Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2021 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m	Unaudited Six months ended 30 June 2020 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m
Revenue	2,3	**244.4**	**–**	**244.4**	377.7	–	377.7
Cost of sales		**(200.3)**	**(0.1)**	**(200.4)**	(295.1)	(49.5)	(344.6)
Gross profit		**44.1**	**(0.1)**	**44.0**	82.6	(49.5)	33.1
Other operating income	4	**2.4**	**1.2**	**3.6**	5.6	–	5.6
Operating expenses[ii]		**(69.5)**	**(4.6)**	**(74.1)**	(82.5)	(139.8)	(222.3)
(Loss) profit from operations		**(23.0)**	**(3.5)**	**(26.5)**	5.7	(189.3)	(183.6)
Finance income		**1.6**	**–**	**1.6**	1.8	–	1.8
Finance expense		**(2.6)**	**–**	**(2.6)**	(3.6)	–	(3.6)
Share of associates' post-tax losses		**(1.1)**	**–**	**(1.1)**	–	–	–
(Loss) profit before tax from operations		**(25.1)**	**(3.5)**	**(28.6)**	3.9	(189.3)	(185.4)
Taxation	6	**(2.1)**	**(1.0)**	**(3.1)**	(2.6)	(19.9)	(22.5)
(Loss) profit for the period		**(27.2)**	**(4.5)**	**(31.7)**	1.3	(209.2)	(207.9)
(Loss) profit attributable to:							
Owners of the parent		**(26.0)**	**(4.5)**	**(30.5)**	1.5	(208.0)	(206.5)
Non-controlling interests		**(1.2)**	**–**	**(1.2)**	(0.2)	(1.2)	(1.4)
		(27.2)	**(4.5)**	**(31.7)**	1.3	(209.2)	(207.9)

Earnings per share		**cents**		**cents**	cents		cents
Basic	7	**(16.1)**		**(18.9)**	1.0		(125.7)
Diluted	7	**(16.1)**		**(18.9)**	1.0		(125.7)

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 administrative expenses is the net impairment loss on trade and other receivables (note 14(b)(ii)) recognised in the period of $0.2m (30 June 2020 – $1.9m).

Condensed Consolidated Income Statement

continued

	Notes	Audited Year ended 31 December 2020 Before amortisation[i] and exceptional items $m	Amortisation[i] and exceptional items (note 5) $m	Total $m
Revenue	2,3	626.0	–	626.0
Cost of sales		(501.2)	(56.7)	(557.9)
Gross profit (loss)		124.8	(56.7)	68.1
Other operating income	4	10.3	0.8	11.1
Operating expenses[ii]		(151.5)	(147.7)	(299.2)
Loss from operations		(16.4)	(203.6)	(220.0)
Finance income		1.4	–	1.4
Finance expense		(4.4)	–	(4.4)
Loss before tax from operations		(19.4)	(203.6)	(223.0)
Taxation	6	0.9	(16.1)	(15.2)
Loss for the year		(18.5)	(219.7)	(238.2)
Loss attributable to:				
Owners of the parent		(16.5)	(218.2)	(234.7)
Non-controlling interests		(2.0)	(1.5)	(3.5)
		(18.5)	(219.7)	(238.2)

Loss per share:		cents		cents
Basic	7	(10.0)		(143.2)
Diluted	7	(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 $1.8m.

The notes on pages 18 to 36 are an integral part of these condensed set of consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2021 $m	Unaudited Six months ended 30 June 2020 $m	Audited Year ended 31 December 2020 $m
Comprehensive income			
Loss for the period	**(31.7)**	(207.9)	(238.2)
Components of other comprehensive income (expense) after tax			
Items that may be reclassified subsequently to profit or loss			
Exchange adjustments	**1.9**	(7.7)	5.9
Fair value gains and losses			
– gains originating on net investment hedges arising during the period	**–**	1.1	0.4
	1.9	(6.6)	6.3
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension schemes	**(0.1)**	0.2	–
Other comprehensive income (expense) after tax	**1.8**	(6.4)	6.3
Total comprehensive expense for the period	**(29.9)**	(214.3)	(231.9)
Total comprehensive expense attributable to:			
Owners of the parent	**(28.9)**	(212.7)	(228.9)
Non-controlling interest	**(1.0)**	(1.6)	(3.0)
	(29.9)	(214.3)	(231.9)

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

Condensed Consolidated Balance Sheet

	Notes	**Unaudited As at 30 June 2021 $m**	Unaudited As at 30 June 2020 $m	Audited As at 31 December 2020 $m
ASSETS				
Non-current assets				
Property, plant and equipment	8	**295.0**	331.0	307.1
Right-of-use assets	8	**26.5**	30.5	29.8
Goodwill	8	**164.4**	162.8	164.2
Other intangible assets	8	**38.4**	44.2	42.9
Associates		**17.0**	0.7	18.1
Investments	10	**4.4**	1.6	1.7
Trade and other receivables	11	**2.3**	3.3	2.0
Deferred tax assets		**12.0**	3.0	15.3
		560.0	577.1	581.1
Current assets				
Inventories	12	**267.3**	331.1	288.4
Trade and other receivables	11	**135.6**	173.6	136.3
Cash and cash equivalents		**83.4**	50.2	102.9
Current tax assets		**1.1**	2.7	3.0
Held-for-sale assets		**–**	1.3	1.8
Investments	10	**23.0**	–	–
		510.4	558.9	532.4
LIABILITIES				
Current liabilities				
Trade and other payables		**69.0**	76.7	67.9
Lease liabilities		**8.3**	9.5	10.2
Borrowings		**0.7**	1.4	1.2
Provisions		**3.1**	3.0	2.9
Current tax liabilities		**3.2**	0.9	2.5
		84.3	91.5	84.7
Net current assets		**426.1**	467.4	447.7
Non-current liabilities				
Trade and other payables		**2.7**	2.9	2.4
Lease liabilities		**25.9**	29.9	30.1
Borrowings		**3.9**	3.9	3.9
Provisions		**5.8**	5.9	6.0
Deferred tax liabilities		**7.8**	5.0	9.8
		46.1	47.6	52.2
Net assets		**940.0**	996.9	976.6
Equity attributable to owners of the parent				
Share capital		**66.5**	66.5	66.5
Share premium		**153.0**	153.0	153.0
Other components of equity		**42.7**	39.2	52.3
Retained earnings		**666.6**	724.6	692.6
		928.8	983.3	964.4
Non-controlling interests		**11.2**	13.6	12.2
Total equity		**940.0**	996.9	976.6

