Scope 3 greenhouse gas emissions, in line with TCFD recommendations, to understand if it is appropriate for Hunting to report this metric.

Governance

Our Approach

Hunting's approach to TCFD governance aligns with the Board's broader governance objectives of implementing a framework that empowers management to deliver our TCFD strategy while reporting and monitoring progress to the Directors on a regular basis.

The Board, through the Ethics and Sustainability Committee, has direct oversight of TCFD initiatives, with the Hunting Executive Committee integral to delivering progress at the grass roots of the Group.

A specific TCFD working group comprising senior leaders of the Company has been tasked with delivering a realistic approach to TCFD, which will align with the broader strategic objectives of the business.

Our Progress

- Formation of the Ethics and Sustainability Committee in June 2021, chaired by Jay Glick.
- The Committee meets twice a year with carbon data and TCFD reporting being a regular agenda item.
- Formation of a TCFD working group to develop a long-range strategy.

TCFD Disclosure

Governance (a) – see pages 65, 105 and 106.
Governance (b) – see page 65.

Next Steps

- The Directors will complete further due diligence on the financial impact of climate change during 2022 and will update its Climate Strategy.
- Hunting plans to complete Director training on TCFD during 2022.

For more information of the Group's wider governance framework, please refer to the Corporate Governance Report on pages 99 to 104.

Strategy

Our Approach

The Group's climate strategy is an evolving area and one that will be developed more strongly in 2022. Hunting's overarching commitment to the 2015 Paris Accords, mean that the Board is committed to reducing its carbon footprint through closer monitoring and reporting and realistic strategies to minimise emissions.

The Directors are also committed to delivering a stronger Sustainability strategy in 2022, which will better align Hunting's longer-term growth objectives with its carbon, climate and sustainability ambitions.

Our Progress

- The TCFD working group has completed analysis on its carbon footprint and graded each facility and business on its carbon impact, but also the potential for carbon reduction.

TCFD Disclosure

Strategy (a) – see pages 66 to 67.
Strategy (b) – see pages 66 to 72.
Strategy (c) – see page 71.

Next Steps

- The Directors are developing key strategic initiatives to include Energy Transition developments, with the view of entering the carbon capture and storage sub-segment of the market.
- The Group has a broader strategy of revenue diversification as noted on page 72 and in the Chief Executive's Statement on pages 10 to 13.

Risk Management

Our Approach

The Board has broadened its Risk Management framework, to incorporate more robust analysis of the risks and opportunities climate presents to each business unit.

The Group's central compliance function has prepared a Group-level risk assessment in respect of climate change, which is detailed on pages 66 to 67. The assessment notes the impact and timescales relevant for each risk.

The Directors have also reviewed a broad range of physical (acute and chronic) risks facing the Group's operations and now have a clear reporting framework.

Our Progress

- The Group has assessed the risks of climate, specifically in the areas of the distribution of its non-current assets and revenue generating locations.
- Hunting also completed longer-range analysis of the impact of climate on its asset base.

TCFD Disclosure

Risk Management (a) – see pages 65 to 67.
Risk Management (b) – see pages 65 to 66.
Risk Management (c) – see page 65.

For more information on the wider Group's Risk Management framework, please refer to the pages 82 to 85.

Next Steps

- In 2022, the Group's Risk Management framework will increase the reporting requirements of each business unit to submit risk disclosures that align with the risk analysis noted on pages 66 to 70.
- Further, it is intended to extend the Group's internal due diligence on the financial impact of climate change, which will include further revenue and expenditure analysis and asset impairment reviews.

Metrics and Targets

Our Approach

The Group published its maiden carbon reduction targets in 2019. This commits Hunting to reducing its emissions (from the base line year of 2019) by 10% by 2029 and containing its emissions intensity to 30.

Our Progress

- In 2021, the Group's total Scope 1 and 2 emissions were 37% below the 2019 base year. This was predominantly driven by lower levels of business activity due to COVID-19.

TCFD Disclosure

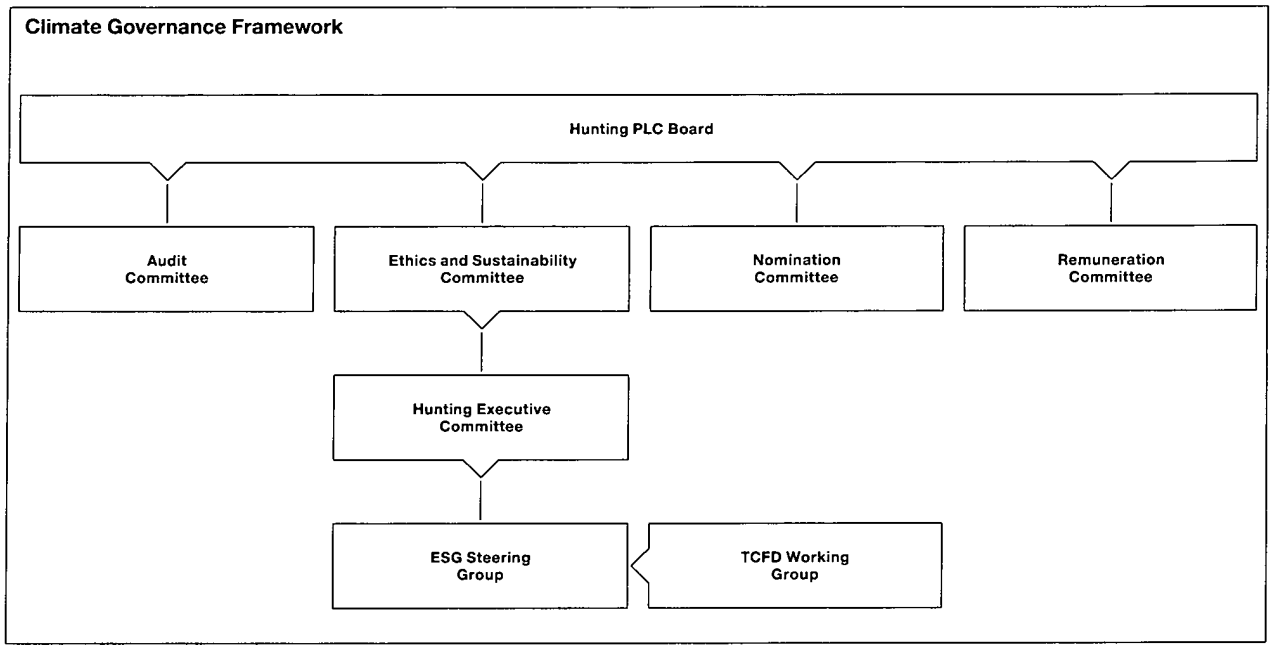
Metrics and Targets (a) – see pages 72 to 73.
Metrics and Targets (b) – see page 73.
Metrics and Targets (c) – see pages 62 and 73.

Next Steps

- The Board recognises that stronger carbon reduction targets are required across the Group, and will publish revised metrics and targets in the near future.

Climate Governance

The Board of Hunting has put in place a robust climate-related governance framework to oversee and deliver on its objectives going forward. This governance framework is summarised below.



Since 2020, the Board has been briefed by the Group's central compliance function and the Group Company Secretary on the TCFD reporting requirements and the workstreams underway across the Group to assess compliance. As a consequence of this, the Directors approved the appointment of WillisTowersWatson to assist in the assessment of the Group's physical risks, based on the location of its current and non-current assets.

In addition, the Board decided to create an Ethics and Sustainability Committee to improve Hunting's overall governance and reporting framework in the area of climate change and wider ESG issues. The Committee meets twice a year, with carbon, climate and TCFD matters being regular agenda items to present to the Board, with management's ongoing assessment, and associated work streams to address, the risks and opportunities facing the Group in respect of climate change. The Ethics and Sustainability Committee review and monitor a broad range of non-financial aspects of the Group's activities, including key aspects of ESG governance. Regular Quality Assurance and Health and Safety briefings are a feature of each meeting of the new Committee and environmental and climate matters are a new feature of the Group's governance processes, where direct Board monitoring of these key matters will occur. Members of the Group's senior leadership team are invited to meetings of the Committee and they in turn are supported by the Executive Committee, a formal ESG internal steering group and TCFD steering group, the latter being charged with developing formal reporting and new strategies to curtail the Group's carbon footprint, reduce its impact on the environment and to provide direction on Hunting's sustainability ambitions.

While the Ethics and Sustainability Committee reviews these important non-financial matters, the Audit Committee retains key oversight of Hunting's public disclosures on these areas, including the information contained in its Annual Report and Stock Exchange announcements.

Climate Policy

In December 2020, the Directors approved a Climate Policy (located at www.huntingplc.com), which commits the Board to Group-level monitoring of climate-related opportunities and risks. This Policy acknowledges the global goal to limit global warming in line with the Paris Accords and commits the Group to assisting in the delivery of this ambition through a reduction in its global carbon footprint. The Group acknowledges it is at the beginning of its journey and will endeavour to reach these targets in the coming years as low-carbon initiatives are extended throughout the Company and are made more widely available in each geographic region of operation.

Climate Risk Management

As noted in the Risk Management section on pages 82 to 85, the Group has a broad-based risk management process, which includes a submission by each business unit three times a year of the major risks, and mitigating controls, facing their operations. This is reviewed by the Group's Audit Committee. Climate Change risk has been included as a principal risk, given the Group's focus on the oil and gas industry as well as current sentiment within financial and investment markets towards traditional energy businesses.

As part of the Group's preparations for TCFD reporting, Hunting's central compliance function prepared a climate risk assessment, which is a Group-level assessment of the short, medium and long-terms risks facing the Group in respect of climate change, and presents the perceived impact climate has on Hunting, in addition to the timescale to which the risk is relevant to the Group. Management has given consideration to its long range revenue streams, likely changes to the Group's cost base, in addition to an assessment of its asset base in respect to the impact of climate change. Further, consideration has been given to reputation and wider financial market risk, given the scrutiny of climate change by investors and lenders.

In 2020 and 2021, the Group's central compliance function, which also oversees the annual insurance renewal for all of Hunting's businesses, worked with specialists from WillisTowersWatson to compile a physical climate risk assessment for Hunting's climate exposures. In 2022, each business unit will be requested to include climate considerations in their analysis from the perspective of market, operational and financial risk.

Climate Change Risk Analysis

Category	Rating	Description of Risk and Management Actions	Timeframe	Financial Impact
1. Market Transition Risk	Low/ Medium	During 2021, the Board reviewed a number of primary energy demand scenarios, developed by Wood Mackenzie and the International Energy Agency ("IEA"), which included the Energy Transition projections and scenarios. These are noted on page 68. The Directors of Hunting have concluded that a likely demand scenario supports a robust outlook for oil and gas for the medium term i.e. at least 15-20 years, which will drive strong demand for Hunting's energy-focused products through this timeframe. The Directors will continue to monitor these projections and government legislation and will also track its customers and suppliers who are also developing compliance to this long-range change to the energy industry. As part of a longer-range strategy, the Board and management are putting initiatives in place to diversify its revenue streams, which do not rely on the global oil and gas market, as noted in the Chief Executive's Statement on pages 10 to 13 and also on page 72.	Long Term	Revenue
2. Technology Transition Risk	Medium	Should the pace of the Energy Transition be more rapid than what is currently projected, certain of the Group's product lines and technologies will be less adaptable to a low carbon energy world. However, the Directors have noted that a number of businesses including the Group's OCTG, Perforating Systems and Advanced Manufacturing groups are highly adaptable to the Energy Transition and are well placed to develop non-oil and gas revenues. Please refer to Climate Opportunities on pages 71 and 72.	Long Term	Revenue
3. Labour Transition Risk	Medium/ High	Historically, the oil and gas sector has provided highly competitive rates of pay and benefits and, therefore, has always been an attractive sector to work in. The global climate action agenda, coupled with the COVID-19 pandemic, has contributed to a change in perception of the global oil and gas sector, which may present a continuing risk of attracting and retaining skilled talent. The consequence of this risk is that employee costs may rise in the short to medium term as the global energy market returns to growth. The Directors have monitored this risk during 2021 and through the Ethics and Sustainability Committee, will review the Group's strategy for human capital, including hiring and employee remuneration.	Short to Medium Term	Expenditures
4. Insurance and Tax Transition Risk	Low/ Medium	As a premium listed Company focused on the oil and gas industry, Hunting is faced with the likelihood of increased operating costs, including insurance and tax costs. It is possible that Hunting's insurance costs could rise in the future, given its presence in the global energy supply chain. Further, it is likely that western governments will introduce taxation on companies, based on its carbon footprint. Given its focus on precision engineering, Hunting is in a strong position to affect a long-term revenue diversification strategy. This is evidenced by a resilient non-oil and gas revenue stream reported in 2021 and a broader corporate strategy of developing non-oil and gas sales. Further, given that the Group has a relatively low carbon footprint, any carbon related taxation is likely to be small. Hunting's total carbon footprint is c.80% derived from electricity consumption, which is an area where detailed analysis is currently being undertaken to increase renewable-sourced energy. Therefore, the Directors believe that over time Hunting can transition to green energy contracts that will minimise this financial risk.	Short to Medium Term	Expenditures

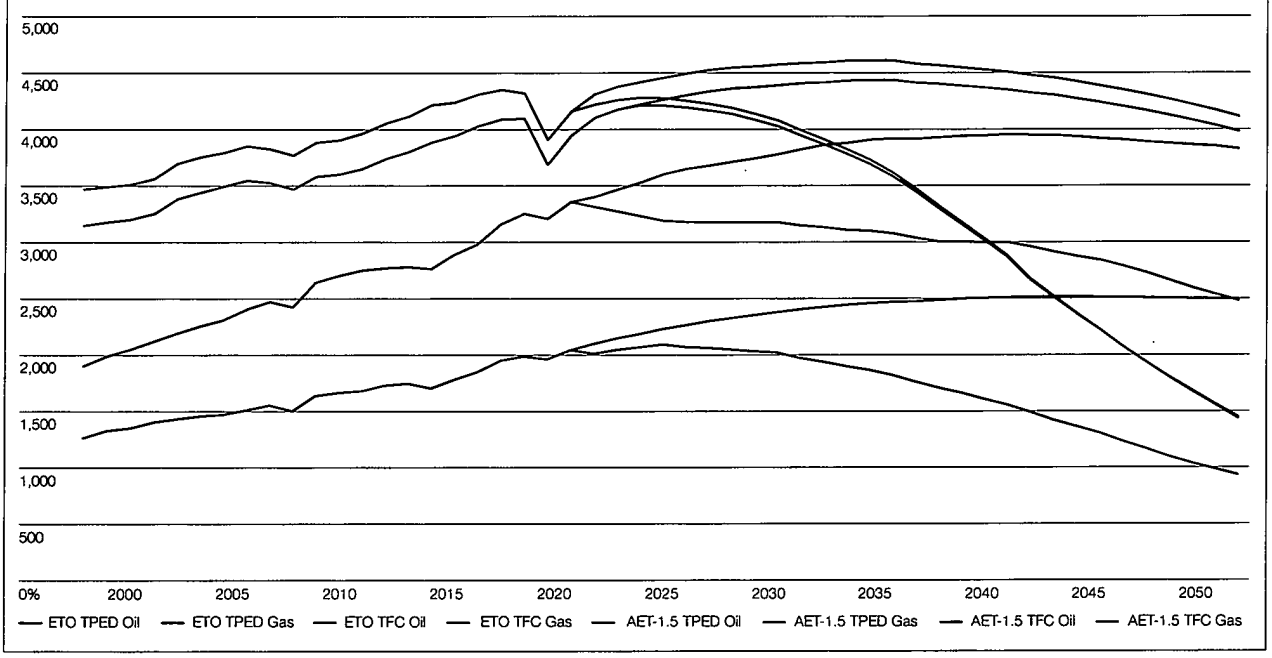
Category	Rating	Description of Risk and Management Actions	Timeframe	Financial Impact
5. Assets Physical Risk	Low/ Medium	During 2021, Hunting has focused its climate change analysis on the physical risks facing the Group including carrying out an assessment of each operational location in respect of possible extreme weather events. See pages 69 and 70. Future climate scenarios have also been developed, which have highlighted certain facilities that are more exposed to climate-related risks and severe weather events. These reports are being reviewed by management to support our long-term operating resilience. In 2022, the Group will increase its long-term analysis of its asset base, which will include an assessment of triggers for the impairment of property, plant and equipment, based on this physical risk profile. The Directors believe that given Hunting's long-term presence in Louisiana and Texas, which periodically suffers from tornadoes and other extreme weather events, management is highly experienced in managing this risk. The Directors are therefore satisfied that appropriate attention is given to this area.	Long Term	Assets and Liabilities
6. Financial Markets Transition Risk	Medium	With the increased attention climate change is being given by financial markets, the standing of energy-related companies has come under increased scrutiny in recent years. Perceived transition risk by shareholders, lenders and market commentators has the potential for financial institutions to increase their margins on borrowings or limit the ability to raise equity finance, leading to an increase in the overall cost of capital for the Group. The Directors believe that investors and lenders will be more demanding in respect of the provision of financing in the future. However, this risk is partially mitigated by the Board's non-oil and gas ambition, its successful refinancing with the new $150m Asset Based Lending facility and the positive outlook for oil and gas to 2030.	Short to Medium Term	Capital and Financing
7. Regulatory, Legal & Compliance Transition Risk	Medium	Regulatory and compliance risk with respect to climate has increased in the past year, including the introduction of TCFD reporting requirements and the demand for long-term planning disclosures to address climate change. The Directors of Hunting believe that regulatory and compliance costs are likely to increase over time as companies address carbon and climate issues, which will likely require additional human capital to meet stakeholder expectations as well as to develop Net Zero strategies. As noted in the Risk Management section on page 88, the Directors also believe that compliance to climate change legislation within the Group's customer and supplier base, could differ substantially given the various government and political agendas where Hunting's stakeholders are located.	Short to Medium Term	Expenditures, Capital and Financing
8. Reputation Transition Risk	High	Many stakeholders have become more aware of climate change over the last couple of years, linking a company's response to the climate debate. Many companies are beginning to respond to this reputational risk by addressing stakeholder concerns, which range from strong carbon reduction commitments to publishing Energy Transition strategies. The Directors believe that a proportionate response to climate change planning is being implemented, which protects shareholders' short- to medium-term interests, including earnings and capital returns. Over time, the Directors will increase the disclosures in this area as longer-term plans are agreed.	Short to Medium Term	Capital and Financing

Market Risk

The Directors regularly receive reports from the Chief Executive on the short- to medium-term outlook for oil and gas demand, given that this is a key revenue driver. As noted in the Market Review, market indicators include rig count data and drilling and production spend data published by Spears & Associates that are used by Hunting, which supports the Group's wider financial reporting needs, including impairment reviews.

In December 2021, the Board received a briefing from Wood Mackenzie on oil and gas demand scenarios based on government-driven climate commitments. A summary of this is presented in the chart below, which highlights that one possible long-term scenario is that oil and gas demand will decline from c.2035 onwards. Market projections published by the International Energy Agency have also been reviewed in the year, which support a more stable outlook for oil and gas, as part of the primary energy demand mix. The Directors therefore believe that this spectrum of views presents support for the long-range demand for oil and gas – and that a managed diversification of Hunting's revenue can be achieved.

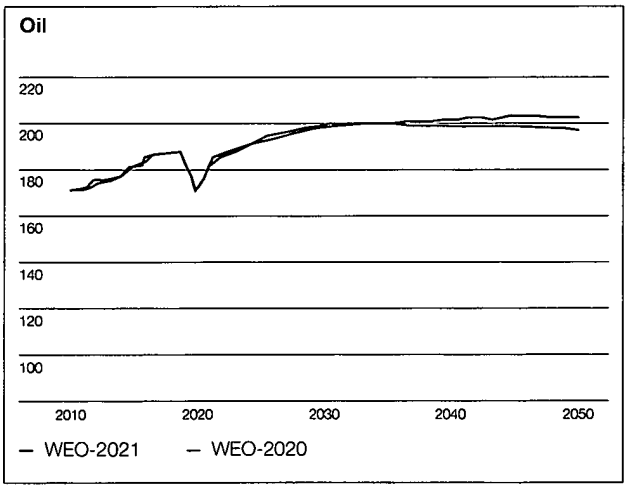
Global Energy Demand by Fuel and Scenario (Mtoe)

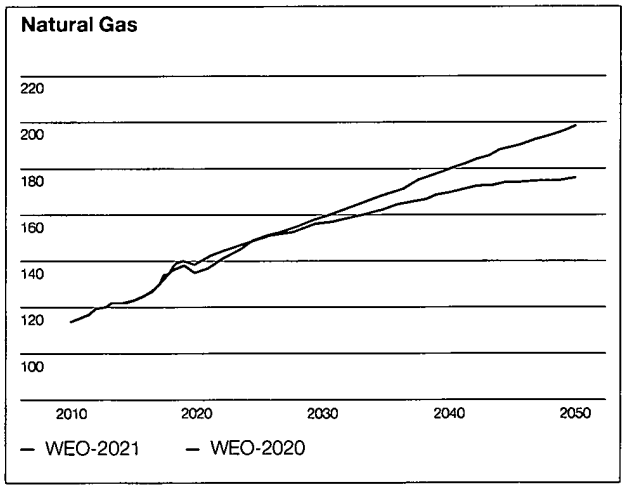


ETO – Energy Transition Outlook (base case)
AET – Accelerated Energy Transition (1.5°C)
TPED – Total Primary Energy Demand
TFC – Total Final Consumption

Source: Wood MacKenzie.

Oil and Gas Primary Energy Demand Projections to 2050 – EJ (Exajoule 10^{18} joules)





WEO – World Energy Outlook

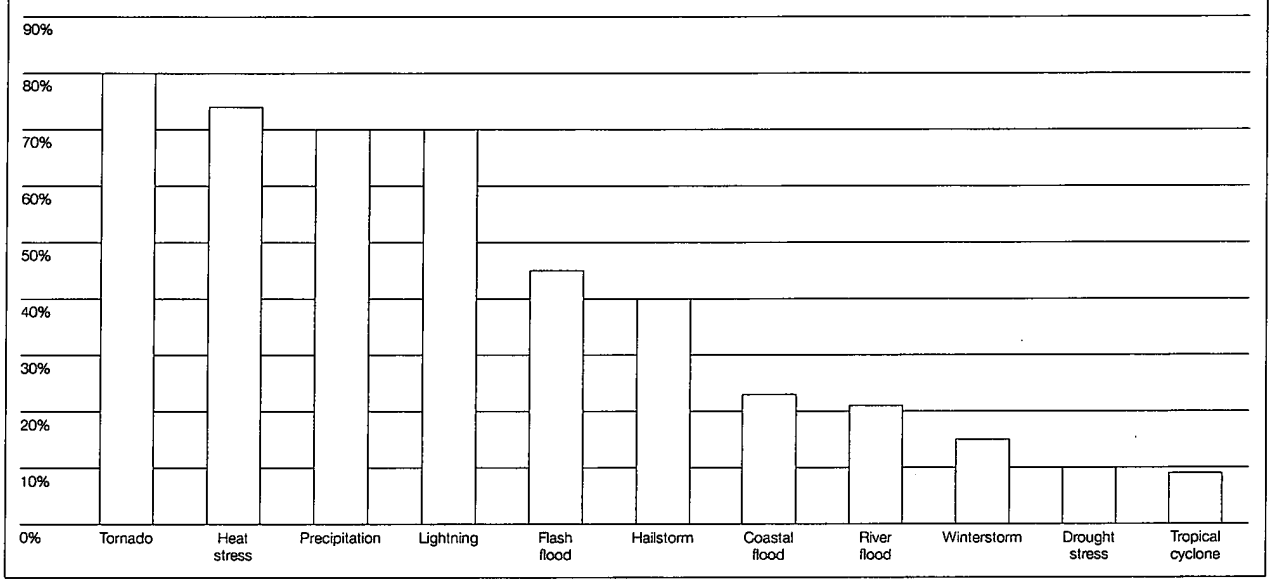
Source: International Energy Agency.

Asset Risk

In December 2021, the Committee reviewed an independent report that presented the Group's physical risk profile with respect to climate change and which presented analysis of Hunting's operating locations and their respective risk profiles against a variety of weather events. The report also detailed a longer-range risk analysis incorporating a number of climate scenarios and how this could potentially impact the Group's operations. The results of this analysis are summarised below.

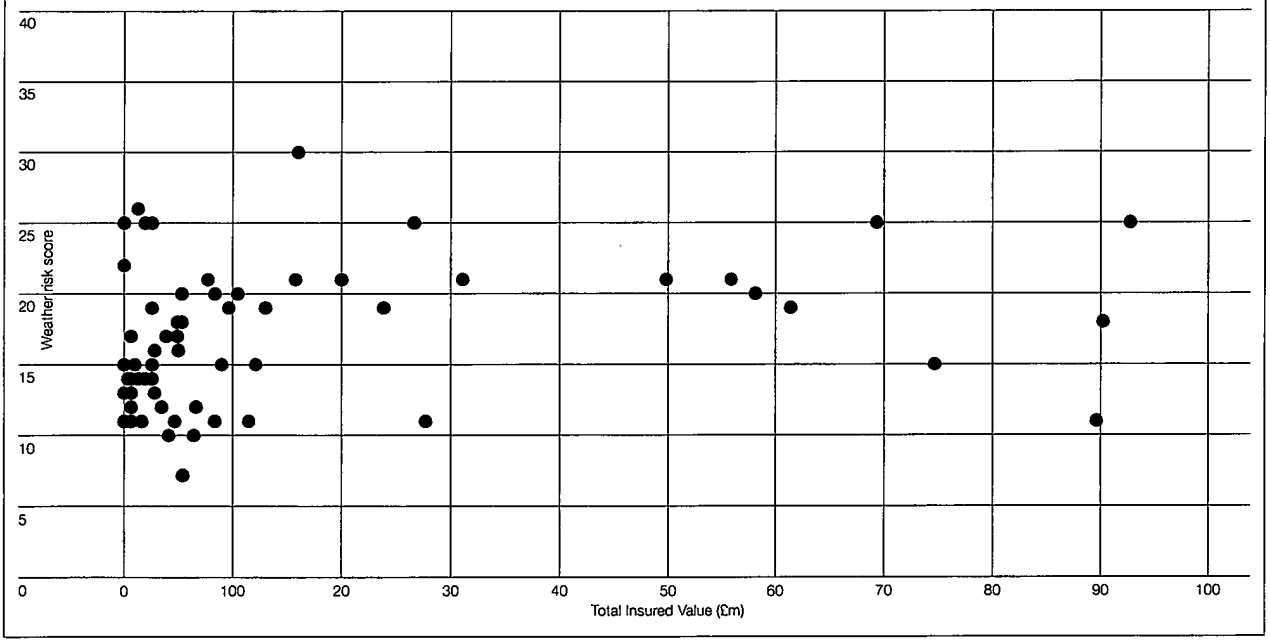
Given the concentration of facilities in Texas and Louisiana, locations that periodically experience tornadoes and wind storms, c.80% of the Group's operating locations are in higher-risk locations. Other storm-related risks are reflected in the chart below. Flood risk is overall a lower risk for the Group.

Hunting's Facility Exposure to Climate (% of Facilities vs Weather Event)



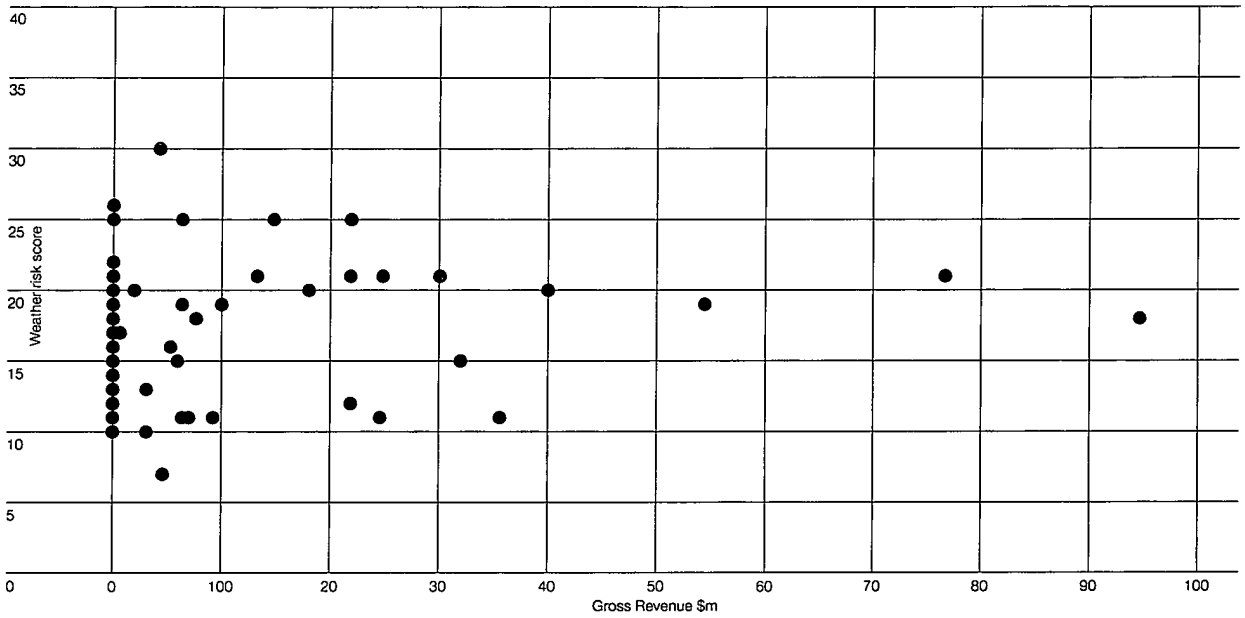
The charts following present the asset and revenue risk of the Group, by location and relative value, as a function of the weather event score applied by the WillisTowersWatson analysis. The total insured value figure is the value of assets held at each location, which are covered by Hunting's global insurance programme and which covers both property damage and business interruption. It can be noted that a small number of facilities have a higher concentration of insured assets, with the overall asset risk mitigated across the Group's diversified global operations. The Directors have also received reports detailing where key products lines are manufactured and the relative climate risk associated with each of these sites.

Total Insured Value (£m) by Facility vs Weather Risk Score (max = 48)



Similar to the asset and weather risk chart, the Directors have reviewed the Group's revenue by operating location as a function of WillisTowersWatson's weather event scores. The Board understands which facilities are key revenue generators and the risk of loss should a weather event hit a particular facility. It can again be noted that a small number of facilities have a higher concentration of revenue, however, the overall asset risk is mitigated across the Group's diversified global operations.

Gross revenue ($m) by Facility vs Weather Risk Score (max = 48)

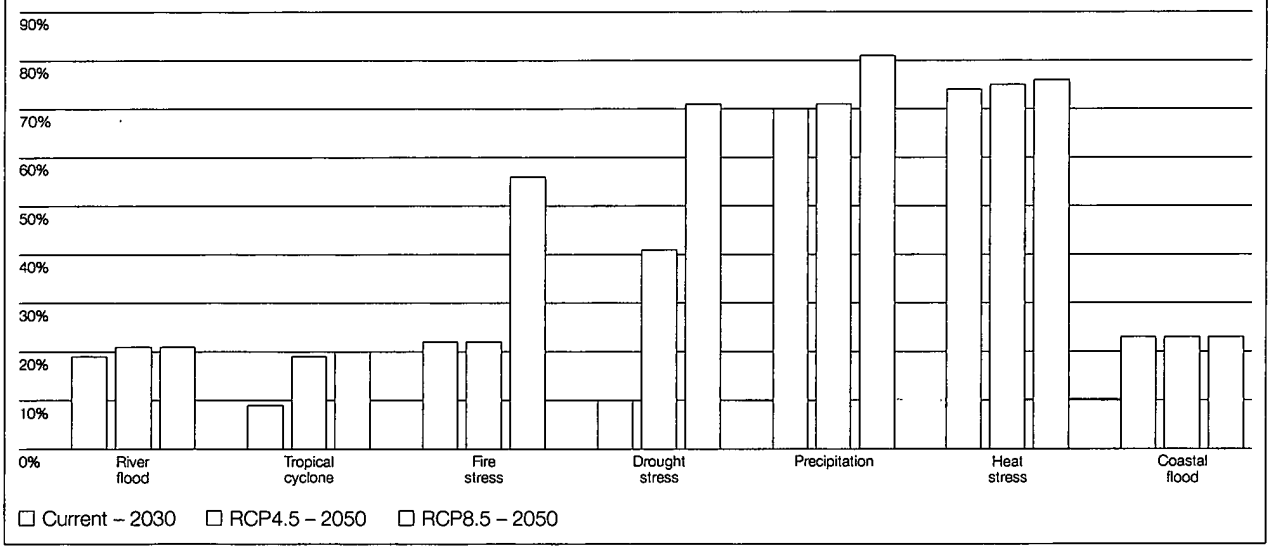


Similar to the chart presented on page 69, WillisTowersWatson evaluated the longer-range climate risk to the Group's operating locations, applying the following two scenarios up to 2050:

Scenario 1 – RCP4.5 (an increase in global temperature by 2-3°C by 2050)
Scenario 2 – RCP8.5 (an increase in global temperatures by 4°C by 2050)

It can be noted that both climate scenarios lead to an increase in weather risk, in respect of (i) tropical cyclones; (ii) fire stress and (iii) drought stress. However, all other risks are currently known and evaluated by the Board under the Group's current operational risk programme. It is therefore noted that, on this basis, the Group's asset base risk is appropriately mitigated for the long term with actions and controls in place. It should be noted that all operating sites in Texas and Louisiana are constructed in a manner that address weather risk and include storm water drainage systems and safety measures to withstand strong weather events.

Changes to Facility Exposures using RCP4.5 and RCP8.5 Climate Scenarios



Climate Resilience
The Directors therefore believe that the Group has gathered sufficient data to support long-term asset planning against climate change risk, for the short to medium term and that weather-related risk can be managed to a satisfactory level. As noted throughout this report, the Group's primary trading markets are likely to be robust for many years, which supports Hunting's business strategy and model, and the efforts to diversify its revenue streams into new sectors will also support the Group should the Energy Transition be more rapid than what is currently anticipated.

The Directors' view is that climate change risk is a principal risk to the Group and has been embedded into our Risk Management processes to which the Group's senior leadership team can respond in an appropriate manner. Further information on climate change risk can be found on page 88 within Risk Management.

The Directors have also considered the potential impact that climate change could have on the financial statements of the Group. The Directors support the view that there will be robust demand for the Group's oil and gas products for a significant time span and that this does not cause concerns regarding the carrying values or expected lives of non-current assets. The Directors also believe there is significant operational adaptability to move into other non–oil and gas product lines.

Climate Strategy
Given the Group's focus on the oil and gas industry, there is a long-range risk to the sustainability of Hunting's revenue profile as global economies commit to lower carbon energy sources. See page 68 for further details.

Currently 93% of Group revenue is derived from the oil and gas industry. The Directors believe that the Group's core geographic markets of North America, Europe and Asia Pacific will remain reliant on oil and gas as primary energy sources for a number of decades to come, which is supported by reputable market commentators, and therefore the risk to the Group's revenue profile is believed to be low to medium for at least 15 to 20 years.

Further, the Directors believe that the Group's core competencies of engineering, systems design and production, precision machining and quality print-part manufacturing can be applied to non-oil and gas applications, with efforts underway to diversify Hunting's revenue streams. In 2021, the Group reported $37.6m in revenue from non-oil and gas product lines and services, which provides a platform for growth for the long term. Hunting's current product offering is also highly aligned with lower carbon technologies such as carbon capture and storage and geothermal projects. The Group has already demonstrated some success in entering these tangential markets with the supply of OCTG to a geothermal project in the UK.

Hunting has also adopted an operational strategy to address its carbon exposure as follows:

1. To monitor and measure the Group's impact on the planet, including accurately determining its greenhouse gas emissions and carbon footprint;
2. Contain this environmental impact; and
3. Identify opportunities to minimise this impact.

The Group's carbon emissions footprint, presented as a function of major business units, is noted on pages 61 and 73. The Board believes that simple, but meaningful, carbon reduction strategies will drive down the Group's emissions and include:

1. Moving electricity contracts for Group facilities to renewable-based energy arrangements;
2. Building of a zero emission vehicle fleet over time, including heavy and light duty vehicles and the provision of all-electric cars to relevant staff;
3. Installation of solar panels on relevant facilities, for a zero emission base load energy feed; and
4. Tree and grass planting strategy at Group facilities to offset residual carbon emissions.

Climate Opportunities
The Directors of Hunting have assessed the opportunities that climate change presents to the Group and notes the following:

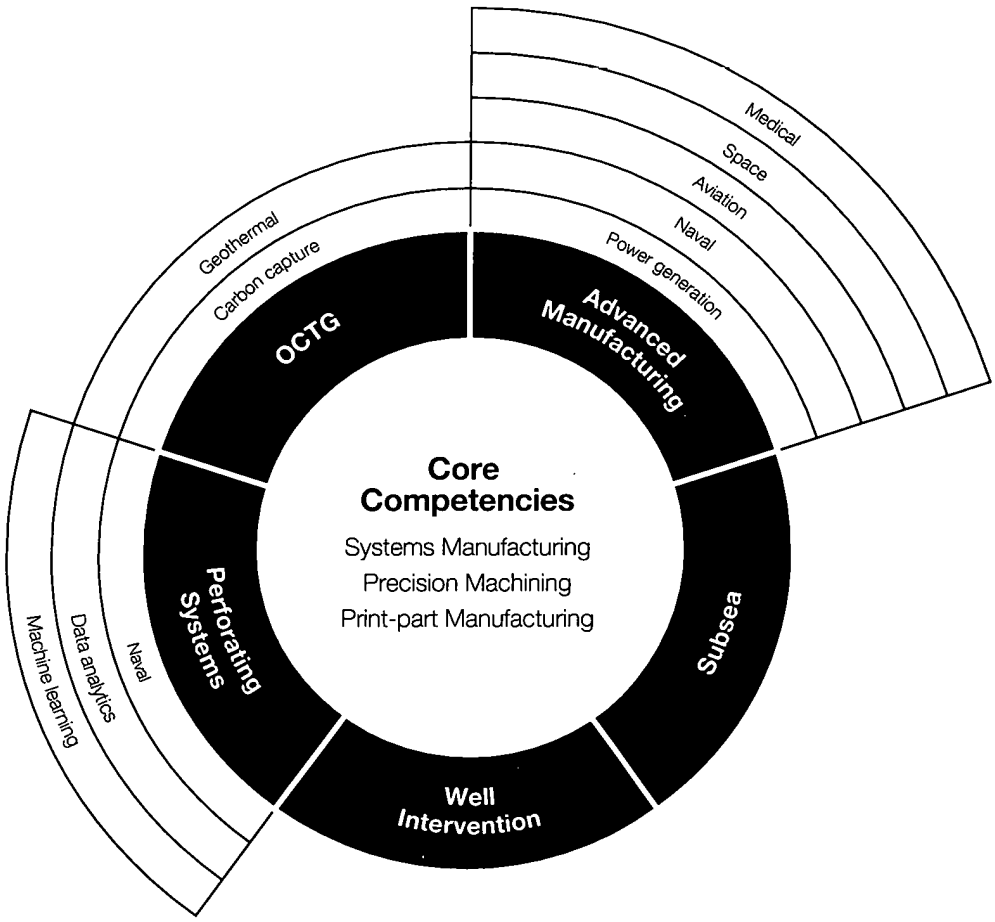
1. Participation in Non-oil and Gas Primary Energy Development
An area of focus within the global energy industry is geothermal energy development. These projects present a long-term opportunity for the Company to provide OCTG, premium and semi-premium connections and accessories to operators. Hunting's expertise in these products is industry leading and therefore accessing these markets is believed to be relatively low risk. In 2021, Hunting completed a project at the UK Eden Project.

The Directors also noted that its major customers are also commencing the climate journey, with the Energy Transition plans being announced by many clients. Hunting's relationship with key exploration and production companies and international energy service groups has been established over many years, with Hunting being a trusted member of the global energy supply chain. The Board therefore believes that Hunting can successfully leverage its brand and reputation to remain a key participant in the Energy Transition.

2. Participation in Carbon Capture and Storage Projects
As noted in the Market Review, a large number of carbon capture and storage projects are to be completed within the 2025-2030 timeframe, to offset carbon dioxide build-up in the atmosphere. These projects, which require carbon dioxide re-injection into known oil and gas fields, or greenfield developments, again present a long-term opportunity for the Company to provide OCTG, premium and semi-premium connections and accessories to operators. The Group's Energy Transition team is exploring participation in this area.

3. Diversification into Other Non-oil and Gas Sectors
The following chart illustrates the Group's key product lines and core competencies and demonstrates that the majority of Hunting's businesses have expertise to diversify into other growth sectors, such as medical, space, aviation and naval. Hunting has a non-oil and gas revenue ambition, which is supported by this analysis and has taken steps to drive new sales, particularly within the Group's Advanced Manufacturing group.

Hunting's Core Competencies – Current and Target Markets



4. Strong Management of Scope 1 and 2 Greenhouse Emissions
The Group is focusing its efforts on reducing its Scope 1 and Scope 2 emissions, by strong reporting and governance procedures that have been put in place during the year. The Directors expect to publish stronger carbon reduction targets in the coming year, but believe that the progress made since 2019 underlines the potential for the Group to successfully deliver a realistic reduction in our carbon footprint and therefore offset or reduce the potential long-range tax costs. The Group's business model and strategy currently focus on the supply of products and services to the global oil and gas industry. As demonstrated in recent years, our business model is applicable to other industries including aviation, naval, and space where good progress has been made in establishing our presence in these sectors. While our oil and gas-related revenue was $484.0m/93% (2020 – $586.2m/94%) all our businesses have been tasked with identifying complementary markets and products that leverage our manufacturing expertise and reputation for quality. Hunting's current product offering is also highly aligned with lower carbon technologies such as carbon capture and storage and geothermal projects. The Group has already demonstrated some success in entering these tangential markets with the supply of OCTG to a project in the UK.

Climate Targets And Metrics
To monitor Hunting's climate related risks and opportunities, the Group has elected to adopt three carbon and climate metrics, which will be measured and reported in the coming years:

- Scope 1 and 2 greenhouse gas emissions (tonnes of CO_2e);
- Intensity Factor (tonnes of CO_2e (kg) per $'000 of revenue); and
- Non-oil and gas revenue ($m).

Management believes that the monitoring of the Group's direct impact on the environment and mitigating the longer range risk to Hunting's operations is best achieved by reporting and reducing its Scope 1 and 2 emissions, which are under the control of management. In 2022, the Board will commence an assessment of Scope 3 emissions to understand if it is appropriate for Hunting to report this metric.

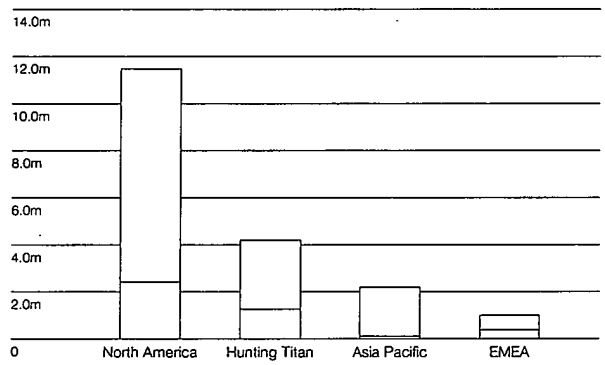
In 2019, the Group published its initial carbon reduction targets, committing to a 10% reduction in total Scope 1 and Scope 2 emissions within 10 years and containing its intensity factor (calculated as total emissions divided by revenue) to less than 30. The base year for these targets was the 2019 carbon data reported within Hunting's 2019 Annual Report and Accounts. The Directors note that the 2019 targets were set when oil and gas markets were projected to continue to grow at a modest rate, and therefore the reduction targets represented a meaningful commitment to reducing the Group's carbon footprint. With the onset of the COVID-19 pandemic, oil and gas demand and economic growth assumptions were materially reduced, and as noted elsewhere in this Annual Report, the impact on the Group's revenue and trading results is apparent.

In 2020 and 2021, the Group has reported a reduction in its greenhouse gas emissions, primarily driven by lower trading activity, but also due to wider restructuring, which has seen Hunting closing and consolidating its facility footprint. This explains why the Group's 2021 carbon emissions are below the 2029 targets. While the Board anticipates a return to growth across the energy industry, it is likely this will be accompanied by an increase in the Group's carbon tonnage. Further, it is on this basis that 2022 will see the development of a longer-range carbon reduction target.

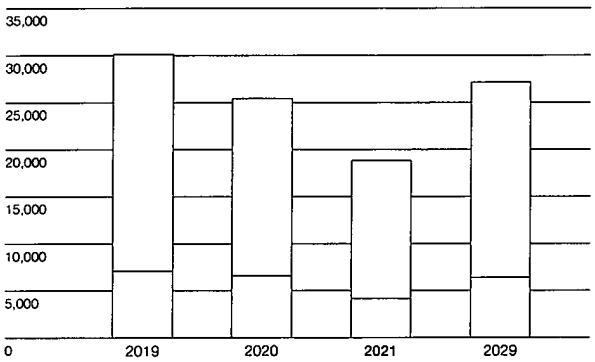
Scope 1 and 2 emissions in 2021 were 18,859 tonnes, which are 37% below the 2019 result and 30% below the 2029 target. The Intensity Factor in 2021 was 36.2kg/$k, which is 15% above the 2019 result and 28% above the 2029 target.