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2021						
	Share capital $m	**Share premium $m**	**Other components of equity $m**	**Retained earnings $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 period	**–**	**–**	**–**	**(30.5)**	**(30.5)**	**(1.2)**	**(31.7)**
Other comprehensive income (expense)	**–**	**–**	**1.7**	**(0.1)**	**1.6**	**0.2**	**1.8**
Total comprehensive expense	**–**	**–**	**1.7**	**(30.6)**	**(28.9)**	**(1.0)**	**(29.9)**
Dividends to equity shareholders (note 16)	**–**	**–**	**–**	**(6.4)**	**(6.4)**	**–**	**(6.4)**
Treasury shares							
– purchase of treasury shares	**–**	**–**	**–**	**(5.2)**	**(5.2)**	**–**	**(5.2)**
– disposal of treasury shares	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Share options and awards							
– value of employee services	**–**	**–**	**4.9**	**–**	**4.9**	**–**	**4.9**
– discharge	**–**	**–**	**(9.8)**	**9.6**	**(0.2)**	**–**	**(0.2)**
Transfer between reserves[i]	**–**	**–**	**(6.4)**	**6.4**	**–**	**–**	**–**
Total transactions with owners	**–**	**–**	**(11.3)**	**4.6**	**(6.7)**	**–**	**(6.7)**
At 30 June 2021	**66.5**	**153.0**	**42.7**	**666.6**	**928.8**	**11.2**	**940.0**

i. $6.4m of the merger reserve is now considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 has now met the definition of qualifying consideration, and has been transferred to retained earnings.

	Unaudited Six months ended 30 June 2020						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $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 period	–	–	–	(206.5)	(206.5)	(1.4)	(207.9)
Other comprehensive (expense) income	–	–	(6.4)	0.2	(6.2)	(0.2)	(6.4)
Total comprehensive expense	–	–	(6.4)	(206.3)	(212.7)	(1.6)	(214.3)
Dividends to equity shareholders (note 16)	–	–	–	(4.9)	(4.9)	–	(4.9)
Dividends to non-controlling interest	–	–	–	–	–	(0.9)	(0.9)
Share buyback	(0.8)	–	0.6	(5.1)	(5.3)	–	(5.3)
Treasury shares							
– purchase of treasury shares	–	–	–	(6.0)	(6.0)	–	(6.0)
– disposal of treasury shares	–	–	–	0.1	0.1	–	0.1
Share options and awards							
– value of employee services	–	–	4.6	–	4.6	–	4.6
– discharge	–	–	(11.2)	11.0	(0.2)	–	(0.2)
Acquisition of non-controlling interest	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves[ii]	–	–	(4.9)	4.9	–	–	–
Total transactions with owners	(0.8)	–	(10.9)	(0.2)	(11.9)	(0.7)	(12.6)
At 30 June 2020	66.5	153.0	39.2	724.6	983.3	13.6	996.9

ii. $4.9m of the merger reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 met the definition of qualifying consideration, and was transferred to retained earnings.

Condensed Consolidated Statement of Changes in Equity

continued

	Audited Year ended 31 December 2020						
	Share capital $m	Share premium $m	Other components of equity $m	Retained earnings $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 to equity shareholders (note 16)	–	–	–	(8.2)	(8.2)	–	(8.2)
Dividends to non-controlling interest	–	–	–	–	–	(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	–	–	–	(0.2)	(0.2)	0.2	–
Transfer between reserves[iii]	–	–	(8.2)	8.2	–	–	–
Total transactions with owners	(0.8)	–	(10.0)	(3.8)	(14.6)	(0.7)	(15.3)
At 31 December 2020	66.5	153.0	52.3	692.6	964.4	12.2	976.6

iii. $8.2m of the merger reserve was considered to be realised, as the equivalent amount of the proceeds from the share placing in 2016 met the definition of qualifying consideration, and was transferred to retained earnings.

Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited six months ended 30 June 2021 $m	Unaudited six months ended 30 June 2020 $m	Audited year ended 31 December 2020 $m
Operating activities				
Reported loss from operations		**(26.5)**	(183.6)	(220.0)
Acquisition amortisation and exceptional items	5	**3.5**	189.3	203.6
Depreciation and non-acquisition amortisation		**19.4**	22.7	42.5
Underlying EBITDA (NGM A)		**(3.6)**	28.4	26.1
Share-based payment expense		**5.1**	4.9	9.0
Decrease (increase) in inventories		**22.1**	(11.8)	30.2
Decrease (increase) in receivables		**0.9**	29.6	67.5
Increase (decrease) in payables		**1.0**	(49.0)	(58.9)
Increase (decrease) in provisions		**–**	0.1	(0.2)
Net taxation received (paid)		**1.1**	(6.0)	(5.0)
Net gain on disposal of property, plant and equipment		**(0.3)**	(1.0)	(2.4)
Proceeds from disposal of property, plant and equipment held for rental		**–**	0.5	1.3
Purchase of property, plant and equipment held for rental		**(0.3)**	(1.6)	(3.0)
Gain on disposal of held for sale asset		**(0.4)**	–	–
Restructuring costs shown as exceptional item		**(1.2)**	(2.4)	(10.7)
Acquisition costs shown as exceptional item		**–**	(1.2)	(1.4)
Payment of US pension scheme liabilities		**–**	(0.5)	(0.5)
Other non-cash flow items		**(0.9)**	(0.2)	(1.0)
Net cash inflow (outflow) from operating activities		**23.5**	(10.2)	51.0
Investing activities				
Interest received		**1.2**	0.5	0.8
Net movement on loans to and from associates		**(0.3)**	–	–
Proceeds from disposal of property, plant and equipment		**0.4**	1.1	2.0
Proceeds from disposal of property, plant and equipment – exceptional item	5	**1.8**	–	–
Proceeds from disposal of held-for-sale assets		**2.2**	–	–
Proceeds from disposal of business		**–**	0.6	0.6
Proceeds from disposal of investments		**–**	0.5	0.5
Increase in current investments		**(23.0)**	–	–
Investment in Well Data Labs		**(2.5)**	–	–
Purchase of subsidiaries net of cash acquired		**–**	(32.8)	(32.8)
Purchase of property, plant and equipment		**(3.3)**	(8.9)	(11.7)
Purchase of intangible assets		**(1.1)**	(1.5)	(4.3)
Net cash outflow from investing activities		**(24.6)**	(40.5)	(44.9)
Financing activities				
Interest and bank fees paid		**(0.5)**	(0.7)	(1.1)
Payment of lease liabilities		**(4.9)**	(6.0)	(10.4)
Lease surrender payment – exceptional item	5	**(1.3)**	–	–
Dividends paid to Hunting PLC shareholders	16	**(6.4)**	(4.9)	(8.2)
Dividends paid to non-controlling interest		**–**	(0.9)	(0.9)
Share buyback		**–**	(5.1)	(5.1)
Purchase of treasury shares		**(5.2)**	(6.0)	(9.4)
Disposal of treasury shares		**0.2**	0.1	0.2
Net cash outflow from financing activities		**(18.1)**	(23.5)	(34.9)
Net cash outflow in cash and cash equivalents		**(19.2)**	(74.2)	(28.8)
Cash and cash equivalents at the beginning of the period		**101.7**	127.0	127.0
Effect of foreign exchange rates		**0.2**	(4.0)	3.5
Cash and cash equivalents at the end of the period		**82.7**	48.8	101.7
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		**83.4**	49.7	102.9
Money market funds		**–**	0.5	–
Cash and cash equivalents included in current assets		**83.4**	50.2	102.9
Bank overdrafts included in borrowings		**(0.7)**	(1.4)	(1.2)
		82.7	48.8	101.7

Notes

1. Basis of Accounting

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 5 Hanover Square, London, W1S 1HQ, United Kingdom.

The condensed consolidated half year financial report to 30 June 2021 is presented in US dollars and has been prepared in accordance with United Kingdom adopted IAS 34 Interim Financial Reporting and with the Disclosure and Transparency Rules of the Financial Conduct Authority.

This condensed set of consolidated financial statements does not include all of the notes of the type normally included in an annual financial report. Accordingly, this interim financial report should be read in conjunction with the 2020 Annual Report and Accounts, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and with any public announcements made by Hunting PLC during the interim period.

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 213 to 215 contained in the 2020 Annual Report and Accounts.

The information for the year ended 31 December 2020 contained in this interim financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. This condensed set of consolidated interim financial statements has been reviewed, not audited.

The accounting policies applied and the significant judgements, estimates and assumptions made by management in this condensed set of consolidated financial statements are consistent with those applied in the 2020 Annual Report and Accounts except for the estimation of income taxes, which are accrued using an estimated weighted average tax rate that would be applicable to the full year profit or loss, and the adoption of new and amended standards as described below.

(a) New and Amended Standards Adopted by the Group
A number of amended standards 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 amended standards.

(i) 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 being assessed and 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.

However, the Group's RCF and other bilateral funding arrangements are impacted by the move away from LIBOR, as LIBOR is currently used as the benchmark for the interest rate applied. The RCF commitment fee is calculated as a percentage of the prevailing credit margin that is then applied to the undrawn amount of the facility. The commitment fee is not linked to LIBOR and will be unaffected by the proposed regulatory reform.

The Group's cash and cash equivalents of $83.4m and overdrafts of $0.7m at the period end 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 timing and precise nature of these changes. To transition existing contracts and agreements that reference LIBOR to SONIA (in respect of GBP denominated contracts) or SOFR (in respect of USD denominated contracts), adjustments for term differences and credit differences might need to be applied to SONIA and/or SOFR, to enable the benchmark rates to be economically equivalent on transition. The Group's treasury department is responsible for managing the Group's LIBOR transition plan.

(b) Impact of Standards Issued but not yet Applied by the Group
IFRS 17 Insurance Contracts is effective subsequent to the period end, and is being assessed to determine whether there is a significant impact on the Group's results or financial position.

(c) Critical Judgements and Key Estimates
Critical judgements are those that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group's financial statements. Key assumptions are assumptions concerning future expectations 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.

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.

1. Basis of Accounting continued

(c) Critical Judgements and Key Estimates continued

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 30 June 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 the full recognition of the US deferred tax asset position continues to not be recognised. 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.