Non-oil and gas revenue was $37.6m in 2021 representing 7% of the Group's total revenue.

Scope 1 and 2 Greenhouse Gas Emissions (tonnes CO_2e) by Operating Segment



Scope 1 and 2 Greenhouse Gas Emissions (tonnes CO_2e) against 2029 Target



Board Engagement and Decision Making – Environmental and Climate

During 2021, the Board oversaw a material increase in the Group's governance and monitoring procedures with respect to the environment and climate matters. As noted elsewhere, the newly formed Ethics and Sustainability Committee was formed in June 2021 and in support of the workings of this Committee, an internal ESG steering group and TCFD working group were formed comprising senior leaders of the Group. The Company has increased its external reporting for climate change and has also increased the external data published data on its greenhouse gas emissions.

Governments

Hunting's global operating footprint extends across 11 countries. As a consequence of this, the Group interacts with a number of global regulators, governments and tax authorities to ensure that Hunting retains a good reputation and business standing within each region of operation and also seeks to comply with all applicable and relevant local laws and regulations.

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

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

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

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

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

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

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

Our Communities

The Board delegates community initiatives to the Executive Committee, which allows for local cultural practices to be integrated into community-focused activities and projects. Local community sponsorships or charitable donations are encouraged, following approval by a member of the Board or Executive Committee. Most businesses within the Group normally host "Open House" days at facilities to allow customers, suppliers, employees' families and other members of the local community to see our operations. Community initiatives are regularly reported in the Group's magazine, the "Hunting Review", which profiles the Group's operations, employees and community work.

Section 172(1) Statement

This statement has been prepared in compliance with the Companies (Miscellaneous Reporting) Regulations 2018. The Board of Hunting PLC considers that, in complying with its statutory duty during 2021 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.

In 2020, the Board was very much focused on the impact of COVID-19 and how the Company responded through its engagement with stakeholders, especially our employees. In 2021, the Board has continued in its efforts in ensuring that robust health and safety procedures were sustained to protect employees as they returned to the normal working environment. The main emphasis has been on getting the Company back to its core strengths of maintaining high standards, not only in employee wellbeing but also in quality assurance and in its business conduct and relationships with customers, suppliers and other stakeholders.

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 with customers, suppliers and other stakeholders.

The following sections and cross references provide a summary of where details of key stakeholder and associated engagement and decision making is located within the 2021 Annual Report and Accounts and also some of the considerations taken by the Board in fulfilling their duty under section 172(1) of the Act:

- shareholders (pages 53 and 54);
- lenders (page 54);
- employees (pages 55 to 58);
- customers (pages 59 and 60);
- suppliers (page 60);
- environment and climate change (pages 61 to 73);
- governments (page 74); and
- communities (page 74).

On behalf of the Board

Jim Johnson
Chief Executive

Bruce Ferguson
Finance Director

3 March 2022

Our Approach to Sustainability

Operating responsibly and ethically, with a focus on the most efficient allocation of resources is firmly embedded in our strategy and culture. The establishment of the Ethics and Sustainability Committee signals the Group's commitment to further embedding sustainability processes, reporting and governance across the Group.

In 2021, we took a number of significant steps towards enhancing and formalising our ESG approach, including an assessment and evaluation of our most material ESG issues and the adoption of TCFD and SASB reporting.

Focus on material issues

- 10 ESG issues identified, following formal materiality audit.

Sustainability framework

- Six key focus areas underpin our sustainable development ambitions.

Contributing to SDGs

- Identified nine Sustainable Development Goals ("SDGs") to which we actively contribute.

Safety remains a priority

- Zero fatalities in 2021.

Responsible employer

- Group employee voluntary turnover rate of 10.5% (2020 – 10.1%).

Gender diversity a focus area

- In 2021, women made up 29% of the Board of Directors; 25% of senior management; and 23% of the overall workforce.

ESG framework alignment

- Nine frameworks and standards guide our reporting.

Reducing our carbon footprint

- Committed to reducing our emissions (from the base line year of 2019) by 10% by 2029.

Our Approach to Sustainability
continued

Operating responsibly and ethically, with a focus on the most efficient allocation of resources, is firmly embedded in our strategy and culture. This is also reflected in our reporting, where the most significant material issues are discussed throughout this report.

The establishment of the Ethics and Sustainability Committee during the year signals the Group's commitment to monitoring, managing and mitigating sustainability matters that are both financially material in influencing the value of the business, as well as those that are material to our markets, our employees, the environment and other stakeholders. These areas are overseen by the Ethics and Sustainability Committee, with executive responsibility led by our Chief Executive, and supported by the internal ESG steering group and Executive Committee.

In 2021, we took a number of significant steps towards enhancing and formalising our environmental, social and governance ("ESG") approach. Key among these have been:

- the formal adoption of, and initial reporting aligned with, the recommendations of TCFD, following the publication of our first carbon reduction and intensity targets;
- the adoption in August 2021 of the Value Reporting Foundation: Sustainability Accounting Standards Board ("SASB") reporting disclosures;
- an assessment and evaluation of our most material ESG issues; and
- the development of a sustainability reporting roadmap.

Our Sustainability Framework
Our approach to sustainability can be illustrated through the following framework, which underpins our ambition to responsibly create long-term and sustainable value for all of our stakeholders.

In developing this framework, we considered the concerns and trends that shape our world, the business, social, environmental, regulatory and geopolitical imperatives affecting the Group, and the views and feedback of our key stakeholders.

Within the context of increasing ESG governance, our six key areas of focus are operating safely; supporting and developing our people; delivering innovative, high quality and reliable products; fostering mutually beneficial partnerships; supporting communities around us and managing our environmental performance and mitigating our impacts.

We have made specific commitments in support of these focus areas and report on them throughout this Annual Report.

As we progress our reporting journey, we will set and update our targets and KPIs for all these commitments, and will report them in more detail going forward.

Our six focus areas align with the material issues that we have identified and support our contribution to the UN Sustainable Development Goals ("SDGs").

Our Ambition

Creating long-term, sustainable value, responsibly. Recognising and responding to broad societal needs and concerns.

Sound Governance

- **Operating safely**
- **Supporting and developing our people**
- **Delivering innovative, high quality and reliable products**
- **Fostering mutually beneficial partnerships**
- **Supporting communities around us**
- **Managing our environmental performance, mitigating our impacts**

Our Commitments

Operating safely	Supporting and developing our people	Delivering innovative, high quality and reliable products	Fostering mutually beneficial partnerships	Supporting communities around us	Managing our environmental performance, mitigating our impacts
Achieving and maintaining the highest standards of safety for our employees, customers, suppliers and the public.	Attracting and retaining our highly-skilled workforce. Providing training and development. Promoting diversity and workplaces that are free of prejudice.	Meeting and pre-empting the needs of our customers and the environment, through innovation, customisation and the highest levels of quality control.	Fostering sound and positive partnerships with our customers and suppliers, industry bodies, and regulators in the regions in which we operate. Respect for human rights.	Making a positive contribution to the communities in which we operate.	Protecting and minimising our impact on the environment in which we operate and where our products are used. Focus on climate change – setting and achieving emissions reductions, and mitigating climate-related risks.

Our Reporting

0.99	32.6k	0.13%	1	c.95k	36.2
Recordable Incident Rate	**Hours of training**	**Manufacturing Reject Rate**	**SafeCall received in the year**	**Safety masks donated**	**Carbon emissions intensity factor (kg/$k)**

Reporting Frameworks and Alignment
There are a number of sustainability frameworks and standards that guide our reporting, and to which we comply.

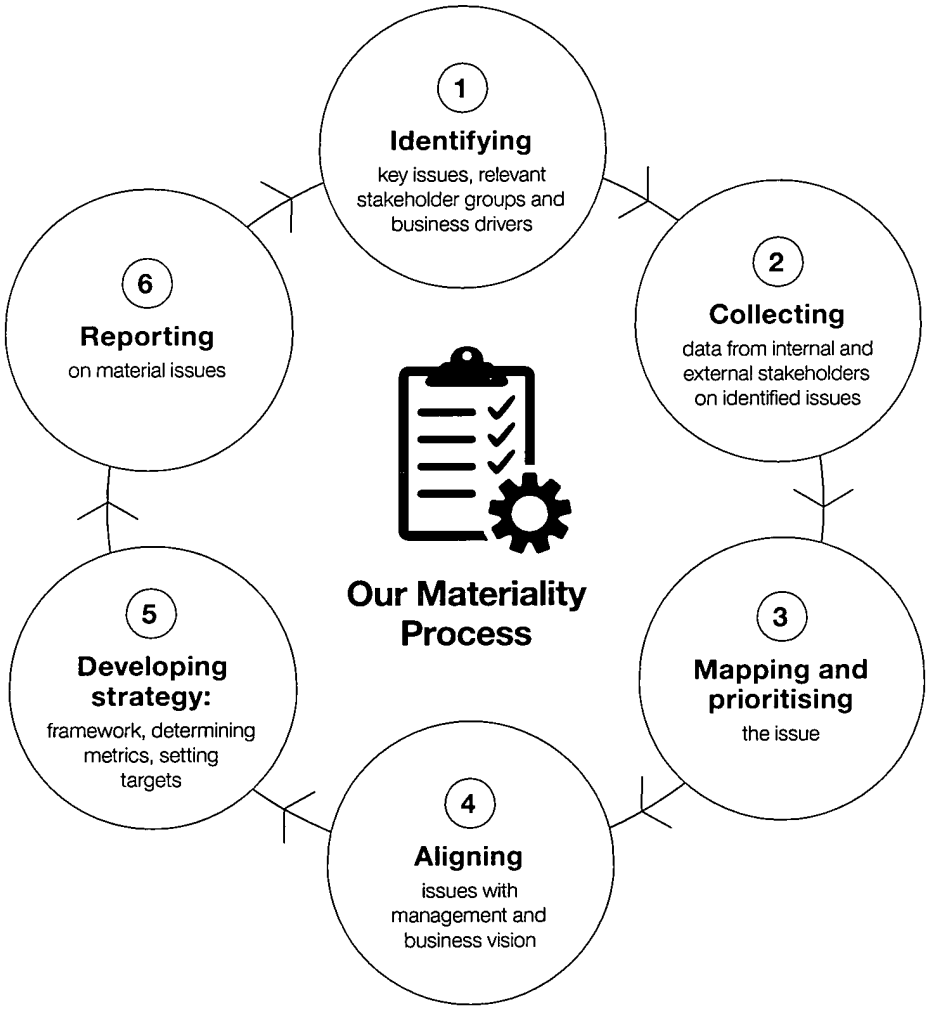
Task Force on Climate-related Financial Disclosures	A principles-based framework for climate-related financial disclosure that is structured around four thematic areas: governance, strategy, risk management, and metrics and targets, with a strong focus on risks and opportunities related to the transition to a low-carbon economy.	Initial TCFD disclosure published in 2021. Full disclosure in 2022.
Carbon Disclosure Project	Operates a global disclosure system, via an annual survey, to support companies, cities and regions in measuring and managing environmental risks and opportunities.	We make an annual submission to CDP on our carbon emissions.
Value Reporting Foundation – Sustainability Accounting Standards Board ("SASB")	SASB is an independent standard-setting organisation providing sustainability disclosure standards that enable businesses to identify, manage, and communicate financially material sustainability information to investors. The standards outline the subset of environmental, social, and governance issues most relevant to financial performance in an industry.	Reporting against two standards – Oil & Gas Services and Industrial Machinery & Goods, to the degree that these are relevant.
United Nations Sustainable Development Goals ("SDG")	The Sustainable Development Goals comprise 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". SDG disclosure recommendations aim to establish best practice for corporate reporting on SDG and more standardised reporting on climate change, social and other impacts.	We have identified SDGs 3, 5, 6, 7, 8, 9, 12, 13 and 17 as areas where we can make a positive contribution.
Global Reporting Initiative ("GRI")	GRI is an independent standard-setting organisation, which enables businesses to report on their significant impacts on the economy, environment and society, including impacts on human rights.	Our materiality assessment and ongoing reporting is informed by the guidance published by GRI.
ISO 14001 **ISO 50001**	An international standard for designing and implementing an environmental management system. An international standard for designing, implementing and maintaining an energy management system.	Our Quality Management System is compliant with the standard and most of our facilities are compliant in their operation. Energy, Carbon, HSE and Quality Assurance reports are reviewed by the Ethics and Sustainability Committee twice a year.
UK Bribery Act	Requires organisations to put in place adequate procedures to prevent, monitor and risk assess bribery and corruption.	We report this annually through our Annual Report each year. Reports are presented to the Ethics and Sustainability Committee twice a year.
UK Modern Slavery Act	Requires organisations to develop and publish a Modern Slavery Act statement in the form of an annual report, outlining the steps taken to combat human trafficking and modern slavery throughout its supply chain.	We report annually on our website. The Board approves its annual Modern Slavery Act statement, which is signed by the Chief Executive.

Materiality Assessment and Reporting
In identifying and reporting on our material issues we have been guided by SASB's definition that "information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value". Moreover, we have taken a broader view, promoted by GRI, that these should include topics that represent the organisation's most significant impacts on the economy, environment, and society, including impacts on human rights.

Materiality Matrix
In 2021, we undertook our first materiality assessment, although the issues we monitor and manage have always been informed by our extensive and broad risk management approach. We followed a six-step materiality process along with internal and external stakeholder engagement. Data gathering methods included interviews with our business units across our operations around the globe, surveys, and desktop analysis. It focused on employees, executives and Board, investors, customers and regulators. We also undertook a benchmarking exercise to understand the issues that are considered to be material by our peers.

In determining our material issues, we considered the impact of issues on our ability to create value, combined with the significance of those issues to our stakeholders. We have themed these broadly as environmental, social, economic and governance, but recognise that many issues are cross-cutting. We have listed the top 10 material issues, based on the stakeholder input gathered during the audit.

Six-step Materiality Process



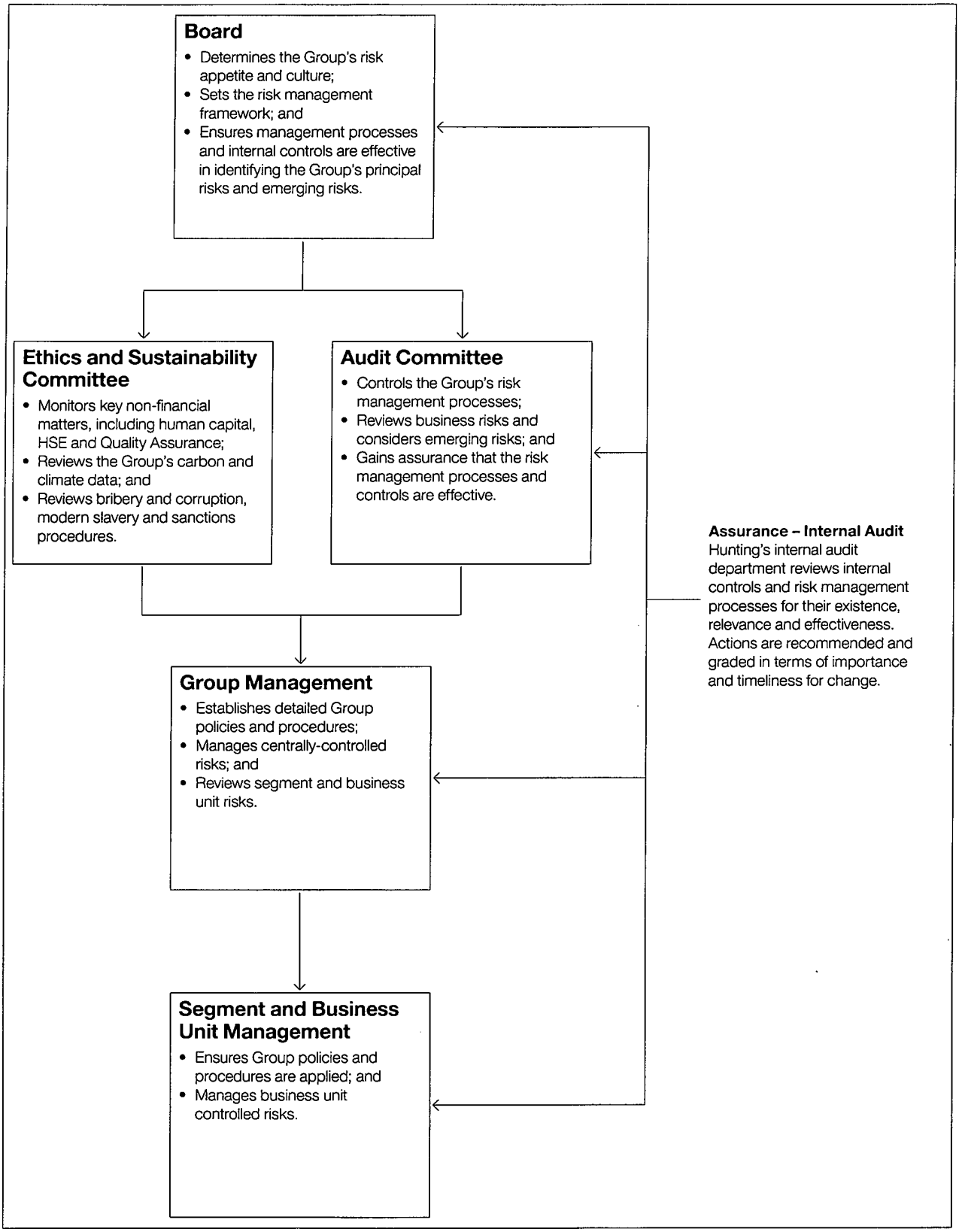
Environmental		
Environmental management	Environmental management and compliance, the efficient use of natural resources such as water and raw materials, as well as reducing our waste footprint, are critical areas for the business. Our ISO 14001-aligned Quality Management System ensures the consistent application of the principles of sound environmental care and stewardship, with regular reviews and auditing ensuring compliance.	pages 61 to 63.
Carbon footprint	While our carbon footprint (defined as our Scope 1 and 2 emissions) in respect of our manufacturing facilities is relatively small, we have introduced energy conservation measures and targets in support of our journey to lower our carbon footprint. Included in this are initiatives to increase the contribution of renewables to our energy mix. We are also assessing and addressing the carbon footprint throughout our value chain.	page 62.
Climate change	As our world transitions to a low carbon economy in response to, and to mitigate, climate change, there will be a significant impact on our business and our ability to create value. Currently, around 7% of our revenue contribution is from non-oil and gas sectors. Our efforts to align our business model to take into account and pre-empt this transition, and the opportunities that this potential for diversification has for the business, is described in our Climate Change statement which can be found at www.huntingplc.com.	pages 63 to 73.
Social		
Health and Safety	The health and safety of our employees is of utmost importance to the business, and this has been of even greater concern during the COVID-19 pandemic. We recognise that we have a greater role and responsibility to the health and safety of those who use or are affected by our services and equipment, and that through innovation we can build and implement safety-enhancing features in the work we do.	page 55.
Employee engagement	We have a skilled and diverse workforce, operating in 11 countries across the globe. We place a great deal of focus on attracting and retaining talented employees, and ensuring that they are engaged and can develop to their full potential.	page 56.
Community engagement	We strive to be good neighbours in the communities in which we operate, not only in respect of charitable donations but also in support of economic opportunity and environmental stewardship.	page 74.
Diversity and inclusion	Hunting aims to ensure that our workplaces and decision-making are free of prejudice, and where hiring and promotion is based on merit. We note, specifically, opportunities to promote diversity on our Board, and among our senior leadership.	pages 56 to 57.
Economic		
Innovation and customisation	Our ability to innovate and customise our equipment and services to the changing and specific needs of our clients is not only an economic imperative, but it also has a positive impact in terms of safety and environmental developments.	page 59.
Governance		
Business ethics	We pride ourselves in the way in which our values are lived in our daily interactions, within the business and outside of it, and are committed to upholding the highest levels of integrity and ethics in all our business dealings. This is implemented through our Code of Conduct within the business and, increasingly, in our supply chain. We have created the opportunity for whistleblowers, both within the business and in our supply chain, and have measures in place to address anti-bribery, corruption and payments transparency.	pages 56 to 60.
Human rights	We are committed to respecting and upholding human rights within the business and in the interaction of our business with society. Our Code of Conduct for suppliers addresses human rights, and in particular Modern Slavery.	page 56.

Next Steps
In the year ahead, we will further embed sustainability processes and reporting into the business. While many of these currently exist, they are not necessarily accounted for or addressed in an integrated way. The role of the Ethics and Sustainability Committee will be invaluable in driving this process, as will be the role and efforts of the ESG steering group. We will increase and improve our ESG reporting as we continue to progress along our sustainability journey.

Risk Management

Roles and Responsibilities

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



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

External Risks
The Board recognises that a number of risks are not within the direct control of management, including energy market factors such as commodity pricing and daily supply/demand dynamics driven by economic or geopolitical movements and climate change. These factors are regularly assessed by the Board and are considered alongside the risk management framework operated by the Group.

As highlighted elsewhere in this report, the COVID-19 pandemic has continued to have an adverse impact on global economic activity, which in turn impacted the demand for oil and gas leading to lower revenue in 2020 and 2021.

The roles and responsibilities within the risk management hierarchy are described in detail below.

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

The Board is also responsible for developing the Group's strategic objectives. The balance between the Board's desire to meet these strategic objectives and its appetite for risk creates the risk culture within the Group, which impacts capital investment decision-making, consideration of new acquisitions, other organic growth opportunities and management of finances.

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

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

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

The risk management processes are further supported by:

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

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

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

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

The Group's Principal Risks are disclosed on pages 86 to 90. In addition, once a year, the Audit Committee seeks assurance with regard to the effectiveness of the internal financial controls based on a self-assessment exercise carried out by local management. The appropriateness of these self-assessments is checked by Internal Audit, on a sample basis, as part of its routine programme of work. The Internal Audit department reports directly to the Audit Committee. The relationship with the external auditor is monitored by the Audit Committee which is responsible for completing the review of the effectiveness of the external auditors.

Ethics and Sustainability Committee
The Ethics and Sustainability Committee was established in 2021 to improve Board oversight and guidance on these matters. The Committee reviews and monitors the Group's policies, targets, initiatives and reporting on a wide range of activities that includes: greenhouse gas emissions, compliance with the Task Force for Climate-Related Financial Disclosures, recycling, bribery and corruption, modern slavery and trading sanctions compliance. The Committee also reviews whistleblowing procedures, stakeholder engagement and section 172 reporting. Although the Audit Committee has final approval on externally reported information, the Ethics and Sustainability Committee has the power to formulate and instigate initiatives through Group management.

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

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

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

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

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

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

From Q2 2020, the work of Internal Audit was adjusted due to the COVID-19 pandemic, with the work of the function shifting to internal control consulting work with a number of businesses in respect of the implementation of a new enterprise resource planning system and the enhancement of processes and controls that will support the transition to a stricter controls environment within the Group. During Q3 2021, the Internal Audit function re-commenced its work on the business and operational controls.

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

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

Insurance brokers also ensure gaps in cover are identified and in recent years have advised on cyber risk and ongoing weather-related risks.

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

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

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

Risk Management Procedures

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

Hunting's internal control system, which has been in place throughout 2021 and up to the date of approval of these accounts, is designed to identify, evaluate and manage the principal risks to which the Group is exposed, as well as identify and consider emerging risks to which the Group may be exposed in the future. Internal controls are regularly assessed to ensure they remain appropriate and effective.

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

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

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

Business Risk Reporting
Three times a year, local management formally reviews the specific risks faced by their business, based on current trading, future prospects and the local market environment. The review is a qualitative assessment of the likelihood of a risk materialising and the probable financial impact if such an event were to arise. All assessments are performed on a pre-controls and post-controls basis, which allows management to continually assess the effectiveness of its internal controls with separate regard to mitigating the likelihood of occurrence and the probable financial impact. These principal local risks are reported to Group management. In addition, during 2021, in order to heighten Group monitoring of the potential for fraud, local management commenced reporting on local fraud risk irrespective of its perceived potential low impact on the local business.

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

Emerging Risks
Alongside the process of identifying the Group's current risks, management is challenged to identify and consider emerging risks that may impact the Group at some point in the future. In prior years, climate change had been identified by the Audit Committee as an emerging risk for the Group as, although it had little impact on abating the growth in demand for oil and gas, it did have the future potential to impact the Group's operating and financing decisions. During 2021, a number of these decisions were made with climate change at the forefront of the process and consequently the Audit Committee concluded that climate change has transitioned to a current risk to the Group – see Climate Change within the Group's Principal Risks on page 88.

Management monitors emerging risks through observing press comment including industry-specific journals, discussions with shareholders, advisers, customers and suppliers, attendance at structured forums, review of comments published by other companies, review of insurance company risk assessments, and internal debate by senior executive committees. As a result of climate change escalating to the status of a current risk, the Audit Committee has not identified any other risks emerging through 2021 and as at the year-end.

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

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

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

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

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

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

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

Principal Risks

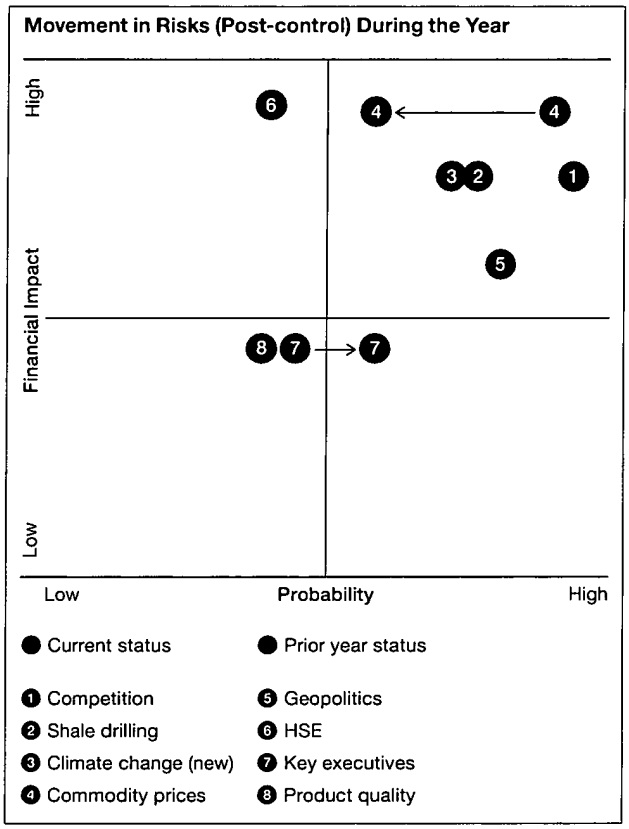
The status of Hunting's exposure to each of its principal risks, the movement in these risks (post-controls) during the year and the effectiveness of the Group's internal controls in mitigating risks are summarised in the accompanying two graphs set out below.

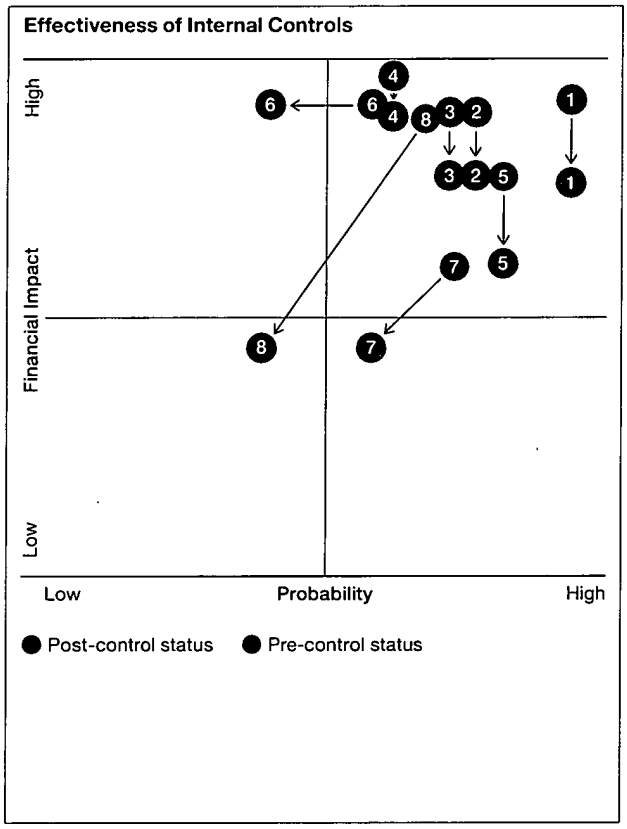
The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the profile of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

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

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

No movement in risk	⇔
Increase in risk	↑
Decrease in risk	↓
New principal risk	●





COVID-19
The impact of COVID-19 has been pervasive, affecting global energy demand generally and causing business activity to remain slow throughout 2021. COVID-19 has affected the Group's businesses worldwide. The Board and global management at Hunting were able to respond quickly to the pandemic in 2020, including the closure of facilities, right-sizing of active businesses, significantly reducing the workforce, reducing capital expenditure, re-arranging facilities to enable social distancing in the workplace, and tightening working capital management, amongst others. These measures were continued through 2021. As a consequence, the Group continues to maintain a healthy cash position despite the losses incurred.

1. Competition

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

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

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

Movement in the Year
During the year, the competitive environment within the markets that Hunting serves remained strong, therefore Hunting's exposure to this risk is unchanged since the start of the year.

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

Hunting's operations are established close to their markets, which enables the Group to offer reduced lead-times and a focused product range appropriate to each region. Local management maintains an awareness of competitor pricing and product offering. In addition, senior management maintains close dialogue with key customers and seeks to maintain the highest level of service to preserve Hunting's reputation for quality. The Group has a wide customer base that includes many of the major oil and gas service providers and no one customer represents an overly significant portion of Group revenue. In addition, the Group is widening its product offering beyond the oil and gas market, as detailed within the Chief Executive's Statement on pages 10 to 13.

The Group's operating activities are described in detail on pages 42 to 75.

2. US Shale Drilling

Nature of the Risk
The Group provides products to the oil and gas shale drilling industry. Oil and gas produced from US onshore shale remains a relatively expensive source of hydrocarbons, despite advances in technology that have reduced these costs.

Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources, so it is more likely to be curtailed and therefore negatively impact what has become a steadily increasing revenue stream for the Group (see the risks associated with commodity prices).

Movement in the Year
Shale drilling activity was slow during 2021 due to the impact of the COVID-19 pandemic, and there remains uncertainty over the timing and rate of recovery of the oil and gas industry despite the rising WTI oil price. Consequently, the potential for an adverse impact on future results and cash flows generated from trading activity due to a protracted reduction in shale drilling activity remains high.

Controls and Actions
The Board monitors rig count and general completion activities within the US shale industry. In addition, local management maintains an ongoing dialogue with key customers operating within the US market.

The Group maintains a diverse portfolio of products that extends beyond supplying the shale drilling industry, including products for conventional drilling and the manufacture of high-precision and advanced technology components for both the onshore and offshore markets.

Many of the Group's facilities have the flexibility to reconfigure their manufacturing processes to meet a change in the pattern of demand. Please refer to the "COVID-19" section above.

The Group's operating activities are described in detail on pages 42 to 75.

3. Climate Change

Nature of the Risk
Failure to adapt to climate change or to mitigate the Company's impact on the environment has the potential to damage the Company's reputation and cause issues in a number of areas, including:

- financial institutions may increase their margins on borrowings;
- difficulty in attracting appropriate executives and other employees;
- loss of investors and market analysts; and
- restrictions in the type of use for leased assets imposed by climate-conscious lessors.

In addition, climate change has the potential to cause the following beyond the Company's influence:

- increased incidence and severity of flooding, countryside fires and abnormal weather patterns causing disruption to the Company directly and/or our customers and suppliers;
- loss of customers or suppliers through their own failure to comply with climate based regulations;
- increased cost and/or incidences of asset purchases in order to comply with new technological regulations;
- energy costs and liability insurance premiums increase; and
- increased taxation on perceived non-sustainable industries as governments set about using the tax system to pay for their net carbon emissions targets.

Movement in the Year
Climate change transitioned from an emerging risk to a principal risk for Hunting during 2021. In prior years, climate change was not considered to be a current risk because its impact on the medium-term growth in global demand for oil and gas, being the Company's principal market, was not expected to be material. Indeed, market observers such as the International Energy Agency continue to predict that climate change will not decelerate the growth in demand for oil and gas in the medium term. However, during 2021, climate change started to impact various work streams and operating decisions to such an extent that management concluded that climate change has now escalated to the status of a principal risk.

Controls and Actions
Ongoing migration of electricity supplies to renewable energy resources. Introduction of low energy and higher efficiency solutions at the Group's facilities. Board commitment to the principles published in the 2015 Paris Accord. In addition, during 2021:

- the Company established an Ethics and Sustainability Committee to monitor and review non-financial climate-based matters;
- the Executive Committee was charged with the responsibility of reducing carbon emissions;
- an ESG Steering Group was formed to develop reporting procedures that include the impact of climate change on the Group;
- an internal TCFD Working Group was formed; and
- in 2020, the Group set up an Energy Transition project team in Aberdeen to pursue projects which align to the evolving industry.

The Group's environmental, climate and TCFD disclosures are described in detail on pages 61 to 73 and 76 to 81.

4. Commodity Prices

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

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

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

Movement in the Year
Hunting's exposure to this risk was high at the start of the year but has reduced during the year due to the sustained increase in the WTI price of oil. In addition, there is now less of a connect between oil prices and exploration activity, which is the main driver of the Group's revenue, as drilling activity during 2021 was slower to respond than experienced historically.

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

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

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

Further information on the movement in commodity prices during the year is detailed on page 17.

5. Geopolitics

Nature of the Risk
The location of the Group's markets is determined by the location of Hunting's customers' drill sites – Hunting's products must go where the drilling companies choose to operate. To compete effectively, Hunting often establishes a local operation in those regions; however, significantly volatile environments are avoided.

The Board has a strategy to develop its global presence and diversify geographically.

Operations have been established in key geographic regions around the world, recognising the high growth potential these territories offer. The Group carefully selects from which countries to operate, taking into account the differing economic and geopolitical risks associated with each geographic territory.

Movement in the Year
Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. The Board monitors geopolitical events around the world through media channels and industry contacts and assesses these relative to Hunting's operations. The scale and nature of these geopolitical issues, in how they have the potential to impact the Company's operations and markets, have not significantly changed over the past year.

Furthermore, the Group has very little exposure to exports between the UK and European markets and consequently the Board believes that Brexit will continue to have very little impact on the Group's trading activities.

Controls and Actions
Areas exposed to high political risk are noted by the Board and are strategically avoided. Global sanctions and international disputes are also closely monitored with compliance procedures in place to ensure Hunting avoids high risk countries or partners. The Board and management closely monitor projected economic trends in order to match capacity to regional demand.

The Group's exposure to different geographic regions is described on page 48.

6. Health, Safety and the Environment ("HSE")

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

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

The Group, its customers and its suppliers are dependent on personal interaction which has the potential to disrupt, or even close business operations if personnel become unavailable.

Movement in the Year
The Group experienced a number of minor HSE incidents in the year, which is significantly below the industry average and is similar to the Group's record in prior years. This particular risk therefore continues to be low.

However, the overall risk to HSE was heightened during 2020 due to COVID-19 which in Q2 of that year started to impact operations. Due to the increased absenteeism through self-isolation and, tragically, a small number of deaths from the virus amongst the staff, this risk remained at the heightened level throughout 2021.

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

Every Group facility is overseen by a Health and Safety Officer with the responsibility for ensuring compliance with current and newly issued HSE standards.

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

In 2020, the Group's facilities rescheduled work patterns, reconfigured unit layouts and encouraged staff to work from home whenever possible to enable appropriate social distancing measures. These arrangements started to be wound down during Q3 2021 as vaccination programmes were rolled out.

The Group's HSE performance is detailed on pages 55 and 56.

7. Key Executives

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

Movement in the Year
Executives with fungible skills are at risk of migrating to other industries with less exposure to cyclicality, enflamed by the impact of COVID-19 on the oil and gas industry, and consequently where the prospects of career growth may appear to be brighter. The Directors have noted the labour constraints currently experienced in the oil and gas industry and consequently the risk of losing a key executive has heightened since last year.

Controls and Actions
Remuneration packages are regularly reviewed to ensure that key executives are remunerated in line with market rates. External consultants are engaged to provide guidance on best practice. In response to the heightened risk of losing a key executive, base salaries were raised during 2021, following a pay freeze during COVID-19, in order to provide an incentive to remain with the Group.

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

Details of executive Director remuneration are provided in the Remuneration Committee Report on pages 107 to 130.

8. Product Quality

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

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

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

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

The Group's commitment to product quality is detailed on page 47.

Directors' Report

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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 these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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. They 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. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement
The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent Company's financial position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 96 and 97 confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair and balanced review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy.

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

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

This responsibility statement was approved by the Board of Directors at their meeting on 1 March 2022.

Directors
The Directors of the Company during the year and up to the date of signing these accounts are listed on pages 96 and 97.

Companies Act 2006
Section 415
In compliance with section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2021. The Strategic Report incorporates the Chairman's Statement, Chief Executive's Statement and Outlook, Market Review, Key Performance Indicators, Group Review, Segmental Review, Stakeholder Engagement disclosures, Business Model and Strategy and Risk Management and is located on pages 4 to 90. As permitted by legislation, the Board has chosen to set out, within the Strategic Report and Corporate Governance Report, some of the matters required to be disclosed in the Directors' Report, which it considers to be complementary to communicating Hunting's financial position and performance, as follows:

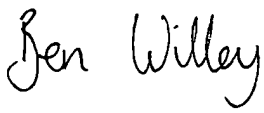
- changes in the Group and its interests (pages 12 and 13);
- dividends (pages 5 and 53);
- future developments (pages 12 and 13);
- risk management, objectives and policies (pages 82 to 85);
- bribery and corruption (pages 59, 60 and 74);
- ethnicity and diversity (pages 56 to 58); and
- greenhouse gas emissions and environmental matters (pages 61 to 73).

On 7 February 2022, the Group entered a new $150m Asset Based Lending facility, which replaced the $160m Revolving Credit Facility. For further information please see page 27. On 11 February 2022, the Group announced that Richard Hunting, non-executive Director is to retire from the Group on Wednesday 20 April 2022. On 3 March 2022, the Group announced the proposed appointment of Paula Harris as a new independent, non-executive Director. The appointment is being submitted to shareholders for approval at the Company's Annual General Meeting on Wednesday 20 April 2022.

In addition, information relating to the Directors' indemnity provisions and dividend waivers, Annual General Meeting, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholder and Statutory Information section located on pages 223 to 225.

The Companies (Miscellaneous Reporting) Regulations 2018
As required by The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), the Board of Hunting PLC has prepared a section 172(1) statement, which can be found on page 75 and also on the Group's website www.huntingplc.com. The Directors' Stakeholder Engagement and decision making disclosures are summarised within the Strategic Report on pages 53 to 74, and include cross references to the various engagement activities across the Group's operations. Additional disclosures in respect of customers, suppliers and other key business relationships can also be found within the Strategic Report.

By order of the Board



Ben Willey
Company Secretary

3 March 2022

Viability and Going Concern

Viability Statement

Introduction

Hunting has a diverse global customer base underpinned by strong, long-term relationships. The Group provides a large range of products and services through its manufacturing and distribution facilities, which are located in a number of countries across the globe.

In considering the Group's long-term viability, the Board regularly assesses the risks to its business model, strategy, future performance, solvency and liquidity. These assessments are supported by the risk management processes described on page 85 and include a review of the Group's exposure to the oil and gas industry, competitor action, customer plans and the robustness of the supply chain.

Assessment Period

The Group's customers are principally involved in the exploration for and production of oil and gas. Given the nature of the industry and the planning cycles involved, these activities can cover periods of no more than several weeks and up to several years from start to end.

Hunting's management works closely with its customers, discussing their operational plans and related capital expenditure programmes, with a natural focus on the earlier years in which projects will be in progress, or committed to, and for which requirements for goods or services from Hunting will be more certain. The outlook for the Group beyond this period is generated from management's assessment of industrial data and projections published by industry commentators and analysts, including statistics on exploration and production expenditure, footage drilled and rig activity. These macro, longer-term forecasts are more subject to significant volatility.

Due to the complexities in projecting forward any meaningful outlook beyond three years, the Group's bank funding facilities are generally limited to a similar period. This enables the Group to reduce the risk of either being underfunded or overfunded (thereby incurring non-utilisation fees) beyond the foreseeable future by being able to negotiate new facilities to accommodate revised operational and strategic changes expected during that additional period. The current Asset Based Lending facility is a four-year facility that commenced in February 2022. Projections beyond the facility period are too uncertain for the Group to commit to a longer facility. The Group's Treasury department generally aims to initiate negotiations for a facility renewal approximately twelve months before the maturity date and the most recent outlook would contribute to those discussions.

Taking these factors into consideration, the Board believes that a three-year forward-looking period, commencing on the date the annual accounts are approved by the Board, is the appropriate length of time to reasonably assess the Group's viability.

Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 86 to 90. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on page 85, given the Board's appetite for risk as described on pages 83 and 84. The Board has further considered their potential impact within the context of the Group's viability.

Despite the current cash-positive position, which is expected to remain as such throughout the assessment period, the Group's funding policy is cautiously managed. Consequently the Group has available a $150m committed Asset Based Lending facility that replaced the previous Revolving Credit Facility on 7 February 2022. The new, four-year facility includes an option that allows Hunting to increase the facility by $50m subject to the lenders' credit approval.

Assumptions

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

- global exploration and production spend in 2022 is expected to rise by 26% compared with 2021, and will steadily increase thereafter to 2025;
- demand for energy service products improves in the medium to long-term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services, which enable the extraction of oil and gas;
- the Group's reduced cost base enables the business to remain competitive within the weaker sectors of the global energy markets, particularly within the offshore and international markets; and
- the Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits and losses derived from politically stable regions such as North America, Europe and South East Asia.

In addition, a downside case of the financial projections was produced to model a meaningful deterioration in market conditions and this revealed no concerns regarding viability.

A stress test case was performed, as noted in the going concern statement on page 93, to identify the financial conditions required to cause a possible breach of the Group's banking covenants within the following twelve month period. As stated in that statement, the Board concluded that the likelihood of this occurrence is remote.

COVID-19 Related Factors

The Group's 2021 financial statements illustrate the adverse impact of the COVID-19 pandemic on its financial performance. Revenue, results from operations, loss/profit for the year and loss/earnings per share all declined in the year. The impact on cash reserves was less material, as the Group's business model enabled Group and local management to respond quickly to the turn of events. At $114.2m, total cash and bank at the end of 2021 was $12.5m higher than at the start of the year, aided by a $27.7m net inflow from the restructuring of the North Sea business.

The actions taken by Group and local management during 2020 and which continued through 2021, that enabled the preservation of cash and the continued resilience of operations, include the following:

- the closure/mothballing of facilities and relocation of plant and machinery;
- reductions in force;
- right-sizing of active business units;
- reduced capital investment;
- wider limitations on other types of spending;
- tightening working capital management;
- reduced dividends to shareholders;
- closer monitoring of markets and of selected customers' financial condition;
- widening of markets;
- adjusting work schedules and business layouts to enable workplace social distancing;
- working from home if possible;
- applications made for government financial assistance; and
- purchase of mask-making equipment and distribution of disposable masks to the Hunting sites and to the Company's wider communities.

Conclusion

The Board believes that the Group's strategy for growth, its diverse customer and product base, the resilience of its business model and the positive outlook for the oil and gas industry after 2022, in the medium term provide Hunting with a strong platform on which to continue its business. The Directors therefore have a reasonable expectation that Hunting will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going Concern Statement

Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on overall market conditions, the variety of its products and its ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 31 December 2021, covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer term funding needs.

The Group has access to sufficient financial resources, including a $150m secured committed Asset Based Lending facility that replaced the Revolving Credit Facility on 7 February 2022. Throughout 2021, borrowing facilities were, and currently remain, underdrawn. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next twelve months.

Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. Management sensitised these forecasts to reflect plausible downside scenarios as a result of the protracted COVID-19 impact on global economies. These demonstrated that the Group is able to maintain sufficient cash resources to meet its liabilities as they fall due over the next twelve months.

Management also prepared further stress-test forecasts to identify the conditions required to utilise all existing cash resources without drawing down on the Asset Based Lending facility. The Group modelled a drop in monthly revenue from April 2022 to December 2023 reflecting the lowest levels experienced during late 2020/early 2021, and consequent modest negative EBITDA margins. Working capital days were assumed to weaken as early as March 2022 and broadly remain that way through to December 2023. Even with these factors reflected, a further six-fold increase in the monthly EBITDA loss was required to cause a breach. To advance the possible breach to June 2023 would require a further 51% decline in the.stressed monthly EBITDA margin. Given the severity of the stress test conducted and the additional headroom afforded by the new bank facility, the Board concluded that the likelihood of such an occurrence leading to a liquidity issue over the next twelve months is remote. The Board is also satisfied that no material uncertainties have been identified.

Conclusion

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

The COVID-19 pandemic continued to wreak havoc across Hunting's core trading markets throughout 2021, and despite global vaccination programmes being rolled out and economies being re-opened from the middle of the year, oil and gas industry activity has remained persistently subdued.