Hunting holds pressure control equipment inventory in the US that has a carrying value of $23.2m at 30 June 2021. As a result of the severely adverse trading conditions caused by the COVID-19 pandemic, sales have been limited with customers curtailing capital expenditure, and the majority of this equipment has been in stock for two to three years. This is high quality, durable product that is certified to latest API quality specifications. In H1 2021, there has been a significant upturn in requests for quotation and orders taken. Various industry forecasts indicate there will be strong growth as the recovery commences through to 2026. The Directors, therefore, believe that this carrying value is appropriate; however, if trading does not improve over the next 12 to 18 months, as expected, this position may need to be reassessed.

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

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

(d) Going Concern and Liquidity

(i) 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 30 June 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.

At 30 June 2021, the Group had total cash and bank funds of $105.7m and our internal financial projections indicate that the Group has sufficient liquidity to meet its funding requirements over the next 12 months.

(ii) 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 in light of the Group's strong cash and bank position at 30 June 2021. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare this condensed set of consolidated financial statements.

Management has performed a stress test on the forecast to identify the conditions necessary to fully consume the Group's available cash reserves and require the Group to borrow funds, which it technically cannot do under the current secured committed credit facility without gaining consent from the participating banks, see note 14(a)(i). The stress tests include a significant drop in revenue and EBITDA margins, an increase in inventory days and delays in crystallising trade receivables. The Board considered that the likelihood of such a combined occurrence over the next 12 months is remote, particularly in light of improving market expectations for 2022. The Board is therefore satisfied that no material uncertainties have been identified.

(iii) 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 the half year financial report.

Notes

continued

2. Segmental Reporting

For the six months ended 30 June 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"). Previously, the Group reported on five operating segments.

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 that 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. The segmental results for the six months ended 30 June 2020 and the year ended 31 December 2020 have been restated to reflect this change. There has been no impact on external revenue for 30 June 2020 or 31 December 2020.

The Group's operating segments are strategic business units that offer different products and services to international oil and gas companies and who undertake exploration and production activities. The Board assesses the performance of the operating segments based on revenue and underlying operating results. Underlying operating result is a profit-based measure and excludes the effects of amortisation of acquired intangible assets and any exceptional items (see note 5). The Directors believe that using the underlying operating result provides a more consistent and comparable measure of the operating segment's performance.

Interest income and expenditure are not allocated to segments, as this type of activity is overseen by the Group's central treasury function, which manages the funding position of the Group.

Inter-segment sales are priced in line with the 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: Due to its size and nature of operations, Hunting Titan's activities are reported separately. Hunting Titan manufactures and distributes a broad range of well completion products and accessories. The segment's products include both integrated and conventional gun systems and hardware, a complete portfolio of shaped charges and other energetics products, addressable and analogue switch technology and electronic instrumentation for certain measurements required in the oil and gas industry. Key products include H-1™ gun systems, ControlFire™ switches, EQUAfrac™ shaped charges, the T-Set™ line of setting tools and the PowerSet family of power charges. The business has manufacturing facilities in the US and Mexico, and is supported by strategically-located distribution centres across North America.

North America: The US 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 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. Although the Canadian segment did not meet the quantitative thresholds required by IFRS 8 for reportable segments, until 2020 this segment was reported separately as it was monitored individually by the Board and the management of the operations was in Canada. Following the change to the Canadian operations during H2 2020, the management of the ongoing business has moved to the US and from 2021 the results have been reported as part of the North American segment. The Group's Canadian business now focuses on OCTG threading, which is subcontracted to facilities who 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.

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. 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 to 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.

2. Segmental Reporting continued

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

	Six months ended 30 June 2021					
	Total segment revenue $m	**Inter-segment revenue $m**	**Total external revenue $m**	**Underlying result $m**	**Amortisation[i] and exceptional items $m**	**Reported result $m**
Hunting Titan	**88.7**	**(2.2)**	**86.5**	**(1.6)**	**(3.5)**	**(5.1)**
North America	**122.2**	**(10.2)**	**112.0**	**(10.4)**	**(1.1)**	**(11.5)**
EMEA	**27.6**	**(0.3)**	**27.3**	**(6.6)**	**0.1**	**(6.5)**
Asia Pacific	**19.1**	**(0.5)**	**18.6**	**(4.4)**	**–**	**(4.4)**
Exceptional item not apportioned to operating segments	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Total from operations	**257.6**	**(13.2)**	**244.4**	**(23.0)**	**(3.5)**	**(26.5)**
Net finance expense				**(1.0)**	**–**	**(1.0)**
Share of associates' post-tax loss				**(1.1)**	**–**	**(1.1)**
Loss before tax from operations				**(25.1)**	**(3.5)**	**(28.6)**

i. Relates to amortisation of acquired intangible assets.

Amortisation and exceptional items by operating segment:

	Six months ended 30 June 2021					
	Hunting Titan $m	**North America $m**	**EMEA $m**	**Asia Pacific $m**	**Unallocated $m**	**Total $m**
Amortisation of acquired intangible assets	**(3.4)**	**(0.9)**	**–**	**–**	**–**	**(4.3)**
Restructuring costs	**(0.1)**	**(1.1)**	**–**	**–**	**–**	**(1.2)**
Reversal of impairments of inventories	**–**	**0.7**	**0.1**	**–**	**–**	**0.8**
Profit on disposal of Canadian assets	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Profit on surrender of lease	**–**	**–**	**–**	**–**	**1.0**	**1.0**
	(3.5)	**(1.1)**	**0.1**	**–**	**1.0**	**(3.5)**

	Restated Six months ended 30 June 2020					
	Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[ii] and exceptional items $m	Reported result $m
Hunting Titan	102.5	(2.5)	100.0	1.7	(116.1)	(114.4)
North America	179.4	(22.1)	157.3	3.6	(51.2)	(47.6)
EMEA	50.9	(0.3)	50.6	(3.1)	(19.9)	(23.0)
Asia Pacific	71.3	(1.5)	69.8	3.5	(2.1)	1.4
Total from operations	404.1	(26.4)	377.7	5.7	(189.3)	(183.6)
Net finance expense				(1.8)	–	(1.8)
Profit (loss) before tax from operations				3.9	(189.3)	(185.4)

ii. Relates to amortisation of acquired intangible assets.

Notes
continued

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued
Amortisation and exceptional items by operating segment:

	Restated Six months ended 30 June 2020 Hunting Titan $m	North America $m	EMEA $m	Asia Pacific $m	Total $m
Amortisation of acquired intangible assets	(11.3)	(1.0)	–	–	(12.3)
Impairments of goodwill	(65.6)	(9.9)	(4.3)	–	(79.8)
Impairments of other intangible assets	(29.7)	(7.0)	(2.5)	–	(39.2)
Impairments of property, plant and equipment	(0.1)	(10.2)	(9.0)	–	(19.3)
Impairments of right-of-use assets	(0.2)	(1.9)	–	–	(2.1)
Impairments of inventories	(7.0)	(20.2)	(4.0)	(2.1)	(33.3)
Impairments of receivables	(1.2)	–	–	–	(1.2)
Restructuring costs	(1.0)	(2.3)	(0.1)	–	(3.4)
Acquisition costs	–	(1.2)	–	–	(1.2)
Remeasurement of contingent consideration on acquisition of Enpro	–	2.5	–	–	2.5
	(116.1)	(51.2)	(19.9)	(2.1)	(189.3)

	Restated Year ended 31 December 2020 Total segment revenue $m	Inter-segment revenue $m	Total external revenue $m	Underlying result $m	Amortisation[iii] 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)

iii. Relates to amortisation of acquired intangible assets.

Amortisation and exceptional items by operating segment:

	Restated Year ended 31 December 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 acquisition of Enpro	–	2.5	–	–	2.5
	(120.4)	(58.5)	(21.9)	(2.8)	(203.6)

2. Segmental Reporting continued

(a) Segment Revenue and Profit continued

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Perforating Systems	**85.8**	97.2	154.5
OCTG	**76.8**	169.2	264.7
Advanced Manufacturing	**29.1**	40.9	74.3
Subsea	**29.6**	33.8	69.8
Intervention Tools	**12.1**	17.0	30.7
Drilling Tools	**–**	6.3	9.9
Other	**11.0**	13.3	22.1
Total	**244.4**	377.7	626.0

Revenue from products is further analysed between:			
Oil and gas	**226.9**	357.6	586.2
Non-oil and gas	**17.5**	20.1	39.8
Total	**244.4**	377.7	626.0

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.

	Six months ended 30 June 2021			
	Revenue from contracts with customers $m	**Rental revenue $m**	**Other revenue $m**	**Total external revenue $m**
Hunting Titan	**86.3**	**0.2**	**–**	**86.5**
North America	**110.2**	**1.0**	**0.8**	**112.0**
EMEA	**26.0**	**1.3**	**–**	**27.3**
Asia Pacific	**18.6**	**–**	**–**	**18.6**
Total	**241.1**	**2.5**	**0.8**	**244.4**

	Restated Six months ended 30 June 2020			
	Revenue from contracts with customers $m	Rental revenue $m	Other revenue $m	Total external revenue $m
Hunting Titan	100.0	–	–	100.0
North America	149.0	7.2	1.1	157.3
EMEA	48.5	2.1	–	50.6
Asia Pacific	69.8	–	–	69.8
Total	367.3	9.3	1.1	377.7

	Restated Year ended 31 December 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.

Notes
continued

4. Other Operating Income

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Operating lease rental income	**0.7**	1.0	1.8
Gain on disposal of property, plant and equipment	**0.3**	0.7	2.8
Gain on disposal of held for sale asset	**0.4**	–	–
Government grants	**0.4**	1.9	3.8
Foreign exchange gains	**0.3**	1.5	1.4
Other income	**0.3**	0.5	0.5
Other operating income before amortisation[i] and exceptional items	**2.4**	5.6	10.3
Other operating income included in amortisation and exceptional items (note 5)	**1.2**	–	0.8
Total	**3.6**	5.6	11.1

i. 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 $0.3m in the six months ended 30 June 2021, $1.8m in the six months ended 30 June 2020 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 the receipt of a Scottish Enterprise grant of $0.1m (six months ended 30 June 2020 – $0.1m; year ended 31 December 2020 – $0.1m) for Enpro. Other government assistance totalled $0.1m in the year ended 31 December 2020.

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

5. Amortisation and Exceptional Items

Due to their size and nature, the following items have been disclosed as "middle column" items in the condensed set of consolidated financial statements:

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Impairments of property, plant and equipment	**–**	14.4	14.8
Reversal of impairments of inventories (note 9(c))	**(0.8)**	–	–
Impairments of inventories	**–**	33.3	34.2
Restructuring costs	**0.9**	1.8	7.7
Charged to cost of sales	**0.1**	49.5	56.7
Profit on disposal of Canadian assets	**(0.2)**	–	(0.8)
Profit on surrender of lease	**(1.0)**	–	–
Credited to other income	**(1.2)**	–	(0.8)
Amortisation of acquired intangible assets	**4.3**	12.3	17.3
Impairments of goodwill	**–**	79.8	79.8
Impairments of other intangible assets	**–**	39.2	39.2
Impairments of property, plant and equipment	**–**	4.9	4.6
Impairments of right-of-use assets	**–**	2.1	4.1
Impairments of receivables	**–**	1.2	1.2
Restructuring costs	**0.3**	1.6	2.6
Acquisition costs	**–**	1.2	1.4
Remeasurment of contingent consideration on Enpro acquisition	**–**	(2.5)	(2.5)
Charged to operating expenses	**4.6**	139.8	147.7
Total amortisation and exceptional items charged to (loss) profit from operations	**3.5**	189.3	203.6
Taxation on amortisation and exceptional items	**1.0**	19.9	16.1
	4.5	209.2	219.7

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.