The Board has given a great deal of attention to ethics and sustainability issues in the year, and has looked to ways of improving the Group's environmental, social and governance reporting and monitoring.

The Company has announced that Richard Hunting, non-executive Director, will retire from the Board after nearly 50 years of service. As Chairman of the Company between 1991 and 2017, Richard led Hunting through a major transformation from being a conglomerate with interests in defence, aviation and energy, to a leading upstream energy services group.

On behalf of the Board, I would like to thank all our stakeholders for their support and commitment over the past two challenging years."

Corporate Governance

John (Jay) F. Glick
Chairman

The Board has given a great deal of attention to ethics and sustainability issues in the year."

Corporate Governance Overview

Letter from Chairman

Introduction
The Group's governance framework has been reviewed and amended during the year as Hunting's core markets started to show signs of recovery from the middle of the year onwards. On behalf of the Board, I would like to thank all our stakeholders for their support and commitment over the past two challenging years.

COVID-19
The COVID-19 pandemic continued to wreak havoc across Hunting's core trading markets throughout 2021, and despite global vaccination programmes being rolled out and economies being re-opened from the middle of the year, oil and gas industry activity has remained persistently subdued.

Hunting's senior leadership has continued its focus on employee health and safety as the Company's top priority, while still delivering value-enhancing products for our clients.

Ethics and Sustainability
The Board has given a great deal of attention to ethics and sustainability issues in the year, and has looked to ways of improving the Group's environmental, social and governance reporting and monitoring.

Two key initiatives have come out of these discussions, (1) the expansion of the Hunting Executive Committee to include human resources, information technology, quality assurance and health and safety reporting, and (2) the formation of an Ethics and Sustainability Board Committee, which comprises the independent non-executive Directors of the Company.

Throughout this annual report, aspects of the work of these new groups are evident, including our enhanced carbon and climate reporting, in addition to the enhanced stakeholder reporting.

The Board understands that the Group is only at the beginning of this journey; however, we look forward, with confidence, to Hunting's well-embedded culture being enhanced by these efforts, as well as improving stakeholders' understanding of our approach to emerging trends that influence our business.

Dividends
The Group has continued to declare dividends and in respect of 2021 totalled 8.0 cents per share (2020 – 9.0 cents), given the strong cash and bank position throughout the year and the healthy balance sheet that has been maintained throughout the market downturn.

The Board considered this area carefully and believes that the policy adopted in the year reflects the Board's confidence in the prospects of the Group over the long term and the importance of shareholder distributions as part of our long-term investment case.

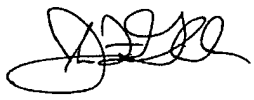
Directors' Remuneration Policy
At the Company's Annual General Meeting on 21 April 2021, shareholders approved a new Directors' Remuneration Policy, with 92.0% votes in favour. The Board would like to thank shareholders for their ongoing support in this area, given the trading challenges seen during the last two years.

Retirement of Richard Hunting, CBE
On 11 February 2022, the Company announced that Richard Hunting, non-executive Director, will retire from the Board after nearly 50 years of service. As Chairman of the Company between 1991 and 2017, Richard led Hunting through a major transformation from being a conglomerate with interests in defence, aviation and energy, to a leading upstream energy services group. Richard will step down from the Board at the conclusion of the Company's Annual General Meeting ("AGM") on Wednesday 20 April 2022. I would like to thank Richard for his advice and counsel to Hunting's Directors past and present and which extends over many years, and particularly since my appointment in 2017.

Proposed Appointment of Paula Harris as a Director
On 3 March 2022, the Company announced the proposed appointment of Ms Harris as a new independent, non-executive Director. Ms Harris' appointment has been submitted to shareholders for approval at the Company's AGM.

Details of Ms Harris' skills and expertise, and reasons for election are contained within the 2022 Notice of AGM, which will be sent to shareholders on 17 March 2022. Subject to receiving the relevant approval, Ms Harris will join the Board on 20 April 2022.

Workforce and Executive Director Remuneration
As the year progressed, the Board was briefed by the Chief Executive on the material increase in competition for management and workforce talent within the labour markets in which Hunting operates. The work of the Remuneration Committee in the second half of the year therefore focused on assisting the senior leadership in mitigating this growing operational risk, leading to the Board approving a Group-wide base salary increase of c.5.0%, with effect from 1 October 2021. As noted in the Remuneration Committee Report, base salary increases were also awarded to the Hunting Executive Committee and the executive Directors following nearly three years of salary freezes being in place across the Company, as Hunting navigated the COVID-19 pandemic.



John (Jay) F. Glick
Chairman

3 March 2022

"Shareholders approved a new Directors' Remuneration Policy, with 92.0% votes in favour at our 2020 AGM."

8.0c
cents per share
Dividends declared in the year
(2020 – 9.0 cents per share)

5.0%
base salary increases across workforce
(2020 – nil)

Board of Directors and Company Secretary

John (Jay) F. Glick
Non-executive Chairman

Nationality
American.

Length of Service
7 years; appointed to the Board as a non-executive Director in 2015 and is viewed as independent. In 2017, Jay was appointed non-executive Chairman. In September 2020, Jay was re-appointed for a further three-year term. Age 69.

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

External Appointments
Jay is currently a non-executive director of TETRA Technologies Inc.

Committee Membership
Ethics and Sustainability Committee (Chair).
Nomination Committee (Chair).
By invitation.

Arthur James (Jim) Johnson
Chief Executive

Nationality
American.

Length of Service
30 years; appointed to the Board as a Director and Chief Executive in 2017. Age 61.

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

External Appointments
None.

Committee Membership
By invitation.

Bruce Ferguson
Finance Director

Nationality
British.

Length of Service
28 years; appointed to the Board as a Director and Finance Director in 2020. Age 50.

Skills and Experience
Bruce is a Chartered Management Accountant and has held senior financial and operational positions within the Group since 1994. From 2003 to 2011 Bruce was the financial controller of the Group's European operations. From 2011, Bruce held the position of managing director of Hunting's EMEA operating segment and has been a member of the Executive Committee since its formation in 2018.

External Appointments
None.

Committee Membership
By invitation.

Annell Bay
Non-executive Director

Nationality
American.

Length of Service
7 years; appointed to the Board as a non-executive Director in 2015 and is viewed as independent. In February 2021, Annell was re-appointed for a final three-year term. Annell is Chair of the Remuneration Committee and is also the Company's designated non-executive Director for employee engagement. Age 66.

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

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

Committee Membership
Ethics and Sustainability Committee.
Remuneration Committee (Chair).
Nomination Committee.
Audit Committee.

Carol Chesney
Non-executive Director

Nationality
American and British.

Length of Service
4 years; appointed to the Board as a non-executive Director in 2018 and is viewed as independent. Carol is Chair of the Audit Committee. In April 2021, Carol was re-appointed for a further three-year term. Age 59.

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

External Appointments
Carol is currently a non-executive director of IQE plc and Biffa plc.

Committee Membership
Ethics and Sustainability Committee.
Remuneration Committee.
Nomination Committee.
Audit Committee (Chair).

Richard Hunting, CBE
Non-executive Director

Nationality
British.

Length of Service
49 years; elected an executive Director in 1989 and was Chairman from 1991 to 2017. Richard remains on the Board as a non-independent, non-executive Director and was re-appointed for a further three-year term in September 2020. Age 75.

As noted in the letter from the Chairman, Richard will retire from the Board on 20 April 2022.

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

External Appointments
None.

Committee Membership
By invitation.

Keith Lough
Senior Independent Non-executive Director

Nationality
British.

Length of Service
4 years; appointed to the Board as a non-executive Director in April 2018 and appointed Senior Independent Director in August 2018. In April 2021, Keith was re-appointed for a further three-year term. Age 63.

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

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

Committee Membership
Ethics and Sustainability Committee.
Remuneration Committee.
Nomination Committee.
Audit Committee.

Ben Willey
Company Secretary

Nationality
British.

Length of Service
12 years; joined Hunting in 2010 and was appointed Company Secretary in 2013. Age 48.

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

External Appointments
None.

Committee Membership
Ethics and Sustainability Committee (Secretary).
Remuneration Committee (Secretary).
Nomination Committee (Secretary).
Audit Committee (Secretary).

Executive Committee

Rick Bradley
Chief Operating Officer

Nationality
American.

Length of Service
11 years; joined Hunting in 2011. Age 62.

Daniel Tan
Managing Director – Asia Pacific

Nationality
Singaporean.

Length of Service
14 years; joined Hunting in 2008. Age 59.

Jason Mai
Managing Director – Hunting Titan

Nationality
American.

Length of Service
5 years; joined Hunting in 2016. Age 53.

Liese Borden
Chief HR Officer

Nationality
American.

Length of Service
3 years; joined Hunting in 2018. Age 60.

Scott George
Managing Director – North America

Nationality
American.

Length of Service
12 years; joined Hunting in 2010. Age 48.

Ryan Elliott
Chief IT Officer

Nationality
American.

Length of Service
8 years; joined Hunting in 2013. Age 43.

Randy Walliser
Manager Director – Canada

Nationality
Canadian.

Length of Service
3 years; joined Hunting in 2019. Age 61.

Gregory T. Farmer
Global Director – QAHSE

Nationality
American.

Length of Service
28 years; joined Hunting in 1993. Age 55.

Stewart Barrie
Managing Director – EMEA

Nationality
British.

Length of Service
10 years; joined Hunting in 2011. Age 53.

Bruce Ferguson, Jim Johnson and Ben Willey are also members of the Executive Committee.

Corporate Governance Report

Compliance
The Board of Hunting PLC has adopted governance principles aligned with the 2018 UK Corporate Governance Code (the "Code"), which can be found at www.frc.org.uk. Hunting PLC is reporting its Corporate Governance compliance against this Code.

The Board has assessed its compliance with the Code and notes the following provisions to which it is not compliant:

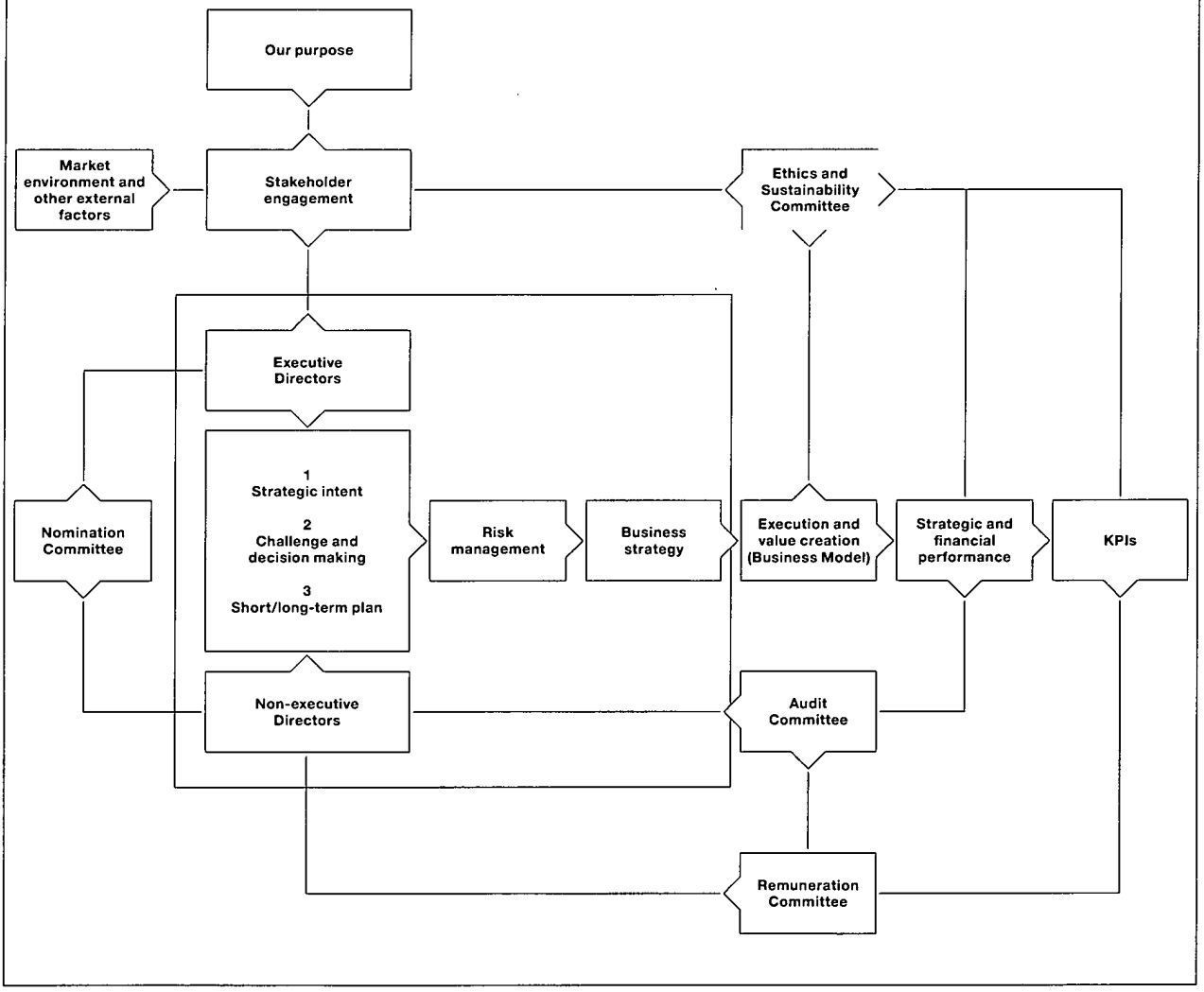
The pension contribution rate of the Chief Executive (who is resident in the US) currently does not align with the workforce as required by provision 38 of the Code. Mr Johnson was appointed prior to the implementation of the 2018 Code. It should be noted that since his appointment to the Board in 2017, the pension contribution Jim Johnson received from the Company averaged 11% of base salary. The Board has agreed that all new executive Director appointments will be capped at 12% of base salary, in line with the UK workforce.

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

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

Hunting's governance framework is driven by its Purpose, Culture and Values, which are noted on pages 6 and 7, and are derived from engagement with its shareholders and principal stakeholders.

Hunting Governance Framework



Introduction
The Board discusses strategic planning and long-term growth objectives. Once the Board has agreed on these strategic plans, they are rolled out across the Group's operations and relayed to key stakeholders more generally.

Embedded within strategic planning is the Group's appetite for risk. The Group's Risk Management framework (see pages 82 to 85), and supporting procedures, help the Board refine its decision making, as the opportunities and risks for long-term success and growth are evaluated against their risk appetite and the risk culture of the Group. Following this, the Group's Business Strategy and Model are put into action.

The Board has four subcommittees to which it delegates governance and compliance procedures:

- the Ethics and Sustainability Committee, whose report can be found on pages 105 and 106;
- the Remuneration Committee, whose report can be found on pages 107 to 130;
- the Nomination Committee, whose report can be found on page 131; and
- the Audit Committee, whose report can be found on pages 132 to 135.

These Board Committees support the Directors in their decision making.

The Ethics and Sustainability Committee was formed in H2 2021 to support the Group's development of environmental, social and governance decision making. As long-term sustainability and climate-related matters become more important to our stakeholders, this Committee has been formed to oversee and monitor our existing practices, but to also monitor new long-terms strategies to reduce our impact on the environment, to monitor our stakeholder engagement procedures and to oversee our ethics policies.

The Remuneration Committee ensures that executive pay remains aligned with Company performance and the broader shareholder experience. The Remuneration Committee ensures the executive Directors remain motivated and incentivised, as the senior leadership team executes the approved strategy on a day-to-day basis.

The work of the Nomination Committee supports the Board's responsibility for ensuring that a framework of recruitment and retention of talent is in place to run the Company and that succession is well planned and executed in a timely manner.

The Audit Committee's responsibilities include reviewing the Group's financial results and challenging management, internal audit and external audit functions.

The Board and its Committees are further supported by an Executive Committee, comprising of senior leaders across the Group. The Executive Committee oversees the implementation of the Group's growth objectives and ensures the risks and opportunities presented are actively managed.

Responsibilities of the Board
The Board of Hunting PLC has clearly defined areas of responsibility, which are separate to those of the Chairman, executive Directors and the Committees of the Board.

The non-executive Directors approve the strategic goals and objectives of the Company, as proposed by the executive Directors.

The Board approves all major acquisitions, divestments, dividends, capital investments, annual budgets and strategic plans.

The Board has overall leadership of the Company, setting the values of the Hunting Group and providing a strong tone from the top, which all businesses within the Group and its employees are encouraged to adopt.

Governance principles of the Company are set by the Board and key Group-level policies are reviewed and approved by the Directors.

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

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

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

Board Activities
Board and Committee materials are circulated in a timely manner ahead of each meeting.

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

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

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

The Board met seven times in 2021 (2020 – 11 times), with a 100% attendance record as noted in the table below:

Number of meetings held	**7**
Number of meetings attended (actual / possible):	
Annell Bay	7/7
Carol Chesney	7/7
Bruce Ferguson	7/7
John (Jay) Glick	7/7
Richard Hunting	7/7
Jim Johnson	7/7
Keith Lough	7/7

2021 Board Meetings and Agenda Items	25 Jan	1 Mar	21 Apr	1 Jun	25 Aug	6 Oct	8 Dec
Standing Items							
Chief Executive's Report	•	•	•	•	•	•	•
Finance Director's Report	•	•	•	•	•	•	•
Operational Reports		•		•	•		•
Quality Assurance, Health, Safety & Environmental Reports		•		•	•		•
Shareholder Report		•	•	•	•	•	•
Other Items							
Annual/Interim Report and Accounts		•			•		
Board Evaluation							•
Risk Review		•					
AGM Preparation			•				
Trading Statement			•	•		•	
Strategy				•	•	•	•
Organisation and Personnel Review and Succession				•			•
Annual Budget							•
Chairman / Senior Independent Director Investor Feedback		•					

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

Culture and Purpose

The Group has been operating since 1874 and, therefore, has a long history, with a strong culture, including support for employees across all of its global operations. The Culture of the Group extends to maintaining high business standards and creating value for investors by building strong and lasting relationships with its core stakeholders. More information on engagement with, and support to, the Group's key stakeholders can be found on pages 52 to 74.

Our Purpose is to be a deeply trusted innovator and manufacturer of technology and products that create sustainable value for our stakeholders. Hunting's core businesses are focused on the manufacture of products which deliver oil and gas and other critical engineering components. The Directors have approved Hunting's continued focus on energy-related markets, while using the earnings generated from that sector to diversify into other sectors that utilise our core competencies and offer an attractive return.

The Group's disclosures on Purpose and Culture can be found on pages 6 and 7 within the Strategic Report.

As noted in the disclosures, the Culture of the Group is based on:

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

In the year, the Directors reviewed the organisational structure of the Group, noting its simplicity, with short chains of command to allow for rapid business decision making. It was noted that this also allowed all levels of the workforce to communicate with the senior management team directly. As part of its regular Board meeting schedule, the Directors review HSE and Quality Assurance reports from the Group's global operations.

In line with the recommendations of the Code, the Board has established procedures to monitor Culture and to ensure the views of the workforce are understood by the Directors. In 2019, the Group launched a global, all-employee engagement survey. The results of the survey were reviewed by the Directors, with appropriate actions being undertaken, following a number of areas of feedback that were received. It is anticipated that the survey will be repeated in 2022. Supporting this initiative has been a process of formalising other employee engagement initiatives including management briefings and introducing roundtable employee discussion forums.

Shareholder Views

The Chairman and Senior Independent Director met with shareholders in January 2021 and January 2022 to discuss governance, strategy and other matters. During the year, the Chief Executive and Finance Director also regularly met shareholders to discuss performance and strategy. Investor meeting feedback reports are also prepared by the Group's advisers and are circulated to the Directors.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company is the normal mechanism for all shareholders to meet the Directors and to ask questions about the strategy and performance of the Group.

The formal business of the AGM includes receiving the Annual Report and Accounts, approving remuneration policies and outcomes, re-electing Directors, appointing the auditor and providing the Directors with powers to transact Company business on behalf of its members. The Chief Executive normally provides a presentation of the Group's performance and answers questions from shareholders.

At the Company's Annual General Meeting in April 2021, and in line with UK government guidance in respect of public meetings, attendance to the meeting was limited to the quorum of two shareholders. All resolutions were passed at the meeting with good majorities, with no resolutions receiving less than 80% of votes in favour. Details of the resolutions put to shareholders at the meeting can be found within the Notice of Meeting located within the "General Meetings" section of the Company's website www.huntingplc.com.

The Company's 2022 Annual General Meeting is being planned as an open meeting. However, the meeting will also be accessible to shareholders via a webcast, where questions submitted ahead of the meeting will be answered by the Board.

Stakeholder Engagement

Details of engagement activities with all our key stakeholders and the Board can be found, within the Strategic Report, on pages 52 to 74.

Speak Up/Whistleblowing Service

An independent and anonymous whistleblowing reporting service has been in place for many years, allowing any employee access to the Board to raise matters of concern. During the year, there was one report received through the SafeCall service (2020 – two reports). Reports received are reviewed by Keith Lough, the Group's Senior Independent Director, who also receives and approves all investigation reports and corrective actions.

Conflicts of Interest

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

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

Division of Responsibilities (Section 2 of the Code)

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

The profiles and experience of each Director are found on pages 96 and 97. In line with the Code's recommendations, the Notice of Annual General Meeting incorporates details of the contribution in the year and the Board's reasons for proposing the re-election of each Director.

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

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

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

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

To ensure an effective relationship between the Chairman and the Chief Executive and other members of the Board, the responsibilities of the Senior Independent Director are shown below:

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

Responsibilities of the Company Secretary

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

Directors' and Officers' Liability Insurance

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

Board Independence

As at 31 December 2021, excluding the Chairman, the Board comprised 50% independent non-executive Directors. Including the Chairman, 57% of the Board comprised independent Directors.

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

External Appointments

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

Executive Committee

The Group has an Executive Committee ("ExCo") comprising the senior leaders of the Group and the executive Directors. The ExCo meets formally four times, to discuss the quarterly performance of each operating segment, strategic initiatives, including the progress of capital investment programmes, Quality Assurance and HSE performance, in addition to Human Resources, Information Technology and Risk Management reports.

During 2021, the Executive Committee was expanded to include the Group's Chief HR Officer, the Global Director QAHSE; the Group's Chief IT Officer; and the Group Company Secretary. The Head of Investor Relations also attends meetings of the ExCo.

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

Board Appointments

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

In the year, the Nomination Committee completed an evaluation and re-appointment process for Carol Chesney and Keith Lough, who were re-appointed for a further three-year term on 23 April 2021. The activities of the Nomination Committee are reported on page 131.

Board Skills and Experience

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

Director	Expertise
Annell Bay	Upstream oil and gas, US energy market development and US quoted companies.
Carol Chesney	Accounting, UK corporate governance, ethics compliance and UK quoted companies.
Jay Glick	Oilfield services and manufacturing, US energy market development and US quoted companies.
Richard Hunting	UK corporate governance, investor relations.
Keith Lough	Accounting, upstream oil and gas, UK energy regulation and market development and UK quoted companies.

The tenure of the Board of Directors, as at 3 March 2022, is noted in the chart below.

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

For the appointment of executive Directors, the Company enters into a Service Contract with the Director, which reflects the terms of employment, remuneration and termination, taking into account country of residence and local employment laws applicable at the time of appointment. For more information on the Service Contracts of the current executive Directors, please see the Remuneration Committee Report on page 119.

Diversity – Gender and Ethnicity

The Group has enhanced its gender and ethnicity profile in recent years, with the Board of Directors now comprising 29% females. Further, it is noted that 50% of the Board's independent non-executive Directors comprise females.

Within the Executive Committee, there is also an ethnic and gender balance which reflects the Hunting global workforce.

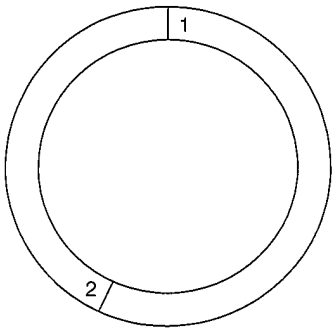
For further information on these areas please refer to the Strategic Report on pages 56 to 58.

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

The Group's policies, procedures and approach to audit, risk and internal control is described within the Risk Management section (pages 82 to 85) and the Audit Committee Report (pages 132 to 135) of the Annual Report and Accounts. The Risk Management section includes information on the Group's principal and emerging risks, as required by the Code.

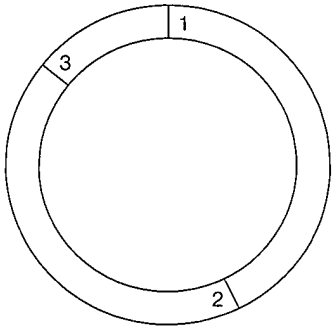
Board Independence (including Chairman)

1. Independent 57%
2. Non-Independent 43%



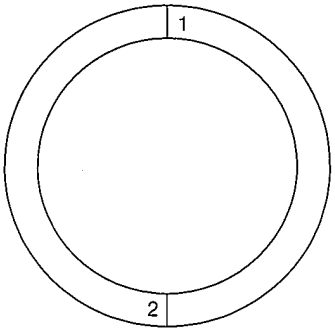
Board Tenure

1. < 3 years 43%
2. 3 to 9 years 43%
3. > 9 years 14%

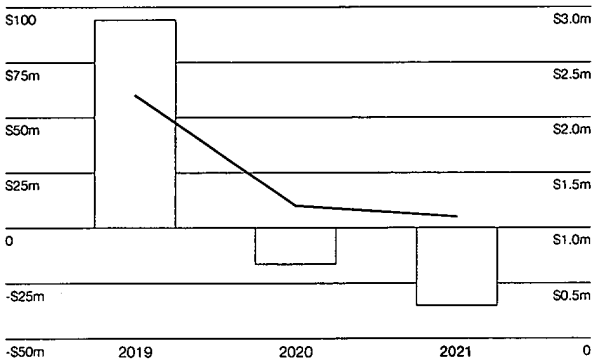


Board Independence (excluding Chairman)

1. Independent 50%
2. Non-Independent 50%



Underlying Result from Operations ($m) vs CEO Pay ($m)



Remuneration
(Section 5 of the Code)
The Group's remuneration principles align with the Code and are clearly linked to the long-term success of the Company.

Clarity and Simplicity	The Directors' Remuneration Policy is based on fixed and variable emoluments. Fixed emoluments are benchmarked against other global energy services companies and the UK listed companies, to ensure the Company can attract and retain talent. Variable emoluments are based on two structures, an annual bonus and long-term incentive plan. Both variable structures are based on the Group's disclosed key performance indicators, including both financial and non-financial measures, and only pay out when performance has been achieved. The Chief Executive's remuneration is benchmarked against global peers, who are mostly headquartered in the US, while the Finance Director is benchmarked against UK listed companies of similar size and complexity. Non-executive Director fees are set at levels that take into account the time commitment and responsibilities of each role. The non-executive Directors do not receive cash bonuses or other variable emoluments. The fees are benchmarked against other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors. The Chairman's fee is set by the Remuneration Committee. The pay structures of the senior management team and wider workforce are generally based on the Company's shareholder approved Directors' Remuneration Policy, and can include pension and healthcare benefits as well as an annual bonus and long-term incentives. Shareholder engagement is a key theme of the Directors' Remuneration Policy, with proactive engagement occurring whenever major changes to Policy or Committee decision making are contemplated. The Committee is satisfied that, over time, shareholder feedback has been reflected in the Directors' Remuneration Policy.
Risk, Predictability and Proportionality	The Committee believes that the Directors' Remuneration Policy aligns with the risk profile of the Company, encouraging growth in the long term and discouraging excessive risk taking. The Policy is weighted towards variable pay on the delivery of long-term growth. As noted in the chart on page 103, the remuneration paid to the Chief Executive over time has aligned well with the Group's performance, with annual bonus and long-term incentives only vesting on outperformance.
Alignment	The Board and the Remuneration Committee have reviewed the Company's Purpose, Values and Culture and believes that the remuneration framework operated by the Company encourages strong performance, based on a culture of honesty and integrity and putting stakeholder needs at the forefront of our strategic priorities.

The current Directors' Remuneration Policy was approved by shareholders on 21 April 2021. The new Policy further aligns Hunting's remuneration practices with the 2018 UK Corporate Governance Code, including:

- Increasing the alignment of the pension arrangements of executive Directors with the workforce; and
- Introducing a post-employment shareholding policy for the executive Directors.

More information on compliance with the provisions of the Code and the emoluments paid to the Directors can be found in the Remuneration Committee Report on pages 107 to 120.

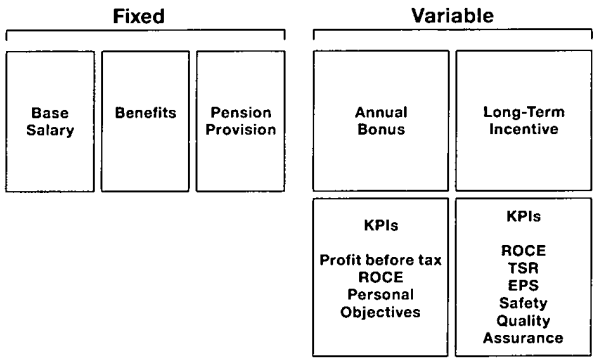
In respect of the current Directors' Remuneration Policy and the 2018 Code, the Committee notes the following:

- The Company's long-term incentive arrangements extend to a five-year timeframe, with a three-year vesting period and two-year post-vesting holding period;
- Malus and clawback provisions are in place for all variable remuneration, with additional triggers introduced in 2021 to reflect best practice;
- The Committee has flexibility within the Directors' Remuneration Policy to exercise appropriate discretion; and
- Pension provisions for new executive Director appointments will align with the workforce in the future.

Further, in 2021 the Remuneration Committee introduced ESG and carbon deliverables into the executive Directors' personal objectives contained in the Annual Bonus Plan.

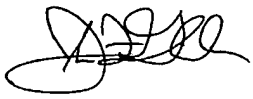
The chart following summarises the components of executive remuneration and the key performance indicators that are inputs to the remuneration outcomes.

Summary of Remuneration Structure and KPIs



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

On behalf of the Board



John (Jay) F. Glick
Chairman

3 March 2022

Ethics and Sustainability Committee Report

John (Jay) F. Glick
Chairman

The formation of the Ethics and Sustainability Committee reflects the Board's commitment to environmental, social and governance matters, with new monitoring and reporting procedures being put in place to enable the Board to guide Hunting's sustainability agenda for the years ahead.

Particular attention had been given to climate and carbon reporting, with Hunting reporting against the Task Force for Climate-related Financial Disclosures framework in the year. While we know Hunting is at the start of this journey, the Committee is now well positioned to provide support to management to effect real change across the Group's businesses as we drive for a more sustainable future.

Our employees continue to be our most important asset, particularly as the Group's businesses exit from the impact of the pandemic. The work of the new Committee will formalise our reporting of human capital issues, to ensure our investors understand our values which in turn are driven from the commitment from our workforce, customers and suppliers."

John (Jay) F. Glick
Committee Chair

	Member	Invitation
Number of meetings held	**1**	
Number of meetings attended (actual/possible):		
Annell Bay	1/1	
Carol Chesney	1/1	
Bruce Ferguson		1/1
John (Jay) Glick (Committee Chair)	1/1	
Richard Hunting		1/1
Jim Johnson		1/1
Keith Lough	1/1	

Composition and Frequency of Meetings
The Committee currently comprises the independent non-executive Directors of the Company and is chaired by Jay Glick.

Details of the Committee's experience can be found in the biographical summaries set out on pages 96 and 97.

The Committee held its maiden meeting in December 2021 and will meet bi-annually going forward. The Committee operates under written terms of reference which were approved by the Board in August 2021 and are published on the Company's website at www.huntingplc.com.

The attendance record of Committee members and Board invitees is noted in the table on the left.

In addition to the Directors, the regular attendees to meetings of the Committee include the Group's Chief Operating Officer, the Chief HR Officer, the Global Director QAHSE and the Group's General Counsel.

Responsibilities
The principal responsibilities of the Ethics and Sustainability Committee are to:

- Monitor the Group's Scope 1 and 2 greenhouse emissions and the initiatives to contain and reduce its carbon footprint;
- Monitor Hunting's public disclosures in respect to the Task Force for Climate-related Financial Disclosures framework;
- Monitor the risks and opportunities which climate presents to the Group's operations;
- Monitor the Quality Assurance and Health, Safety and Environmental reports prepared by the Executive Committee;
- Monitor the Group's employee and human capital matters, including engagement with Hunting's workforce;
- Monitor the Group's interaction with other key stakeholders, including customers, suppliers and communities;
- Monitor the Group's Modern Slavery Act initiatives;
- Monitor the Group's policies and procedures in respect to sanctioned territories;
- Monitor the Group's whistleblowing procedures; and
- Monitor the Group's anti-bribery and corruption initiatives.

Work Undertaken by the Committee During 2021
The Committee discussed, reviewed and made a number of decisions on key areas in 2021, which are set out below:

	Dec
Carbon and Climate	
Procedures for measuring and monitoring the Group's Scope 1 and 2 emissions	•
TCFD analysis and reporting	•
Climate scenario reports	•
Stakeholders	
Employee and workforce report	•
Code of Conduct training report	•
Whistleblowing summary report	•
Health and Safety and Quality Assurance report	•
Community report	•
Ethics	
Anti-bribery and corruption reports	•
Entertainment and hospitality summary	•
Modern slavery analysis	•
Customer and supplier risk analysis	•
Sanctions and export compliance	•

Adoption of SASB Reporting Framework
During the year, the Group has made strong progress in improving its governance and reporting practices in the areas of sustainability and climate. In August 2021, the Board of Directors approved a proposal submitted by the executive Directors to align its public reporting on sustainability matters to the frameworks published by the Sustainability Accounting Standards Board ("SASB"). The Group has elected to report against the Oil and Gas – Services and Industrial Equipment and Machinery standards, which are noted on pages 226 and 227.

Carbon and Climate
The Group has reported Scope 1 and 2 emissions in its Annual Reports for a number of years and in 2019 published its first carbon reduction targets.

The Committee and wider Board has monitored the enhancement of the internal reporting of the Group's carbon emissions data, with arrangements to track carbon data being reviewed.

The Committee also reviewed the work completed in the year in respect to its TCFD disclosures, which are included on pages 63 to 73. Hunting's TCFD reporting aligns with the four recommended pillars of governance, strategy, risk management and targets. Further, the disclosures include the 11 recommended areas of narrative proposed by the TCFD panel, which was issued in 2017.

Employees
The Committee received a workforce report from the Group's Chief HR Officer, which included details of employee changes, tenure and engagement initiatives undertaken in the second half of the year. The report also included diversity and inclusion planning which are to be put in place in the coming years.

HSE and Quality
As part of its review work, the Committee received a Health and Safety and Quality Assurance report from the Group's Director for Health and Safety and Quality Assurance.

It was noted that from 2022, and in line with SASB reporting, vehicle incident data would be tracked.

Code of Conduct
The Group's Code of Conduct contains policies and procedures covering how the Group conducts business and maintains its relationships with business partners. The Code of Conduct is available on the Group's website and is sent to most customers and suppliers. In the year, the Committee reviewed training reports submitted by each business unit.

Communities
The Committee also reviewed a report which summarised Community initiatives which were undertaken by the Group's businesses throughout the year.

Whistleblowing
The Company's Senior Independent Director, Keith Lough, is the primary point of contact for staff or other key partners of the Group to raise, in confidence, concerns they may have over possible improprieties, financial or otherwise. In addition, the Group engages the services of SafeCall Limited to provide an independent and anonymous whistleblowing service available to staff across all of Hunting's operations. All employees have been notified of these arrangements through the corporate magazine, Group notice boards and the Group's website.

Bribery Act
In compliance with the UK Bribery Act, Hunting has procedures in place, including the publication of Anti-Bribery and Corruption policies and detailed guidelines on interacting with customers, suppliers and agents, including specific policies for gifts, entertainment and hospitality. Senior managers across the Group are required to report their compliance activities, including an evaluation of risk areas.

The Group has completed a screening exercise to identify relevant employees who face a heightened risk of bribery, with all relevant personnel completing a formal training and compliance course, in line with the Group's procedures.

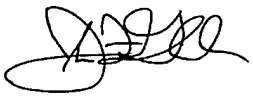
The Committee reviewed the compliance procedures relating to the Bribery Act at its December meeting, which incorporates risk assessments completed by each business unit and gifts and entertainment disclosures made during the reporting period. The Group's internal audit function reviews local compliance with the Bribery Act and reports control improvements and recommendations to the Committee, where appropriate.

Modern Slavery Act
The Modern Slavery Act 2015 was enacted in 2016 and requires companies to evaluate internal and external risks related to human trafficking and modern slavery. Procedures were introduced during 2016 and continued in 2021, whereby each business unit across the Group completed due diligence on its workforce to highlight employment risks in relation to trafficking and slavery.

All businesses within the Group also completed a risk-mapping exercise of their known supply chain to evaluate those customers and suppliers to the Group who operate in those jurisdictions where trafficking and slavery is more prevalent. Hunting published its Modern Slavery Act report in March 2021, located at www.huntingplc.com. Since 2018 the Group's "Code of Conduct" training course has been rolled out to all employees of the Group, which incorporates information on modern slavery and trafficking.

Sanctions and Export Compliance
The Group sells products to over 70 countries which presents a general risk of export and sanctions compliance. Hunting has detailed procedures in place that monitor sales in medium to high risk territories, where End User disclosures, company evaluation and analysis are completed prior to a sales order being agreed. The Committee received regular reports on these sales and procedures.

On behalf of the Board



John (Jay) F. Glick
Chairman

3 March 2022

Remuneration Committee Report

For the year ended 31 December 2021

Annell Bay
Chair of the Remuneration Committee

The Group's results in 2021 reflect the ongoing impact of the COVID-19 pandemic, despite global vaccination programmes being completed and economies being reopened throughout the year. The reluctance of many key industry players to commit to new drilling activity, despite multi-year highs in the pricing of oil and gas, has resulted in persistently low global equipment purchasing in the year, which in turn has impacted Hunting's results for the year ended 31 December 2021.

As these industry factors have played out, new pressures on labour and employee retention have emerged, as competition for skilled employees has increased. The Board was briefed on these emerging issues throughout the year. This led to action being taken to address this risk. In August 2021, the Board led a broad based review of the Group's recruitment and retention policies to address concerns over skilled labour supply and retention. The Board noted that there had been no general salary increases within the Group during the previous two years. Following a benchmarking exercise undertaken by our external advisers, the Remuneration Committee met in October 2021 to consider and approve base salary increases for the wider workforce including the Executive Committee and the executive Directors. These increases took effect on 1 October 2021 and details are included on page 123.

At the Company's 2021 Annual General Meeting, the Directors' Remuneration Policy was tabled to shareholders for approval and received a good level of support with 92.0% votes in favour of the new Policy.

During the year, the Remuneration Committee has monitored the key performance metrics attached to the Company's Annual Bonus and Long Term Incentive schemes. The Committee referred to the shareholder approved Directors' Remuneration Policy in its decision making and was mindful that the losses recorded during the year resulted in the financial targets, conditioning payment of the bonus, not being achieved. Following detailed deliberations, the Committee considered that in spite of very difficult market conditions, the executive Directors' performance measured against the personal/strategic objectives set by the Committee exceeded expectations and had been delivered in full. The Committee therefore approved a 10% vesting of the maximum bonus opportunity available to the executive Directors. In accordance with the Directors' Remuneration Policy, this outcome reflects a halving of the bonus amount, given that the financial targets were not met.

The financial and TSR targets governing the vesting of the 2019 HPSP grant were not met. The strategic scorecard performance condition was achieved however, which will lead to a 7.5% payout in March 2022. The Committee deliberated on this outcome, and concluded that this small level of vesting was proportionate to the strategic objectives of the Company, which had been achieved. This vesting also reflects a halving of the outcome, given that the financial targets set in 2019 were not met.

Overall, the total remuneration of the Chief Executive and the Finance Director takes into consideration their country of residence and primary operating location. Jim Johnson is resident in the US and operates from Hunting's office in Houston. Bruce Ferguson is a UK resident and operates from the London office. Their remuneration was broadly similar to the prior year, and the Committee considers this to be reasonable and a fair reflection of the Company's underlying performance given the market conditions and the wider shareholder experience."

Annell Bay
Chair of the Remuneration Committee

Introduction
On behalf of the Board, I am pleased to present the Remuneration Committee Report to shareholders for the year ended 31 December 2021. This letter provides a summary of the work completed by the Remuneration Committee (the "Committee") in the year, including the major decisions taken and details of how the approved Directors' Remuneration Policy was implemented during the year.

The Committee met six times in the year, compared to three times in 2020, reflecting the additional discussions held on employee retention.

	Member	Invitation
Number of meetings held	**6**	
Number of meetings attended (actual/possible):		
Annell Bay (Committee Chair)	6/6	–
Carol Chesney	6/6	–
Bruce Ferguson	–	5/5
John (Jay) Glick	–	6/6
Richard Hunting	–	6/6
Jim Johnson	–	6/6
Keith Lough	6/6	–

Major Decisions Made by the Committee
COVID-19
With the continuing impact of the COVID-19 pandemic on global economies and the slower-than-anticipated return to growth for many of the Group's businesses, the Committee has continued to adopt restraint and caution in its decisions on pay.

In determining the Annual Bonus outcome and vesting of the 2019 awards under the HPSP, the Committee applied the principles of the Directors' Remuneration Policy and halved the outcome of both the Annual Bonus and the vesting levels of the HPSP since the financial targets were not achieved. Further, the Committee also reduced the quantum of the 2021 grant under the HPSP by 22%, given the year-on-year decline in the Company's share price. This was the second year in a row where the quantum of the HPSP grant was substantially reduced.

Base Salary and Fee Review
The Committee met in August and October 2021 to consider adjustments to the base salaries of the executive Directors and the wider workforce. In August 2021, the Committee was briefed by the Chief Executive and the Chief HR Officer on employee retention and labour issues, which were emerging across the Group's US businesses. In particular, the Committee understood that the risk of loss of key executives had materially increased as the energy industry showed early signs of recovery from Q2 onwards. The risk has been reflected in the Group's principal risk register on page 90. To address the concerns of the Group's senior leadership team, the Board approved a 5.0% increase in base salaries across the Group's workforce, which was implemented in Q4 2021.

The Committee held an additional meeting in October 2021 to deliberate on possible base salary increases for the executive Directors, and received data from the Chief HR Officer on the base salary increases that were proposed for the Hunting Executive Committee, which ranged from 5.0% to 20.0%. These increases were based on independently benchmarked salary data provided by Mercer/Kepler (UK) and Pearl Meyer (US).

The Committee then considered the base salary of the Chief Executive, noting that in 2017 his salary had been set at 11% below that of his predecessor and that a base salary freeze had been in place since early 2019. The Committee decided to award Mr Johnson a salary increase of 5.0% to $771,750 per annum, with effect from 1 October 2021, and in line with the wider workforce.

The Committee also considered the base salary of the Finance Director, noting that in 2020 his salary was set at 19% below that of his predecessor. Independent peer salary data was reviewed for the Finance Director's base salary and was benchmarked against a FTSE Small Cap peer group, with the base salary being materially below the market median, and that Mr Ferguson had performed exceptionally since his appointment in 2020, helping the Group to navigate through the impact of the pandemic. On this basis, the Committee awarded Mr Ferguson a base salary increase of 10.0% to £302,500 per annum, with effect from 1 October 2021. The Committee believes these adjustments reflect progression in role and are within the range of increases awarded to the Executive Committee.

The Committee also met in December 2021 to review the fees of the non-executive Directors and concluded that no changes would be made.

Annual Bonus
The Group did not meet its budgetary targets for 2021, given the slower-than-anticipated return to growth in many of the Group's businesses. This has resulted in a nil vesting of the financial components of the bonus.

The Committee met in January 2022 to review the delivery of the personal/strategic performance objectives by the executive Directors.

In line with the operation of the Annual Bonus Plan, the Committee noted the strong delivery of the objectives set at the start of the year, including delivery of a medium range strategic framework and other key sustainability objectives. Following discussion, the Committee agreed to award 10% of the maximum bonus opportunity to each executive Director. This reflects the full delivery of pre-determined personal targets, and a halving of the recorded outcome to reflect the nil vesting of the financial targets, in line with the operation of the Annual Bonus Plan. The Committee did not apply discretion to the annual bonus outcome.

On this basis, Mr Johnson will receive a bonus of $154k, while Mr Ferguson will receive a bonus of $62k, and in line with 2020, these awards will be delivered in Ordinary shares in the Company, to be retained for a minimum of one year. These are explained in detail on page 125.

HPSP Awards Granted
The Committee implemented a 22% reduction to the quantum of HPSP awards granted in March 2021 – this followed a 20% reduction to the awards issued in 2020.

HPSP Awards Vesting
The 2019 awards under the HPSP are due to vest on 21 March 2022 and incorporate four performance conditions, being ROCE (35%), EPS (25%), TSR (25%) and a Strategic Scorecard (15%). The EPS and ROCE performance conditions were based on performance targets to be delivered for the financial year ending 31 December 2021. The Strategic Scorecard comprises two non-financial sub-measures, being the Group's Safety and Quality performance across the performance period.