5. Amortisation and Exceptional Items continued

During the period, a further gain of $0.2m (year ended 31 December 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 period.

Restructuring costs of $1.2m relating to the implementation of cost-base reduction measures, which began in 2020, have been incurred and paid in the period. These have been recognised in the Titan and North America operating segments. 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. During 2020, a US property was reclassified to held-for-sale assets. At 30 June 2020, a $0.5m write-down to the property was recognised in restructuring costs to reflect its expected recoverable amount given the market conditions prevailing at the time. The impairment was reversed in the second half of the year following receipt of new information about its market value. The property was sold in 2021 for $2.2m.

The following items were recognised as exceptional during 2020:

Following a carrying value review, impairments of goodwill, property, plant and equipment, right-of-use assets, other intangible assets and inventories were recognised in the six months to 30 June 2020 and in the year ended 31 December 2020. Details on the 2020 impairments can be found in note 16 of the 2020 Annual Report and Accounts.

Acquisition-related costs that arose on the acquisition of Enpro were charged to operating expenses and were paid in 2020.

The contingent consideration recognised on the acquisition of Enpro had a fair value of $nil at 30 June 2020 and so the amount of $2.5m recognised at the date of the acquisition was reversed. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised at acquisition of $2.5m was released.

6. Taxation

The underlying taxation charge for the six months ended 30 June 2021 has been calculated as follows:

- A weighted average annual tax rate has been applied, where appropriate, in line with IAS 34 methodology. This has been calculated on a jurisdiction basis and the full year forecast jurisdictional average tax rate has been applied to the underlying profit or loss for the period of that jurisdiction.
- Where the weighted average annual tax rate would not provide a reliable estimate of the taxation for the period, we have used a discrete taxation basis, taxing these items in the period on an item-by-item basis. Examples of discrete items in the period are tax rate changes that have been substantively enacted in the first half of the year and prior year adjustments that have crystallised in the first half of the year.

The underlying tax charge for the six months ended 30 June 2021 is $2.1m (six months ended 30 June 2020 – $2.6m charge; year ended 31 December 2020 – $0.9m credit). This reflects an effective tax rate of (8)% (six months ended 30 June 2020 – 67%; year ended 31 December 2020 – 5%) (NGM B). The Group's estimated tax rate ("ETR") is significantly different to that which might be expected from prevailing jurisdictional rates as it is impacted by a mix of profits and losses in different businesses and is distorted when deferred tax is not fully recognised in loss-making jurisdictions.

Amortisation of acquired intangible assets and exceptional items arising in the six months ended 30 June 2021 (detailed in note 5) have been taxed on an item-by-item basis. A tax charge of $1.0m has been included in the condensed consolidated income statement in respect of these items (six months ended 30 June 2020 – $19.9m charge; year ended 31 December 2020 – $16.1m charge). The charges incurred during 2020 primarily reflected the reversal of net deferred tax assets of $22.9m for the six months ended 30 June 2020 and $21.5m for the year ended 31 December 2020. During 2020, Hunting derecognised deferred tax assets for the US businesses as realisation of the tax benefit was not considered probable within a reasonable time frame, except for losses offset to the extent possible against goodwill tax liabilities. The 2020 charge was offset by tax credits associated with the amortisation of acquired intangible assets and exceptional items.

The reported tax charge for the six months ended 30 June 2021 is $3.1m (six months ended 30 June 2020 – $22.5m charge; year ended 31 December 2020 – $15.2m charge).

Legislation to increase the UK standard rate of corporation tax from 19% to 25% from 1 April 2023 was enacted in the period to 30 June 2021. UK deferred tax balances have been calculated at 19% or 25% depending upon when the balance is expected to unwind. The effect of the change in tax rate on the opening UK deferred tax balances has been recognised as a discrete taxation event in the period.

Notes

continued

7. (Loss) Earnings per Share

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

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

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Reported loss attributable to Ordinary shareholders	**(30.5)**	(206.5)	(234.7)
Add: amortisation[i] and exceptional items after taxation	**4.5**	208.0	218.2
Underlying (loss) earnings attributable to Ordinary shareholders	**(26.0)**	1.5	(16.5)
	millions	millions	millions
Basic weighted average number of Ordinary shares	**161.3**	164.2	163.9
Long-term incentive plans	**6.1**	3.9	4.8
Adjusted weighted average number of Ordinary shares	**167.4**	168.1	168.7
	cents	cents	cents
Reported loss per share:			
Basic EPS	**(18.9)**	(125.7)	(143.2)
Diluted EPS[ii]	**(18.9)**	(125.7)	(143.2)
Underlying (loss) earnings per share:			
Basic EPS	**(16.1)**	1.0	(10.0)
Diluted EPS[ii]	**(16.1)**	1.0	(10.0)

i. Relates to amortisation of acquired intangible assets.
ii. For the six months ended 30 June 2021 and 30 June 2020 and the year ended 31 December 2020, the Group reported a loss and so the effect of dilutive share options and long-term incentive plans was anti-dilutive (i.e. they reduced the loss per share) and, therefore, they have not been used to calculate diluted (loss) earnings per share.