Following measurement of the financial elements of the award, the TSR, ROCE and EPS performance conditions for the 2019 awards recorded a nil vesting. The TSR condition was measured independently by Mercer/Kepler. The Strategic Scorecard recorded a 15% vesting (or 100% of the scorecard portion), in line with the operation of the Policy, given that the financial targets had not been met the Committee halved this amount, leading to a total vesting of 7.5%. The Committee did not apply discretion to adjust the vesting of the 2019 HPSP.

On this basis, Mr Johnson will be entitled to receive 31,688 Ordinary shares on the vesting date. Reflecting his prior role below the Board, Mr Ferguson's 2019 award under the HPSP included both performance- and time-based share awards, with the latter vesting in full on the basis of his continued service to the Group across the performance period. In total Mr Ferguson will be entitled to receive 20,031 Ordinary shares on the vesting date.

Dividend equivalents accrued during the period totalling 23.0 cents per share will be added to the vesting amount. All vested shares will be held for a minimum period of two years from the vesting date.

2021 AGM Result
At the Company's AGM held on 21 April 2021, the Company received 81.3% votes in favour of the resolution to approve the 2020 Annual Report on Remuneration. The Directors' Remuneration Policy was also tabled for approval and received 92.0% votes in favour.

Context of Remuneration Awarded in 2021
The Group's performance in the year, as noted above, has led to a 10% vesting of the maximum annual bonus opportunity and a 7.5% vesting of the 2019 HPSP award. Both elements of variable remuneration are "Below Target", given the continuing industry downturn in Hunting's core trading markets.

The single figure for total remuneration paid to Jim Johnson was $1.1m in 2021 and to Bruce Ferguson was $564k.

In 2020, the remuneration paid to the executive Directors reflected a "Below Target" performance for both the annual bonus award and the HPSP.

The Committee is satisfied that total pay outcomes are appropriate in the context of Group performance across the periods covered by these short- and long-term incentives.

Activities Undertaken by the Remuneration Committee During 2021

	Jan	Mar	Apr	Aug	Oct	Dec
Overall Remuneration						
Annual base salary review				•	•	
Review senior management annual emoluments paid				•		
Review total remuneration against benchmarked data				•		
Items Specific to Annual Bonus						
Approve annual bonus including delivery of personal/strategic performance targets	•					
Review Annual Bonus Plan rules				•		
Agree personal/strategic performance targets for year ahead		•				
Items Specific to Long-term Incentives						
Approve HPSP vesting and new annual grant		•				
Review HPSP performance conditions						•
Review HPSP grant performance targets		•				
Governance and Other Matters						
Approve Annual Report on Remuneration		•				
Review and approve Remuneration Policy (if required)		•				
Review governance voting reports			•			
Review AGM proxy votes received for Annual Statement of Remuneration and Policy			•			
Review Committee effectiveness						•
Review terms of reference						•

On behalf of the Board

Annell Bay
Chair of the Remuneration Committee

3 March 2022

Remuneration at a Glance

Remuneration Policy and 2021 AGM Result
The remuneration framework adopted in the year aligned with the Policy approved by shareholders on 21 April 2021, with 92.0% of votes in favour. Details of the Policy can be found within the 2020 Annual Report and Accounts at www.huntingplc.com.

At the Annual General Meeting of the Company on 21 April 2021, the resolution to approve the Annual Report on Remuneration was supported by a vote of 81.3% in favour.

Company Performance Summary
As noted in the Letter from the Chair of the Remuneration Committee, the Group reported lower revenues in the year and an underlying loss before tax of $40.6m and ROCE of -4%.

The PBT and ROCE portions of the annual bonus did not reach the required threshold targets and therefore 80% of the maximum bonus opportunity did not vest. Following a review of the delivery of the personal/strategic performance objectives for the executive Directors in relation to the remaining 20% of the annual bonus, a substantial vesting was recorded but this was capped to 10% of the maximum bonus opportunity, in line with the operation of the plan. Performance measurement of the 2019 awards under the HPSP recorded a combined 7.5% vesting, wholly based on the vesting of the Strategic Scorecard component and a nil vesting of the EPS, TSR and ROCE performance elements.

Link to Strategy and KPIs
The Group's Key Performance Indicators are noted on pages 38 and 39, and include financial measures such as profit before tax, return on capital employed and earnings per share targets.

Non-financial measures are also incorporated into HPSP awards and include the Group's Quality and Safety performance. Both these metrics underpin Hunting's standing and reputation in the global energy industry which, in turn, support the Group's long-term strategy.

A significant TSR element also helps align executive remuneration with the shareholder experience. The Company's chosen financial and non-financial KPIs are central to Hunting's long-term success and are fully integrated into the remuneration framework approved by shareholders.

2021 Annual Bonus Targets and Outcome
The annual bonus for executive Directors is based on profit before tax, return on capital employed and personal/strategic performance targets.

Target underlying profit before tax for 2021	**$4.0m**
Target underlying ROCE for 2021	**2.0%**
Actual underlying loss before tax	**$40.6m**
Actual underlying ROCE	**-4%**

Base Salaries and Pension
In October 2021, the Board approved a 5.0% base salary increase across the Group's workforce and also approved base salary increases for the Hunting Executive Committee of between 5.0% to 20.0%.

The Committee discussed base salary increases for the executive Directors and, after careful consideration, approved a 5.0% base salary increase for Jim Johnson to $771,750, and a 10.0% base salary increase for Bruce Ferguson to £302,500.

Base Salaries	
Chief Executive	**$771,750** **+5.0% from 01.10.21**
Finance Director	**£302,500** **+10.0% from 01.10.21**

Annual Bonus
The financial targets for the annual bonus were not achieved. The Committee also reviewed the delivery of the personal/strategic performance objectives by the executive Directors. Following careful consideration and discussion, it was agreed that the objectives had been met in full, leading to a full vesting of this component of the bonus award. Under the rules of the Policy, this component of the bonus is capped at half of the maximum if the financial targets have not been met. On this basis, Jim Johnson will receive a bonus of $154k and Bruce Ferguson will receive a bonus of $62k, which will be delivered in Ordinary shares in the Company.

Annual Bonus	
Chief Executive	**$154k**
Finance Director	**$62k**

Hunting Performance Share Plan ("HPSP")
The Group's 2019 HPSP grant incorporated EPS, ROCE, relative TSR and Strategic Scorecard performance conditions.

The EPS and ROCE performance conditions were based on the financial results delivered for the year ended 31 December 2021, while the TSR and Strategic Scorecard were based on three-year performance targets. The Strategic Scorecard comprised two sub-measures being Safety and Quality performance.

	Proportion	Threshold Vesting
Underlying ROCE	35%	10.0%
Underlying diluted EPS	25%	50 cents
Relative TSR	25%	Median
Strategic Scorecard		
– Safety	7.5%	2.0
– Quality Assurance	7.5%	0.8

2019 HPSP Outcome
The outcomes are presented below:

	Performance	Vesting
Underlying ROCE	-4%	Nil
Underlying diluted LPS	(27.1) cents	Nil
Relative TSR	Below Median	Nil
Strategic Scorecard		
– Safety	0.94	3.75%
– Quality Assurance	0.22	3.75%

Under the rules of the Plan, vesting of the Strategic Scorecard element of the HPSP is capped at 7.5%, being half of the maximum of 15%, as the financial targets were not met.

Jim Johnson will therefore be entitled to receive 31,688 Ordinary shares.

Mr Ferguson was granted both performance-based and time-based awards in 2019. On this basis, he will be entitled to receive 20,031 Ordinary shares on 21 March 2022, being the vesting date of the 2019 award.

Further, under the HPSP rules, dividend equivalents accrued over the vesting period totalling 23.0 cents per vested share will be added to this award.

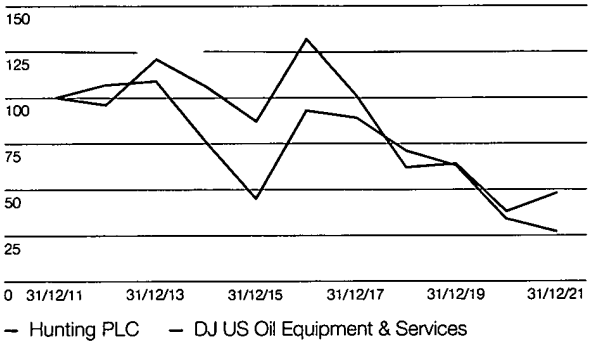
All the post-tax shares retained will be held for a minimum of two years, in line with the 2018 Directors' Remuneration Policy.

2019 Awards Under the HPSP Vesting in March 2022

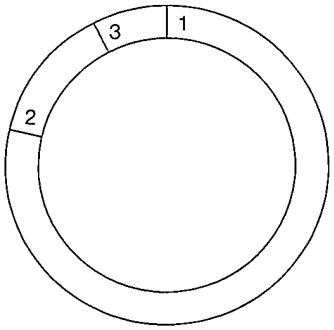
Chief Executive	**31,688** Shares will vest
Finance Director	**20,031** Shares will vest

Shareholder Returns
Total shareholder return is measured against a peer group of 12 companies, all focused on upstream oil and gas services.

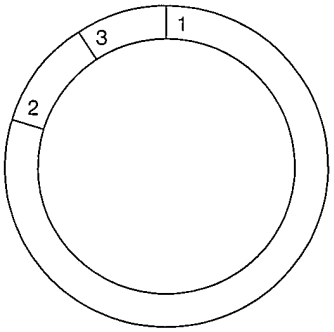
For the three years ended 31 December 2021, Hunting had a Below Median ranking resulting in a nil vesting of the TSR element of 2019 HPSP award.



Chief Executive
1. Fixed $865k
2. Annual Bonus $154k
3. HPSP $81k
Total $1,100k



Finance Director
1. Fixed $451k
2. Annual Bonus $62k
3. HPSP $51k
Total $564k



Directors' Remuneration Policy

Policy Overview

The Directors' Remuneration Policy (the "Policy"), which will be applied by the Hunting Board for the executive and non-executive Directors of the Company, was approved by shareholders at the Annual General Meeting held on 21 April 2021. The revised Policy included a small number of changes, all of which are aimed at reflecting the evolution in investor thinking on best practice since the Policy was last approved.

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

The remuneration opportunities of the Chief Executive and Finance Director are based on externally benchmarked data aimed at providing them with competitive levels of remuneration in the relevant market. The Chief Executive's remuneration is benchmarked against global peers who are mostly headquartered, or publicly listed in the US, and who are of a similar profile and size to Hunting, while also being reputable peers in the oil and gas equipment and services sector. The Finance Director's remuneration is benchmarked against UK listed companies of a similar size.

Non-executive Director fees are set at levels that take into account the time commitment and responsibilities of each role. Given the small size of the Hunting Board, each non-executive Director is required to give an above average time commitment to Group matters. The non-executive Directors do not receive bonuses or other variable emoluments. The fees are benchmarked against other companies of a similar size, profile and profitability and are reviewed annually by the executive Directors. The Chairman's fee is set by the Remuneration Committee. The Remuneration Policy tables that follow provide an overview of each element of the Directors' Remuneration Policy.

The 2018 UK Corporate Governance Code sets out principles against which the Committee should determine the Policy for executives. A summary of the principles and how the revised Hunting Remuneration Policy reflects these is set out earlier in the Corporate Governance Report on page 104.

Remuneration Committee Discretion

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

Annual Bonus

- Discretion to adjust the amount of any bonus to reflect any fact or circumstance that the Committee considers to be relevant, and to ensure that the outcome is a fair reflection of performance.
- The assessment of part-year performance in the event of the exit of a Director including, but not limited to, reviewing forecast financial performance of the Group and the outlook of the business in the context of wider market conditions. Bonus awards for good leavers will generally be pro-rated for the proportion of the performance period completed.
- The Committee may apply discretion to vary the percentage of an award settled in cash or shares.

HPSP

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

Other

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

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

Executive Director Remuneration Policy Table
Fixed Emoluments

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes to policy proposed
Base Salary				
• To attract, retain and reward executives with the necessary skills to effectively deliver the Company strategy.	• Base salaries are set at competitive rates, which take into account the individual's country of residence and primary operating location as well as pay for similar roles in comparable companies. • Aimed at the market mid-point. • Annual increases take into account company performance, inflation in the UK and US and increases across the wider workforce. • Relocation and tax equalisation agreements are also in place for employees working across multiple geographic jurisdictions.	• There is no prescribed maximum annual increase. Increases will normally be guided by the general increase for the broader employee population, but on occasions may need to recognise, for example, development in role, change in responsibility, and/or specific retention issues.	• Individual and Group performance are taken into account when determining appropriate salaries.	• None.
Pension				
• To provide normal pension schemes appropriate to the country of residence.	• The Group currently 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.	• Pension contributions vary based on individual circumstances and local market practice. Further details are set out on page 118. • Any future executive Director appointees in the UK will receive a base salary pension contribution of 12% in line with the majority of UK employees. Any future executive Director appointees in the US will have a contribution cap of 12% of base salary, provided through qualified and non-qualified savings plans.	• None.	• None.
Benefits				
• To provide normal benefits appropriate to the country of residence.	• Each executive Director is provided with healthcare insurance and a company car with fuel benefits or allowance in lieu. • Additional benefits may be provided to ensure the Group remains competitive within the relevant local market.	• There is no maximum value set on benefits. They are set at a level that is comparable to market practice.	• None.	• None.

Executive Director Remuneration Policy Table
Variable Emoluments

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes to policy proposed
Annual Bonus				
• To incentivise annual delivery of financial and operational targets. • To provide high reward potential for exceeding demanding targets.	• Awards are subject to the Annual Bonus Plan rules adopted by the Board in 2010. • Bonus begins to accrue when 80% of the Annual Budget targets are achieved and increases on a straight-line basis to a maximum when 120% of Budget is achieved. • For an on-target performance, defined as actual results equal to the Budget, the Chief Executive is paid 100% of base salary and the Finance Director is paid 75% of base salary. • 25% of any Annual Bonus is normally payable in Hunting shares. These shares are required to be held for two years from the vesting date. • Malus and clawback provisions are incorporated and allow the Committee to reduce the bonus, potentially down to zero, in cases of material financial misstatement, calculation error, gross misconduct or actions that cause reputational damage to the Company.	• The Chief Executive and Finance Director have a maximum opportunity of 200% and 150% of salary, respectively.	• 80% of the Annual Bonus will be based on financial measures, with the remainder based on strategic/personal performance measures, selected annually by the Remuneration Committee to reflect key performance indicators for the year ahead. • The vesting of the strategic/personal component is normally subject to a financial underpin. Should the financial targets not be met, a 50% vesting cap of the personal/strategic component would normally be implemented.	• None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes to policy proposed
Hunting Performance Share Plan ("HPSP")				
• To align the interests of executives with shareholders in growing the value of the business over the long term.	• The HPSP provides for annual awards of performance shares or nil cost options to eligible participants. • Vesting is based on a three-year performance period. • On vesting, awards are subject to an additional two-year holding period (subject to settlement of any tax charges on vesting). • Awards are subject to malus and clawback provisions, which cover cases of material financial misstatement, calculation error, gross misconduct or actions that cause reputational damage to the Company. • The Committee has the ability to exercise discretion to override the HPSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. Any upward discretion would be subject to prior shareholder consultation. • In respect of vested shares, participants are eligible to receive an amount equivalent to dividends paid by the Company during the vesting period once the final vesting levels have been determined, either in cash or shares.	• Chief Executive: 450% of base salary. • Finance Director: 210% of base salary.	• Achievement of a threshold performance target results in a 25% vesting for any portion of the award. • Awards will vest on achievement of financial and strategic performance measures, measured over a three-year performance period. • Financial measures will include EPS, ROCE and TSR and will receive an aggregate weighting of 85% of each award. A fourth measure, in the form of a Strategic Scorecard, which will comprise a number of sub-measures, will have an aggregate weighting of 15% of each award. • Should the financial targets of the grant not be met, the vesting of the Strategic Scorecard is halved.	• None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes to policy proposed
Minimum Stock Ownership Requirement				
• To encourage the retention of shares under award to the executive Directors. • To align the long-term interests of the executive with shareholders.	• Directors have five years to achieve the required holding level from the date of their appointment to the Board. • The Board has discretion to extend this time period if warranted by individual circumstances.	• The target holding of the Chief Executive is equal to the market value of 500% of base salary and for the Finance Director 200% of base salary.	• None.	• None.
Post-Employment Shareholding Requirement				
• To continue to align the long-term interests of the executive with shareholders for a period after they have left the Group. • To incentivise good succession planning.	• Directors are required to retain a holding in Hunting shares for a period after stepping down as an executive Director. • The Committee will have discretion to reduce/waive the requirement in exceptional circumstances.	• Executive Directors must continue to hold shares equivalent to the lesser of their actual ownership at the date of stepping down as an executive Director and 200% of base salary, for a minimum of 12 months. • This requirement will apply to shares acquired under the deferred Annual Bonus and HPSP granted after the 2021 AGM.	• None.	• None.

Non-executive Director Remuneration Policy Table

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

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes to policy proposed
Chairman and Non-executive Director Fees				
• To attract and retain high-calibre non-executive Directors by offering a market competitive fee.	• Fees for the Chairman and non-executive Directors are determined by the Board as a whole, following receipt of external fee information and an assessment of the time commitment and responsibilities involved. • The Chairman is paid a single consolidated fee for his responsibilities including chairing the Nomination and the Ethics and Sustainability Committee. • The non-executive Directors are paid a basic fee. • Directors may be paid an additional fee to reflect their responsibilities — for example Directors who chair the Board's Audit and Remuneration Committees and the Senior Independent Director. • The non-executive Directors and Chairman do not participate in the Group's share plans and do not receive a cash bonus or any other benefits.	• Fees paid to the non-executive Directors are benchmarked against other UK companies of a similar size and profile to the Group. • Given the small size of the Board, each non-executive Director is expected to give an above average time commitment to Group matters and fees are based on this increased commitment. • The aggregate maximum fees for all non-executive Directors within the Company's Articles of Association are £750,000.	• None.	• None.
Minimum Stock Ownership Requirements				
• To align the non-executive Directors' interests with the long-term interests of shareholders.	• Non-executive Directors are required to build up a holding of shares in the Company and have five years to achieve the required holding level from the date of their appointment to the Board.	• The target holding for the Chairman and non-executive Directors is equal to 100% of the annual fee.	• None.	• None.

Detailed Policy

Amendments to the Policy

The oil and gas industry remains a competitive marketplace, therefore recruiting and retaining the right individuals to deliver long-term shareholder growth is a key focus of management and the Remuneration Committee. It is anticipated that recruitment and retention will remain a challenge for the sector and, therefore, the Committee will continue to keep the approved Policy under review, and will make any necessary revisions after appropriate consultation and approval from shareholders has been received.

Relevance to Employee Pay

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

Choice of Performance Metrics

The corporate strategy includes promoting the long-term success of the Group by investing in its existing products and services portfolio through capital investment or by acquisition and growing the business in a way that is aligned with the evolving global energy industry.

The performance of the executive Directors in executing this strategy is evaluated by the following key performance indicators ("KPIs"), which drive the variable components of the executive Directors' emoluments.

The HPSP performance conditions and growth targets can be amended by the Remuneration Committee, with the targets set annually when each award is granted, following an assessment of the growth prospects of the Group.

Taken together, the Committee believes that the executive Directors are appropriately incentivised to deliver both short- and long-term performance based on these metrics.

Performance condition	Variable incentive	Rationale
Underlying Profit before Taxation	Annual Bonus	PBT is a management KPI used to measure the underlying performance of the Group. PBT reflects the achievements of the Group in a given financial year and recognises sustained profitability measured against an agreed Annual Budget.
Underlying Return on Capital Employed	Annual Bonus HPSP	ROCE is a management KPI used to measure the longer-term performance of the Group. ROCE reflects the value created on funds invested in the short and medium term.
Total Shareholder Return	HPSP	Reflects the Group's long-term goal to achieve superior levels of shareholder return.
Underlying Earnings Per Share	HPSP	To encourage sustained levels of earnings growth over the long term.
Strategic/Personal Objectives	Annual Bonus HPSP	To capture and incentivise delivery of key strategic milestones that contribute to long-term success.

Base Salaries and Fees

Base salaries and fees are reviewed annually. In considering appropriate salary levels for the executive Directors, the Committee takes into account their experience and personal performance, the remuneration paid by comparable companies in terms of asset size, revenues, profits, number of employees, market capitalisation and the complexity and international spread of Group operations, as well as Group-wide salary increases and applicable rates of inflation. Other relocation and taxation agreements are also in place for key executives.

Base fee increases for the non-executive Directors are based on external benchmarking of market data for fees paid by comparable companies.

Benefits

Other benefits provided to the executive Directors as part of their remuneration package include the provision of appropriate healthcare insurance, life and disability insurance, car and fuel benefits.

Pension

The Group contributes to the pension arrangements of both the Chief Executive and Finance Director.

Jim Johnson currently participates in the Group's US 401K deferred savings plan. In addition, and consistent with similarly long-tenured US employees, the Group contributes to a deferred compensation scheme. In practice, this compensation scheme is operated on a money purchase basis. Annual contributions for Jim Johnson are up to an equivalent of 18% of salary. Bruce Ferguson receives an annual cash sum equivalent to 12% of base salary, which is aligned with the contribution rate offered to the majority of UK employees. A similar approach will be followed for any future executive Director appointments.

Annual Bonus

An Annual Bonus Plan is in place for the executive Directors, which was adopted by the Board in 2010. The Plan is designed to provide an incentive/reward for performance and reflects the competitive markets in which the Group conducts its business.

80% of the Annual Bonus is based on financial measures, with the remainder based on personal/strategic performance objectives that are set annually by the Remuneration Committee to reflect key priorities for the year ahead.

75% of any Annual Bonus award is paid in cash with the remaining 25% paid in Hunting shares, which are required to be held by the executive Director for a period of two years from the end of the relevant financial period.

For the 2020 and 2021 Annual Bonus, the Remuneration Committee exercised discretion to award 100% in Hunting shares, to be held for a minimum of one year.

HPSP
The HPSP was approved by shareholders in April 2014. Share awards granted to the executive Directors under the HPSP in recent years have been based on a blend of Total Shareholder Return, Earnings per Share, Return on Capital Employed and a Strategic Scorecard.

All performance conditions are measured at the end of the relevant three-year performance period and awards to the executive Directors will be proportional to the total vesting level achieved. Subject to the achievement of performance conditions, awards will typically vest on the third anniversary of the grant. For awards made in 2018 and onwards, vested shares are subject to an additional two-year holding period (subject to settlement of any tax charges on vesting).

The maximum face value of the grant to the Chief Executive is 450% of base salary and 210% of base salary for the Finance Director. Actual award levels are reviewed ahead of each grant to ensure they are appropriate, taking into account factors such as share price performance and the underlying performance of the Group. An amount equivalent to dividends paid by the Company during the vesting period is added to the awards once the final vesting levels have been determined.

Stock Ownership Policy
The Company operates a stock ownership policy whereby the Directors and senior managers are required to build and maintain a minimum shareholding in the Company's Ordinary shares. For executive Directors, the primary mechanism of building the required shareholding is retaining vested shares received from the deferred element of the Annual Bonus and from long-term incentive schemes operated by Hunting. Those subject to this requirement have a period of five years from the date of employment by Hunting to comply.

The Chief Executive is required to maintain a minimum holding of shares equal to a market value of 500% of base salary, the Finance Director a minimum holding of 200% of base salary and the non-executive Directors a minimum holding of 100% of annual fees. Certain executives of the Group are required to build and maintain a minimum holding of shares in the Company equal to a market value of between 100% and 200% of base salary. The value of holdings in shares reported in the Annual Report on Remuneration includes Ordinary shares held by the individual and also the post-tax value of vested, but unexercised, share awards and options.

The Company has adopted a post-employment shareholding policy requiring executive Directors to maintain a level of share ownership after stepping down from the Board. Both the Chief Executive and the Finance Director will be required to continue to hold the lesser of their actual ownership at the date of stepping down and 200% of salary for a minimum of 12 months. This policy will apply to shares acquired under the deferred Annual Bonus and HPSP granted after the 2021 AGM, and will be subject to the discretion of the Committee in exceptional circumstances.

Executive Director Service Contracts
All existing executive Directors' Service Contracts are rolling one-year agreements and contain standard provisions allowing the Company to terminate summarily for cause, such as gross misconduct. The Service Contracts can be reviewed at the Company's Registered Office, on request by a shareholder.

Jim Johnson and Bruce Ferguson entered into Service Agreements with the Company on 7 December 2017 and 2 June 2020 respectively. Under the terms of these Service Agreements, both the Company and the Directors are required to give one year's notice of termination. Messrs Johnson and Ferguson are entitled to receive a Performance Bonus on an annual basis, the quantum being determined by the Remuneration Committee. Messrs Johnson and Ferguson are also entitled to participate in the Hunting Performance Share Plan and any other long-term incentive schemes operated by the Company. Under the terms of their Service Agreements, benefits may include the provision of a company car with fuel, long-term disability and healthcare benefits offered by the Company, as well as participation in pension schemes operated by the Company. Following a change of control, in line with standard UK practice, all stock options and stock-based awards granted will be tested for performance and pro-rated for time unless the Committee, acting fairly, decides otherwise.

Non-executive Director Letters of Appointment
On appointment, each non-executive Director is provided with a letter of appointment that sets out the responsibilities and time commitments for the role. Additional duties, as requested by the Nomination Committee, including chairing a Board subcommittee, are also incorporated into the letters of appointment and fees paid. Non-executive Director appointments are usually for a fixed three-year term, which can be terminated by either party at any time.

External Board Appointments
The Company may authorise an executive Director to undertake a non-executive directorship outside of the Group provided it does not interfere with their primary duties. During the year neither executive Director held any external positions.

Payment for Loss of Office
The Committee has considered the Company's policy on remuneration for executive Directors leaving the Company and is committed to applying an approach consistent with best practice to ensure that the Company pays no more than is necessary. In line with normal market practice, the policy distinguishes between "Good Leavers" and "Bad Leavers". A "Good Leaver" is defined as an employee who has ceased to be employed by the Group due to death, ill-health, injury, disability, redundancy, retirement, the employee's company ceasing to be a Group member or for any other reason if the Committee so decides.

In the case of a Good Leaver, taking account of local conditions, the Policy normally allows:

- payment in lieu of notice equal to 12 months' base salary, pension contributions, contractual benefits and any other legal entitlements;
- payment of a bonus for the period worked subject to the achievement of the relevant performance conditions; and
- any unvested long-term incentives vest at the normal time subject to the achievement of the relevant performance conditions, and pro-rated based on the period of service as a proportion of the vesting period.

If an employee departs the Group for any other reason than those specified in the Good Leaver definition above then he/she is treated as a bad leaver and unvested long-term incentives lapse immediately on cessation of employment.

New Director Policies
As the Board of Hunting is refreshed with new executive and non-executive Director appointments, the policy for remuneration for the new Board members will align with those detailed above. Hunting needs to be able to attract and retain the best executive and non-executive Directors in the market place. The Remuneration Committee believes that the proposed policy will enable the Company to achieve its recruitment aims.

For executive Director appointments, the fixed component of total emoluments will target the market mid-point, subject to geographic considerations of the candidate and the specific labour market conditions. Where new appointees have initial base salaries set below market, any shortfall may be managed with phased increases over a period of two to three years, subject to the individual's development and performance in the role. The Service Contracts will be rolling one-year agreements with standard provisions. The fixed component of the emoluments will comprise base salary, including any appropriate relocation or tax equalisation agreements, benefits including healthcare insurance, pension contributions, car benefits and any other components deemed necessary to secure an appointment. The variable component to the emoluments will be implemented in line with the policies above, subject to any future amendments to these arrangements being approved by shareholders. Annual performance linked cash bonus arrangements will include awards up to 150% and 200% of base salary for a new Finance Director and Chief Executive respectively. The maximum awards under the HPSP are 210% and 450% of base salary for a new Finance Director and Chief Executive respectively. The Committee anticipates applying UK market standard change of control provisions within new Service Contracts.

In addition, for new appointees, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and shareholders. Any such payments would take account of remuneration relinquished when leaving the former employer and would be structured to reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For non-executive Director appointments, the benchmarked fees against companies of similar size and profile to Hunting will be applied.

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

Shareholder Consultation and Feedback
When determining remuneration, the Committee takes into account views of leading shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee is always available for feedback from shareholders on remuneration policy and arrangements, and will undertake a further consultation with our largest shareholders in advance of any significant future changes to remuneration policy. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Remuneration Scenarios for Executive Directors
The remuneration scenarios of the executive Directors for a fixed, target and maximum performance are presented in the charts below. Potential reward opportunities are based on Hunting's Remuneration Policy, applied to annualised 2021 remuneration data.

Chief Executive
O Fixed O Annual Bonus O HPSP

Maximum Stretch	12%	20%	68%	$7,730k
Maximum	15%	26%	59%	$5,994k
Target	26%	23%	51%	$3,439k
Fixed	100%			$885k

Finance Director
O Fixed O Annual Bonus O HPSP

Maximum Stretch	1	2	3	1 20% 2 26% 3 54% $2,419k
Maximum	1	2	3	1 24% 2 32% 3 44% $1,982k
Target	1	2	3	1 39% 2 25% 3 36% $1,233k
Fixed	1			1 100% $484k

Note: These charts are indicative as share price movement and dividend accruals have been excluded.

Assumptions made for each scenario are as follows:

- Fixed: latest salary, benefits and normal pension contributions or payments in lieu of pension contributions.
- Target: fixed remuneration plus half of maximum annual cash bonus opportunity plus 50% vesting of awards under the HPSP.
- Maximum: fixed remuneration plus maximum annual cash bonus opportunity plus 100% vesting of all long-term incentives.
- Maximum Stretch: including the impact of a hypothetical 50% increase in share price on the value of the HPSP in accordance with the reporting regulations.
- The Finance Director is paid in Sterling and the equivalent total remuneration scenarios are as follows – fixed £352k; target £897k, maximum £1,441k and maximum stretch of £1,759k.

On behalf of the Board

Annell Bay
Chair of the Remuneration Committee

3 March 2022

Annual Report on Remuneration

Introduction
The principles set out in the Directors' Remuneration Policy (the "Policy"), approved by shareholders in April 2021, have been applied throughout the year.

Compliance Statement
The Directors' Remuneration Policy and 2021 Annual Report on Remuneration reflect the Remuneration Committee's reporting requirements under the amended Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Shareholder Rights Directive II, as enacted on 10 June 2019 and also the 2018 UK Corporate Governance Code, which became effective for the Company from 1 January 2019.

The 2021 Annual Report on Remuneration, which includes the Letter from the Chair of the Remuneration Committee, details how the approved Directors' Remuneration Policy was applied during 2021. This report was approved by the Remuneration Committee at its meeting on Monday 28 February 2022.

Role
The Committee is responsible for developing and implementing the Directors' Remuneration Policy for the Company and has direct oversight of the remuneration of the executive Directors, Company Chair and Company Secretary. The Chair and Chief Executive are consulted on proposals relating to the remuneration of the Finance Director and designated senior management. Where appropriate, the Chair and other Directors are invited by the Committee to attend meetings, but are not present when their own remuneration is considered. The Committee also reviews and monitors the remuneration framework of the Company's Executive Committee and monitors base salary increases across the Company's workforce. The remuneration of the non-executive Directors is agreed by the Board as a whole and follows the Articles of Association of the Company, which were last approved by shareholders on 18 April 2018. The full scope of the role of the Committee is set out in its Terms of Reference, which are reviewed annually, and can be found on the Group's website at www.huntingplc.com.

Membership and Attendance
The Committee consists entirely of independent non-executive Directors. Ms Bay and Mr Lough have relevant sector expertise, while Mrs Chesney has relevant financial expertise. Ms Bay was appointed to the Committee on her appointment to the Board on 2 February 2015 and was appointed Chair on 30 August 2018. The Committee met six times during the year and attendance details are shown on page 108.

At 31 December 2021 and up to the date of signature of the accounts, the members of the Committee and their unexpired terms of office were:

Director	Latest appointment date	Unexpired term as at 3 March 2022
Annell Bay	2 February 2021	23 months
Carol Chesney	23 April 2021	26 months
Keith Lough	23 April 2021	26 months

Shareholder Voting at the 2021 AGM
At the Company's AGM held in April 2021, the resolution to approve the Directors' Remuneration Policy and Annual Report on Remuneration received the following votes from shareholders:

	Directors' Remuneration Policy		Annual Report on Remuneration	
	Number of votes cast	% of votes cast	Number of votes cast	% of votes cast
For	122,544,114	92.04	107,960,247	81.28
Against	10,600,216	7.96	24,857,711	18.72
Votes withheld[i]	1,906	–	328,728	–
Total votes cast	**133,146,236**	**100.00**	**133,146,686**	**100.00**

i A vote withheld is not a vote in law and is not included in the percentage for votes cast.

External Advisers
During the year, Mercer/Kepler ("Kepler") and Pearl Meyer were engaged by the Committee to provide remuneration consultancy services. Their appointments were subject to formal tenders and both companies are regarded as independent, having been appointed by and acting under direction of the Committee. Kepler provides UK governance advice and compensation benchmarking, while Pearl Meyer provides US data for consideration by the Committee.

The total cost of advice to the Committee during the year to 31 December 2021 was $91,722 (2020 – $58,721) and includes fees paid in respect of review work in salary benchmarking, Policy review, share plans and remuneration reporting disclosure requirements.

Fees are charged on a time basis for consultancy services received. Neither Mercer/Kepler nor Pearl Meyer have any other connection to the Company or any Director.

Director Remuneration (audited)

	Fixed				Variable			
2021	Base salary /fees[i]	Benefits[ii]	Pension[iii]	Sub total	Annual bonus[iv]	HPSP awards[vi]	Sub total	2021 total remuneration
	$000	$000	$000	$000	$000	$000	$000	$000
Executives								
Jim Johnson	**744**	**67**	**54**	**865**	**154**	**81**	**235**	**1,100**
Bruce Ferguson	**388**	**18**	**45**	**451**	**62**	**51**	**113**	**564**
Non-executives								
Annell Bay	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**
Carol Chesney	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**
Jay Glick	**253**	**–**	**–**	**253**	**–**	**–**	**–**	**253**
Richard Hunting	**83**	**–**	**–**	**83**	**–**	**–**	**–**	**83**
Keith Lough	**96**	**–**	**–**	**96**	**–**	**–**	**–**	**96**
Total	**1,756**	**85**	**99**	**1,940**	**216**	**132**	**348**	**2,288**

	Fixed				Variable			
2020 (restated)	Base salary /fees[i]	Benefits[ii]	Pension[iii]	Sub total	Annual bonus[v]	HPSP awards[vii]	Sub total	2020 total remuneration
	$000	$000	$000	$000	$000	$000	$000	$000
Executives								
Jim Johnson	735	72	53	860	147	172	319	1,179
Peter Rose (to 15 April 2020)	124	8	32	164	19	36	55	219
Bruce Ferguson (from 15 April 2020)	251	12	31	294	37	21	58	352
Non-executives								
Annell Bay	90	–	–	90	–	–	–	90
Carol Chesney	90	–	–	90	–	–	–	90
Jay Glick	236	–	–	236	–	–	–	236
Richard Hunting	77	–	–	77	–	–	–	77
Keith Lough	90	–	–	90	–	–	–	90
Total	1,693	92	116	1,901	203	229	432	2,333

Notes

i. In October 2021, the Committee met to discuss base salary changes for the executive Directors. The Committee noted the 5.0% base salary increase implemented across the Group's workforce in October 2021 and also the base salary increases awarded to the Hunting Executive Committee, which ranged from 5.0% to 20.0%, and awarded a 5.0% salary increase to Mr Johnson to $771,750 and a 10.0% salary increase to Mr Ferguson to $302,500. The average £:$ exchange rate in the year was 1.3753 (2020 – 1.2824).

ii. Benefits include the provision of healthcare insurance, a company car and fuel benefits.

iii. Mr Johnson's single figure pension remuneration represents Company contributions payable to his US pension arrangements. Mr Ferguson's pension figure represents a cash sum in lieu of a Company pension contribution, which is set at 12% of his annual base salary.

iv. Given the slower-than-anticipated economic growth seen in the year due to the ongoing impact of COVID-19, the Group did not meet its 2021 financial targets in respect of the Annual Budget, leading to a nil vesting of the financial components of the bonus. In January 2022, the Committee reviewed the delivery of the personal/strategic performance objectives of the executive Directors and concluded that both Messrs Johnson and Ferguson had completed their objectives in full. On this basis, Mr Johnson's and Mr Ferguson's annual bonuses vested at 10% of the maximum opportunity, as the annual bonus rules cap the personal objectives component to 50% of the maximum if the financial targets have not been met. Mr Johnson was therefore awarded a bonus of $154k and Mr Ferguson a bonus of $62k. The 2021 bonus will be satisfied through the delivery of Ordinary shares in the Company, based on the post-tax value of the bonus. 75% of these shares are to be held for one year and 25% of these shares are to be held for two years in line with the current operation of the Plan.

v. In 2020, Mr Johnson's annual bonus was $147k and Mr Ferguson's annual bonus was $37k. The bonuses were delivered in Ordinary shares in the Company, to be retained for a minimum of one year.

vi. The share awards granted in 2019 under the HPSP had a three-year performance period to 31 December 2021 and incorporate four performance conditions. The awards were measured against the relevant performance conditions, with a nil vesting recorded for the EPS, TSR and ROCE performance conditions. A 7.5% vesting of the Strategic Scorecard (after application of the vesting cap on this element), has also been recorded. Further details of the vesting calculation are shown on page 126. On this basis, Messrs Johnson's and Ferguson's awards will vest at 7.5%, with Mr Johnson entitled to receive 31,688 Ordinary shares and Mr Ferguson receiving 2,026 Ordinary shares. Mr Ferguson's 2019 HPSP grant was made when he was managing director of the Group's EMEA operating segment, a below Board position and which incorporated both performance-based and time-based share awards. On the vesting date Mr Ferguson will receive an additional 18,005 Ordinary shares in respect of vested time-based awards. For the purposes of the single figure calculation, the average mid-market closing price of £1.724 during Q4 2021 has been applied to the number of vested shares and converted to dollars using the average £:$ exchange during Q4 2021, being $1.3481. The share price on the date of grant, being 22 March 2019, was £5.735. Further, a cash payment equalling the dividends paid during the vesting period has been added to the single figure calculation, totalling 23.0 cents per vested share. The vesting date of the 2019 award is 21 March 2022, when the final values of the awards will be determined.

vii. The share awards granted in 2018 under the HPSP had a three-year performance period to 31 December 2020 and vested on 19 April 2021. Following independent measurement by Mercer/Kepler 15.75% of the performance awards vested. On this basis Mr Johnson received 45,143 Ordinary shares at a market value of £2.57 per share, plus a cash payment of 19.0 cents per share, equalling the dividends paid during the vesting period. The total value of Mr Johnson's vested award was $171,900. Mr Ferguson received 15,788 shares in total, at a market price of £2.70 per share, with a pro-rated value of $21,299 calculated from the date of his appointment on 15 April 2020 and inclusive of a cash dividend equivalent. Mr Rose received 12,352 shares at a market price of £2.70, with a total value of $36,161 inclusive of the cash dividend equivalent. The 2020 single figure table has been restated to reflect these amounts at a US$ spot rate of 1.395.

The remuneration of Bruce Ferguson, and the non-executive Directors is originally denominated in Sterling and is as follows:

	Fixed				Variable			
2021	Base salary /fees £000	Benefits £000	Pension £000	Sub total £000	Annual bonus £000	HPSP awards £000	Sub total £000	2021 total remuneration £000
Executives								
Bruce Ferguson[i]	**282**	**13**	**33**	**328**	**45**	**38**	**83**	**411**
Non-executives								
Annell Bay[ii]	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**
Carol Chesney[iii]	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**
Jay Glick[iv]	**184**	**–**	**–**	**184**	**–**	**–**	**–**	**184**
Richard Hunting[v]	**60**	**–**	**–**	**60**	**–**	**–**	**–**	**60**
Keith Lough[vi]	**70**	**–**	**–**	**70**	**–**	**–**	**–**	**70**

	Fixed				Variable			
2020 (restated[viii])	Base salary /fees £000	Benefits £000	Pension £000	Sub total £000	Annual bonus £000	HPSP awards £000	Sub total £000	2020 total remuneration £000
Executives								
Peter Rose (to 15 April 2020)[vii]	97	6	25	128	15	26	41	169
Bruce Ferguson (from 15 April 2020)[vii]	196	9	24	229	29	15	44	273
Non-executives								
Annell Bay	70	–	–	70	–	–	–	70
Carol Chesney	70	–	–	70	–	–	–	70
Jay Glick	184	–	–	184	–	–	–	184
Richard Hunting	60	–	–	60	–	–	–	60
Keith Lough	70	–	–	70	–	–	–	70

Notes:
i. Bruce Ferguson's base salary was increased to £302,500 on 1 October 2021.
ii. Annell Bay: Chair of the Remuneration Committee with an annual fee of £70,000.
iii. Carol Chesney: Chair of the Audit Committee with an annual fee of £70,000.
iv. Jay Glick: Chair of the Company with an annual fee of £183,750.
v. Richard Hunting has an annual fee of £60,000.
vi. Keith Lough is the Company's Senior Independent Director with an annual fee of £70,000.
vii. Peter Rose retired as a Director of the Company on 15 April 2020.
viii. The 2018 HPSP vesting value has been restated to reflect the market price on the date of vesting being 19 April 2021.

Salary and Fees

During the year, the Group's businesses have reported early signs of a return to growth, due to economies being reopened and vaccine programmes being rolled out. From Q2 2021, indications of labour pressures increasing across the Group became clearer, leading the senior leadership team to see strong evidence of the risk of losing key senior executives to competitors as the competition for talent accelerated. In August 2021, the Chief Executive briefed the Committee and wider Board on these issues leading to a 5.0% base salary being approved for the Group's workforce to be rolled out in October 2021. The Committee met in October 2021 to discuss possible base salary increases to the executive Directors and received data from the Chief HR Officer, which detailed proposed salary increases for the Hunting Executive Committee, which ranged from 5.0% to 20.0%.

Following a review, the Committee awarded a 5.0% base salary increase to Jim Johnson, the Group's Chief Executive, to $771,750 from 1 October 2021, which aligned with the wider workforce. This was the first increase since early 2019.

Further, the Committee awarded a 10.0% base salary increase to Bruce Ferguson, Hunting's Finance Director, to £302,500 from 1 October 2021. In respect of Mr Ferguson salary adjustment, the Committee noted that on appointment, his base salary was set at 19% below that of his predecessor, and that his salary was materially below the median paid to FTSE All-Share companies of a similar size and profile to Hunting. The increase agreed also aligns with the approved Directors' Remuneration Policy where, if an executive Director's base salary is set below that of the market or predecessor, phased increases will be implemented as the individual progresses and grows within the role.

In December 2020, the Board reviewed the fee levels for non-executive Directors, which did not result in any changes being made for 2021.

Pensions (audited)

Jim Johnson is a member of a deferred compensation scheme in the US, which is anticipated to provide a lump sum on retirement, and also contributes to a US 401K match deferred savings plan. Company contributions to the former arrangement were $36,512 (2020 – $35,820) in the year. There are no additional benefits provided on early retirement from this arrangement. In the year, the Group contributed to Mr Johnson's 401K saving plan, totalling $17,400 (2020 – $17,100).

Mr Ferguson receives a cash sum in lieu of pension contributions, representing 12% of his annual base salary. This contribution level aligns with the UK workforce, as required by the 2018 UK Corporate Governance Code. In the year, Mr Ferguson's company pension contribution was $46,520 / £33,000 (2020 – $30,261 / £23,597).

Annual Performance-Linked Bonus Plan (audited)

The executive Director annual performance-linked bonus plan was amended following the Company's Annual General Meeting in April 2018. The operation of the bonus plan was revised to the following:

Proportion of award	Performance metric
60%	Underlying Profit before Tax
20%	Underlying Return on Capital Employed
20%	Strategic / Personal Performance Objectives

Delivery of Financial Objectives

The annual bonus targets are normally based on the Annual Budget agreed by the Board in December of the prior financial year. The 2021 Annual Budget agreed by the Board contained financial targets of an underlying loss before tax of $16.8m and an underlying ROCE of (1.0)%, reflecting subdued trading as a consequence of the COVID-19 pandemic. Similar to the operation of the Annual Bonus in 2020, the Committee set revised bonus targets based on a return to profitability, if economic conditions recovered faster than anticipated by management.

The financial performance targets for the 2021 annual bonus were thus set as follows:

	Threshold vesting	Target vesting	Maximum vesting	Actual result	% vesting
Underlying profit (loss) before tax	$2.0m	$4.0m	$8.0m	$(40.6)m	Nil
Underlying return on capital employed	1.0%	2.0%	4.0%	(-4.4)%	Nil

As in prior years, the annual bonus starts to accrue when 80% of the Annual Budget targets are met, and increases on a straight-line basis up to 120% of the budget (or bonus) target.