8. Non-current Assets – PPE, ROU Assets, Goodwill and Other Intangible Assets

	Property, plant and equipment $m	**Right-of-use assets $m**	**Goodwill $m**	**Other intangible assets $m**
Cost:				
At 1 January 2021	**757.6**	**90.5**	**532.0**	**390.7**
Exchange adjustments	**0.8**	**0.7**	**1.1**	**0.5**
Additions	**3.7**	**0.5**	**–**	**1.1**
Reclassification from inventories (note 12)	**0.1**	**–**	**–**	**–**
Disposals	**(16.1)**	**(26.6)**	**–**	**(0.3)**
Modifications	**–**	**0.6**	**–**	**–**
At 30 June 2021	**746.1**	**65.7**	**533.1**	**392.0**
Accumulated depreciation and impairment:				
At 1 January 2021	**450.5**	**60.7**	**367.8**	**347.8**
Exchange adjustments	**0.5**	**0.6**	**0.9**	**0.3**
Charge for the year	**14.5**	**3.4**	**–**	**5.8**
Disposals	**(14.4)**	**(25.5)**	**–**	**(0.3)**
At 30 June 2021	**451.1**	**39.2**	**368.7**	**353.6**
Net book amount at 30 June 2021	**295.0**	**26.5**	**164.4**	**38.4**

8. Non-current Assets – PPE, ROU Assets, Goodwill and Other Intangible Assets continued

(a) Property, Plant and Equipment

Additions to property plant and equipment include $1.1m for land and buildings, $1.9m for plant, machinery and motor vehicles, $0.4m for oil and gas exploration and development and $0.3m for rental tools.

Group capital expenditure committed for the purchase of property, plant and equipment, but not provided for at 30 June 2021, amounted to $0.7m (30 June 2020 – $1.9m; at 31 December 2020 – $0.6m).

In accordance with the requirements of the Group's committed bank facility, security has been granted over specific properties, plant and equipment in the UK and US, which have a carrying value of $194.1m (six months ended 30 June 2020 – $205.2m; year ended 31 December 2020 – $200.6m).

(b) Right-of-use Assets

On 19 April 2021, the lease on one of the Group's UK properties was surrendered and the corresponding right-of-use asset was derecognised. 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 and has been recognised as an exceptional item (note 5).

(c) Goodwill

Hunting Titan represents 70% of the goodwill balance at 30 June 2021 (30 June 2020 – 71%; 31 December 2020 – 70%).

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

CGU	Operating segment	**At 30 June 2021 $m**	At 30 June 2020 $m	At 31 December 2020 $m
Hunting Titan	Titan	**115.0**	114.9	114.9
Hunting Stafford "Subsea"	North America	**15.0**	15.0	15.0
Enpro	North America	**14.3**	12.8	14.2
Dearborn	North America	**7.6**	7.6	7.6
US Manufacturing	North America	**12.5**	12.5	12.5
Total		**164.4**	162.8	164.2

(d) Other Intangible Assets

During the first six months of 2021, amortisation charges of $4.3m on intangible assets arising on business acquisitions were recognised as "middle column" items (note 5) and amortisation of $1.5m on purchased intangible assets was recognised in underlying results.

9. Impairment of Non-financial Assets

(a) Indicators of Impairment and Updated Impairment Tests

In the six months to 30 June 2020, impairments of $140.4m were charged in respect of non-current assets. This charge slightly increased to $142.5m in the full year to 31 December 2020. In preparing the 30 June 2021 condensed consolidated financial statement, Hunting has considered whether any indicators of impairment exist, in particular considering those CGUs that were considered sensitive in the 2020 Annual Report and Accounts (as disclosed in note 16). From 31 December 2020 to 30 June 2021, WTI oil prices increased by 51%, which was more than anticipated at the time of our projections. Market expectations have generally improved from this time, in particular US onshore. Management has reviewed performance of our business units and considered the impact for those businesses whose performance is below the projections used to support the impairment calculations. Management has concluded that no further impairment is required and that there has been no material change in the sensitivities disclosed in the 2020 Annual Report and Accounts.

Management has also considered whether any reversal of impairment is appropriate and have concluded that no reversal is required. 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 in any case.

(b) 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 ("FVLCD") 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 the asset or the group of assets are aggregated into a CGU and tested.

(c) Impairment Tests for Inventory

Certain inventory has been written down to its net realisable value due to the reduced movement in inventories, lower oil and gas prices reducing demand and inventory selling prices being lowered. A net impairment credit of $2.0m (note 12) was recognised in the period, with the reversal of inventory provisions of $0.8m credited to exceptional items (note 5), where the charge was previously recognised in exceptional items.

Notes
continued

10. Investments

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Non-current:			
Unlisted investment – Well Data Labs	**2.6**	–	–
Listed equity investments and mutual funds	**1.8**	1.6	1.7
	4.4	1.6	1.7

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Current:			
Unlisted investment – Fixed Term Funds	**16.1**	–	–
Deposits greater than 90 days	**6.9**	–	–
	23.0	–	–

(a) Well Data Labs
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 processing.

(b) Fixed Term Funds and Deposits Greater than 90 Days
During the six months to 30 June 2021, the treasury function invested surplus cash in deposits with a notice period of 95 days and Fixed Term Funds ("FTFs") with various financial institutions, in line with its cash management and investment policies (see note 14(a)(ii)).