Due to ongoing subdued trading throughout 2021, the financial targets contained within the 2021 Bonus Plan were not met, with these portions of the bonus recording a nil vesting.

Delivery of Strategic/Personal Performance Objectives

The strategic/personal performance objectives agreed by the Committee with the executive Directors in early 2021 are summarised in the table below. Detailed analyses of these outcomes follow this table.

Jim Johnson (Chief Executive)	**Bruce Ferguson (Finance Director)**
Strategic Development of the Group (50%) • Develop a detailed and robust framework to enable implementation of a Board approved long-range strategic plan. • Show how Hunting's expertise can leverage new innovation and accelerate new business opportunities. • Present scenarios of how to address the current share price to reflect Hunting's internal view.	**Strategic Development of the Group (50%)** • Develop a detailed and robust framework to enable implementation of a Board approved long-range strategic plan. • Show how Hunting's expertise can leverage new innovation and accelerate new business opportunities. • Present scenarios of how to address the current share price to reflect Hunting's internal view.
Organisational Effectiveness (25%) • Human Resources – to unify practices and policies globally with emphasis on strategic workforce planning linked to the Hunting long-range Strategic Plan. Develop Hunting's succession and talent management programmes. • IT – to deliver rollout of ERP systems for all businesses in the US and continue the cyber security goal of no breaches. Development of a three-year plan for further IT integration. • ESG – develop internal council to address sustainability issues.	**Operational and Financial Effectiveness (35%)** • Present a Capital Allocation Policy, presenting trade-offs between dividends, capital investment and gearing. • Deliver a new Group-level borrowing facility to replace the current RCF. • Initiate a program of standardisation of internal controls. • IT – to deliver rollout of ERP systems for all businesses in the US and continue the cyber security goal of no breaches. Development of a three-year plan for further IT integration.
ESG and Leadership (25%) • Define a strategic framework for ESG, including risks and opportunities. • Continue to focus on strong quality assurance and HSE performance. • Continue the drive for lean manufacturing efficiencies. • Deliver trackable carbon and climate data set for external publication.	**ESG and Leadership (15%)** • Define a strategic framework for ESG, including risks and opportunities. • Develop a succession plan for key finance staff. • Deliver trackable carbon and climate data set for external publication.

During the year, the Committee was updated on the progress of the objectives set for the executive Director's for the year ended 31 December 2021 and noted the following outcomes:

Strategic Development of the Group
The executive Directors presented a medium range Strategic Framework to the Board at its June 2021 meeting, which included a wide ranging review of the Group's businesses and product lines, a review of the Group's cost base, along with a number of strategic development initiatives to grow the Group in the long term, leveraging its expertise in oil and gas, but including revenue diversification plans.

The Board noted the strategic investment in Cumberland Additive and the provision of convertible financing to Well Data Labs that have been completed in the year. These arrangements enable the Group to participate in technology businesses in the areas of software engineering and additive manufacturing, offering the potential to provide new technology and revenue opportunities to the Group.

The Board also noted the proposed formation of a joint venture in India, which positions the Group strongly in this growth market.

Further, the Board noted the initiatives to reorganise the Group to prepare for the anticipated return to growth of the global oil and gas industry and, in particular, noted the material restructuring of Hunting's European OCTG businesses in the year, which released significant capital back to the Group to deploy in new growth opportunities.

The Committee reviewed these initiatives and concluded that this portion of the bonus had been completed in full.

Organisational and Financial Effectiveness & Leadership
The Board received detailed briefings on the Group's HR and IT functions in the year, which noted the delivery of succession planning and talent management programmes. The Board also noted the continued roll out of the D365 ERP system to key business units across the Group and the cyber security performance of Hunting's IT systems.

The executive Directors presented a Capital Allocation Policy to the Board at its October 2021 meeting, where future scenarios were debated.

In February 2022, the Group entered into a new $150m Asset Based Lending facility, which replaced the Group's $160m revolving credit facility, significantly increasing Hunting's liquidity position and provides the Company with a more flexible borrowing structure.

The Board also received regular updates on the development of internal control process documentation, led by the Group's internal audit function.

The Committee reviewed these initiatives and concluded that this portion of the bonus had been completed in full.

ESG and Leadership
The Board noted that, as part of a medium range Strategic Framework, an Ethics and Sustainability Board Committee was proposed by the executive Directors. The new Board Committee met in December 2021 and will be supported by an ESG internal steering group, comprising senior leaders of the Company. As part of the Group's broader development of this area, the Committee noted the formation of a TCFD steering group to further develop Hunting's carbon and climate strategies. The Committee reviewed these initiatives and concluded that this portion of the bonus had been completed in full.

Annual Bonus Outcome
Accordingly, the Committee concluded that all strategic/personal performance objectives had been met in full during the year. In line with the Remuneration Policy, vesting of the strategic/personal performance component of the annual bonus is subject to an underpin, whereby a 50% vesting cap on this element is applied in cases where the financial targets for the year are not met.

Based on this outcome, and reflecting this cap, the following bonus awards were made to the executive Directors:

Proportion of annual bonus allocated	Performance metric	Percentage of annual bonus awarded
60%	Underlying profit (loss) before tax	Nil
20%	Underlying return on capital employed	Nil
20%	Strategic/personal performance objectives	10%

As detailed in the Letter from the Chair of the Remuneration Committee, the post-tax value of the bonus will be delivered in Ordinary shares in the Company. 75% of these shares are to be held for one year, with the balance of 25% to be held for two years, in line with the normal operation of the Annual Bonus Plan.

Mr Johnson was therefore awarded a bonus for the year of $154,350, and Mr Ferguson was awarded a bonus of $61,888. On 3 March 2022, Mr Johnson received 24,289 Ordinary shares and Mr Ferguson 5,676 Ordinary shares in line with the Committee's policy of delivering the bonus in shares in the Company.

In 2020, the annual bonus awards to the executive Directors were as follows: Mr Johnson – $147k and Mr Ferguson – $37k.

2019 HPSP Vesting (audited)
The 2019 awards under the HPSP have been measured against the performance conditions following completion of the three-year performance period ended 31 December 2021. The 2019 awards were based on four performance conditions – underlying ROCE (35%); underlying EPS (25%); relative TSR (25%) and a Strategic Scorecard (15%) comprising two sub-measures being the Group's Safety and Quality performance.

The EPS and ROCE performance conditions were absolute targets to be delivered in the third year of the performance period being the financial year ended 31 December 2021, while the TSR and Strategic Scorecard are three-year measures. A summary of the EPS, ROCE and Strategic Scorecard performance is detailed below:

	% of award	Threshold vesting target	Maximum vesting target	Recorded performance	% Vesting outcome
Underlying diluted EPS (LPS)	25%	50 cents	70 cents	(27.1) cents	Nil
Underlying ROCE	35%	10.0%	15.0%	-4.4%	Nil
Strategic Scorecard					
– Safety	7.5%	2.00	<1.00	0.94	3.75%
– Quality	7.5%	0.8	0.5	0.22	3.75%

Similar to the annual bonus, and in line with the Remuneration Policy, vesting of the Strategic Scorecard component of the HPSP is subject to an underpin whereby a 50% vesting cap on this element is applied in cases where the financial targets for the year are not met. The vesting outcome above reflects the application of this cap.

The Total Shareholder Return performance condition was measured by Kepler in January 2022, following completion of the three-year performance period. Hunting's TSR performance against the 12 comparator companies was then ranked, resulting in a Below Median ranking corresponding to nil vesting.

Overall the total vesting of the 2019 HPSP award is 7.5%. The vesting date of the 2019 HPSP award is 21 March 2022. As an executive Director on the grant date, Mr Johnson will receive 31,688 Ordinary shares. Mr Ferguson's 2019 HPSP award comprised both performance-based and time-based awards, the latter vesting in full given his continuing service to the Group throughout the three-year performance period. Mr Ferguson will be entitled to receive 20,031 Ordinary shares on the vesting date.

A cash equivalent of dividends paid by the Company during the vesting period, totalling 23.0 cents per vested share, will be added to the award on the vesting date. The 2019 HPSP vesting has been calculated as follows:

	No of shares granted in 2019	Vesting %	No. of shares vested* $	**Value of vested shares at 31 December 2021 $**	Value of dividends at 23.0 cents per share $	Total award value $
Jim Johnson	422,507	7.5	31,688	**73,638**	7,288	80,926
Bruce Ferguson						
– Performance-based	27,008	7.5	2,026	**4,708**	466	5,174
– Time-based	18,005	100.0	18,005	**41,841**	4,141	45,982

* As per the methodology for reporting the values of unvested awards, the average price of a Hunting PLC share during Q4 2021 of £1.72 has been applied and converted to US dollars at an exchange rate of 1.3481 for the period. The share price on the date of grant was £5.735.

In accordance with the Directors' Remuneration Policy, these vested shares are to be held for two years from the vesting date.

2018 HPSP Vesting (audited)
On 31 December 2020, the 2018 awards under the HPSP were measured against the performance conditions, following completion of the three-year performance period, resulting in the following outcome:

	No of shares granted in 2018	Vesting %	No. of shares vested	Value of vested shares at 31 December 2020 $	Value of dividends at 19.0 cents per share $	Total award value $	Pro-rated value $***
Jim Johnson*	286,624	15.75	45,143	161,609	10,291	171,900	n/a
Peter Rose **/***	74,424	15.75	12,352	46,516	2,578	49,094	36,161
Bruce Ferguson***							
– Performance-based	19,157	15.75	3,017	11,362	725	12,087	4,070
– Time-based	12,771	100.00	12,771	48,095	3,073	51,168	17,229

* The value of Mr Johnson's awards are restated at the market price of £2.57 per share on 19 April 2021, based on shares sold to cover tax liabilities.
** Mr Rose's award was pro-rated to his leaving date of 31 December 2020.
*** For the purposes of the single figure table, Messrs Ferguson's and Rose's awards were pro-rated for their respective tenures as a Director of the Company over the whole vesting period. The value of Messr's Ferguson and Rose's awards are restated at the closing mid-market price of £2.70 per share on 19 April 2021.

In accordance with the 2018 Directors' Remuneration Policy, these vested shares are to be held for two years from the vesting date.

2021 HPSP Grant (audited)
On 4 March 2021, the Committee approved the grant of nil-cost share awards to Jim Johnson and Bruce Ferguson under the rules of the HPSP. Awards will vest on 4 March 2024, subject to the achievement of the performance metrics, with a two-year holding period then applying to the post-tax vested shares. The normal award value for the Chief Executive is 450% and for the Finance Director 210% of base salary respectively. Given the decline in the share price since the 2020 grant, the Remuneration Committee reduced the award value by 22%, leading to the grant levels noted below.

Details of the grant are as follows:

	Award as a % of base salary	Number of shares under grant	Face value of award of threshold vesting of 25% $	Face value of award at threshold vesting of 100% $
Jim Johnson	351%	757,732	644,963	2,579,850
Bruce Ferguson	164%	172,203	155,065	620,260

As in previous years, for the 2021 grants to the executive Directors, the Remuneration Committee set absolute EPS and ROCE targets to be delivered for the year ending 31 December 2023, and three-year TSR targets and Strategic Scorecard. The Strategic Scorecard is subdivided equally between two non-financial KPIs, namely Quality and Safety performance metrics published by the Group for the performance period.

The targets for each performance condition are as follows:

Performance condition	Proportion of award	Threshold vesting target	Maximum vesting target
TSR	25%	Median	Upper Quartile
EPS	25%	20 cents	40 cents
ROCE	35%	6%	9%
Strategic Scorecard			
– Safety	7.5%	2.00	>1.00
– Quality	7.5%	0.8	0.5

The following quoted businesses comprise the TSR comparator group for the 2021 award:

Akastor	National Oilwell Varco	TechnipFMC
Drill-Quip	Nine Energy	Tenaris
Flotek Industries	Oceaneering	Vallourec
Forum Energy Technologies	Oil States International	
Franks International	Schoeller-Bleckmann	

The face value of the 2021 award is based on the five-day average mid-market share price up to 3 March 2021, which was 261.9 pence per share.

Payments to Past Directors (audited)
Peter Rose retired as a Director of the Company on 15 April 2020. The emoluments paid during 2021 to Mr Rose were wholly related to his vested 2018 awards under the HPSP, whereby 12,352 Ordinary shares in the Company were delivered to him when vesting on 19 April 2021, with a pro-rated value of $36,161.

Directors' Shareholdings, Ownership Policy and Share Interests (audited)
The beneficial interests of the Directors in the issued Ordinary shares of the Company are as follows:

Director[i]	At 31 December 2021[ii]	At 31 December 2020[ii]
Executives		
Jim Johnson[iii]	**419,234**	367,629
Bruce Ferguson[iii]	**124,316**	101,835
Peter Rose[iii]	**176,594**	176,594
Non-executives		
Annell Bay	**18,769**	13,440
Carol Chesney	**14,000**	9,000
Jay Glick	**75,923**	75,923
Richard Hunting	**468,133**	468,133
– as trustee	**194,960**	194,960
– as Director of Hunting Investments Limited	**11,003,487**	11,003,487
Keith Lough	**24,000**	19,000

i. Beneficial share interests are those Ordinary shares owned by the Director or spouse, which the Director is free to dispose.
ii. Or cessation date.
iii. Jim Johnson's total shareholding includes 51,605 Ordinary shares which were awarded under the Group's Annual Bonus Plan and which are restricted from being sold for up to a period of two years. Mr Ferguson's total shareholding includes 21,464 Ordinary shares which are subject to the same restriction.

There have been no further changes to the Directors' share interests in the period 31 December 2021 to 3 March 2022.

The Group operates a share ownership policy that requires Directors and certain senior executives within the Group to build up a holding in shares equal in value to a certain multiple of their base salary or annual fee. The multiple takes into account the post-tax value of vested but unexercised share awards or options. The Committee noted the decline in the Company's share price in the year, which had impacted the compliance levels of the Directors. The required shareholding of each Director and the current shareholding as a multiple of base salary as at 31 December 2021 is presented below:

Director	Required holding expressed as a multiple of base salary or fee	Requirement met*
Jim Johnson	5	N
Bruce Ferguson	2	N
Annell Bay	1	Y
Carol Chesney	1	N
Jay Glick	1	Y
Richard Hunting	1	Y
Keith Lough	1	Y

* The value of the holding of the Directors has been determined using the value on purchase of Ordinary shares or the share price at 31 December 2021 of £1.69.

The interests of the executive Directors over Ordinary shares of the Group under the HPSP are set out below. The vesting of options and awards are subject to performance conditions set out within the Policy.

Director	Interests at 1 January 2021	Options/ awards granted in year	Options/ awards exercised in year	Options/ awards lapsed in year	**Interests at 31 December 2021**	Exercise price p	Grant date	Date exercisable	Expiry date	Scheme
Jim Johnson	286,624	–	(45,143)	(241,481)	**–**	Nil	19.04.18	19.04.21	–	HPSP^
	422,507	–	–	–	**422,507**	Nil	21.03.19	21.03.22	–	HPSP^
	653,205	–	–	–	**653,205**	Nil	03.03.20	03.03.23	–	HPSP^
	–	757,732	–	–	**757,732**	Nil	04.03.21	04.03.24	–	HPSP^
Total	**1,362,336**	**757,732**	**(45,143)**	**(241,481)**	**1,833,444**					
Bruce Ferguson	19,157	–	(3,017)	(16,140)	**–**	Nil	19.04.18	19.04.21	19.04.28	HPSP~
	27,008	–	–	–	**27,008**	Nil	21.03.19	21.03.22	21.04.29	HPSP~
	91,022	–	–	–	**91,022**	Nil	03.03.20	03.03.23	03.03.30	HPSP~
	–	172,203	–	–	**172,203**	Nil	04.03.21	04.03.24	04.03.31	HPSP~
	12,771	–	(12,771)	–	**–**	Nil	19.04.18	19.04.21	19.04.28	HRSP*
	18,005	–	–	–	**18,005**	Nil	21.03.19	21.03.22	21.03.29	HRSP*
Total	**167,963**	**172,203**	**(15,788)**	**(16,140)**	**308,238**					

^ Nil-cost share awards that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.
~ Nil-cost share options that are not yet vested or exercisable and still subject to the performance conditions being measured in accordance with the HPSP rules.
* The Group operates a time-based share award programme as part of the shareholder approved Hunting Performance Share Plan for certain non-Board employees, which vest based on continued service to the Company throughout the performance period. The HRSP awards to Mr Ferguson noted above reflect historical awards made to him under this programme.

Relative Importance of Spend on Pay

The table below shows the relative importance of spend on employee remuneration in relation to corporate taxation, dividends and capital investment. The choice of performance metrics represents certain operating costs of the Group and the use of operating cash flows in delivering long-term shareholder value.

	2021 $m	2020 $m	Change
Employee remuneration[i]	**177.9**	205.9	(13.6)%
Net tax (received) paid[ii]	**(0.6)**	5.0	(112.0)%
Dividends paid to Hunting PLC shareholders[ii]	**12.8**	8.2	56.1%
Capital investment[ii]	**6.6**	14.7	(55.1)%

i. Includes staff costs for the year (note 8) plus benefits in kind of $27.5m (2020 – $33.1m), which primarily comprises US medical insurance costs.
ii. Please refer to page 150.

Executive Director Remuneration and the Wider Workforce

The changes to the remuneration of the Chief Executive in 2021 compared to 2020 and those of the total workforce are as follows:

	Chief Executive	Average employee
Base salary	+1.2%	+9.3%
Bonus	+4.8%	-50.0%
Benefits	-3.2%	+6.5%

The average salary for employees in 2021 increased by 9%. This reflects the change in the average monthly employee headcount compared to the prior year, along with base salary increases implemented in 2021.

Changes to Director and Employee Pay

The table below is presented in compliance with the Shareholder Rights Directive II. The changes to the pay of the executive Directors exclude pension contributions and share awards. If a Director has not served for the entire year, they are shown as not applicable. The percentage change to the emoluments of the global employees in 2021 reflects the movement in their average base salary, cash bonus and benefits in kind.

	2018 to 2019	2019 to 2020	**2020 to 2021**
Jim Johnson	-37%	-29%	+1%
Bruce Ferguson[i]	n/a	n/a	+60%
Annell Bay	+11%	Nil	Nil
Carol Chesney	+46%	Nil	Nil
Jay Glick	+5%	Nil	Nil
Richard Hunting	Nil	Nil	Nil
Keith Lough	+56%	Nil	Nil
Global employees	Nil	-7%	+8%

(i) Based on the pro-rated data from Mr Ferguson's date of appointment to the Board, being 15 April 2020.

Chief Executive Workforce Pay Ratio

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	49:1	38:1	22:1
	Workforce Pay Quartiles	$45,666	$58,603	$99,521
2020	Option A	22:1	18:1	10:1
	Workforce Pay Quartiles	$51,239	$61,329	$107,314
2021	**Option A**	**21:1**	**17:1**	**11:1**
	Workforce Pay Quartiles	**$52,699**	**$63,718**	**$102,807**

The Company has elected to disclose voluntarily the pay ratio of the Group's Chief Executive and Workforce, in line with The Companies (Miscellaneous Reporting) Regulations 2018 and has adopted Option A from the regulations as the basis of presenting the pay ratio. Hunting is not required to present this information, given that its UK workforce is below the reporting threshold, as detailed in the regulations. Option A has been selected by the Committee as it believes this methodology aligns closely with the Chief Executive's single figure remuneration calculation.

The Remuneration Committee believes that the compensation framework in operation across the Group is appropriate and in addition to a base salary and benefits appropriate to the relevant jurisdiction of operation, can include annual bonuses and participation in long-term incentive programmes. External benchmarking is a regular feature of the Group's overall pay framework, to ensure Hunting remains competitive in its chosen markets. Hunting's UK employees averaged 165 in the year (2020 – 196), which represents 9% (2020 – 8%) of the Group's total average workforce in 2021. The basis of the workforce pay calculations is aligned with the basis of preparation of the single figure table on page 122, comprising fixed and variable emoluments and calculated on a full-time equivalent basis, in line with the requirements of the regulations. Further, the above disclosure assumes a maximum company pension contribution of 12% of base salary. However, it is noted that not all UK employees elect to receive this level of contribution. This data has been collated for the 12 months ended 31 December 2021.

The changes to the pay quanta and ratios in the year mainly reflects the base salary increases across the workforce and Executive Committee and lower annual bonus and long term incentive vestings.

Executive Director Remuneration and Shareholder Returns

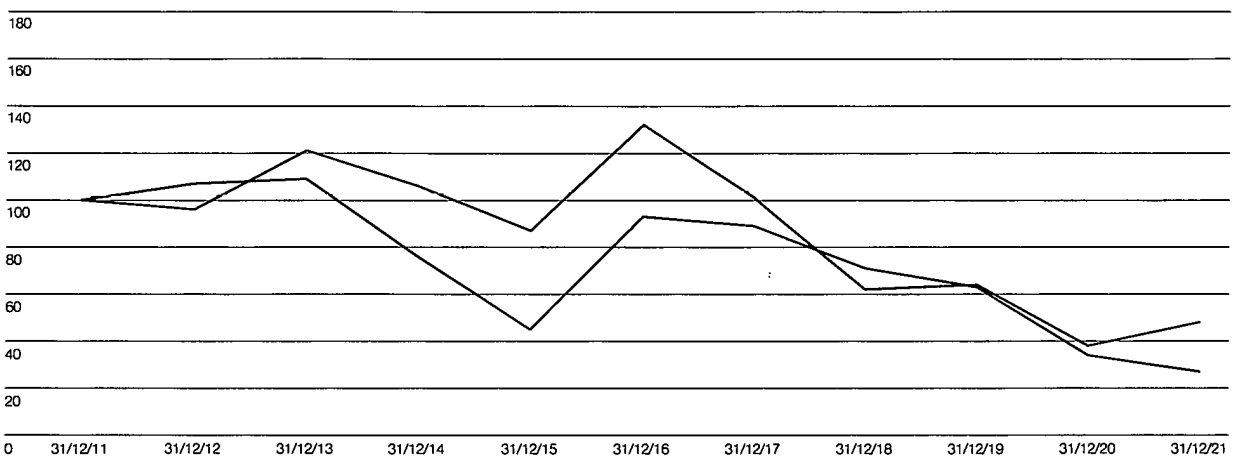
The following chart compares the TSR of Hunting PLC between 2012 and 2021 to the DJ US Oil Equipment and Services indices. In the opinion of the Directors, this index is the most appropriate indices against which the shareholder return of the Company's shares should be compared because it comprises other companies in the oil and gas services sector.

The accompanying table details remuneration of the Chief Executive:

	Single figure remuneration $000[i]	Annual cash bonus %[ii]	ESOP/ PSP/ HPSP % vesting[iii]	LTIP % award[iv]
2021 – Jim Johnson	1,100	10	8	n/a
2020 – Jim Johnson[v]	1,179	10	16	n/a
2019 – Jim Johnson	2,229	39	66	n/a
2018 – Jim Johnson	3,715	100	75	n/a
2017 – Jim Johnson (from 1 September)	819	33	4	n/a
2017 – Dennis Proctor (to 1 September)	3,974	67	13	n/a
2016 – Dennis Proctor	941	Nil	Nil	n/a
2015 – Dennis Proctor	1,031	Nil	Nil	Nil
2014 – Dennis Proctor	4,808	57	Nil	100
2013 – Dennis Proctor	4,442	42	Nil	100
2012 – Dennis Proctor	5,497	75	66	100

i. Single figure remuneration reflects the aggregate remuneration paid to the Chief Executive as defined within the Directors' Remuneration Policy.
ii. Annual cash bonus percentages reflect the bonus received by the Chief Executive each year expressed as a percentage of maximum bonus opportunity.
iii. Percentage vesting reflects the percentage of the ESOP that vested in the financial year and the percentage of the PSP and HPSP where a substantial portion of the performance period was completed at the financial year-end. Messrs Johnson's and Proctor's awards have been pro-rated for their period of service as Chief Executive.
iv. LTIP award percentage reflects the award value expressed as a percentage of maximum award opportunity received each year measured at 31 December. The LTIP expired in 2015 with no further awards outstanding.
v. Restated as per single figure table disclosure on page 122.

Total Shareholder Return
(Rebased to 100 at 31 December 2011)



Implementation of Policies in 2022
The remuneration policies for 2022 will be applied in line with those detailed on pages 112 to 120.

Salary and Fees
In December 2021, the Board concluded that there would be no changes made to fees payable to the non-executive Directors for 2022.

The Remuneration Committee will meet in April 2022 to consider base salary changes for the executive Directors. Any changes are likely to align with any Group-wide base salary increases.

Pension and Benefits
Jim Johnson will continue to receive contributions towards a US deferred compensation scheme and a US 401K match deferred savings plan, in line with previous years. Bruce Ferguson will continue to receive a cash sum in lieu of a pension contribution, which will be fixed at 12% of his base salary. No changes are anticipated to the provision of benefits that will continue to include healthcare insurance, a company car and fuel benefits.

Annual Bonus
The annual performance-linked bonus for 2022 will operate in line with the 2021 Directors' Remuneration Policy. The Committee will disclose details of performance against the pre-set financial targets and personal/strategic performance objectives after the year-end, as the Board believes that forward disclosure of the financial targets is commercially sensitive. The annual bonus weightings will remain unchanged from 2020, being 60% PBT, 20% ROCE and 20% personal/strategic performance.

HPSP
On 3 March 2022, an award under the Hunting Performance Share Plan will be granted to the executive Directors and wider members of the Group. The awards to the Chief Executive and Finance Director will be issued at the normal quantum of 450% of base salary for Mr Johnson and 210% of base salary for Mr Ferguson. The performance conditions to be adopted for the award include EPS (20%); ROCE (25%); Free Cash Flow (20%); TSR (20%); and the strategic scorecard (15%). The performance targets will be detailed in the Stock Exchange announcement that accompanies the award, which can be located at www.huntingplc.com.

On behalf of the Board

Annell Bay
Chair of the Remuneration Committee

3 March 2022

Nomination Committee Report

John (Jay) F. Glick
Chair of the Nomination Committee

The work of the Nomination Committee during 2021 included the evaluation and reappointment of Carol Chesney and Keith Lough as independent, non-executive Directors of the Company. The Committee was delighted to recommend to the Board the reappointment of both Directors for a second three-year term. In December 2021, the Committee met to discuss medium term succession planning given that two Directors are due to rotate off the Board in February 2024."

John (Jay) F. Glick
Chair of the Nomination Committee

	Member	Invitation
Number of meetings held	**2**	
Number of meetings attended (actual/ possible):		
Annell Bay	2/2	–
Carol Chesney	2/2	–
Bruce Ferguson	–	2/2
John (Jay) Glick (Committee Chair)	2/2	–
Richard Hunting	–	2/2
Jim Johnson	–	2/2
Keith Lough	2/2	–

Composition and Frequency of Meetings
The Committee currently comprises the Company Chairman and the independent non-executive Directors of the Company and is chaired by John (Jay) Glick. The Committee meets as required to discuss succession matters and, in 2021, met two times. The Committee operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com. Attendance at the Nomination Committee meetings during the year is detailed in the table above.

Board Reappointments
In March 2021, the Committee met to consider the reappointments of Carol Chesney and Keith Lough as independent, non-executive Directors of the Company. Following a discussion, the Committee unanimously reappointed both Mrs Chesney and Mr Lough for a second three-year term from 23 April 2021. The Board continues to consider Mrs Chesney and Mr Lough as independent given their current tenure.

Director Rotation
At its meeting in December 2021, the Committee met to discuss general succession matters. Following debate, the Committee agreed a framework for succession and Director rotation for the non-executive Directors, given that Mr Glick and Ms Bay are due to retire in February 2024, on completion of their nine years as Directors.

As part of these discussions, gender and ethnicity targets published by regulators in the UK were given consideration in this planning process, with support provided by the Group's Chief HR Officer.

Retirement of Richard Hunting, CBE
On 11 February 2022, the Company announced that Richard Hunting, non-executive Director, will retire from the Board after nearly 50 years of service to Hunting. Richard will step down from the Board at the conclusion of the Company's Annual General Meeting on Wednesday 20 April 2022.

Proposed Appointment of Paula Harris as a Director
On 3 March 2022, the Company announced the proposed appointment of Paula Harris as a new independent, non-executive Director. Details of Ms Harris' skills and expertise and reasons for election will be included within the Notice of AGM that will be sent to shareholders on 17 March 2022. Subject to receiving the relevant approval, Ms Harris will join the Board on 20 April 2022. Heidrick and Struggles assisted the Company in this search process.

Senior Management Development and Succession
As part of the new procedures introduced, evaluation of the senior leadership team and their direct reports has been undertaken. This has led to the Board identifying high-potential candidates, who continue to receive formal development and training to enhance the pipeline of talent for the most senior roles within the Company, including at Executive Committee and Board levels.

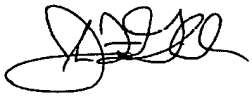
Board Evaluation
In H2 2021, the Board completed an externally facilitated board evaluation, which was assisted by Heidrick and Struggles. The process included the completion of a governance and board effectiveness questionnaire, one-on-one interviews with members of the Board as well as the Group Company Secretary, the Group's Internal Auditor, the Group's Chief HR Officer, Hunting's external audit engagement partner and a representative from the Group's corporate brokers. In December 2021, Heidrick and Struggles presented its findings to the Directors, which included the following observations:

- The Board is guided by strong leadership;
- Beginning with the Chair, the Board runs efficiently with strong focus on operational agenda items;
- There is frequent engagement with shareholders;
- Board dynamics are supportive and collaborative;
- Board materials are high quality, timely and detailed;
- Decision making is typically consensus-driven;
- There is an invitation for the Board and the Chair to play a greater role in shaping overall Company strategy;
- There is an opportunity to bring external, outside-in perspectives to Board conversations; and
- The Board has an opportunity to enhance Company oversight by engaging directly with management.

The Directors noted the observations and implemented plans to address the findings highlighted in the process. Further, the Committee notes the support Heidrick and Struggles provided in the Director search process outlined above, in addition to the evaluation process completed.

Committee Effectiveness
At its December 2021 meeting, the Committee reviewed its terms of reference and considered its effectiveness, concluding that its performance had been satisfactory during the year.

On behalf of the Board



John (Jay) F. Glick
Chair of the Nomination Committee

3 March 2022

Audit Committee Report

Carol Chesney
Chair of the
Audit Committee

Hunting's key trading markets continued to report subdued economic activity during most of 2021, which led to drilling and equipment purchasing remaining lower than anticipated. In 2020, the first quarter was relatively unaffected by the COVID-19 pandemic, which had the overall effect of supporting Hunting's full-year result, and included a positive trading EBITDA. In 2021, the Group's trading EBITDA reported a small positive result, due to the ongoing subdued trading conditions throughout most of the Group, although the Hunting Titan operating segment did report improved results in H2 2021 as the US onshore market returned to growth.

The work of the Audit Committee and Board therefore focused on the review of the Group's monthly trading results as management continued its efforts to reduce inventories to generate cash. The year-end cash and bank position of $114.2m supports the excellent achievements of management during, what has been, a difficult year. As part of the preparations for the year-end audit, the Committee were also briefed on inventory valuation and provisioning procedures, given the subdued trading of certain product lines.

The Committee continued to review reports on the Group's Going Concern assumption ahead of its half-year and full-year results and in the year received reports on various trading scenarios to support the Going Concern and Viability Statements contained within the 2021 Annual Report and Accounts. With the securing of a new $150m Asset Based Lending facility in February 2022, the liquidity position of the Group has significantly improved, which has supported the Group's Going Concern and Viability assumptions at year-end."

Carol Chesney
Chair of the Audit Committee

	Member	Invitation
Number of meetings held	**4**	
Number of meetings attended (actual/possible):		
Annell Bay	4/4	
Carol Chesney (Committee Chair)	4/4	
Bruce Ferguson		4/4
John (Jay) Glick		4/4
Richard Hunting		4/4
Jim Johnson		4/4
Keith Lough	4/4	

Composition and Frequency of Meetings
The Committee currently comprises three independent non-executive Directors and is chaired by Carol Chesney. Mrs Chesney is a qualified Chartered Accountant and is considered to have recent and relevant financial experience. Mr Lough and Ms Bay (Chair of the Remuneration Committee) have experience of the global energy industry, with particular expertise in the UK and US oil and gas markets. Further details of the Committee's experience can be found in the biographical summaries set out on pages 96 and 97.

During the year, there were no changes to the composition of the Committee. The Committee meets four times a year and operates under written terms of reference approved by the Board, which are published on the Company's website at www.huntingplc.com. In 2021, the Committee met four times in March, April, August and December, and the attendance record of Committee members and Board invitees during the year is noted in the table on the left. All Directors and internal and external auditors are normally invited to attend meetings.

Responsibilities
The principal responsibilities of the Audit Committee are to:

- monitor and review reports from the executive Directors, including the Group's financial statements and Stock Exchange announcements;
- provide the Board with a recommendation regarding the Half Year and Annual Report and Accounts, including whether they are fair, balanced and understandable;
- review the Company's and Group's Going Concern and Viability Statements;
- monitor, review and assess the Group's systems of risk management and internal control;
- review reports from the Group's external and internal auditors, including details of the audit programmes and scope;
- consider and recommend to the Board the appointment or reappointment of the external auditor as applicable;
- agree the scope and fees of the external audit;
- monitor and approve engagement of the external auditor for the provision of non-audit services to the Group;
- review the external auditor's independence and effectiveness of the audit process; and
- monitor corporate governance and accounting developments.

During the year, the Board agreed to establish an Ethics and Sustainability Committee to increase the review of monitoring of key ethics, environmental, climate, social and governance matters. The review work in respect of bribery and corruption, modern slavery, sanctions and whistleblowing was transferred to this new Committee, which held its maiden meeting in December 2021.

Review of the 2021 Financial Statements
The Committee reviews final drafts of the Group's Report and Accounts for both the half and full year. As part of this process, the performance of the Group's major segments is considered, with key judgements, estimates and accounting policies being approved by the Committee ahead of a recommendation to the Board. In addition to briefings and supporting reports from the central finance team on significant issues, the Committee engages in discussion with Deloitte, the Group's external auditor.

Significant matters reviewed by the Committee in connection with the 2021 Annual Report and Accounts were as follows:

Convertible Financing to Well Data Labs
In February 2021, the Group announced the provision of $2.5m convertible financing to Well Data Labs, a software development company focused on delivering real time drilling data to operators undertaking well completion operations. The Committee reviewed the accounting treatment of this investment, in addition to monitoring the carrying value of this investment at the half and full year.

Investment in Cumberland Additive
In August 2021, Hunting completed a $5.1m investment in Cumberland Additive, a business that specialises in additive manufacturing and 3D printing of key products from the energy, aviation and medical industries. The Committee reviewed the accounting treatment of this investment, in addition to monitoring the carrying value of this investment.

Work Undertaken by the Committee During 2021

The Committee discussed, reviewed and made a number of decisions on key areas throughout 2021, which are set out below:

	Mar	Apr	Aug	Dec
Financial Report				
Annual Report and Full Year Results announcement	•			
Going Concern basis	•		•	
Viability Statement	•			
Interim Report and Interim Results announcement			•	
Review accounting policies				•
Internal control and risk management				
Risk management and internal control report	•		•	•
Key risks and mitigating controls	•			
Effectiveness of internal controls and internal audit function				•
Internal audit report	•		•	•
Internal audit programme and resourcing	•		•	•
Procedures for preventing bribery and corruption		•		
Procedures for complying with the Modern Slavery Act		•		
Sanctions compliance		•		
Whistleblowing summary reports		•		
External auditor				
Auditor's objectives, independence and appointment	•			
Full Year and Half Year report to the Audit Committee	•		•	
Final Management letter on internal controls		•		
Auditor's performance and effectiveness		•		
Proposed year-end audit plan including scope, fees and engagement letter			•	•
Risk of auditor leaving the market				•
Other business				
Whistleblowing and Bribery Policy Review		•		
Committee effectiveness and terms of reference				•

Restructuring of European OCTG businesses

In December 2021, the Group announced the completion of a restructuring of its European OCTG businesses, which included the purchase of the 40% interest in Hunting Energy Services (UK) Limited from entities owned by Marubeni-Itochu ("MI") for $3.8m. As part of this transaction, the Group sold $31.5m of inventory to MI, leading to a reduction in total inventory held, resulting in a net cash inflow of $27.7m to the Group. The Committee reviewed the impact on the Group's consolidated balance sheet and the accounting treatment and confirmed it was happy with the presentation in the Group's 2021 consolidated financial statements.

Inventory Valuation and Provisioning Procedures

Given the protracted downturn in the Group's core trading markets, inventory valuation and provisioning procedures have been an area of scrutiny by the Committee and the external auditor. In 2021, the central finance function implemented detailed procedures and models for all business units to adopt, which included the evaluation of (i) stock obsolescence; (ii) slow moving stock; and (iii) product price movements within the industry. Further, historic pricing and forward looking pricing were adopted to generate appropriate provisions for all inventory held. At its December 2021 meeting, the Committee was briefed by the North America financial controller, the Finance Director and Deloitte on the progress of the roll out of these new procedures. As part of the year-end procedures, $26.6m of net provision increases and impairments to inventory were agreed, given the trading activity of certain product groups. These charges are included as "middle column" exceptional items recorded in the Group's consolidated income statement.

Impairment Reviews

As noted in the letter from the Chair of the Committee, the Group's trading results in 2021 continued to be adversely impacted by the COVID-19 pandemic, in particular the slower-than-anticipated return to economic growth of many developed economies, which in turn impacted the drilling activity and equipment purchasing of our clients. As a consequence of this subdued trading environment, a review of indicators of impairment were carried out at both the half and full year, with respect to the Group's current and non-current assets.

Independent market projections providing an indication of drilling investment and activity levels over the medium term are published by Spears & Associates, which form a reference for the Group's forecasts. These projections support the impairment modelling completed by management. Management can make adjustments to these market projections to take into account its expectations for specific product lines or other geographic considerations relevant to Hunting's operational footprint. Following a review of the indicators to impairment, net inventory provisions of $26.6m were recorded in H2 and are detailed in the Group Review on page 25. Management also considered whether any reversal of impairment was appropriate and have concluded that no reversal is required other than for certain inventories. It is noted that at 31 December 2020, $79.8m of the impairment was in respect of goodwill, which cannot be reversed and that $24.6m was for customer relationships recognised on the acquisition of Titan that would have been fully amortised by the end of August 2021.

Property, Plant and Equipment ("PPE")

The year-end balance sheet includes $274.4m (2020 – $307.1m) for PPE. This represents approximately 31% of the Group's net assets (2020 – 31%). The movement in PPE reflects $6.5m of additions, offset by depreciation of $28.9m, impairment of $8.6m and other items totalling $1.7m. The impairment charge of $8.6m has been made against the property at Fordoun and relates to the reorganisation of the UK OCTG business and the consequential change of usage and expected cash flows for the property used by the business. The Committee reviewed the PPE impairment tests and, following discussion, was satisfied that the assumptions and the disclosures in the year-end accounts were appropriate.

Inventories

At the year-end, the Group held $204.4m (2020 – $288.4m) of inventory. This represents approximately 23% of the Group's net assets (2020 – 30%). Inventory levels have continued to trend downwards during the year, reflecting management's drive to eliminate excess stock, given the ongoing subdued trading of most of the Group's businesses. At the 2021 half year, a $0.8m reversal to impairment was recorded. As noted above, more detailed analysis of inventory was completed, given the slower return to growth in the year leading to $26.6m of additional net impairment charges being recorded.

Goodwill
The year-end balance sheet includes $164.1m (2020 – $164.2m) of goodwill. This represents approximately 19% of the Group's net assets (2020 – 17%). Given the ongoing subdued trading of a number of the Group's businesses, the carrying values for goodwill for each relevant cash generating unit were tested for impairment, resulting in no charges being recorded. The Committee noted that the Hunting Titan operating segment had traded ahead of management's expectations during 2021, as the US onshore drilling market showed steady signs of recovery throughout the year. The Committee considered and challenged the discount rates and the factors used in the review process. After discussion, it was satisfied that the carrying values recorded and the disclosures in the year-end accounts were appropriate.

Other Intangible Assets
The year-end balance sheet includes other intangible assets of $36.2m (2020 – $42.9m). This represents approximately 4% of the Group's net assets (2020 – 4%). The amortisation charge recorded in the consolidated income statement was $9.3m (2020 – $20.8m), of which $6.7m (2020 – $17.3m) arose on acquired intangible assets. The amortisation charge for the year is significantly lower following the impairment of customer relationships and unpatented technology in 2020. The Committee considered and confirmed the appropriateness of the assumptions and factors used in the review process and were comfortable with the carrying values, as recorded.

Right-of-use Assets
The year-end balance sheet includes right-of-use assets of $24.7m (2020 – $29.8m). This represents approximately 3% of the Group's net assets (2020 – 3%). The Committee reviewed the movement in the carrying values of these items and confirmed the appropriateness of the assumptions and factors used in the review process and were comfortable with the items, as recorded.

Pre-Tax Amortisation and Exceptional Items Charged to the Consolidated Income Statement
The Committee considered the accounting policy definition of exceptional items and the items included within the financial statements to ensure consistency of treatment and adherence to policy. The Group has recorded $44.9m of "middle column" items in the year (2020 – $203.6m) as follows:

	2021 $m	2020 $m
Impairments	**34.5**	177.9
Amortisation of acquired intangible assets	**6.7**	17.3
Amortisation of acquired intangible assets – associates	**0.3**	–
Restructuring charges	**2.0**	10.3
Acquisition costs	**–**	1.4
Reversal of contingent consideration	**–**	(2.5)
Settlement of warranty claim	**1.7**	–
Loss on disposal of business	**0.9**	–
Profit on surrender of lease	**(1.0)**	–
Profit on disposal of Canadian assets	**(0.2)**	(0.8)
Total charges for amortisation and exceptional items	**44.9**	203.6

Taxation
In view of the international spread of operations, the Committee monitors tax risk, tax audits and provisions held for taxation. The Finance Director briefed the Committee on developments throughout the year.

Going Concern Basis and Viability Statement
Given the ongoing trading losses recorded at the half and full year, the Committee considered the Going Concern assumption to be disclosed within the 2021 Half Year and Annual Reports.

Detailed modelling of the Group's trading expectations were completed, including the review of a range of trading scenarios. Key to the Group's Going Concern assumption is its ability to retain a positive total cash and bank position and minimise trading losses until wider market conditions improve.

The Committee monitored these assumptions and the disclosures around Going Concern at the half and full year, as well as those around the Group's Viability Statement for the full year.

Further, the Committee noted the Group's new $150m Asset Based Lending facility which was concluded and agreed in February 2022. The facility will provide significant liquidity to Hunting's businesses, with the facility secured against the Group's North American trade receivable balances, freehold property and inventory asset classes.

The Committee concluded that, given the flexibility of the Group's business model, coupled with the new lending facility, good support for Hunting's longer-term viability exists. Further, the assessment is supported by the year-end total cash and bank position of $114.2m (2020 – $101.7m).

These factors supported the Committee's assessment of the Going Concern Statement and the Viability Statement, as detailed on pages 92 and 93. The statements considered by the Committee were supported by reviews of the regular forecast updates provided by management and the bank covenant compliance reports.

On 28 February 2022, the Audit Committee approved the Viability Statement, detailed on page 92 of the Strategic Report.

Fair, Balanced and Understandable Assessment
The Committee has reviewed the financial statements, together with the narrative contained within the Strategic Report set out on pages 22 to 93, and believes that the 2021 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

In arriving at this conclusion, the Committee undertook the following:

- review and dialogue in respect of the monthly management accounts and supporting narrative circulated to the Board;
- review of early drafts of the Annual Report and Accounts, providing relevant feedback to the executive Directors;
- regular review and discussion of the financial results during the year, including briefings by Group finance and operational management; and
- receipt and review of reports from the external and internal auditors.

The Committee advised the Board of its conclusion that the 2021 Annual Report and Accounts, taken as a whole, was fair, balanced and understandable at a Meeting of Directors on 1 March 2022.

Internal Audit
The Committee receives reports from the Internal Audit function. The Chair of the Committee also has regular dialogue with the function throughout the year. During the year, the activities of the function continued to be curtailed by the COVID-19 pandemic. However, activities did resume in H2 2021.

The Group has continued to implement a new ERP system within a number of businesses. To support this initiative, the Head of Internal Audit provided consulting services to the Chief IT Officer in respect of best practice control procedures and segregation of duties.

The Committee reviews the internal audit process and effectiveness as part of the Group's internal control and risk assessment programme. An annual programme of internal audit assignments is reviewed and approved by the Committee.

The Committee met with the Head of Internal Audit, without the presence of the executive Directors, on three occasions during the year. The effectiveness of the Internal Audit function was also considered by the Committee at its February/March meeting, which concluded that the function remained effective.

External Audit
Deloitte LLP was appointed by the Group's shareholders as external auditor in 2019 and therefore no tenders have been undertaken in the year due to their current tenure. This position also applies to the engagement partner attached to the Group's account. The external auditor presented reports at the March, April, August and December meetings of the Audit Committee during 2021. Further, the Chair of the Committee has also had regular dialogue with the audit partner throughout the year.

On 28 February 2022, a full-year report by Deloitte was considered ahead of publication of the Group's 2021 Annual Report and Accounts. In April 2021, Deloitte presented its Management Controls Report, which highlighted control improvements that could be made by the Group.

The Committee normally meets with the external auditor, without executive Directors present, at the end of each formal meeting.

During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014.

Audit Scope
The Audit Committee considered the audit scope and materiality threshold. The audit scope addressed Group-wide risks and local statutory reporting, enhanced by desk-top reviews for smaller, low risk entities. Approximately 82% of the Group's reported revenue and 86% of the Group's net assets were audited, covering 22 reporting units, including a number of investment holding companies, across seven countries.

Materiality
The Committee discussed materiality with the auditor regarding both accounting errors to be brought to the Audit Committee's attention and amounts to be adjusted so that the financial statements give a true and fair view. Overall, audit materiality was set at $3.5m (2020 – $3.5m). This equates to approximately 0.4% of the Group's net assets for 2021. Furthermore, the auditor agreed to draw to the Audit Committee's attention all identified, uncorrected misstatements greater than $175,000 and any misstatements below that threshold considered to be qualitatively material.

Audit Effectiveness and Independence
The external auditor's full-year report includes a statement on their independence, their ability to remain objective and their ability to undertake an effective audit. The Committee considers and assesses this independence statement on behalf of the Board, taking into account the level of fees paid, particularly for non-audit services. The effectiveness of the audit process is considered throughout the year, with a formal review undertaken at the April meeting of the Committee. The assessment considers the various matters including:

- the auditor's understanding of the Group's business and industry sector;
- the planning and execution of the audit plan approved by the Committee;
- the communication between the Group and audit engagement team;
- the auditor's response to questions from the Committee, including during private meetings without management present;
- the independence, objectivity and scepticism of the auditors;
- a report from the Finance Director and the Group Financial Controller; and
- finalisation of the audit work ahead of completion and announcement of the Annual Report and Accounts.

In addition, the Committee reviewed and took account of the reports from the Financial Reporting Council on Deloitte LLP, and reviewed a Transparency Report prepared by Deloitte LLP. After considering these matters, the Committee was satisfied with the effectiveness of the year-end audit process.

Non-Audit Services
The Committee closely monitors fees paid to the auditor in respect of non-audit services. With the exception of audit-related assurance services, which totalled $0.2m (2020 – $0.1m), there were no non-audit services fees paid during the year (2020 – $nil).

The scope and extent of non-audit work undertaken by the external auditor is monitored by, and requires prior approval from, the Committee to ensure that the provision of such services does not impair their independence or objectivity.

Auditor Reappointment
Following discussion in February 2022, the Committee approved the recommendation to propose the reappointment of Deloitte LLP at the Company's 2022 Annual General Meeting.

ESEF Reporting
The Group is required to produce its annual report in XHTML format, an electronic format known as a structured report, to comply with the European Single Electronic Format ("ESEF") reporting requirements. Digital tags need to be applied to the Group's consolidated financial statements and the structured report needs to be submitted to the FCA's National Storage Mechanism. Hunting's central finance function has overseen the implementation of the ESEF requirements during the year. As part of the preparations for ESEF reporting, the Group's 2020 Annual Report and Accounts were tagged ahead of publication of the 2021 Annual Report and Accounts, which will be the first annual report to include the ESEF reporting format. A qualified IT provider has been involved in the preparation of the structured report and Deloitte has completed a number of assurance procedures on the structured report.

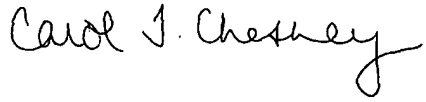
Review of Disclosures by the Financial Reporting Council
In November 2021, the Group received a letter from the Financial Reporting Council ("FRC"), which indicated that Hunting PLC's 2020 Annual Report had been reviewed as part of a thematic review of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The Committee was pleased to note that no issues were highlighted for improvement.

Internal Controls
The Group has an established risk management framework and internal control environment, which was in operation throughout the year. The Committee monitors these arrangements on behalf of the Board and these are detailed in the Risk Management section of the Strategic Report on pages 82 to 85.

2021 was the second year of abnormally low levels of trading given the economic impact of the COVID pandemic. This has resulted in the slowing of turn rates and increased ageing of a number of inventory lines. For 2021, management made enhancements to its provision estimation process to better allow for these conditions and more accurately reflect the impact on slow-moving items. The Committee has satisfied itself that the position taken at the year-end is appropriate. In particular, the Committee reviewed in detail management's analysis of the inventory provisioning methodology and challenged management on the approach taken. The Committee also discussed the approach at length with the Group's external auditor. The Committee also noted that the identification of additional inventory write-downs as part of the year-end process, while these changes were implemented, revealed weaknesses in underlying review procedures carried out by certain businesses in the North America segment. These weaknesses were remediated by segment and Group level management. While the Committee is satisfied that overall controls were effective, there will be a focus in 2022 on ensuring lower level controls are improved.

Review of Committee Effectiveness
During the year, the Committee reviewed its effectiveness and the Committee Chairman reported these findings to the Board. No issues were identified in this review process.

On behalf of the Board



Carol Chesney
Chair of the Audit Committee

3 March 2022

Independent Auditor's Report to the Members of Hunting PLC

For the year ended 31 December 2021

Report on the Audit of the Financial Statements

1. Opinion

In our opinion:

- the financial statements of Hunting PLC (the "parent company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 41 for the consolidated financial statements, and notes C1 to C20 for the parent company financial statements.

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

2. Basis for Opinion

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our Audit Approach

Key audit matters	The key audit matters that we identified in the current year were: • inventory valuation; • goodwill and non-current asset impairment; and • revenue recognition.	Within this report, key audit matters are identified as follows: ↑ Increased level of risk ↔ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was $3.5 million (2020: $3.5 million), which was determined on the basis of net assets.	
Scoping	The scope of our Group audit includes a number of reporting units across the Group, whose results taken together account for over 80% of the Group's revenue and net assets. Our audit work covered Group operations in seven countries, covering 22 reporting units, including a number of investment holding companies.	
Significant changes in our approach	• Following the improved performance across the Group and the reduced uncertainty as the market recovers from the impact of COVID-19, we have no longer identified going concern as a key audit matter. • Following the improved performance in the year in the Titan CGU, our key audit matter relating to impairment of goodwill and non-current assets is now principally associated with the Enpro CGU. • We have tested the operating effectiveness of controls within the revenue cycle in the Hunting Titan and US Manufacturing operating units.	

4. Conclusions Relating to Going Concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

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

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

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

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

5. Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Inventory Valuation

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

5.2. Goodwill and Non-current Asset Impairment

Key audit matter description	The Group's balance sheet has a significant level of goodwill and non-current assets. This includes goodwill of $164.1 million (2020: $164.2 million), which is tested annually for impairment. Intangible assets of $36.2 million (2020: $42.9 million) include customer relationships, unpatented technology and patents and trademarks. The property, plant and equipment balance is $274.4 million (2020: $307.1 million) and the right of use asset amounted to $24.7 million (2020: $29.8 million). Testing a cash-generating unit ("CGU") for impairment requires determination of its recoverable amount, which is a judgemental assessment that depends on the forecast future financial performance of the CGU and future market performance. The Group continues to operate in challenging market conditions, with demand for the Group's products improving more slowly than seen in previous economic cycles. We identified a significant risk with respect to the Enpro CGU and related disclosures in the financial statements given the sensitivity of the CGU's valuation to changes in the forecast revenue assumption. The goodwill recognised relating to Enpro is $14.0 million. The valuation is dependent on the market penetration of new technologies and therefore there remains risk in the uptake of this technology. Refer to pages 133 and 134 of the Audit Committee report and notes 1, 16 and 41 to the financial statements.
How the scope of our audit responded to the key audit matter	Across each of the Group's material CGU's, we assessed the risk of material misstatement by performing the following procedures: • sensitised each key driver of the cash flow forecasts, by determining what we considered to be a reasonably possible change in the assumptions, based on current market data and historical and current business performance; and • calculated the degree to which the key assumptions would need to change before an impairment would be triggered. In respect of the Enpro CGU, in addition to the above, we challenged the following: • the forecast revenue growth assumptions including how management has incorporated the impact of new products and new tenders, and the reasonableness of the timing and phasing of market recovery following depressed conditions principally caused by the COVID-19 pandemic; • the future cash flow forecasts and whether the timing of the forecast recovery in performance of these forecasts is appropriate; • the discount rate by comparing the cost of capital assumption against comparable organisations and independently calculated the discount rate with involvement from valuation specialists; and • the terminal growth rates by comparing them to economic and industry forecast. We also reviewed the sensitivity disclosures included in the financial statements (note 16) to assess whether the assumptions selected to sensitise, and the associated range, were reasonable in light of our understanding of the risks associated with the future performance of the CGU.
Key observations	We are satisfied that no additional impairment should be recognised in respect of goodwill and other non-current assets. The sensitivity disclosures in the financial statements appropriately present the CGUs that are most sensitive to potential future changes in key assumptions.

5.3. Revenue Recognition

Key audit matter description	The revenue recognised by the Group in 2021 is $521.6 million (2020: $626.0 million). The Group's revenue recognition policy does not generally require a high level of judgement, however due to the quantum of revenue, contractual terms agreed with customers, and the volume of sales that occur close to period end, there is a cut-off risk associated with certain components which has guided the focus of our audit effort. We have also placed consideration on components which recognise revenue over time. The key risks in respect of revenue recognition are: • the cut-off of sales made close to the period end for point-in-time revenue recognition, with specific consideration of whether control has passed to the customer; and • the appropriateness of revenue recognition criteria for revenue that is recognised over time. Refer to notes 3 and 41 to the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the revenue process. For point-in-time revenue recognition, we evaluated the key contractual terms in place with customers and determined an appropriate period for testing sales close to the period end based on the date of invoicing versus the latest date control may pass. We evaluated whether the sales had been appropriately recognised based on the contractual terms and underlying evidence of when control has passed. For over-time revenue recognition, we identified significant contracts and assessed the appropriateness of the revenue recognition model in place, with due consideration of the underlying contractual agreement. We challenged how these terms have been interpreted under the requirements of IFRS 15 Revenue from Contracts with Customers and that revenue recorded was appropriately recognised.
Key observations	Based on the procedures performed, we obtained evidence that the revenue was recognised appropriately and in accordance with IFRS 15 Revenue from Contracts with Customers.

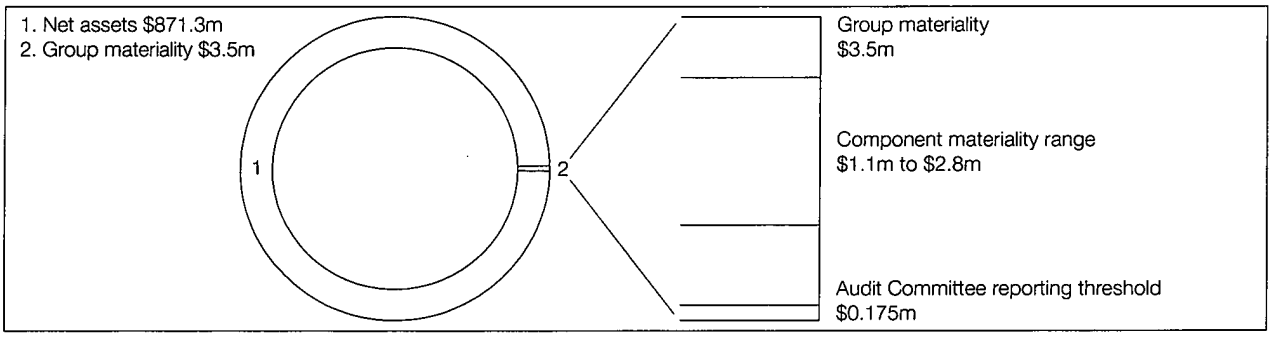
6. Our Application of Materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$3.5 million (2020: $3.5 million)	$3.0 million (2020: $2.8 million)
Basis for determining materiality	0.4% of net assets (2020: 0.4% of net assets).	Parent company materiality equates to 0.3% (2020: 0.3%) of net assets, which is capped at 86% (2020: 80%) of Group materiality.
Rationale for the benchmark applied	Consistent with 2020, an assets-based benchmark is considered the most relevant metric given the impact of the market and trading environment on Hunting's results.	Given that the parent company's balance sheet is mostly made up of investments and intercompany receivables, we consider net assets to be the most relevant benchmark.



6.2. Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 65%) of Group materiality	70% (2020: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our knowledge from the previous audits; and • our overall assessment of the control environment and likely misstatements, including the fact that we have not placed reliance on the Group's controls, other than those over revenue within the Titan US and US Manufacturing operating units. We have increased performance materiality based on our overall assessment of the control environment and the low level of uncorrected misstatements in previous periods.	

6.3. Error Reporting Threshold

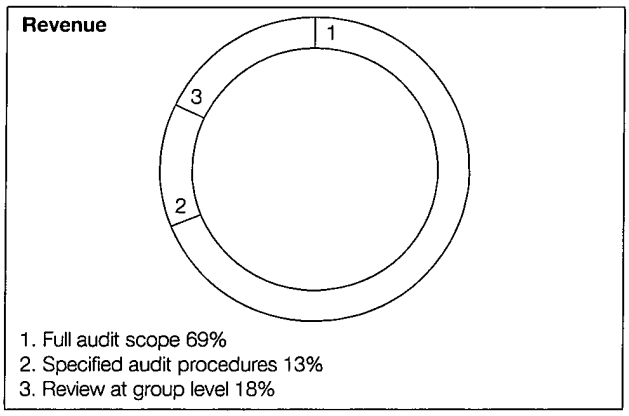
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $175,000 (2020: $175,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters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

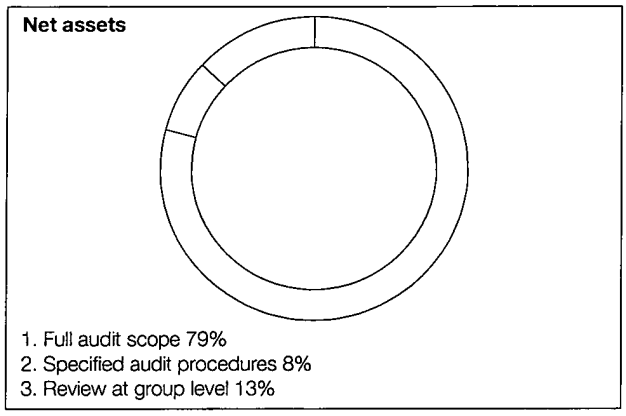
7. An Overview of the Scope of our Audit

7.1. Identification and Scoping of Components

The Group has 57 (2020: 58) reporting units and the financial statements reflect a consolidation of entities covering centralised functions, operating units and non-trading legal entities. The systems, processes and controls in place vary across the Group and therefore our audit scoping procedures considered each operating unit individually.

Our scoping consisted of three levels, with audit effort split across each scoping level. We identified 12 (2020: 12) operating units across the Group that were subject to full scope reporting on their complete financial information, which included four holding company reporting units. Specific audit procedures over certain balances were performed at a further 10 (2020: 9) operating units, including two holding company reporting units, to give appropriate coverage on all material balances at the Group level. The remaining operating units and balances not included above were subject to analytical review procedures. Together, the reporting units subject to audit procedures accounted for over 80% of the Group's revenue and net assets. The range of component materiality levels is $1.1 million to $2.8 million.





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

7.2. Our Consideration of the Control Environment

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

A new ERP system ("D365") was implemented in the group's Hunting Titan and US Manufacturing operating units in 2020. As a result of this implementation, consistent with our audit plan, we adopted a controls reliance approach across the revenue processes within these business units, with the exception of controls over the cut-off assertion. The ERP system continues to be rolled out across the Group, with US Connections having gone live during 2021. Consistent with our approach on Hunting Titan and US Manufacturing in 2020, we engaged our IT specialists to obtain an understanding of the associated general IT controls ("GITCs"), in areas such as information security, user access and change management. Further, we assessed the data conversion and migration, with focus on inventory compilation such as count and cost at date of migration.

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

7.3. Our Consideration of Climate-related Risks

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

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

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

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

We directed and supervised our component audit teams through regular discussions and interactions during the planning phase of our audit, and throughout the year-end process. We performed a detailed review of their work over areas including key judgements and significant risks, using technology to access component auditors' working papers remotely, given the continued impact of COVID-19 and associated travel restrictions. We also requested that a number of reporting documents be completed by each component team for our review.

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

8. Other Information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors
As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

11. Extent to Which the Audit was Considered Capable of Detecting Irregularities, Including Fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and Assessing Potential Risks Related to Irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, IT, and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, patent law, tax legislation and pensions legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included employment and minimum wage legislation, health, safety and the environment ("HSE"), international trading laws and environmental regulations.

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

12. Opinions on Other Matters Prescribed by the Companies Act 2006
In our opinion, the part of the Directors' Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 93;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 92;
- the Directors' statement on fair, balanced and understandable set out on page 134;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 85;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 85; and
- the section describing the work of the audit committee set out on page 132.

14. Matters on Which we are Required to Report by Exception
14.1. Adequacy of Explanations Received and Accounting Records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' Remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other Matters Which we are Required to Address
15.1. Auditor Tenure
Following the recommendation of the Audit Committee, we were appointed by the Directors on 17 April 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 December 2019 to 31 December 2021.

15.2. Consistency of the Audit Report with the Additional Report to the Audit Committee
Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our Report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

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

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

3 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 Before amortisation[i] and exceptional items $m	2021 Amortisation[i] and exceptional items (note 6) $m	2021 Total $m	2020 Before amortisation[i] and exceptional items $m	2020 Amortisation[i] and exceptional items (note 6) $m	2020 Total $m
Revenue	3	**521.6**	**–**	**521.6**	626.0	–	626.0
Cost of sales		**(421.0)**	**(35.7)**	**(456.7)**	(501.2)	(56.7)	(557.9)
Gross profit (loss)		**100.6**	**(35.7)**	**64.9**	124.8	(56.7)	68.1
Other operating income	4	**4.1**	**1.2**	**5.3**	10.3	0.8	11.1
Operating expenses[ii]	5	**(139.8)**	**(10.1)**	**(149.9)**	(151.5)	(147.7)	(299.2)
Loss from operations	7	**(35.1)**	**(44.6)**	**(79.7)**	(16.4)	(203.6)	(220.0)
Finance income	9	**1.5**	**–**	**1.5**	1.4	–	1.4
Finance expense	9	**(3.5)**	**–**	**(3.5)**	(4.4)	–	(4.4)
Share of associates' post-tax losses	17	**(3.5)**	**(0.3)**	**(3.8)**	–	–	–
Loss before tax from operations		**(40.6)**	**(44.9)**	**(85.5)**	(19.4)	(203.6)	(223.0)
Taxation	10	**(4.9)**	**0.7**	**(4.2)**	0.9	(16.1)	(15.2)
Loss for the year		**(45.5)**	**(44.2)**	**(89.7)**	(18.5)	(219.7)	(238.2)
Loss attributable to:							
Owners of the parent		**(43.7)**	**(42.1)**	**(85.8)**	(16.5)	(218.2)	(234.7)
Non-controlling interests		**(1.8)**	**(2.1)**	**(3.9)**	(2.0)	(1.5)	(3.5)
		(45.5)	**(44.2)**	**(89.7)**	(18.5)	(219.7)	(238.2)
Loss per share		**cents**		**cents**	cents		cents
Basic	11	**(27.1)**		**(53.2)**	(10.0)		(143.2)
Diluted	11	**(27.1)**		**(53.2)**	(10.0)		(143.2)

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).
ii. Included in operating expenses is the net impairment loss on trade and other receivables recognised in the year of $1.6m (2020 – $1.8m).

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

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

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

Consolidated Balance Sheet

At 31 December 2021

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

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

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Consolidated Statement of Changes in Equity

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

	Notes	Year ended 31 December 2020						
		Share capital (note 34) $m	Share premium (note 34) $m	Other components of equity (note 35) $m	Retained earnings (note 36) $m	Total $m	Non-controlling interests $m	Total equity $m
At 1 January 2020		67.3	153.0	56.5	931.1	1,207.9	15.9	1,223.8
Loss for the year		–	–	–	(234.7)	(234.7)	(3.5)	(238.2)
Other comprehensive income		–	–	5.8	–	5.8	0.5	6.3
Total comprehensive expense		–	–	5.8	(234.7)	(228.9)	(3.0)	(231.9)
Dividends paid to Hunting PLC shareholders	37	–	–	–	(8.2)	(8.2)	–	(8.2)
Dividends paid to non-controlling interests		–	–	–	–	–	(0.9)	(0.9)
Share buyback		(0.8)	–	0.6	(5.1)	(5.3)	–	(5.3)
Treasury shares								
– purchase of treasury shares		–	–	–	(9.4)	(9.4)	–	(9.4)
– disposal of treasury shares		–	–	–	0.2	0.2	–	0.2
Share options and awards								
– value of employee services		–	–	9.0	–	9.0	–	9.0
– discharge		–	–	(11.4)	11.2	(0.2)	–	(0.2)
– taxation		–	–	–	(0.5)	(0.5)	–	(0.5)
Acquisition of non-controlling interest	39	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves		–	–	(8.2)	8.2	–	–	–
At 31 December 2020		66.5	153.0	52.3	692.6	964.4	12.2	976.6

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 223. The principal activities of the Group and the nature of the Group's operations are set out in note 2 and in the Strategic Report on pages 4 to 93. The financial statements consolidate those of Hunting PLC (the "Company") and its subsidiaries (together referred to as the "Group"), include the Group's interests in associates and are presented in US dollars, the currency of the primary economic environment in which the Group operates.

The consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the United Kingdom. The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of the US deferred compensation plan and those financial assets and financial liabilities held at fair value (note 30). The Board's consideration of the applicability of the going concern basis is detailed further in the Strategic Report on page 93.

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

Critical Judgements and Key Assumptions
Critical judgements are those that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's financial statements. Key assumptions are assumptions concerning future expectations and other key sources of estimation uncertainty at the end of the reporting period are those that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements were made regarding the recognition of impairment on non-financial assets that impacted the carrying values of property, plant and equipment and inventory (see note 16) and estimates were made regarding future cash flows for the purposes of CGU impairment testing (see note 16). The Directors also applied their judgement in determining that there are no disclosable material uncertainties in relation to the Group's ability to continue as a going concern as described in the Strategic Report on page 93.

The Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for those taxes, as tax legislation can be complex and open to different interpretation. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. This is considered by jurisdiction, or by entity, dependent on the tax laws of the jurisdiction. At each balance sheet date, the Directors will consider the medium-term forecasts of the business and determine whether the generation of taxable income within a reasonable time frame is probable. If actual results differ from the forecasts then the impact of not being able to utilise the expected amount of deferred tax assets can have a material impact on the Group's tax charge for the year. The key decision regarding the recognition of deferred tax as at 31 December 2021 related to the recognition of deferred taxes in the US. The Directors concluded that there have not been any significant changes in the medium-term taxable profit forecasts for the US and so to the extent that the US deferred tax asset is not offset against the deferred tax liability recognised relating to goodwill in the US, the deferred tax asset remains unrecognised.

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

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

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

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ("IBORs") is ongoing. None of the Group's hedge accounting has been impacted by the reform regarding LIBOR, as none of the Group's hedging relationships have any exposure to interest rate benchmarks that are subject to the proposed regulatory reform.

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

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

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

1. Basis of Preparation continued

Future Standards, Amendments and Interpretations
The following standards, amendments and interpretations are effective subsequent to the year-end, which have not been early adopted, and are being assessed to determine whether there is a significant impact on the Group's results or financial position:

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

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

2. Segmental Reporting

For the year ended 31 December 2021, the Group has been reporting on four operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM").

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

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

Finance income and finance expense are not allocated to segments, as this type of activity is overseen by the Group's central treasury function, which manages the funding position of the Group.

Inter-segment sales are priced in line with the transfer pricing policy on an arm's length basis and are eliminated on consolidation. Costs and overheads are apportioned to the operating segments on the basis of time attributed to those operations by senior executives.

Further, the Board is also provided revenue information by product group, in order to help with an understanding of the drivers of Group performance trends.

Hunting Titan
Hunting Titan manufactures and distributes a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1™, H-2™ and H-3™ gun systems, ControlFire™ switches, EQUAfrac™ shaped charges, the T-Set™ line of setting tools and the PowerSet family of power charges. The business has manufacturing facilities in the US and Mexico, and is supported by strategically-located distribution centres across North America.

North America
The segment's businesses supply premium connections, oil country tubular goods ("OCTG"), subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US, Canada and overseas markets. The segment also manufactures perforating system products for Hunting Titan. Although located in the UK, Enpro has been classified as part of this segment, as it falls under the management of the Subsea business in the US, as it participates in global offshore projects. The Group's Canadian business now focuses on OCTG threading, which is subcontracted to facilities which hold manufacturing licences for Hunting's premium and semi-premium connections. The segment also includes the results of the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico. The business and assets of the Drilling Tools business were divested to Rival Downhole Tools ("Rival") in December 2020. Hunting holds a 23.5% equity interest in Rival and the results from this operation are presented in the income statement as share of associate's post-tax results.

2. Segmental Reporting continued

Europe, Middle East and Africa ("EMEA")
Hunting's European operations comprise businesses in the UK, Netherlands and Norway. Revenue from this segment is generated from the supply of OCTG (including threading, pipe storage and accessories manufacturing) and the sale and rental of in-field well intervention products in the UK; OCTG and well testing equipment manufacture in the Netherlands; and well intervention services and distribution in Norway. The deal reached with Marubeni-Itochu on 31 December 2021 (note 39) will see our European OCTG businesses concentrating on accessory manufacturing and yard services. Hunting's Middle East manufacturing operations are located in Dubai, UAE and Dammam, Saudi Arabia. The Group's operations in Saudi Arabia are through a 65% joint venture arrangement with Saja Energy and act as a sales hub for other products manufactured globally by the Group, including OCTG and Perforating Systems.

Asia Pacific
Revenue from the Asia Pacific segment is primarily from the manufacture of premium connections and OCTG supply. Asia Pacific also manufactures perforating guns for sale to Hunting Titan and for sale in its domestic markets. Following a change of management reporting line for Singapore Well Intervention, the results from this business, previously included in the EMEA segment, are now included in the Asia Pacific segment. The prior year segmental information has not been restated as the amounts are not considered to be material.

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

The following tables present the results of the operating segments on the same basis as that used for internal reporting purposes to the CODM.

(a) Segment Revenue and Profit

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

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

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

Amortisation and exceptional items by operating segment:

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

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

	Restated 2020					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result[ii] $m	Amortisation[i] and exceptional items $m	Reported result $m
Hunting Titan	161.7	(4.7)	157.0	(5.6)	(120.4)	(126.0)
North America	311.6	(28.0)	283.6	(3.5)	(58.5)	(62.0)
EMEA	78.8	(0.7)	78.1	(12.0)	(21.9)	(33.9)
Asia Pacific	109.3	(2.0)	107.3	4.7	(2.8)	1.9
Total from operations	661.4	(35.4)	626.0	(16.4)	(203.6)	(220.0)
Net finance expense				(3.0)	–	(3.0)
Loss before tax from operations				(19.4)	(203.6)	(223.0)

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

Amortisation and exceptional items by operating segment:

	Restated 2020				
	Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Total $m
Amortisation of acquired intangible assets	(14.8)	(2.5)	–	–	(17.3)
Impairments of goodwill	(65.6)	(9.9)	(4.3)	–	(79.8)
Impairments of other intangible assets	(29.5)	(7.1)	(2.6)	–	(39.2)
Impairments of property, plant and equipment	(0.4)	(10.2)	(8.8)	–	(19.4)
Impairments of right-of-use assets	(0.2)	(3.9)	–	–	(4.1)
Impairments of inventories	(7.1)	(20.2)	(4.3)	(2.6)	(34.2)
Impairments of receivables	(1.2)	–	–	–	(1.2)
Restructuring costs	(1.6)	(6.6)	(1.9)	(0.2)	(10.3)
Profit on disposal of Canadian assets	–	0.8	–	–	0.8
Acquisition costs	–	(1.4)	–	–	(1.4)
Remeasurement of contingent consideration on Enpro acquisition	–	2.5	–	–	2.5
	(120.4)	(58.5)	(21.9)	(2.8)	(203.6)

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

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

2. Segmental Reporting continued

(b) Other Segment Items

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

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

(c) Geographical Non-current Assets
Information on the physical location of non-current assets is presented below. The allocated non-current assets below exclude deferred tax assets.

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

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

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

3. Revenue

In the following tables, a breakdown of the Group's different revenue streams by segment has been given, including the disaggregation of revenue from contracts with customers.

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

3. Revenue continued

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

There is no material difference in the timing of revenue recognition between contracts with customers at a point in time and contracts with customers over time, as the majority of Hunting's performance obligations are relatively short. Revenue is typically recognised for products when the product is shipped or made available to customers for collection and for services either on completion of the service or, at a minimum, monthly for services covering more than one month. The amount of consideration is not adjusted for the effects of a significant financing component as, at contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

4. Other Operating Income

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

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

Government Grants
Hunting PLC has benefited from a number of government schemes to support companies because of the COVID-19 pandemic. These schemes include the COVID-19 Job Support Scheme and property tax rebate in Singapore, the Coronavirus Job Retention Scheme ("CJRS") in the UK, and the Canada Emergency Wage Subsidy in Canada. The Group received $0.2m in 2021 and $3.6m for the year ended 31 December 2020 relating to COVID-19 support.

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

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

5. Operating Expenses

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

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

6. Amortisation and Exceptional Items

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

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

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

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

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

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

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

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

6. Amortisation and Exceptional Items continued

The following items were recognised as exceptional during 2020:

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

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

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

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

7. Loss from Operations

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

	2021 $m	2020 $m
Staff costs (note 8)	**150.5**	171.9
Depreciation of property, plant and equipment (note 12)	**28.9**	32.1
Amortisation of acquired intangible assets (note 6)	**6.7**	17.3
Non-exceptional amortisation of intangible assets	**2.6**	3.5
Amortisation of intangible assets – reported (included in cost of sales and operating expenses) (note 15)	**9.3**	20.8
Impairments of goodwill – exceptional (included in operating expenses) (note 6)	**–**	79.8
Impairments of other intangible assets – exceptional (included in operating expenses) (note 6)	**–**	39.2
Impairments of property, plant and equipment – exceptional (included in cost of sales and operating expenses) (note 6)	**8.6**	19.4
Loss on disposal of business – exceptional (note 6)	**0.9**	–
Fair value gain on disposal of held-for-sale asset (note 4)	**(0.4)**	–
Net gain on disposal of property, plant and equipment – underlying	**(0.2)**	(2.4)
Gain on disposal of property, plant and equipment – exceptional items (note 6)	**(0.2)**	(0.2)
Net gain on disposal of property, plant and equipment – reported	**(0.4)**	(2.6)
Lease charges included in loss from operations – underlying (note 25)	**8.3**	9.4
Lease (gains) charges included in loss from operations – exceptional items (notes 6 and 25)	**(1.0)**	4.1
Lease charges included in loss from operations (note 25)	**7.3**	13.5
Research and development expenditure	**4.7**	5.0

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

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

8. Employees

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

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

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

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

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

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

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

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

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

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

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

Remuneration of the Board, included as part of key management compensation, can be found in the Annual Report on Remuneration on pages 121 to 130. The Annual Report on Remuneration disclosures do not include Executive Committee members who are not part of the Board and disclose share scheme remuneration on a vested rather than accruals basis.

Short-term employee benefits comprise healthcare insurance, company cars and fuel benefits. Post-employment benefits comprise employer pension contributions. Share-based payments comprise the charge to the consolidated income statement.

9. Net Finance Expense

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

10. Taxation

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

i. Relates to amortisation of acquired intangible assets.

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

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

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

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

10. Taxation continued

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

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

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

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

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

11. Loss per Share

Basic loss per share ("LPS") is calculated by dividing the loss attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year. For diluted loss per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. Dilution arises through the possible issue of shares to satisfy awards made under the Group's long-term incentive plans. However, for the years ended 31 December 2021 and 31 December 2020, the effect of dilutive long-term incentive plans was anti-dilutive and, therefore, they have not been used to calculate diluted loss per share.

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

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

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

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

i. Relates to amortisation of acquired intangible assets.

12. Property, Plant and Equipment

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

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

Included in the net book amount is expenditure relating to assets in the course of construction of $0.1m (2020 – $nil) for buildings, $5.4m (2020 – $4.9m) for rental tools, and $1.0m (2020 – $0.5m) for plant and machinery.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for in these financial statements, amounted to $5.6m as at 31 December 2021 (2020 – $0.6m).

The net book amount of land and buildings of $187.1m (2020 – $200.8m) comprises freehold land and buildings of $185.8m (2020 – $199.1m) and capitalised leasehold improvements of $1.3m (2020 – $1.7m).

The Group sub-lets certain items of property, plant and equipment under operating leases. The net book value of items that are sub-let included in the table above is $4.8m at 31 December 2021 for land and buildings (2020 – $10.3m).

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

12. Property, Plant and Equipment continued

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

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

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

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

During 2020, a property in the US operating segment, with a net book value of $1.8m, was reclassified as held-for-sale as it was expected to be sold within 12 months of the classification. The property was sold in early 2021 for $2.2m, realising a fair value gain of $0.4m (note 4).

13. Right-of-use Assets

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

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

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

The net book amount of right-of-use assets at 1 January 2020 was $36.7m.

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

14. Goodwill

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

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

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

15. Other Intangible Assets

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

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

15. Other Intangible Assets continued

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

The net book amount of other intangible assets at 1 January 2020 was $78.5m. All intangible assets are regarded as having a finite life and are amortised accordingly. Amortisation charges relating to intangible assets have been charged to cost of sales and operating expenses in the consolidated income statement.

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

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

16. Impairment of Non-financial Assets

(a) Impairment Testing Process

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

The recoverable amount for each CGU was determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the CGU in a sales transaction on an arm's length basis. As there is no active market for the Group's CGUs, the FVLCD is determined using discounted cash flow techniques based on the estimated future cash flows that are expected to be generated by the CGU and discounted at a rate that is determined for each CGU in isolation by consideration of its business risk profile. This method allows approved capital projects that are in progress to be included. The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied. The FVLCD is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation.

For 2022, cash flows are based on the latest detailed budget, as approved by the Board. For 2023 to 2026, management made revenue projections using Spears & Associates' "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic markets and drivers (rig count, footage drilled or E&P spend) for each CGU. Management then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the CGU. Having determined the projected revenues, management then modelled the expected impact on margins and cash flow from the resulting revenue projections. This process can give a diverse range of outcomes depending on market or business specific conditions. Compound annual growth rates ("CAGR") for revenue for the CGUs from 2021 to 2026 vary between 6% and 25% (2020 – CAGR from 2020 to 2025 between 8% and 30%). After 2026, a terminal value was calculated assuming growth of 50 basis points above assumed inflation (2020 – 50 basis points), giving nominal growth rates between 0% and 4% (2020 – between 0% and 1%).

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

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

(ii) Impairment Tests for Individual Assets

For individual assets, an impairment test is conducted if there are indicators of impairment. Impairment arises when the carrying value of the asset is greater than the higher of its fair value less costs of disposal or its value-in-use. The FVLCD or the value-in-use is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. If the cash flows of an asset cannot be assessed individually, then the asset or a group of assets are aggregated into a CGU and tested as described above.

(b) Impairment Tests for Goodwill

(i) Allocation

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

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

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

(ii) Material CGU

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

16. Impairment of Non-financial Assets continued

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

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

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

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

(e) Impairment of Right-of-use Assets
No impairment has been charged against right-of-use assets during 2021. Following the closure of leased properties, impairment charges of $3.9m in Canada and $0.2m in Hunting Titan, totalling $4.1m, were recognised in 2020.

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

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

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

17. Investments in Associates

Movement on investments in associates:

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

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

On 15 December 2020, the Group acquired a 23.5% interest in the equity shares of Rival Downhole Tools LC in exchange for the operating assets of Hunting Energy Services (Drilling Tools) Inc, a wholly-owned subsidiary of the Group. The combination of Hunting's Drilling Tools assets with Rival created a business with a larger operating footprint, with leading technology and products, and enabled Rival to establish its market position as one of the top downhole tool providers within the competitive US onshore market. The investment in Rival allows Hunting to retain exposure to the US onshore drilling tools rental market.

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

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

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

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

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

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

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

18. Investments

	2021 $m	2020 $m
Non-current:		
Listed equity investments and mutual funds	**1.9**	1.7
Well Data Labs convertible financing	**2.7**	–
	4.6	1.7
Current:		
Cash deposits with more than 3 months to maturity	**6.8**	–

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

19. Trade and Other Receivables

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

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

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

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

The Group does not hold any other collateral as security and no assets have been acquired through the exercise of any collateral previously held.

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

19. Trade and Other Receivables continued

Impairment of Trade and Other Receivables
The Group has chosen to apply lifetime expected credit losses ("ECLs") to trade receivables, accrued revenue and contract assets upon their initial recognition. Each entity within the Group uses provision matrices for recognising ECLs on its receivables, which are based on actual credit loss experience over the past two years, at a minimum. Receivables are appropriately grouped by geographical region, product type or type of customer, and separate calculations produced, if historical or forecast credit loss experience shows significantly different loss patterns for different customer segments. Actual credit loss experience is then adjusted to reflect differences in economic conditions over the period the historical data was collected, current economic conditions, forward-looking information based on macroeconomic information and the Group's view of economic conditions over the expected lives of the receivables. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. It has, therefore, been concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

At 31 December 2021, the ageing of the Group's gross financial assets, based on days overdue, is as follows:

	Not overdue $m	**1 – 30 days $m**	**31 – 60 days $m**	**61 – 90 days $m**	**91 – 120 days $m**	**More than 120 days $m**	**Total gross financial assets $m**
Trade receivables – contracts with customers	**66.7**	**21.6**	**15.7**	**6.7**	**7.8**	**8.0**	**126.5**
Trade receivables – rental receivables	**0.5**	**0.4**	**0.3**	**0.1**	**–**	**–**	**1.3**
Trade receivables – other	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Total trade receivables	**67.5**	**22.0**	**16.0**	**6.8**	**7.8**	**8.0**	**128.1**
Contract assets	**9.9**	**–**	**–**	**–**	**–**	**–**	**9.9**
Accrued revenue – contracts with customers	**3.7**	**–**	**–**	**–**	**–**	**–**	**3.7**
Accrued revenue – rental receivables	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Other receivables	**1.3**	**0.1**	**–**	**–**	**–**	**0.1**	**1.5**
	82.5	**22.1**	**16.0**	**6.8**	**7.8**	**8.1**	**143.3**

At 31 December 2020, the ageing of the Group's gross financial assets, based on days overdue, is as follows:

	Not overdue $m	1 – 30 days $m	31 – 60 days $m	61 – 90 days $m	91 – 120 days $m	More than 120 days $m	Total gross financial assets $m
Trade receivables – contracts with customers	52.3	18.0	18.1	4.1	9.4	7.2	109.1
Trade receivables – rental receivables	1.0	0.1	0.2	0.2	0.1	0.4	2.0
Trade receivables – other	0.3	–	–	–	–	–	0.3
Total trade receivables	53.6	18.1	18.3	4.3	9.5	7.6	111.4
Contract assets	9.8	–	–	–	–	–	9.8
Accrued revenue – contracts with customers	3.0	–	–	–	–	–	3.0
Accrued revenue – rental receivables	0.2	–	–	–	–	–	0.2
Loan note	0.6	–	–	–	–	–	0.6
Other receivables	1.3	0.1	–	–	–	–	1.4
	68.5	18.2	18.3	4.3	9.5	7.6	126.4

Concentrations of credit risk with respect to trade receivables are limited due to the Group's wide and unrelated customer base. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned above. The carrying value of each class of receivables approximates their fair value as described in note 30.

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

19. Trade and Other Receivables continued

Impairment of Trade and Other Receivables continued
Default on a financial asset is usually considered to have occurred when any contractual payments under the terms of the debt are more than 90 days overdue. Usually, no further deliveries are made or services provided to customers that are more than 90 days overdue unless there is a valid reason to do so, such as billing issues have prevented the customer from settling the invoice. Permission from the local financial controller can be obtained to continue trading with customers with debts that are more than 90 days overdue, and the outstanding debts may also be rescheduled with the permission of the financial controller.

Whilst a proportion, 12% (2020 – 15%), of the Group's trade receivables are more than 90 days overdue, the majority of these have not been impaired. Some of these debts have become overdue due to billing issues and others because the customer has just been slow to pay. Where there is no history of bad debts and there are no indicators that the debts will not be settled, these have not been impaired. These customers are monitored very closely for any indicators of impairment.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that receivables are generally not recoverable include the failure of the debtor to engage in a repayment plan, failure to make contractual payments for a period greater than 180 days past due and the debtor being placed in administration. Where receivables have been written off, the entity will continue to try and recover the outstanding receivable. Impairment losses on receivables are presented net of unused provisions released to the consolidated income statement within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

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

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

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

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

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

20. Deferred Tax

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

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

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

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

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

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

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

	At 1 January 2021 $m	Exchange adjustments $m	Acquisition of subsidiary $m	(Charge) credit to income statement $m	Change in tax rates $m	Taken direct to equity $m	Other movements $m	At 31 December 2021 $m	Net deferred tax assets $m	Net deferred tax liabilities $m
Tax losses	**12.0**	**0.1**	**–**	**4.0**	**–**	**–**	**–**	**16.1**	**7.0**	**9.1**
Inventory	**1.0**	**–**	**–**	**0.4**	**–**	**–**	**–**	**1.4**	**1.4**	**–**
Goodwill and intangibles	**(7.8)**	**–**	**–**	**(5.7)**	**(0.6)**	**–**	**–**	**(14.1)**	**–**	**(14.1)**
Accumulated tax depreciation	**(2.0)**	**–**	**–**	**0.8**	**(0.4)**	**–**	**–**	**(1.6)**	**0.2**	**(1.8)**
Share-based payments	**0.4**	**–**	**–**	**(0.1)**	**0.1**	**–**	**–**	**0.4**	**0.4**	**–**
Other	**1.9**	**–**	**–**	**(0.7)**	**0.1**	**–**	**–**	**1.3**	**1.3**	**–**
	5.5	**0.1**	**–**	**(1.3)**	**(0.8)**	**–**	**–**	**3.5**	**10.3**	**(6.8)**

20. Deferred Tax continued

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

21. Inventories

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

The Group's inventory is highly durable and is well maintained. It can, therefore, hold its value well with the passing of time. When volume demand falls, or prices are reduced, management has to assess whether the carrying value of inventory can still be achieved. For some markets and product lines there may be a limited number, or even no sales, to form a benchmark in the current year. In these cases, management looks at historical activity levels and has to form a judgement as to likely future demand in light of market forecasts and likely competitor activities. In 2021, the complexity of these judgements increased following a second year with historically low turn rates leading to increases in inventory age and higher provision levels. As a result of these conditions, management has enhanced its provision estimation methodology, in particular for items with low turn rates, and this change has contributed to $22.8m of the exceptional charge, excluding the $5.2m impairment provision related to the Marubeni-Itochu transaction. It is not practical to determine the precise quantitative effect of this change. As noted in the 2021 Half Year Report, pressure control equipment ("PCE") inventory was considered sensitive to changes in future expectations and provisions against the inventory line item have been increased to $11.3m at 31 December 2021; further details including sensitivities can be found in note 16(g). Management has considered the judgements and estimates made in each of the Group's businesses and, other than PCE equipment, has not identified any individual estimates, which in the event of a change, would lead to a material change in the next financial period.

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

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

21. Inventories continued

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

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

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

22. Cash and Cash Equivalents

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

Cash at bank and in hand and short-term deposits are carried at amortised cost. Fixed Term Funds are financial assets carried at fair value through profit or loss. The maximum exposure to credit risk is the carrying amount of each class of financial assets mentioned.

As shown in note 27, cash and cash equivalents for cash flow statement purposes also includes bank overdrafts shown in borrowings in note 26.

23. Trade and Other Payables

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

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

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

24. Contract Assets and Liabilities

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

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

24. Contract Assets and Liabilities continued

(a) Significant Changes in Contract Assets and Contract Liabilities
Contract assets increased from $9.8m at 31 December 2020 to $9.9m at 31 December 2021 due to increased levels of bespoke customer work-in-progress in the Subsea Spring business, which were offset by a reduction in bespoke customer work-in-progress in Dearborn.

Contract liabilities represent deposits received on contracts relating to the purchase of pipe in the Asia Pacific businesses, prior to Hunting placing an order with the steel mills, and increased from $2.4m at 31 December 2020 to $6.1m at 31 December 2021, reflecting a recent improvement in orders for the region.

(b) Revenue Recognised in Relation to Contract Liabilities
The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

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

(c) Unsatisfied Performance Obligations
The aggregate amount of the transaction price allocated to partially or fully unsatisfied performance obligations as at the year-end on confirmed purchase orders received prior to the year-end is $211.5m (2020 – $144.4m). It is expected that 85% or $180.6m (2020 – 81% or $117.0m) will be recognised as revenue in the 2022 financial year and the remaining 15% or $30.9m (2020 – 19% or $27.4m) in future years.

25. Leases

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between three and ten years, but may have extension options as described below. Rental contracts for equipment and vehicles are typically made for fixed periods of between three and seven years. The Group also has short-term leases and leases of low-value assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. As at 31 December 2021, the Group did not have any commitments for leases that were due to commence in 2022 or later. There were no commitments for leases at the end of 2020.

Extension and break options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. For extension and break options that are exercisable only by the Group and not by the respective lessor, management considers all facts and circumstances that create an economic incentive for the Group to exercise an extension option, or not exercise a break option in determining the lease term. The lease term is determined according to management's expectation of exercising any available extension and break options. Extension or termination options are only adjusted in the lease term if the lease option is reasonably certain to be exercised.

(a) Amounts Recognised in the Consolidated Balance Sheet
The analysis of right-of-use assets is presented in note 13.

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

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

	2021 $m	2020 $m
Depreciation of right-of-use assets (note 13)	**6.7**	7.5
Reversal of impairment of right-of-use assets (included in operating expenses) (note 13)	**–**	(0.6)
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and operating expenses)	**1.6**	2.5
Lease charges included in underlying (loss) profit from operations	**8.3**	9.4
Gain on surrender of lease (note 6)	**(1.0)**	–
Impairments of right-of-use assets – exceptional (included in operating expenses) (note 6)	**–**	4.1
Lease charges included in reported loss from operations	**7.3**	13.5
Interest on lease liabilities (included in finance costs) (note 9)	**1.5**	1.9
Lease charges included in loss before tax	**8.8**	15.4

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

25. Leases continued

(c) Amounts Recognised in the Statement of Cash Flows

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

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

The analysis of the contractual, undiscounted cash flows relating to lease liabilities is shown in note 31(d).

(d) The Group as Lessor
A number of the Group's properties included within property, plant and equipment and capitalised as right-of-use assets are let under operating lease agreements. Income from subleasing these assets during the year was $1.3m (2020 – $1.8m) and is included in other operating income note 4. The Group also earns revenue from the rental of tools, which are items of property, plant and equipment, as disclosed in note 12. Rental revenue earned during the year was $6.1m (2020 – $14.2m) as shown in note 3.

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

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

26. Borrowings

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

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

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

27. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. Net cash (debt) (NGM I) is a non-GAAP measure; however, management and the Group treasury function monitor total cash and bank (NGM H) to ensure there is sufficient liquidity to meet business requirements. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Strategic Report. The net cash (debt) reconciliation below provides an analysis of the movement in the year for each component of net cash (debt) split between cash and non-cash items. Net cash (debt) comprises total cash and bank less total lease liabilities and the shareholder loan from a non-controlling interest.

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

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

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

	At 1 January 2020 $m	Cash flow $m	Non-cash movements on lease liabilities[i] $m	Exchange movements $m	At 31 December 2020 $m
Cash and cash equivalents (note 22)	128.6	(29.2)	–	3.5	102.9
Bank overdrafts secured (note 26)	(1.6)	0.4	–	–	(1.2)
Cash and cash equivalents – per cash flow statement	127.0	(28.8)	–	3.5	101.7
Total lease liabilities (note 25)	(45.2)	10.4	(4.7)	(0.8)	(40.3)
Shareholder loan from non-controlling interest (note 26)	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(49.1)	10.4	(4.7)	(0.8)	(44.2)
Total net cash (debt)	77.9	(18.4)	(4.7)	2.7	57.5

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

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

28. Provisions and Contingent Liabilities

(a) Provisions

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

Provisions are due as follows:

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

Asset decommissioning and remediation obligations of $4.3m (2020 – $5.4m) relate to the Group's obligation to dismantle and remove items of property, plant and equipment. The asset decommissioning provision reflects uncertainty in the timing and amounts of the costs expected to arise in meeting this obligation. Provision is made on a discounted basis, the vast majority of which is estimated to be utilised over a period of eight years.

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

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

29. Derivatives and Hedging

(a) Currency Derivatives
The Group uses derivatives for economic hedging purposes and no speculative positions are entered into by the Group. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. The Group has used spot and forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year. Currency exposure in the Group's treasury function is managed by using funding swaps to convert US dollars into different currencies required by the Group's entities, when necessary.

Fair values of outstanding derivative financial instruments:

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

Net fair value gains on contracts that are not designated in a hedge relationship of $0.5m (2020 – $0.5m) were recognised in the consolidated income statement during the year.

(b) Fair Value Hedge
Forward foreign exchange contracts have also been designated in a fair value hedge to hedge the foreign exchange movement in foreign currency trade receivables and payables during the year. The value of the forward foreign exchange contract matches the value of the trade receivables and payables and they move in opposite directions as a result of movements in the CAD/USD or EUR/USD exchange rate, being the hedged risk. Fair value losses of $0.1m (2020 – immaterial) have been recognised in the consolidated income statement during the year. At the year-end, the fair value of derivatives designated in a fair value hedge is immaterial.

29. Derivatives and Hedging continued

(c) Cash Flow Hedge
The Group has entered into contracts to purchase materials from suppliers in a currency other than the Group subsidiary's functional currency. Certain of these highly probable forecast transactions have been designated in a cash flow hedge relationship and hedged using forward foreign exchange contracts during the year. The value of the forward foreign exchange contract matches the value of the forecast inventory purchase and they move in opposite directions as a result of movements in the CAD/USD, EUR/USD and the CNY/USD exchange rates, being the hedged risk. This will effectively result in recognising inventory at the fixed foreign currency rate for the hedged purchases. It is anticipated that the materials will be sold within 12 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss as part of the cost of inventories sold.

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

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

		2021	2020
Carrying amount of the forward foreign exchange contracts – other receivables (note 19)	$m	**<0.1**	<0.1
Notional amount of the forward foreign exchange contracts	$m	**2.4**	0.7
Maturity date		**18.01.22 to 03.01.23**	04.03.21
Hedge ratio[i]		**1:1**	1:1
Change in value of hedged item used to determine hedge effectiveness	$m	**<(0.1)**	<(0.1)

i. The forward foreign exchange contracts are denominated in the same currency as the highly probable forecast transactions to match the exposed currency risk, therefore the hedge ratio is 1:1.

Immaterial changes in the forward points, the differential between the forward rate and the market spot rate, have been recognised in the consolidated income statement during the year and previous year.

(d) Hedge Effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic hedge relationship exists between the hedged item and the hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group, therefore, performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the forward foreign exchange contract, then the Group uses the hypothetical derivative method to assess effectiveness. Ineffectiveness may arise if there is a change in the timing of the forecast transaction from what was originally estimated or from a change in the US dollar amount charged and invoiced. A possible source of ineffectiveness is also a change in credit risk of either party to the derivative. However, any change in credit risk is not expected to be material.

30. Financial Instruments

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

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

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

30. Financial Instruments continued

(a) Financial Instruments at Amortised Cost
The carrying values of the Group's financial instruments at amortised cost are as follows:

	2021 $m	2020 $m
Financial assets at amortised cost:		
Trade and other receivables (note 19):		
Trade receivables	**120.1**	111.4
Accrued revenue	**3.8**	3.2
Loan note	**–**	0.6
Other receivables – non-current	**0.3**	0.3
Other receivables – current[i]	**1.1**	1.0
Less: provisions for impairment	**(4.6)**	(4.5)
Cash and cash equivalents (note 22):		
Cash at bank and in hand	**96.8**	102.9
Cash deposits with less than 3 months to maturity	**4.8**	–
Investments (note 18):		
Cash deposits with more than 3 months to maturity	**6.8**	–
	237.1	214.9
Financial liabilities at amortised cost:		
Trade and other payables (note 23):		
Trade payables	**(40.5)**	(26.4)
Accruals – non-current	**(0.6)**	(0.4)
Accruals – current	**(28.7)**	(29.0)
Other payables[ii]	**(1.2)**	(1.5)
Borrowings (note 26):		
Shareholder loan from non-controlling interest	**(3.9)**	(3.9)
Bank overdrafts secured	**(1.0)**	(1.2)
	(75.9)	(62.4)

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

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

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

(b) Financial Instruments Measured at Fair Value

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

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

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

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

30. Financial Instruments continued

(b) Financial Instruments Measured at Fair Value continued
(i) Valuation Techniques used to Determine Fair Values continued

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

(ii) Fair Value Hierarchy
The following tables present the Group's net financial assets and liabilities that are measured and recognised at fair value at the year-end and show the level in the fair value hierarchy in which the fair value measurements are categorised. There were no transfers between Level 1 and Level 2 during the year.

	Fair value at 31 December 2021 $m	**Level 1 $m**	**Level 2 $m**	**Level 3 $m**
Equity instruments at fair value through profit or loss				
Listed equity investments and mutual funds	**1.9**	**1.9**	**–**	**–**
Debt instruments at fair value through profit or loss				
Well Data Labs convertible financing	**2.7**	**–**	**–**	**2.7**
Fixed Term Funds	**6.8**	**6.8**	**–**	**–**
Current derivatives held for trading				
Derivative financial assets	**0.1**	**–**	**0.1**	**–**
Derivative financial liabilities	**(0.2)**	**–**	**(0.2)**	**–**
	11.3	**8.7**	**(0.1)**	**2.7**

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

The fair value hierarchy has the following levels:
Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
Level 3 – unobservable inputs used in the valuation.

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

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

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

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

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

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

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

30. Financial Instruments continued

(b) Financial Instruments Measured at Fair Value continued
(iii) Amounts Recognised in Profit or Loss
During the year, the following gains and losses were recognised in relation to financial instruments measured at fair value through profit or loss:

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

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

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

The Group also has lease liabilities of $31.8m (2020 – $40.3m) at the year-end, which are not measured at fair value, in the consolidated balance sheet. The fair value of these financial liabilities has not been disclosed as their fair value cannot be measured reliably as there is no active market for these financial instruments.

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

31. Financial Risk Management

The Group's activities expose it to certain financial risks, namely market risk (including currency, fair value interest rate and cash flow interest rate risks), as well as credit risk and liquidity risk. The Group's risk management strategy seeks to mitigate potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge certain risk exposures.

There are clearly defined objectives and principles for managing financial risks established by the Board of Directors, with policies, parameters and procedures covering the specific areas of funding, banking relationships, foreign currency and interest rate exposures and cash management. The Group's treasury function is responsible for implementing the policies and providing a centralised service to the Group for funding, foreign exchange and interest rate management and counterparty risk management. It is also responsible for identifying, evaluating and hedging financial risks in close cooperation with the Group's operating companies.

(a) Market Risk: Foreign Exchange Risk
The Group's international base is exposed to foreign exchange risk from its investing, financing and operating activities, particularly in respect of Sterling, Canadian dollars and Singaporean dollars. Foreign exchange risks arise from future commercial transactions and cash flows, and from recognised monetary assets and liabilities that are not denominated in the functional currency of the Group's local operations.

The Group's material foreign exchange rates are:

	Singapore dollar		Sterling		Canadian dollar	
	2021	2020	2021	2020	2021	2020
Average exchange rate to US dollars	**1.34**	1.38	**0.73**	0.78	**1.25**	1.34
Year-end exchange rate to US dollars	**1.35**	1.32	**0.74**	0.73	**1.26**	1.27

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

31. Financial Risk Management continued

(a) Market Risk: Foreign Exchange Risk continued
(i) Transactional Risk
The exposure to exchange rate movements in significant future commercial transactions and cash flows is hedged by using forward foreign exchange contracts. Certain forward foreign exchange contracts have been designated as hedging instruments of highly probable forecast transactions. Operating companies prepare quarterly rolling 12-month cash flow forecasts to enable working capital currency exposures to be identified. Exposures are also identified and hedged, if necessary, on an ad-hoc basis, such as when a purchase order in a foreign currency is placed. Currency exposures arise where the cash flows are not in the functional currency of the entity. Exposures arising from committed long-term projects beyond a 12-month period are also identified. The currency flows to be hedged are committed foreign currency transactions greater than $50,000 equivalent. Exposures of less than $50,000 equivalent will also be hedged but only where the underlying foreign currency cash flow is expected to occur 60 days or more from the point of entering into the transaction.

The table below shows the carrying values of the Group's financial instruments at 31 December, including derivative financial instruments, on which exchange differences would potentially be recognised in the consolidated income statement in the following year. The table excludes derivatives designated in a cash flow hedge as fair value gains and losses arising on these are recognised in other comprehensive income.

	Currency of denomination							
At 31 December 2021	**Sterling $m**	**US dollars $m**	**AED $m**	**SGD $m**	**MXN $m**	**AUD $m**	**Other currencies $m**	**Total $m**
Functional currency of Group's entities:								
Sterling	**–**	**0.9**	**–**	**–**	**–**	**–**	**0.1**	**1.0**
US dollars	**(0.5)**	**–**	**(1.5)**	**(2.0)**	**(0.1)**	**0.2**	**(0.9)**	**(4.8)**
Canadian dollars	**–**	**(1.6)**	**–**	**–**	**–**	**–**	**–**	**(1.6)**
Euro	**(0.5)**	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.4**
Chinese CNY	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
	(1.0)	**0.3**	**(1.5)**	**(2.0)**	**(0.1)**	**0.2**	**(0.8)**	**(4.9)**

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

The Sterling, US dollar, United Arab Emirates dirham ("AED"), Singaporean dollar ("SGD"), Mexican Peso ("MXN") and Australian dollar ("AUD") denominated financial instruments consist of cash balances, trade and other receivables, accrued revenue, trade and other payables, accrued expenses, finance lease liabilities, provisions and intra-Group balances.

(ii) Translational Risk
Foreign exchange risk also arises from financial assets and liabilities not denominated in the functional currency of an entity's operations and forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. Where appropriate, hedge accounting is applied to the forward foreign exchange contracts and the hedged item to remove any accounting mismatch.

Foreign exchange risk also arises from the Group's investments in foreign operations. This has previously been hedged using foreign currency swaps that have been designated in a net investment hedge to hedge the foreign currency translation risk. The foreign exchange exposure arising from the translation of its net investments in foreign operations into the Group's presentation currency of US dollars has also previously been managed by designating any borrowings that are not US dollar denominated as a hedge of the net investment in foreign operations. The foreign exchange exposure primarily arises from Sterling and Canadian dollar denominated net investments.

(b) Market Risk: Interest Rate Risk
Variable interest rates on cash at bank, short-term deposits, overdrafts and borrowings expose the Group to cash flow interest rate risk and fixed interest rates on loans and short-term deposits expose the Group to fair value interest rate risk. The Group's treasury function manages the Group's exposure to interest rate risk and uses interest rate swaps and caps, when considered appropriate.

(c) Credit Risk
The Group's credit risk arises from its cash at bank and in hand, Fixed Term Funds, short-term deposits, investments, derivative financial instruments, accrued revenue, outstanding trade receivables, other receivables and contract assets.

At the year-end, the Group had credit risk exposure to a wide range of counterparties. Credit risk exposure is continually monitored and no individual exposure is considered to be significant in the context of the ordinary course of the Group's activities whether through exposure to individual customers, specific industry sectors and/or regions.

31. Financial Risk Management continued

(c) Credit Risk continued

(i) Credit Risk: Total Cash and Bank

Hunting PLC's Board approves the treasury policies that determine which counterparties can be used. Due diligence is carried out prior to the authorisation of a bank or financial institution as an approved counterparty. For banks and financial institutions, exposure limits are set for each approved counterparty, as well as the types of transactions that may be entered into. Approved institutions that the Group's treasury function can invest surplus cash with must all have a minimum A2, P2 or F2 short-term rating from Standard & Poor's, Moody's or Fitch rating agencies respectively and AAAm S&P rating for money market funds. Money market funds aim to have a stable net asset value per share of 1 (this means that for every $1 or £1 that is in the fund there will be an asset to cover it) and the funds have overnight liquidity.

At the year-end, cash at bank and in hand totalled $96.8m (2020 – $102.9m), with $80.8m (2020 – $85.1m) deposited with banks with Fitch short-term ratings of F1 to F1+. Of the remaining $16.0m (2020 – $17.8m), $14.9m (2020 – $13.7m) was held with two financial institutions within mainland China which, given the Group's operations in this jurisdiction, were deemed necessary. Despite not having formal credit ratings, an internal assessment determined that the banks' credit profiles were appropriate for the amounts held on deposit. There are no formal restrictions on this cash as such; however, prior approval would be required from various state authorities in China before any cash could be paid offshore.

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

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

The credit risk of foreign exchange contracts is calculated before the contract is acquired and compared to the credit risk limit set for each counterparty. Credit risk is calculated as a fixed percentage of the nominal value of the instrument.

(ii) Credit Risk: Receivables

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

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

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

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

To reduce credit risk exposure from outstanding receivables, the Group has taken out credit insurance with an external insurer, subject to certain conditions. Details of the impairment of trade and other receivables can be found in note 19.

31. Financial Risk Management continued

(c) Credit Risk continued
(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 (2020 – $1.7m) and are expected to be fully recovered.

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

(d) Liquidity Risk
(i) Bank Facilities
The Group's treasury function needs to ensure that there are sufficient committed facilities available to the Group, with an appropriate maturity profile, to provide operational flexibility and to support investment in key Group projects. The Group has sufficient credit facilities to meet both its long- and short-term requirements. The Group's credit facilities are provided by a variety of funding sources and total $164.2m (2020 – $164.2m) at the year-end. The facilities comprise $160.0m (2020 – $160.0m) of secured committed facilities and $4.2m of secured uncommitted facilities (2020 – $4.2m). The Group's treasury function ensures flexibility in funding by maintaining availability under committed credit facilities.

The secured committed facilities comprised the Group's $160m Revolving Credit Facility ("RCF"), which was cancelled on 7 February 2022 on the signing of the new ABL facility (see further below). The main features of the RCF were as follows:

- The base margin on amounts drawn under the facility is 1.00%.
- Market standard financial covenants of the facility, as discussed below.
- A $75m accordion feature, providing Hunting with additional flexibility to increase the size of the bank facility to $235m, subject to approval of its bank lending group.

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

The covenants at 31 December 2021 include:

- The ratio of net debt to consolidated EBITDA permitted under the RCF must not exceed a multiple of three times.
- Consolidated EBITDA must also cover relevant finance charges by a minimum of four times (the "interest cover covenant").

For covenant testing purposes, the Group's definition of consolidated EBITDA is adjusted to exclude exceptional items, include the share of associates' post-tax results and exclude the fair value charge for share awards. Consolidated EBITDA is also adjusted to reflect it on a pre-IFRS 16 basis. Similarly, net cash (debt) and finance expenses are adjusted to accord with the definition within the facility agreement. Consolidated EBITDA, for covenant test purposes, is based on the previous 12-month period, measured twice yearly at 30 June and 31 December.

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

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

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

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

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

31. Financial Risk Management continued

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

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

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

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

(ii) Management of Cash
The Group needs to ensure that it has sufficient liquid funds available to support its working capital and capital expenditure requirements and that adequate liquidity levels are maintained. All subsidiaries submit weekly and bi-monthly cash forecasts to the treasury function to enable it to monitor the Group's requirements. A central cash forecast, produced weekly, is maintained by the Group's treasury function, which monitors the availability of liquidity to meet long- and short-term business requirements and any unexpected variances.

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

Short-term deposits and investments in money market funds are held for the purpose of meeting short-term cash commitments, minimising counterparty concentration risk and improving cash investment returns. Short-term deposits of surplus cash are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. These deposits earn interest at the respective short-term deposit rates. The Group has invested surplus cash with money market funds as they are considered to be highly liquid since cash can be redeemed from each fund on a same-day basis. The yield on the funds is calculated on the daily performance of the various instruments within a particular fund.

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

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

Barclays Composite Accounting System
Certain UK subsidiaries in the Group are party to a cross-guarantee and set-off arrangement with Barclays Bank UK PLC. Each subsidiary that is a party to this arrangement is jointly and severally liable for any gross liability position held by any of the other companies' party to the aforementioned arrangements in the event of default. Any gross liability limit cannot exceed a combined facility limit of $2.2m. As there is no legally enforceable right of set-off, there is no set-off in the presentation of cash balances held by the Group in the consolidated financial statements. The gross balances in the consolidated balance sheet at the year-end subject to this agreement are gross cash balances of $32.0m (2020 – $0.7m) and gross overdraft balances of $nil (2020 – $nil).

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

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

31. Financial Risk Management continued

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

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

(iii) Future Cash Flows of Financial Liabilities
The following tables analyse the expected timings of cash outflows for each of the Group's non-derivative financial liabilities. The tables analyse the cash outflows into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates of the financial liabilities. The amounts disclosed in the tables are the contractual, undiscounted cash flows and include interest cash flows and other contractual payments, where applicable, so will not always reconcile with the amounts disclosed in the consolidated balance sheet. The carrying values are the amounts in the consolidated balance sheet and are the discounted amounts. Balances due within one year have been included in the maturity analysis at their carrying amounts, as the impact of discounting is not significant.

	2021				
	On demand or within one year $m	**Between one and five years $m**	**After five years $m**	**Total $m**	**Carrying value $m**
Non-derivative financial liabilities:					
Trade payables	**40.5**	**–**	**–**	**40.5**	**40.5**
Accruals	**28.7**	**0.3**	**0.3**	**29.3**	**29.3**
Other payables	**1.2**	**–**	**–**	**1.2**	**1.2**
Lease liabilities	**9.1**	**21.8**	**4.9**	**35.8**	**31.8**
Secured bank loans	**0.5**	**–**	**–**	**0.5**	**–**
Shareholder loan from non-controlling interest	**–**	**–**	**3.9**	**3.9**	**3.9**
Bank overdrafts secured	**1.0**	**–**	**–**	**1.0**	**1.0**
Total	**81.0**	**22.1**	**9.1**	**112.2**	**107.7**

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

The Group had no net settled financial liabilities at the year-end (2020 – none).

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis, into maturity groupings based on the period remaining from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual, undiscounted cash flows.

	On demand or within one year 2021 $m	**Between one and five years 2021 $m**	**Total 2021 $m**	On demand or within one year 2020 $m
Currency derivatives				
Inflows	**43.4**	**1.2**	**44.6**	68.5
Outflows	**(43.5)**	**(1.2)**	**(44.7)**	(69.1)

31. Financial Risk Management continued

(e) Capital Risk Management
The Group's objectives, policies and processes for managing capital are outlined in the Strategic Report within the Financial Capital Management section on pages 26 and 27. Within this section, the Group provides a definition of capital, provides details of the external financial covenants imposed, key measures for managing capital and the objectives for managing capital. Quantitative disclosures have been made together with the parameters for meeting external financial covenants.

32. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include cash at bank and in hand, money market funds, FTFs, short-term deposits, trade and other receivables, trade and other payables, lease liabilities, borrowings and derivative financial instruments. The sensitivity analysis relates to the position as at 31 December 2021. The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations, provisions and non-financial assets and liabilities of foreign operations.

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

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

Positive figures represent an increase in profit or equity.

(a) Interest Rate Sensitivity
(i) US Interest Rates
The sensitivity rate of 1.0% (2020 – 0.1%) for US interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the consolidated income statement, with all other variables held constant, at 31 December 2021, for an increase of 1.0% (2020 – 0.1%) in US interest rates, is a $0.3m (2020 – not material) increase. For a decrease of 1.0% (2020 – 0.1%) in US interest rates, there will be a $0.3m (2020 – not material) decrease. There is no impact on other comprehensive income ("OCI") for a change in interest rates.

(ii) UK Interest Rates
The sensitivity rate of 1.0% (2020 – 0.1%) for UK interest rates represents management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future interest rates.

The post-tax impact on the consolidated income statement, with all other variables held constant, at 31 December 2021, for an increase of 1.0% (2020 – 0.1%) in UK interest rates, is a $0.2m (2020 – not material) increase. For a decrease of 1.0% (2020 – 0.1%) in UK interest rates, there will be a $0.2m (2020 – not material) decrease. There is no impact on OCI for a change in interest rates.

(b) Foreign Exchange Rate Sensitivity
The sensitivity rates disclosed in the table below represent management's assessment of a reasonably possible change, based on historical volatility and a review of analysts' research and banks' expectations of future foreign exchange rates.

The table below shows the post-tax impact for the year of a reasonably possible change in foreign exchange rates, with all other variables held constant, at 31 December.

	2021	2020
	Income statement $m	Income statement $m
Sterling exchange rate +3% (2020: +10%)	**–**	(0.2)
Sterling exchange rate -3% (2020: -10%)	**–**	0.2
Singapore dollar exchange rate +3% (2020: +5%)	**–**	0.1
Singapore dollar exchange rate -3% (2020: -5%)	**–**	(0.1)
Canadian dollar exchange rate +3% (2020: +5%)	**0.1**	(0.1)
Canadian dollar exchange rate -3% (2020: -5%)	**(0.1)**	0.1

The movements in the consolidated income statement mainly arise from cash, intra-Group balances, trade and other receivables, trade and other payables, accrued expenses and provisions, where the functional currency of the entity is different to the currency that the monetary items are denominated in. There is no impact on OCI from foreign exchange rate changes.

33. Post-employment Benefits

(a) Defined Contribution Arrangements
A number of defined contribution ("DC") arrangements, which are open to current employees, are operated across the Group. Employer contributions to these arrangements are charged directly to profit and loss and in 2021 these totalled $7.0m (2020 – $7.4m).

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

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

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

	2021 $m	2020 $m
Present value of the obligation at the start of the year	**1.7**	2.1
Current service cost (equal to the notional contributions)	**–**	0.1
Remeasurement – excess of notional investment returns over interest cost	**0.2**	–
Benefits paid	**–**	(0.5)
Present value of the obligation at the end of the year	**1.9**	1.7

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

34. Share Capital and Share Premium

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

	Ordinary shares of 25p each Number	Ordinary shares of 25p each $m	Share premium $m
At 1 January 2020	166,940,082	67.3	153.0
Share buyback	(2,000,000)	(0.8)	–
At 31 December 2020 and 2021	**164,940,082**	**66.5**	**153.0**

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

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

During 2020, Hunting PLC held an on-market share buyback programme. Between 27 February and 19 March 2020, the Company purchased 2.0m Ordinary shares of 25p each at an average price of 228.43p, for a total of $5.1m, including costs of $0.1m. Shares purchased under the programme were cancelled and reduced the Company's issued share capital. A capital redemption reserve of $0.6m was created following the cancellation of the share capital (note 35).

35. Other Components of Equity

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

The merger reserve comprises the proceeds received, net of transaction costs, in excess of the nominal value of the Ordinary shares issued by way of the share placing completed on 31 October 2016. In accordance with section 612 of the Companies Act 2006, the premium was credited to the merger reserve, instead of to the share premium account, because the share placing was pursuant to the Company securing over 90% of another entity. The proceeds were used to pay down the Group's borrowings at that time.

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

	2020				
	Merger reserve $m	Share-based payments reserve $m	Capital redemption reserve $m	Currency translation reserve $m	Total $m
At 1 January 2020	46.4	19.7	0.2	(9.8)	56.5
Exchange adjustments	–	–	–	5.4	5.4
Fair value gains and losses					
– gains originating on net investment hedges arising during the year net of tax	–	–	–	0.4	0.4
Share buyback (note 34)	–	–	0.6	–	0.6
Share options and awards					
– value of employee services	–	9.0	–	–	9.0
– discharge	–	(11.4)	–	–	(11.4)
Transfer between reserves	(8.2)	–	–	–	(8.2)
At 31 December 2020	38.2	17.3	0.8	(4.0)	52.3

36. Retained Earnings

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

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

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

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

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

37. Dividends Paid to Hunting PLC Shareholders

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

A final dividend of 4.0 cents per share has been proposed by the Board, amounting to an estimated distribution of $6.4m. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting to be held on 20 April 2022 and has not been provided for in these financial statements. If approved, the dividend will be paid in Sterling on 13 May 2022, to shareholders on the register on 22 April 2022, and the Sterling value of the dividend payable per share will be fixed, and announced approximately two weeks prior to the payment date, based on the average spot exchange rate over the three business days preceding the announcement date. Guidance on the Company's position on declaring and paying future dividends is provided within the Strategic Report on page 53.

38. Share-based Payments

(a) 2009 Performance Share Plan ("PSP")
(i) Time-based Awards and Options
The Company granted nil-cost, time-based share awards and options under the PSP between 2009 and 2013. Annual awards were made to employees, subject to continued employment during the vesting period. There were no performance conditions attached. The final grant under the PSP occurred in 2013 and vested in 2016 and option holders had seven years in which to exercise their vested awards. The PSP was replaced by the 2014 Hunting Performance Share Plan following shareholder approval at the Annual General Meeting ("AGM") of the Company on 16 April 2014. Details of the time-based share option movements during the year are as follows:

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

The weighted average share price at the date of exercise during 2021 was 218.5 pence (2020 – nil pence).

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

Details of the time-based PSP awards and options outstanding at 31 December 2021 are as follows:

	2021 Number of shares	2020 Number of shares	Normal vesting date
Date of grant:			
25 February 2011	**–**	875	25.02.14
17 April 2012	**1,725**	1,725	17.04.15
20 March 2013	**1,001**	1,001	20.03.16
Outstanding and exercisable at the end of the year	**2,726**	3,601	

The fair value charge to the consolidated income statement attributable to the time-based PSP is $nil (2020 – $nil).

(b) 2014 Hunting Performance Share Plan ("HPSP")
(i) Performance-based Awards
The Company grants performance-based share awards annually to executive Directors and senior employees under the HPSP. Awards are granted at nil cost under the HPSP. The performance-based HPSP awards to the executive Directors and senior employees are divided into four tranches of differing proportions. Each tranche is subject to a three-year vesting period and Company performance is measured against (i) the TSR of a bespoke comparator group, (ii) underlying diluted earnings per share ("EPS"), (iii) underlying Return on Capital Employed ("ROCE"), and (iv) a Balanced Scorecard, comprising non-financial KPIs including Quality and Safety performance. The 2021 award weightings are TSR 25%; EPS 25%; ROCE 35%; and the Balanced Scorecard 15%. The performance period for the 2021 awards granted under the HPSP is 1 January 2021 to 31 December 2023. The vesting date of the 2021 award is 4 March 2024.

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

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

38. Share-based Payments continued

(b) 2014 Hunting Performance Share Plan ("HPSP") continued
(i) Performance-based Awards continued
Details of the performance-based HPSP awards outstanding at 31 December 2021 are as follows:

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

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

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

(ii) Time-based Awards
The Company also grants time-based share awards annually under the HPSP. Annual awards of shares may be made to employees subject to continued employment during the vesting period. There are no performance conditions attached. Awards are granted at nil cost under the HPSP.

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

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

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

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

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

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

38. Share-based Payments continued

(b) 2014 Hunting Performance Share Plan ("HPSP") continued
(iii) Fair Value of HPSP Awards
The fair value of awards granted under the HPSP is calculated using two separate models:

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

The assumptions used in this model were as follows:

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

(2) The fair value of performance-based awards not subject to a market-related performance condition include the EPS and ROCE performance targets and the time-based HPSP awards, with the fair value being calculated using the Black-Scholes pricing model.

The assumptions used in this model were as follows:

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

The methods to calculate the assumptions for both models are:

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

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

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

38. Share-based Payments continued

(c) Cash Conditional Share Awards continued
(i) Performance-based Awards
Details of the cash conditional performance-based award movements during the year are set out below:

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

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

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

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

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

(ii) Time-based Awards
Details of the cash conditional time-based award movements during the year are set out below:

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

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

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

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

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

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

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

39. Related-party Transactions

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

	2021 $m	2020 $m
Settlement of warranty claim related to a corporate transaction (note 6)	**(1.7)**	–
Acquisition of non-controlling interest from Marubeni-Itochu	**(3.8)**	–
Disposal of pipe business to Marubeni-Itochu (note 21)	**31.5**	–
Dividends paid to non-controlling interests	**–**	(0.9)
Year-end balances:		
Shareholder loan from non-controlling interest	**(3.9)**	(3.9)

The outstanding balances at the year-end are unsecured and have no fixed date for repayment. No expense was recognised in the year for bad or doubtful debts in respect of amounts owed by associates.

All ownership interests in associates are in the equity shares of those companies. The ownership interests in associates and subsidiaries are set out in notes C19 and C20 to the Company financial statements.

The key management of the Group comprises the Hunting PLC Board and members of the Executive Committee. Details of their compensation are disclosed in note 8. The Hunting PLC Directors and the members of the Executive Committee had no material transactions other than as a result of their service agreements.

Hunting PLC is the parent company of the Hunting PLC Group. The Company is listed on the London Stock Exchange, with none of the shareholders owning more than 20% of the issued share capital of the Company (see page 54). Accordingly, the Directors do not consider there to be an ultimate controlling party.

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

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

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

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

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

40. Events After the Balance Sheet Date

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

41. Principal Accounting Policies

The Group's principal accounting policies are described below:

(a) Consolidation
- The Group financial statements include the results of the Company and its subsidiaries, together with its share of associates.
- Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date control ceases.
- The Group uses the acquisition method of accounting for business combinations. Consequently, the consideration is determined as the fair value of the net assets transferred to the vendor and includes an estimate of any contingent consideration. The net assets acquired are also measured at their respective fair values for initial recognition purposes on the acquisition date.
- Acquisition-related costs arising on business combinations are expensed to the consolidated income statement as incurred.

(b) Revenue
(i) Revenue from Contracts with Customers
- Revenue from contracts with customers is measured as the fair value of the consideration received or receivable for the provision of goods and services in the ordinary course of business, net of trade discounts, volume rebates, and sales taxes.
- Revenue is recognised when control of the promised goods or services is transferred to the customer. Consequently revenue for the sale of a product is recognised either:
  1. Wholly at a single point in time when the entity has completed its performance obligation, which is most commonly indicated by shipment of the products or the products are made available to the customer for collection; or
  2. Piecemeal over time during the period that control incrementally transfers to the customer while the good is being manufactured or the service is being performed.
- Hunting's activities that require revenue recognition over time comprise:
  1. Work undertaken to enhance customer-owned products – most commonly the lathing of a thread onto the ends of customer-owned plain-end pipe;
  2. The manufacture of goods that are specifically designed for and restricted to the use of a particular customer, such as the manufacture of bespoke specialised circuitry and housing, and for which Hunting is entitled to a measure of recompense that reflects the fair value of the stage of production prior to their completion; and
  3. The provision of services in which the customer obtains the benefit while the service is being performed – most commonly the storage and management services of customer-owned pipe.
- Hunting's activities that require revenue recognition at a point in time comprise:
  1. The sale of goods that are not specifically designed for use by one particular customer. These products include tubulars acquired by Hunting as plain-end pipe on which lathing work has been applied and which are resold as threaded pipe; and
  2. The manufacture of goods that are specifically designed for one particular customer but for which Hunting is not entitled to a measure of recompense that reflects the fair value of the stage of production prior to completion.

(ii) Rental Revenue
- Rental revenue is measured as the fair value of the consideration received or receivable for the provision of rental equipment in the ordinary course of business, net of trade discounts and sales taxes.
- Revenue from the rental of plant and equipment is recognised as the income is earned.

(c) Other Income: Government Financial Assistance
- Cash received in respect of the COVID-19 pandemic is recognised in the consolidated income statement when the funded costs are incurred and are included in other operating income.

(d) Amortisation and Exceptional Items
- Exceptional items are items of income or expense that the Directors believe should be separately disclosed by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. The Group discloses such items in the "middle column" of the consolidated income statement.
- Exceptional items are typically significant costs, which may occur in more than one accounting period; significant costs directly related to an acquisition, disposal or a major business change, such as transaction costs and restructuring costs; or unusual in nature and outside the normal course of business. Exceptional items also include the reversal of items previously treated as exceptional in a prior period, such as inventory provision reversals or impairment reversal.
- The tax effect of any transaction considered to be exceptional is also treated as exceptional.
- Amortisation expenses for intangible assets arising on the acquisition of businesses are also shown in the "middle column" due to the significance of these amounts and to clearly identify the effect on profits, which will arise as current balances become fully written-off, or as new acquisitions give rise to new expenses. The post-acquisition profits of acquired businesses shown in the underlying column do not, therefore, reflect these costs.

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

41. Principal Accounting Policies continued

(f) Foreign Currencies

(i) Individual Subsidiaries' and Associates' Financial Statements

- The financial statements for each of the Group's subsidiaries and associates are denominated in their functional currency.
- The functional currency is the currency of the primary economic environment in which the entity operates.
- Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate ruling at the date of the transaction.
- Monetary assets and liabilities, except borrowings designated as a hedging instrument in a net investment hedge, denominated in non-functional currencies are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken to the consolidated income statement.
- Borrowings designated as a hedging instrument in a net investment hedge are retranslated at the exchange rate ruling at the balance sheet date and exchange differences are taken directly to equity.

(ii) Group Consolidated Financial Statements

- The presentation currency of the Group is US dollars.
- The net assets of non-US dollar denominated subsidiaries and associates are translated into US dollars at the exchange rates ruling at the balance sheet date.
- The income statements of subsidiaries and associates are translated into US dollars at the average rates of exchange for the year.
- Exchange differences are recognised directly in equity in the currency translation reserve ("CTR"), together with exchange differences arising on foreign currency loans used to finance foreign currency net investments.
- Upon adoption of IFRS on 1 January 2004, accumulated exchange differences arising on consolidation prior to 31 December 2003 were reset to zero and the CTR recommenced under IFRS on 1 January 2004.
- The balance on the CTR represents the exchange differences arising on the retranslation of non-US dollar amounts into US dollars since 1 January 2004.
- On the disposal of a business, the cumulative exchange differences previously recognised in the CTR relating to that business are transferred to the consolidated income statement as part of the gain or loss on disposal.

(g) Taxation

- The taxation recognised in the consolidated income statement comprises current tax and deferred tax arising on the current year's result before tax and adjustments to tax arising on prior years' results.
- Current tax is the expected tax payable or receivable arising in the current year on the current year's result before tax, using tax rates enacted or substantively enacted at the balance sheet date, plus adjustments to tax in respect of prior years' results.
- Deferred tax is the tax that is expected to arise when the assets and liabilities recognised in the Group's consolidated balance sheet are realised, using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the asset is realised or the liability is settled.
- Full provision is made for deferred taxation, using the liability method, on all taxable temporary differences. Deferred tax assets and liabilities are recognised separately in the consolidated balance sheet and are reported as non-current assets and liabilities.
- Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation on unremitted overseas earnings is provided for to the extent a tax charge is foreseeable.
- When items of income and expense are recognised in other comprehensive income, the current and deferred tax relating to those items is also recognised in other comprehensive income.
- Tax arising on the discharge of share options and awards is recognised directly in equity.

41. Principal Accounting Policies continued

(h) Property, Plant and Equipment

- Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition and installation of the asset.
- Land and assets under construction are not depreciated.
- With the exception of drilling tools, which are depreciated using the units of production method, and oil and gas exploration and production equipment, assets are depreciated using the straight-line method at the following rates:

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

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

(i) Leases – Lessees

- Lessees are required to recognise lease obligations as a liability and a right-of-use asset. The cost of the lease is subsequently recognised in the consolidated income statement as interest charged on the liability and as depreciation charged on the right-of-use asset. Hunting has adopted the two exemptions that permit lessees to charge the cost of certain leases directly to the consolidated income statement on a straight-line basis. The two exemptions apply to:
  i. leases that have a duration of one year or less; and
  ii. leases of assets that would have cost $5,000 or less, when new, to acquire if the asset had been purchased rather than leased.

(j) Goodwill

- Goodwill arises when the fair value of the consideration paid for a business exceeds the fair value of the Group's share of the net assets acquired.
- Goodwill is recognised as an asset and is carried at cost less accumulated impairment losses.
- Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.
- On the disposal of a business, goodwill relating to that business that remains in the consolidated balance sheet at the date of disposal is included in the determination of the profit or loss on disposal.

(k) Other Intangible Assets

- Other intangible assets, whether obtained through acquisition or internal development, are capitalised when it is probable that the future economic benefits that are attributable to the asset will be generated, provided the cost of the asset can be measured reliably.
- Capitalisation occurs from the point when technical and commercial feasibility of the asset has been established. Prior to this costs are expensed.
- For internally generated assets, only costs directly attributable to the development of the asset are capitalised. This typically includes employee remuneration and the cost of materials and services, such as testing, consumed in generating the intangible asset.
- Other intangible assets are stated at cost less accumulated amortisation and impairment losses where applicable.
- These assets have a finite life and are amortised in accordance with the pattern of expected future economic benefits, or when this cannot be reliably estimated, by using the straight-line method.
- Intangible assets are amortised over the following periods:

Customer relationships	– eight to ten years
Patents	– eight to ten years
Unpatented technology	– eight to ten years
Trademarks and domain names	– one to five years

41. Principal Accounting Policies continued

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

(m) Impairments
- The Group assesses at least annually whether there is any indication that an asset is impaired, and undertakes an assessment for an impairment if such an indication exists.
- In addition, the Group undertakes an annual impairment assessment of goodwill and other intangible assets that have an indefinite life, whether or not an indication of impairment actually exists.
- For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to the higher of: (a) its fair value minus costs to sell; and (b) its value in use. Impairments are recognised immediately in the consolidated income statement.
- An impairment to goodwill is never reversed. When applicable, an impairment of any other asset is reversed, but only to the extent that the consequent carrying value does not exceed what would have been the carrying value had the impairment not originally been made.

(n) Inventories
- Inventories are stated at the lower of cost and net realisable value.
- Cost is determined using the first-in-first-out method and net realisable value is the estimated selling price less costs of disposal in the ordinary course of business. The cost of inventories includes direct costs plus production overheads.

(o) Cash and Cash Equivalents
- Cash and cash equivalents comprise cash at bank and in hand, short-term deposits and qualifying Fixed Term Funds and money market funds with a maturity of less than 3 months from the date of deposit.
- Short-term deposits, FTFs and money market funds have been classified as cash and cash equivalents as they are short-term, highly liquid, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These instruments are held for the purpose of settling current or potential cash commitments in the short term by the treasury function.
- For cash flow statement purposes, cash and cash equivalents include bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(p) Financial Assets
- At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Transaction costs of financial assets at FVTPL are expensed immediately to the consolidated income statement.
- Subsequent measurement of debt instruments depends on each Group entity's business model for managing the asset in order to generate cash flows and the cash flow characteristics of the financial asset. The Group's debt instruments are classified either into amortised cost or fair value through profit or loss.
- Debt instruments that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. If collection is expected in one year or less they are classified as current assets, otherwise they are presented as non-current assets. Debt instruments held for collection of contractual cash flows include, contract assets, trade receivables, accrued revenue and other receivables.
- Any other debt instruments, including money market funds and Fixed Term Funds, which are subsequently not measured at amortised cost have been measured at fair value through profit or loss.
- The Group's financial assets that are (1) equity instruments, and (2) debt instruments that are convertible into equity, are subsequently measured at fair value through profit or loss. Changes in the fair value of these instruments are recognised in other operating income, operating expenses, finance income or finance expense, as appropriate. Financial assets that are equity instruments comprise listed equity investments and mutual funds. The convertible debt instrument is currently a loan on which interest is earned prior to its potential conversion into equity, the conversion of which is dependent upon events outside of the Group's control.
- The Group has chosen to apply lifetime ECLs to trade receivables, accrued revenue, contract assets and lease receivables, both short term and long term, upon their initial recognition.

41. Principal Accounting Policies continued

(q) Financial Liabilities
- Financial liabilities are initially recognised at fair value at the trade date, which is normally the consideration received less, in the case of financial liabilities that are not measured at fair value through profit or loss, transaction costs. The Group subsequently remeasures all of its non-derivative financial liabilities, including trade payables, at amortised cost.
- Payables are classified as current liabilities if payment is due within one year, otherwise they are presented as non-current liabilities.

(r) Derivatives and Hedging
- Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.
- The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months from the balance sheet date.
- The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.
- Where the derivatives are not designated in a hedge and accounted for using hedge accounting, they are classified as "held for trading" and are accounted for at fair value through profit or loss, with changes in the fair value recognised immediately within the consolidated income statement.
- The Group designates certain derivatives as:
  i. hedges of the fair value of recognised assets and liabilities; or
  ii. hedges of a particular risk associated with the cash flows of highly probable forecast transactions; or
  iii. a hedge of the net investment in a foreign operation.

(i) Fair Value Hedges
- Fair value gains or losses on derivatives designated in a fair value hedge are recognised immediately in the consolidated income statement if the changes in the fair value of the hedged item are taken to the consolidated income statement.

(ii) Cash Flow Hedges
- When forward foreign exchange contracts are designated in a cash flow hedge of forecast transactions, the Group generally designates only the change in fair value of the forward contract relating to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The Group has chosen to recognise the change in the forward element of the contract that relates to the hedged item, defined as the forward points, within the consolidated income statement immediately rather than in equity. The forward points are discounted, where material.
- Where the hedged item subsequently results in the recognition of a non-financial asset, such as inventory or property, plant and equipment, the deferred hedging gains and losses in equity are included within the initial cost of the asset. The deferred amounts are subsequently recognised in profit or loss when the hedged item affects profit or loss (for example through cost of sales or depreciation).
- When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss of hedging that was reported in equity is immediately reclassified to the consolidated income statement.

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

41. Principal Accounting Policies continued

(t) Post-employment Benefits
- Payments to defined contribution retirement schemes are charged to the consolidated income statement when they fall due.

(u) Share-based Payments
- The Group issues equity-settled and cash-settled share-based payments (HPSP awards) to certain employees as consideration for services received from the employees. The fair value of the employees' services is recognised as an expense in the consolidated income statement on a straight-line basis over the vesting period based on the Group's estimate of awards that will ultimately vest. The obligation to settle these awards is recognised within other components of equity; the obligation to settle the cash-settled awards is recognised as a liability.

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

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

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

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

Company Balance Sheet

At 31 December 2021

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

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement and statement of comprehensive income. Profit and total comprehensive income for the year of $92.7m (2020 – $8.6m) has been accounted for in the financial statements of the Company.

The notes on pages 207 to 215 are an integral part of these financial statements. The financial statements on pages 204 to 215 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:

Jim Johnson
Director

Bruce Ferguson
Director

Registered number: 0974568

Company Statement of Changes in Equity

	Notes	Year ended 31 December 2021				
		Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $m	Total equity $m
At 1 January 2021		**66.5**	**153.0**	**37.1**	**453.0**	**709.6**
Profit for the year and total comprehensive income		**–**	**–**	**–**	**92.7**	**92.7**
Dividends paid to equity shareholders	C16	**–**	**–**	**–**	**(12.8)**	**(12.8)**
Treasury shares						
– purchase of treasury shares	C15	**–**	**–**	**–**	**(8.1)**	**(8.1)**
– disposal of treasury shares	C15	**–**	**–**	**–**	**0.3**	**0.3**
Share options and awards						
– value of employee services	C14	**–**	**–**	**8.7**	**–**	**8.7**
– discharge	C14, C15	**–**	**–**	**(10.4)**	**10.2**	**(0.2)**
Transfer between reserves		**–**	**–**	**(12.8)**	**12.8**	**–**
		–	**–**	**(14.5)**	**2.4**	**(12.1)**
At 31 December 2021		**66.5**	**153.0**	**22.6**	**548.1**	**790.2**

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

Company Statement of Cash Flows

For the year ended 31 December 2021

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

Notes to the Company Financial Statements

C1. Basis of Preparation

Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares listed on the London Stock Exchange. Hunting PLC was incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 223. The Company acts as a holding company for the Hunting PLC Group. Details of the Company's associates and subsidiaries are given in notes C19 and C20, respectively. The financial statements of Hunting PLC have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and those International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the United Kingdom. The financial statements have been prepared on a going concern basis under the historical cost convention. The Board's consideration of going concern is detailed further in the Strategic Report on page 93.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hunting PLC Group and are not managed separately. The principal risks and uncertainties of the Hunting PLC Group, which include those of the Company, are discussed on pages 86 to 90 in the Risk Management section of the Annual Report and further detail on financial risks is provided within note C9.

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in note 41 of the Group's financial statements, except for investments in subsidiaries that are stated at cost, which is the fair value of the consideration paid, less provision for impairment. These policies have been consistently applied to all the years presented.

(a) Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The impact of the reform and replacement of benchmark interest rates such as GBP LIBOR and US LIBOR is being assessed and is ongoing. The Company's inter-company loan agreements with the treasury company will be impacted by the move away from LIBOR, as LIBOR is currently used as the base for the interest rate applied. The Company's interest-bearing loan receivable from the treasury company of $459.9m at the year-end has a variable interest rate that is referenced to relevant central bank rates and will not be affected by the IBOR reforms.

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

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

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

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

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

C2. Employees

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

C3. Auditor's Remuneration

	2021 $m	2020 $m
Fees payable to the Company's independent auditor and its associates are for:		
The audit of these financial statements	**0.5**	0.5

C4. Investments in Subsidiaries

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

The Company's subsidiaries are detailed in note C20. Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairment.

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

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

The recoverable amount for the other investment has been determined using a fair value less costs of disposal ("FVLCD") method, which represents the value of the investment in a sales transaction on an arm's length basis. As there is no active market for the Company's subsidiaries, the FVLCD is determined using discounted cash flow techniques based on the estimated future gross cash flows that are expected to be generated by each subsidiary and are discounted at a rate that is determined for each subsidiary in isolation by consideration of their business risk profiles. This method allows approved capital projects that are in progress to be included.

The recoverable amount calculations use discounted pre-tax nominal cash flow projections. The value of each subsidiary's debt has then been deducted from the cash flows. The impairment review is carried out using projected cash flows based on what could have reasonably been known as at 31 December 2021, the reporting date, of the conditions that existed at that date. The FVLCD is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. The key assumptions for the recoverable amount calculations are revenue growth rates, taking into account the impact these have on margins, terminal growth rates and the discount rates applied.

For 2022, cash flows are based on the latest detailed budget as approved by the Hunting PLC Board. For 2023 to 2026, management has made revenue projections using Spears & Associates' "Drilling and Production Outlook" independent reports as a default basis, selecting the most appropriate geographic market and drivers (rig count, footage drilled or E&P spend) for each subsidiary. Management has then applied judgemental changes to revenue growth expectations, if appropriate, to reflect circumstances specific to the subsidiary. Having determined the projected revenues, management has then modelled the expected impact on margins and cash flow from the resulting revenue projections. This process can give a diverse range of outcomes depending on market or business specific conditions.

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

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

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

C5. Other Receivables

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

Receivables from subsidiaries' current accounts are unsecured, interest free and repayable on demand. The Company does not hold any collateral as security and no assets have been acquired through the exercise of any collateral previously held.

(a) Impairment of Receivables
Default on a financial asset is usually considered to have occurred when any contractual payments under the terms of the debt are more than 90 days overdue. Receivables are written off when there is no reasonable expectation of recovery. Indicators that receivables are generally not recoverable include the failure of the debtor to engage in a repayment plan, failure to make contractual payments for a period greater than 180 days past due and the debtor being placed in administration. Where receivables have been written off, the entity will continue to try and recover the outstanding receivable.

(b) Impairment of Loan Receivable
The Company assesses on a forward-looking basis the expected credit losses ("ECLs") at each balance sheet date associated with its loan receivable from a subsidiary company carried at amortised cost. The impairment methodology applied, following the adoption of the general model under IFRS 9, will depend upon whether there has been a significant increase in credit risk.

To assess whether there has been a significant increase in credit risk, the risk of default occurring as at 31 December 2021 is compared with the risk of default occurring at the date of initial recognition. Indications of a significant increase in credit risk include events that have a negative impact on the estimated future cash flows and if any payments under the terms of the debt are more than 30 days overdue. Macroeconomic information is also considered.

At 31 December 2021, the Company's loan receivable was not overdue and the Company does not consider it necessary to provide for any impairment. The loan receivable is expected to be fully recovered, as there is no recent history of default or any indications that the contractual payments will not be made (see note C9(c)). The Company's maximum exposure to credit risk is the fair value of the loan receivable, as described in note C8.

(c) Impairment of Receivables from Subsidiaries and Other Receivables
None of the Company's receivables from subsidiaries and other receivables (2020 – none) were overdue at the year-end and the Company does not consider it necessary to provide for any impairments as there is no recent history of default or any indications that the contractual payments will not be made. The Company's maximum exposure to credit risk is the fair value of each class of receivable, as described in note C8.

C6. Other Payables

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

Current payables due to subsidiaries are unsecured, interest free and repayable on demand.

C7. Derivatives and Hedging

The Company has used forward foreign exchange contracts to hedge its exposure to exchange rate movements during the year.
At 31 December 2021, the Company had no outstanding forward foreign exchange contracts (2020 – $nil). Gains and losses on contracts that are not designated in a hedge relationship are taken directly to the income statement. Changes in the fair value of currency derivatives not designated in a hedge relationship amounting to a $0.1m gain (2020 – $0.1m loss) were recognised in the income statement during the year.

C8. Financial Instruments

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

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

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

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

Fair Values of Other Financial Instruments (Unrecognised)
Due to their short-term nature, the carrying value of current receivables from subsidiaries, payables to subsidiaries, accruals, other payables and provisions approximates their fair value. The carrying value of the loan receivable from a subsidiary approximates its fair value as interest is charged based on a margin over current bank lending rates.

C9. Financial Risk Management

The Company's activities expose it to certain financial risks, namely market risk (including currency, cash flow interest rate and fair value interest rate risks), as well as credit risk and liquidity risk. From the perspective of the Company, these financial risks are integrated with the financial risks of the Hunting PLC Group and are not managed separately.

(a) Foreign Exchange Risk
The Company is mainly exposed to foreign exchange risk from its financing and operating activities in respect of Sterling. Foreign exchange risks arise from future transactions and cash flows and from recognised monetary assets and liabilities that are not denominated in US dollars and, where appropriate, forward foreign exchange contracts are used to manage the exposure to changes in foreign exchange rates. The Company has Sterling denominated financial assets and financial liabilities.

The carrying amount of the Company's financial assets included in current receivables from subsidiaries at 31 December 2021 on which exchange differences would be recognised in the income statement in the following year, was $nil (2020 – $0.9m) for Sterling denominated financial assets. Loans receivable from a subsidiary of $0.5m (2020 – $0.3m) at the year-end are denominated in Sterling, with exchange differences being recognised in the income statement in the following year.

The carrying amount of the Company's financial liabilities included in accruals and other payables at 31 December 2021, on which exchange differences would be recognised in the income statement in the following year, was $1.6m (2020 – $1.1m) for Sterling denominated financial liabilities.

(b) Interest Rate Risk
The Company is exposed to cash flow interest rate risk from its loans receivable from a subsidiary, which are at variable interest rates.

(c) Credit Risk
The Company's credit risk arises from its outstanding current receivables and loans receivable from a subsidiary. The Company is exposed to credit risk to the extent of non-receipt of its financial assets; however, it has no significant concentrations of credit risk other than from related parties. Credit risk is continually monitored and no individual exposure is considered significant in the ordinary course of the Company's activities.

The interest-bearing loans receivable due from a subsidiary have not been impaired as no losses are expected from non-performance of this counterparty. The credit risk at the time the loans were taken out was deemed low and there has not been an increase in the credit risk since the time the loans were initially recognised. Therefore, management does not believe that there is a significant increase in credit risk such that the loans move from stage 1 to stage 2 of the IFRS 9 general impairment model. There is no history of default and previously all payments under the original terms of the loan have been made. The loans are with the Group's central treasury company, which has sufficient cash, short-term deposits and credit facilities to repay the loan. Management does not have any reason to believe that any future payments will not be made in accordance with the terms of the loans. Therefore, no provision for 12-month expected credit losses has been made under IFRS 9.

The Company's outstanding receivables due from subsidiaries are current accounts and no losses are expected from non-performance of these counterparties.

C9. Financial Risk Management continued

(d) Liquidity Risk
(i) Management of Cash
The Company has sufficient facilities available to satisfy its requirements. The Company submits weekly and bi-monthly cash forecasts to Hunting's treasury function to enable them to monitor the Company's and the Group's requirements.

The Group's treasury function has put in place a cash concentration structure across the Hunting Group's bank accounts in the UK, such that at the end of each day balances in any of their bank accounts are swept to the Group's central treasury function, with a corresponding increase or decrease in the loan receivable balance with fellow group companies. As a result, at the end of the year, cash at bank is $nil.

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

(iii) Future Cash Flows of Financial Liabilities
The following table analyses the expected timings of cash outflows for each of the Company's non-derivative financial liabilities. The table below analyses the Company's cash outflows into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates of the financial liabilities. The amounts disclosed in the table are the contractual, undiscounted cash flows and include interest cash flows, where applicable, so will not always reconcile with the amounts disclosed in the Company balance sheet. The carrying values are the amounts in the Company balance sheet and are the discounted amounts.

	2021		2020	
	On demand or within one year $m	**Carrying value $m**	On demand or within one year $m	Carrying value $m
Non-derivative financial liabilities:				
Payables to subsidiaries	**–**	**–**	0.2	0.2
Accruals	**1.0**	**1.0**	0.6	0.6
Other payables	**0.6**	**0.6**	0.5	0.5
	1.6	**1.6**	1.3	1.3

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

C10. Capital Risk Management

The Company's capital consists of equity and net cash. Net cash comprises the loan receivable from a subsidiary and borrowings. It is managed with the aim of maintaining an appropriate level of financing available for the Company's activities, having due regard to interest rate risks and the availability of borrowing facilities.

Changes in equity arise from the retention of earnings and from issues of share capital. Net cash is monitored on a periodic basis. At the year-end, capital comprised:

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

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

Loans receivable from a subsidiary increased by $186.4m largely due to dividend income of $200.0m, as well as royalty income and interest income received during the year being offset by dividend payments of $12.8m and net payments for the purchase of treasury shares of $7.6m. There have been no significant changes in the Company's funding policy during the year. The Company is not subject to any externally imposed capital requirements.

C11. Financial Instruments: Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity. Financial instruments affected by market risk include non-current receivables from subsidiaries and borrowings. The sensitivity analysis relates to the position as at 31 December 2021.

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

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

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

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

(b) Foreign Exchange Rate Sensitivity
If the Sterling foreign exchange rate was to increase or decrease by 3%, the post-tax impact on the income statement, with all other variables held constant, at 31 December 2021 would be $nil. At 31 December 2020, for an increase or decrease of 10% in the Sterling foreign exchange rate, the post-tax impact on the income statement was an increase or decrease in profits of $0.1m. The movement in the income statement arises from Sterling denominated accruals, other payables and borrowings, offset by Sterling loans receivable from subsidiaries. There is no impact on OCI for a change in foreign exchange rates.

C12. Post-employment Benefits

The Company has no employees and therefore does not participate in any of the post-employment benefit schemes shown in note 33 of the Group's financial statements, although it does guarantee the contributions due by the participating employers.

C13. Share Capital and Share Premium

Please see note 34 of the Group's financial statements.

C14. Other Components of Equity

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

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

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

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

C15. Retained Earnings

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

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

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

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

C16. Dividends Paid to Equity Shareholders

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

C17. Share-based Payments

Please see note 38 of the Group's financial statements.

C18. Related-party Transactions

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

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

All balances between the Company and its subsidiaries are unsecured.

C18. Related-party Transactions continued

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

The key management of the Company comprises the Hunting PLC Board and members of the Executive Committee. A summary of their remuneration is disclosed in note 8 of the Group's financial statements. The Hunting PLC Board and members of the Executive Committee had no material transactions other than as a result of their service agreements.

Hunting PLC is the parent company of the Hunting PLC Group. The Company is listed on the London Stock Exchange, with none of the shareholders owning more than 20% of the issued share capital of the Company (see page 54). Accordingly, the Directors do not consider there to be an ultimate controlling party.

C19. Associates

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

Associates[i]	Registered address[ii]
Rival Downhole Tools LC (23.5%)	5535 Brystone Drive, Houston, Texas, 77041-7013, USA
Cumberland Additive Holdings LLC (27%)	3813 Helios Way, Suite B200, Pflugerville, Texas, 78660, USA
Tianjin Huaxin Premium Connection Pipe Co Ltd (28.5%)	Jintang Road, Dongli District, Tianjin, 300301, China
Hunting Airtrust Tubulars Pte. Ltd (50%)	19 Keppel Road, 08-05 JIT Poh Building, 089058, Singapore

Notes:
i. All interests in associates are in the Ordinary equity shares of those companies.
ii. Associates are incorporated and operate in the countries indicated.

C20. Subsidiaries

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

Subsidiaries[iv][a]	Registered address
Operating activities	
Hunting Energy Services (Australia) Pty Ltd	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney, NSW, 2000, Australia
Hunting Energy Services (Canada) Ltd	5550 Skyline Way NE, Calgary, Alberta, T2E 7Z7, Canada
Hunting Energy Services (Wuxi) Co. Ltd	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, China
Hunting Energy Completion Equipment (Wuxi) Co., Ltd	No. 17, Xin DongAn Road, Shuo Fang Industrial, New District Wuxi City, Jiangsu Province, China
Hunting Energy Services (UK) Limited	5 Hanover Square, London, W1S 1HQ, England
Enpro Subsea Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea Operations Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea Group Limited	Badentoy Avenue, Badentoy Industrial Estate, Portlethen, Aberdeen, AB12 4YB, Scotland
Enpro Subsea, LLC	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Enpro Subsea Ghana Ltd (83%)	House No. F676/1, Angola Road, Kuku Hill, Osu, Accra, Ghana
Enpro Subsea Group Ghana Limited	House No. F676/1, Angola Road, Kuku Hill, Osu, Accra, Ghana
PT Hunting Energy Asia	Complex Dragon Industrial Park, Block D, Jalan Pattimura, Kabil Batam, 29467, Indonesia
Hunting Alpha (EPZ) Limited (60%)[v]	Block XLVIII/150, Off Mbaraki Road, P.O. Box 83344-80100, Mombasa, Kenya
Hunting Energy de Mexico	Avenida Los Olmos #105, Parque Industrial El Sabinal, Apodaca, Nuevo Leon, Monterrey, Mexico
Hunting Energy Services B.V.	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Well Testing) B.V.	Olieweg 10, 1951 NH Velsen-Noord, Netherlands
Hunting Energy Services (Norway) AS	Arabergveieb 6, 4050 Sola, Norway
Hunting Energy Saudi Arabia LLC (65%)	Dhahran, Building No: 7612, P.O. Box: 3104, Zip Code: 34521, Saudi Arabia
Hunting Energy Services (Well Intervention) Limited	Badentoy Avenue, Badentoy Park, Portlethen, Aberdeen, AB12 4YB, Scotland
Hunting Welltonic Limited[v]	319 St Vincent Street, Glasgow, G2 5AS, Scotland
Hunting Energy Services Pte. Ltd.	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services (China) Pte. Ltd. (70%)	2 International Business Park, #04-13/14, The Strategy 609930, Singapore
Hunting Energy Services South Africa (Pty) Ltd	Trident Park 1, 1 Niblick Way, Somerset West, 7130, South Africa
Hunting Energy Services (Thailand) Limited (49%)	436/27, Moo 2, Thanadee-Klongwong Road, Tambol Phawong, Amphur Muong Songkhla, 90100, Thailand
Hunting Energy Services India Private Limited	602, Block A, Naurang House, 21 KG Marg, Canaught Place, New Delhi, Central Delhi 110001, India
National Coupling Company, Inc.	1316 Staffordshire Road, Staffordshire, Texas, 77477, USA
Hunting Energy Services, LLC	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Premium Finishes, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Hunting Dearborn, Inc.	6 Dearborn Drive, Fryeburg, Maine, USA

C20. Subsidiaries continued

Subsidiaries[iv][v]	Registered address
Hunting Energy Services (Drilling Tools), Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Hunting Innova, Inc.	8383 North Sam Houston Parkway West, Houston, Texas, 77064, USA
Hunting Specialty Supply, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Hunting Titan, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Tenkay Resources, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA
Corporate activities	
Hunting Energy Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services (International) Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Energy Services Overseas Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Hunting Oil Holdings Limited[ii]	5 Hanover Square, London, W1S 1HQ, England
Hunting Knightsbridge Holdings Limited	5 Hanover Square, London, W1S 1HQ, England
Huntaven Properties Limited	5 Hanover Square, London, W1S 1HQ, England
HG Management Services Ltd	5 Hanover Square, London, W1S 1HQ, England
Huntfield Trust Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Stag Line Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Hunting Aviation Limited[iv]	5 Hanover Square, London, W1S 1HQ, England
Hunting U.S. Holdings, Inc.	16825 Northchase Drive, Suite 600, Houston, Texas, 77060, USA

Notes:
i. Except where otherwise stated, companies are wholly owned, being incorporated and operating in the countries indicated.
ii. Interest in company is held directly by Hunting PLC.
iii. All interests in subsidiaries are in the Ordinary equity shares of those companies. The proportion of voting rights is represented by the interest in the Ordinary equity shares of those companies.
iv. Huntfield Trust Limited (registered number 00372215), Stag Line Limited (registered number 00151320) and Hunting Aviation Limited (registered number 00297743) are dormant companies that are exempt from being audited, are exempt from the requirements to prepare individual accounts under section 394A of the Companies Act 2006 and are exempt from filing individual accounts under section 448A of the Companies Act 2006.
v. Company has been placed into voluntary liquidation and will be dissolved in March 2022.

Changes to the Group

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

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

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

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

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

vi) Other
Hunting Pension Trust Limited was dissolved on 19 January 2021.

Non-GAAP Measures

(unaudited)

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

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

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

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

Income Statement Non-GAAP Measures

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

A. EBITDA

Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities. EBITDA is frequently used by analysts, investors and other interested parties to evaluate the profitability of companies.

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

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

B. Underlying Tax Rate

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

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

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

Balance Sheet Non-GAAP Measures

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

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

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

D. Inventory Days
Purpose: This is a working capital efficiency ratio that measures inventory balances relative to business activity levels.

Calculation definition: Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals when applicable.

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

E. Trade Receivables Days
Purpose: This is a working capital efficiency ratio that measures receivable balances relative to business activity levels.

Calculation definition: Net trade receivables, contract assets and accrued revenue at the year-end divided by revenue for the last three months of the year multiplied by 92 days, adjusted for the impact of acquisitions and disposals when applicable.

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

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

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

Balance Sheet Non-GAAP Measures continued

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

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

The Group's capital comprised:

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

H. Total Cash and Bank
Purpose: Total cash and bank is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and reviews weekly forecasts to ensure there is sufficient liquidity to meet business requirements. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Strategic Report.

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

The Group's total cash and bank comprised:

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

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

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

The Group's net cash (debt) comprised:

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

Cash Flow Non-GAAP Measures

J. Cash Flow Working Capital Movements
Purpose: Reconciles the working capital movements in the Summary Group Cash Flow in the Strategic Report.

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

K. Capital Investment
Purpose: Capital investment identifies the cash resources being absorbed organically within the business to maintain or enhance operating activity levels.

Calculation definition: Capital investment is the cash paid on tangible non-current assets to maintain existing levels of operating activity and to grow the business from current operating levels and enhance operating activity.

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

L. Other Operating Cash and Non-Cash Movements
Purpose: Reconciles other operating cash and non-cash movements in the Summary Group Cash Flow in the Strategic Report.

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

Cash Flow Non-GAAP Measures continued

M. Free Cash Flow

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders and is a KPI used by management.

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

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

Other Non-GAAP Measures

N. Dividend Per Share Declared
Purpose: Identifies the total amount of dividend declared in respect of a period. This is also used in the calculation of dividend cover (see NGM O).

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

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

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

O. Dividend Cover
Purpose: An indication of the Company's ability to maintain the level of its dividend and indicates the proportion of earnings being retained in the business for future investment versus that returned to shareholders.

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

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

P. Underlying Return on Average Capital Employed
Purpose: Measures the levels of return the Group is generating from its capital employed.

Calculation definition: Underlying profit before interest and tax, adjusted to include the underlying share of associates' post-tax results, as a percentage of average gross capital employed. Average gross capital employed is a monthly average of capital employed based on 13 balance sheets from the closing December balance in the prior year to the closing December balance in the current year.

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

Financial Record[i]

(unaudited)

	2021 $m	2020 $m	2019[ii] $m	2018[ii] $m	2017[ii] $m
Revenue	**521.6**	626.0	960.0	911.4	724.9
EBITDA	**3.1**	26.1	139.7	142.3	56.0
Depreciation and non-exceptional amortisation and impairment	**(38.2)**	(42.5)	(45.4)	(37.6)	(41.7)
(Loss) profit from operations	**(35.1)**	(16.4)	94.3	104.7	14.3
Net finance expense	**(2.0)**	(3.0)	(1.2)	(0.7)	(1.5)
Share of associates' post-tax losses	**(3.5)**	–	–	–	(1.3)
(Loss) profit before tax	**(40.6)**	(19.4)	93.1	104.0	11.5
Taxation	**(4.9)**	0.9	(17.0)	(22.0)	(1.0)
(Loss) profit for the year	**(45.5)**	(18.5)	76.1	82.0	10.5
	cents	cents	cents	cents	cents
Basic (loss) earnings per share	**(27.1)**	(10.0)	45.0	51.6	8.0
Diluted (loss) earnings per share	**(27.1)**	(10.0)	43.9	49.6	8.0
Dividend per share[iii]	**8.0**	9.0	5.0	9.0	–
	$m	$m	$m	$m	$m
Balance sheet					
Property, plant and equipment	**274.4**	307.1	354.7	360.2	383.3
Right-of-use assets	**24.7**	29.8	36.7	–	–
Goodwill and other intangible assets	**200.3**	207.1	308.7	329.7	355.7
Working capital	**278.0**	358.3	433.3	436.5	344.0
Associates	**19.4**	18.1	0.7	0.7	0.7
Taxation (current and deferred)	**1.4**	6.0	19.8	13.7	(6.0)
Provisions	**(8.1)**	(8.9)	(8.4)	(14.2)	(18.0)
Other net assets	**2.7**	1.6	0.4	3.2	22.0
Capital employed	**792.8**	919.1	1,145.9	1,129.8	1,081.7
Total cash and bank	**114.2**	101.7	127.0	65.2	34.3
Lease liabilities	**(31.8)**	(40.3)	(45.2)	–	–
Other borrowings	**(3.9)**	(3.9)	(3.9)	(3.9)	(3.9)
Net cash (debt) (note 27)	**78.5**	57.5	77.9	61.3	30.4
Net assets	**871.3**	976.6	1,223.8	1,191.1	1,112.1
Non-controlling interests	**(1.4)**	(12.2)	(15.9)	(14.0)	(18.8)
Equity attributable to owners of the parent	**869.9**	964.4	1,207.9	1,177.1	1,093.3
	cents	cents	cents	cents	cents
Net assets per share	**528.4**	592.2	733.3	721.4	677.3

i. Information is stated before exceptional items and amortisation of acquired intangible assets.
ii. IFRS 16 Leases was adopted with effect from 1 January 2019. The modified retrospective approach was applied and consequently information for the years 2015 to 2018 has not been restated, as permitted under the specific transitional provisions in IFRS 16 Leases.
iii. Dividend per share is stated on a declared basis.

Shareholder and Statutory Information

Registered Office
5 Hanover Square
London
W1S 1HQ

Company Number: 0974568 (Registered in England and Wales)

Telephone: +44 (0)20 7321 0123
Email: pr@hunting.plc.uk

Financial Calendar
The Company's 2022 financial calendar is as follows:

Date	Event
3 March 2022	2021 Full Year Results Announcement
3 March 2022	2021 Final Dividend – Announcement date
17 March 2022	Publication of Annual Report and Notice of AGM
20 April 2022	Trading Statement
20 April 2022	AGM and Proxy Voting Results of AGM
21 April 2022	Final Dividend – Ex-dividend date
22 April 2022	Final Dividend – Record date
13 May 2022	Final Dividend – Payment date
30 June 2022	Trading Statement
25 August 2022	2022 Half Year Results Announcement
25 August 2022	2022 Interim Dividend Announcement date
6 October 2022	Interim Dividend – Ex-dividend date
7 October 2022	Interim Dividend – Record date
25 October 2022	Trading Statement
28 October 2022	Interim Dividend – Payment date

Financial Reports
The Company's 2021 Annual Report and Accounts is available on the Company's website from the date of publication. Shareholders may elect to receive a copy by contacting the Registrar. Copies of previous financial reports are available at www.huntingplc.com. In common with many public companies in the UK, the Company no longer publishes a printed version of its half-year report. The half-year report is only available online from the Company's website at www.huntingplc.com.

Registrar
The Company's Registrar, Equiniti, offers a range of shareholder information and dealing services at www.shareview.co.uk. The address and contact details of Equiniti are as follows:

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Telephone:
UK +44 (0)371 384 2173
Overseas +44 (0)121 415 7047

Equiniti is also the Company's single alternative inspection location where, with prior appointment, individuals can inspect the register of members.

Analysis of Ordinary Shareholders
At 31 December 2021, the Company had 1,337 Ordinary shareholders (2020 – 1,403) who held 164.9m (2020 – 164.9m) Ordinary shares analysed as follows:

	2021		2020	
	% of total shareholders	% of total shares	% of total shareholders	% of total shares
Size of holdings				
1 – 4,000	**72.8**	**0.5**	73.1	0.5
4,001 – 20,000	**11.2**	**0.8**	10.8	0.8
20,001 – 40,000	**3.3**	**0.8**	3.0	0.7
40,001 – 200,000	**6.9**	**5.2**	7.1	5.8
200,001 – 500,000	**2.2**	**5.9**	2.4	7.1
500,001 and over	**3.6**	**86.8**	3.6	85.1

Further information on share capital can be found in note 34.

Annual General Meeting 2022
The AGM of the Company will take place on Wednesday 20 April 2022 at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS, commencing at 1.30p.m.

Format and Business of Meeting
The 2022 AGM is planned to be an Open Meeting, with shareholders welcome to attend.

The formal business of the AGM will involve putting to the meeting a number of ordinary and special resolutions. Details of the resolutions will be communicated to shareholders ahead of the meeting in a formal "Notice of AGM". The Notice will also contain explanatory notes that will provide details to shareholders on how to lodge their vote. Those shareholders who have elected to continue to receive hard copy documentation or have signed up to receive a notification by e-mail will also receive a proxy form, which will contain details of how to lodge a vote by proxy.

The AGM is to be broadcast via the internet. Details of the web-link will be included in the Notice of AGM. Prior to the formal business of the AGM, a presentation will be delivered by the Chief Executive.

The Directors have made available to shareholders the ability to submit questions ahead of the AGM. These questions will be answered during the presentation noted above. Shareholders are therefore asked to submit all questions, in relation to the business to be considered at the AGM, by Monday 18 April 2022, to the Company's Registered Office, for the attention of the Company Secretary. Alternatively, questions can be submitted via email at agm@hunting.plc.uk.

Shareholder voting procedures follow the provisions of the Articles of Association of the Company (the "Articles") and the UK Corporate Governance Code, including a separate resolution on each material item of business, the availability of voting via proxy and the offer of a "vote withheld".

Voting on all resolutions at the AGM will be completed via proxy. Alternatively, shareholders may submit proxy voting instructions via the internet at www.sharevote.co.uk or via Equiniti's online portfolio service, Shareview, if they are registered as a member. Alternatively, shares held in CREST may be voted through the CREST Proxy Voting Service. To be valid, all votes must be received no later than 1.30p.m. on Monday 18 April 2022.

The Directors have been authorised to allot and issue Ordinary shares and to disapply statutory pre-emption rights. These powers are exercised under authority of resolutions of the Company passed at its AGM. During the financial year ended 31 December 2021, no Ordinary shares were issued pursuant to the Company's various share plans.

The Company has authority, renewed annually, to purchase up to 14.99% of the issued share capital, equating to 24,724,518 shares. Any shares purchased will either be cancelled and the number of Ordinary shares in issue reduced accordingly, held in treasury, sold for cash or (provided Listing Rule requirements are met) transferred for the purposes of or pursuant to an employee share scheme.

These powers are effective for 15 months from the date of shareholder approval, or up to the next general meeting where new authorities are sought. The Directors will be seeking a renewal for these powers at the 2022 AGM.

As part of the routine business to be considered at the AGM, all Directors' will submit themselves for re-appointment, in addition to a resolution proposing the re-appointment of Deloitte LLP as auditor to the Company.

Documents on Display
Copies of the executive Directors' service contracts and letters of appointment of non-executive Directors will be available for inspection at the Company's Registered Office from the date the Notice of AGM is issued (being 21 clear days' notice ahead of the meeting) until the time of the AGM and at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS from 15 minutes before the AGM starts until it ends.

Employee Benefit Trust
The Group operates an Employee Benefit Trust (the "Trust") as a vehicle to satisfy share options and awards granted to employees who participate in the Company's share-based incentive schemes. At 31 December 2021, the Trust held 4,282,065 Ordinary shares in the Company (2020 – 2,562,281). The Trust has a policy to purchase shares in the market or subscribe for new shares to partially meet the future requirements of these incentive schemes. The Trust has waived all dividends payable by the Company and voting rights in respect of the Ordinary shares held by it.

Share Capital
Hunting PLC is a premium-listed public company limited by shares, with its Ordinary shares quoted on the London Stock Exchange. The Company's issued share capital comprises a single class, which is divided into 164,940,082 Ordinary shares of 25 pence each. All of the Company's issued Ordinary shares are fully paid up and rank equally in all respects. Details of the issued share capital of the Company and the number of shares held in treasury as at 31 December 2021 can be found in note 34 to the financial statements. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board (as defined in the Articles) may decide.

Voting Rights and Restrictions on Transfer of Shares
Holders of Ordinary shares are entitled to receive dividends (when declared), receive the Company's Annual Report and Accounts, attend and speak at general meetings of the Company, and appoint proxies or exercise voting rights. On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy and entitled to vote, has one vote and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held. None of the Ordinary shares carry any special rights with regard to control of the Company. Proxy appointments and voting instructions must be received by the Company's Registrars no later than 48 hours before a general meeting. A shareholder can lose their entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. Shareholders' rights to transfer shares are subject to the Articles. Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST. The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST. There are no restrictions on the transfer of Ordinary shares in the Company other than:

- certain restrictions that may, from time to time, be imposed by laws and regulations, for example insider trading laws;
- pursuant to the Company's share dealing code whereby the Directors and certain employees of the Company require approval to deal in the Company's shares; and
- where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

Interests in Voting Rights
Other than as stated in the table on page 54, the Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Market Capitalisation
The market capitalisation of the Company at 31 December 2021 was £0.3bn (2020 – £0.4bn).

Share Price

	2021 p	2020 p
At 1 January	**223.0**	417.4
At 31 December	**169.2**	223.0
High during the year	**289.6**	426.0
Low during the year	**144.4**	120.1

Dividends
The Company normally pays dividends semi-annually. Details of the Company's dividend policy is set out on page 53.

The Company paid the 2020 final dividend of 4.0 cents per share on 14 May 2021, which absorbed $6.4m of cash. At the Group's 2021 Half Year Results the Board declared an interim dividend of 4.0 cents per share, which was paid to shareholders on 29 October 2021, which absorbed $6.4m of cash. The Board is recommending a final dividend for 2021 of 4.0 cents per share, to be paid to shareholders on 13 May 2022, subject to approval by shareholders at the Company's 2022 AGM.

Directors
Powers of the Directors
Subject to the Articles, UK legislation and any directions prescribed by resolution at a general meeting, the business of the Company is managed by the Board. The Articles may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

Appointment and Replacement of Directors
The rules about the appointment and replacement of Directors are contained in the Articles. On appointment, in accordance with the Articles, Directors may be appointed by a resolution of the Board but are then required to be reappointed by ordinary resolution by shareholders at the Company's next AGM.

Directors' Interests
Details of Directors' remuneration, service contracts and interests in the Company's shares and share options are set out in the Directors' Remuneration Policy and Annual Report on Remuneration, located at www.huntingplc.com. Further information regarding employee long-term incentive schemes is given in note 38 of the financial statements.

Directors' Conflict of Interest
All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest with the Company. The duty applies, in particular, to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it. The Articles provide a general power for the Board to authorise such conflicts.

Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. Authorisations granted are recorded by the Company Secretary in a register and are noted by the Board. On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new, actual or potential conflicts that may arise, or if there are any changes in circumstances that may affect an authorisation previously given.

Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the Company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign. As at 31 December 2021, no Director of the Company had any beneficial interest in the shares of Hunting's subsidiary companies.

Statement of Disclosure of Information to Auditors
In accordance with the Companies Act 2006, all Directors in office as at the date of this report have confirmed, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all reasonable steps necessary in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Research and Development
Group subsidiaries undertake, where appropriate, research and development to meet particular market and product needs. The amount expensed by the Group during the year was $4.7m (2020 – $5.0m).

Political Contributions
It is the Group's policy not to make political donations. Accordingly, there were no political donations made during the year (2020 – $nil).

Significant Agreements
The Company is party to a revolving credit facility in which the counterparties can determine whether or not to cancel the agreement where there has been a change of control of the Company. The service agreements of the executive Directors include provisions for compensation for loss of office or employment as a result of a change of control.

Payments to Governments
In accordance with the UK's Disclosure and Guidance Transparency Rule 4.3A, Hunting PLC is required to report annually on payments made to governments with respect to its oil and gas activities. Hunting's report on "Payments to Governments" for the year ended 31 December 2020 was published on 29 April 2021 and totalled $309,863.

Statement of Listing Rule Compliance
In accordance with Listing Rule 9.8.4C, the Directors confirm that all waivers of dividends over the Company's Ordinary shares are noted on page 224.

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

- business model (pages 42 to 75);
- environmental matters, including impact of the Company's business on the environment (pages 61 to 73 and 76 to 81);
- employees (pages 55 to 58);
- respect for human rights (page 56); and
- anti-corruption and anti-bribery matters (pages 59, 60 and 106).

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

Sustainability Accounting Standards Board Information

Oil & Gas – Services

Topic	Accounting metric	Category	Unit of measure	Reported by Hunting	SASB Code	Page navigation
Emissions Reduction Services & Fuels Management	Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment	Quantitative	Gigajoules (GJ), Percentage (%)	Yes	EM-SV-110a.1	page 62
	Discussion of strategy or plans to address air emissions-related risks, opportunities, and impacts	Discussion and Analysis	n/a	Yes	EM-SV-110a.2	pages 64 to 73
	Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions	Quantitative	Percentage (%)	No	EM-SV-110a.3	n/a
Water Management Services	(1) Total volume of fresh water handled in operations, (2) percentage recycled	Quantitative	Thousand cubic metres (m^3), Percentage (%)	Yes No	EM-SV-140a.1	page 63
	Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities, and impacts	Discussion and Analysis	n/a	Yes	EM-SV-140a.2	page 63
Chemicals Management	Volume of hydraulic fracturing fluid used, percentage hazardous	Quantitative	Thousand cubic metres (m^3), Percentage (%)	No	EM-SV-150a.1	n/a
	Discussion of strategy or plans to address chemical-related risks, opportunities, and impacts	Discussion and Analysis	n/a	No	EM-SV-150a.2	n/a
Ecological Impact Management	Average disturbed acreage per (1) oil and (2) gas well site	Quantitative	Acres (ac)	No	EM-SV-160a.1	n/a
	Discussion of strategy or plan to address risks and opportunities related to ecological impacts from core activities	Discussion and Analysis	n/a	No	EM-SV-160a.2	n/a
Workforce Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), (4) total vehicle incident rate (TVIR), and (5) average hours of health, safety, and emergency response training for: (a) full-time employees, (b) contract employees, and (c) short-service employees	Quantitative	Rate	Yes Yes Yes No Yes	EM-SV-320a.1	pages 55 and 56
	Description of management systems used to integrate a culture of safety throughout the value chain and project lifecycle	Discussion and Analysis	n/a	Yes	EM-SV-320a.2	pages 55 and 56
Business Ethics & Payments Transparency	Amount of net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Quantitative		Yes	EM-SV-510a.1	page 59
	Description of the management system for prevention of corruption and bribery throughout the value chain	Discussion and Analysis	n/a	Yes	EM-SV-510a.2	pages 56 and 59
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	Discussion and Analysis	n/a	Yes	EM-SV-530a.1	pages 55 to 74
Critical Incident Risk Management	Description of management systems used to identify and mitigate catastrophic and tail-end risks	Discussion and Analysis	n/a	No	EM-SV-540a.1	n/a

Table 2. Activity Metrics

Activity metric	Category	Unit of measure	Reported by Hunting	SASB Code	Page navigation
Number of active rig sites	Quantitative	Number	No	EM-SV-000.A	n/a
Number of active well sites	Quantitative	Number	No	EM-SV-000.B	n/a
Total amount of drilling performed	Quantitative	Metres (m)	No	EM-SV-000.C	n/a
Total number of hours worked by all employees	Quantitative	Hours	Yes	EM-SV-000.D	page 55

Industrial Machinery & Equipment

Topic	Accounting metric	Category	Unit of measure	Reported by Hunting	SASB Code	Page navigation
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	Yes	RT-IG-130a.1	page 62
Employee Health & Safety	(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Quantitative	Rate	Yes Yes Yes	RT-IG-320a.1	pages 55 to 56
Fuel Economy & Emissions in Use-phase	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Quantitative	Gallons per 1,000 ton-miles	No	RT-IG-410a.1	n/a
	Sales-weighted fuel efficiency for non-road equipment	Quantitative	Gallons per hour	No	RT-IG-410a.2	n/a
	Sales-weighted fuel efficiency for stationary generators	Quantitative	Watts per gallon	No	RT-IG-410a.3	n/a
	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Quantitative	Grams per kilowatt-hour	No	RT-IG-410a.4	n/a
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	No	RT-IG-440a.1	n/a
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Quantitative	Reporting currency	No	RT-IG-440b.1	n/a

Table 2. Activity Metrics

Activity metric	Category	Unit of measure	Reported by Hunting	SASB Code	Page navigation
Number of units produced by product category	Quantitative	Number	No	RT-IG-000.A	n/a
Number of employees	Quantitative	Number	Yes	RT-IG-000.B	page 49

Glossary

A

ABC
Anti-Bribery and Corruption.

ABL
Asset Based Lending.

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 (Hunting Innova), Hunting Specialty and Hunting Dearborn product lines.

API
American Petroleum Institute.

AUD
Australian dollar.

Average gross capital employed*
See NGM P.

B

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

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

BEIS
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 G.

Capital investment – "Capex"*
See NGM K.

CCS
Carbon Capture and Storage.

CDP
Carbon Disclosure Project.

CGU
Cash-generating unit.

CNY
Chinese Yuan Renminbi.

CO_2
Carbon dioxide.

CO_2(e)
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.

CPI
Consumer Price Index.

CSR
Corporate Social Responsibility.

CTR
Currency translation reserve.

D

DEFRA
UK Department for Environment, Food & Rural Affairs.

Diluted EPS*
Diluted (loss) earnings per share – calculated by dividing (loss) earnings from operations before amortisation and exceptional items attributable to Ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, as adjusted 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 (loss) earnings per share.

Dividend cover*
See NGM O.

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

DPS*
See NGM N.

E

EBITDA*
See NGM A.

EBT
Employee Benefit Trust.

ECL
Expected Credit Losses.

EIA
US Energy Information Administration.

EMEA
Europe, Middle East and Africa.

ESG
Environmental, Social and Governance.

ETR
Effective tax rate.

ExCo
The Hunting Executive Committee.

F

FCA
Financial Conduct Authority.

FRC
Financial Reporting Council.

FCCR
Fixed Charge Cover Ratio.

Free cash flow*
See NGM M.

FTF
Fixed Term Fund.

FVLCD
Fair value less costs of disposal.

G

GAAP
Generally Accepted Accounting Principles.

GHG
Greenhouse gas.

GRI
The United Nations Global Reporting Initiative.

GWh
Giga-watt hours – 1,000,000,000 watt hours.

H

HMRC
Her Majesty's Revenue and Customs.

HPSP
Hunting Performance Share Plan.

HRSP
Hunting Restricted Share Plan.

HSE
Health, Safety and Environment.

I

IAS
International Accounting Standards.

IEA
International Energy Agency.

IFRIC
International Financial Reporting Interpretations Committee.

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

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

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 the manufacturing process.

Inventory days*
See NGM D.

IOC
International Oil Company.

IP
Intellectual Property.

ISO
International Standards Organization.

K

k
Thousand.

km
Kilometres.

KPI
Key Performance Indicator.

kWh
Kilowatt hours – 1,000 watt hours.

L

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

LIBOR
London Inter-bank Offered Rate.

LNG
Liquefied Natural Gas.

LPG
Liquefied Petroleum Gas.

LTIP
Long-Term Incentive Plan.

M

m
Million.

m^3
Cubic metre.

mcf
1,000 cubic feet.

Middle column
Middle column items relate to the amortisation of intangible assets arising on the acquisition of businesses ("acquired intangible assets") and exceptional items.

mmBtu
Million British thermal units.

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

MXN
Mexican Peso.

MW
Megawatt.

N

NCI
Non-controlling Interest.

Net Cash (Debt)*
See NGM I.

NGM
Non-GAAP measure – see pages 216 to 221.

NOC
National Oil Company.

NRV
Net realisable value.

NYMEX
New York Mercantile Exchange.

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.

OECD
The Organisation for Economic Co-operation and Development.

OEM
Original equipment manufacturer.

OIA
Other Intangible Assets.

OOR
Organic Oil Recovery.

OPEC
Organization of the Petroleum Exporting Countries.

P

p
Pence.

PCB
Printed circuit board.

PCE
Pressure control equipment.

PDMR
Person discharging managerial responsibilities.

PPE
Property, plant and equipment.

PSI
Pounds per square inch.

PSP
2009 Performance Share Plan.

Q

QMS
Quality Management System.

R

RCF
Revolving Credit Facility.

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

ROCE*
See NGM P.

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
Sustainability Development Goals.

SGD
Singaporean dollar.

SID
Senior Independent Director.

SHARP
Safety and Health Achievement Recognition Programme.

SOFR
US Secured Overnight Financing Rate.

SONIA
Sterling Overnight Index Average.

T

TCFD
Task Force on Climate-related Financial Disclosures.

TNMFR
Total near-miss frequency rate.

Total Cash and Bank*
See NGM H.

Trade Receivable days*
See NGM E.

TRIR
Total recordable incident rate.

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.

Underlying
Results for the year, as reported under IFRS, adjusted for the amortisation of intangible assets arising on the acquisition of businesses ("acquired intangible assets") and exceptional items, which is the basis used by the Directors in assessing performance.

UKCS
United Kingdom Continental Shelf, the portion of the North Sea within the UK's territorial waters.

UK
United Kingdom.

UKLA
UK Listing Authority.

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 C.

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

* Non-GAAP measure.

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