11. Trade and Other Receivables

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Non-current:			
Prepayments	**1.6**	2.7	1.7
Other receivables	**0.7**	0.6	0.3
	2.3	3.3	2.0

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Current:			
Contract assets	**11.9**	9.4	9.8
Trade receivables	**109.6**	140.5	111.4
Accrued revenue	**3.6**	8.1	3.2
Gross receivables	**125.1**	158.0	124.4
Less: provision for impairment	**(4.7)**	(5.8)	(4.5)
Net receivables	**120.4**	152.2	119.9
Prepayments	**12.3**	14.1	13.1
Loan note	**–**	0.9	0.6
Other receivables	**2.9**	6.4	2.7
	135.6	173.6	136.3

In accordance with the requirements of the Group's committed bank facility, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of $90.6m (six months ended 30 June 2020 – $106.8m; year ended 31 December 2020 – $84.3m).

12. Inventories

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Raw materials	**93.9**	123.7	101.6
Work in progress	**44.1**	59.1	50.9
Finished goods	**161.6**	202.3	173.1
Gross inventories	**299.6**	385.1	325.6
Less: provision for losses	**(32.3)**	(54.0)	(37.2)
Net inventories	**267.3**	331.1	288.4

The Group's inventory is highly durable and is well maintained. Therefore, it can hold its value well with the passing of time. When volume demand falls, or prices are reduced, management has to assess whether the carrying value of inventory can still be achieved. For some markets and product lines there may be a limited number, or even no sales, to form a benchmark in the current year. In these cases, management looks at historical activity levels and has to form a judgement as to likely future demand in the light of market forecasts and likely competitor activities. Management has considered the judgements and estimates made in each of the Group's businesses and has not identified any individual estimates, which, in the event of a change, would lead to a material change in the next financial period, except for our key estimate regarding pressure control equipment provisions as disclosed in note 1.

Because of such judgements, the net inventory balance comprises $205.6m of inventory carried at cost (30 June 2020 – $289.8m; 31 December 2020 – $240.6m) and $61.7m carried at net realisable value ("NRV"), which represents 23% of net inventories (30 June 2020 – $41.3m at NRV representing 12% of net inventories; 31 December 2020 – $47.8m at NRV representing 17% of net inventories). Provisions for inventories held at NRV are subject to change if expectations change.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**325.6**	377.3	377.3
Foreign exchange	**0.6**	0.8	4.8
Inventory additions	**175.5**	260.5	465.7
Expensed to cost of sales in the consolidated income statement	**(198.9)**	(248.5)	(505.7)
Provision utilised against inventories written off	**(3.1)**	(5.5)	(14.9)
Reclassification to PPE (note 8)	**(0.1)**	(0.2)	(0.6)
Acquisitions	**–**	0.7	0.7
Disposals	**–**	–	(1.7)
Gross inventories	**299.6**	385.1	325.6

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**(37.2)**	(26.5)	(26.5)
Foreign exchange	**(0.2)**	0.6	(0.2)
Charge to the consolidated income statement	**(1.8)**	(35.0)	(37.4)
Provision utilised against inventories written off	**3.1**	5.5	14.9
Provisions released to the consolidated income statement	**3.8**	1.4	12.0
Provision for losses	**(32.3)**	(54.0)	(37.2)

The reversal of previous write-downs occurred when inventory was sold for an amount higher than its net realisable value and where older inventories, which had previously been written off, were sold as market conditions improved in the oil and gas sector. Overall, Hunting's provision for inventory losses has remained constant at 11% (31 December 2020 – 11%) of gross inventory balances at 30 June 2021 following the downturn and slow recovery in the oil and gas sector.

In accordance with the requirements of the Group's committed bank facility, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of $190.9m (six months ended 30 June 2020 – $246.3m; year ended 31 December 2020 – $198.2m).

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13. Changes in Net Cash (Debt)

Hunting operates a centralised treasury function that manages all cash and loan positions throughout the Group and ensures funds are used efficiently through the use of cash concentration account structures and other such measures. Total cash and bank balance is a non-GAAP measure and is a key metric for management and for the Group treasury function, which monitors this balance on a daily basis and reviews weekly forecasts to ensure the business has sufficient liquidity to meet business requirements and to determine if the Group will need to draw down on its RCF. As the Group manages funding on a total cash and bank basis, internal reporting focuses on changes in total cash and bank and this is presented in the Management Report. Total cash and bank comprises cash and cash equivalents (analysed in the condensed consolidated statement of cash flows) plus current investments of surplus cash funds. 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 movement on lease liabilities[i] $m	Exchange movements $m	At 30 June 2021 $m
Cash and cash equivalents	**102.9**	**(19.7)**	**–**	**0.2**	**83.4**
Bank overdrafts	**(1.2)**	**0.5**	**–**	**–**	**(0.7)**
Cash and cash equivalents – per condensed consolidated statement of cash flows	**101.7**	**(19.2)**	**–**	**0.2**	**82.7**
Current unlisted investments – Fixed Term Funds	**–**	**16.1**	**–**	**–**	**16.1**
Deposits greater than 90 days	**–**	**6.9**	**–**	**–**	**6.9**
Investment of surplus cash funds	**–**	**23.0**	**–**	**–**	**23.0**
Total lease liabilities[ii]	**(40.3)**	**6.2**	**0.1**	**(0.2)**	**(34.2)**
Shareholder loan from non-controlling interest	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Liabilities arising from financing activities	**(44.2)**	**6.2**	**0.1**	**(0.2)**	**(38.1)**
Total net cash (debt)	**57.5**	**10.0**	**0.1**	**–**	**67.6**
Analysed between:					
Total cash and bank	**101.7**	**3.8**	**–**	**0.2**	**105.7**
Total lease liabilities	**(40.3)**	**6.2**	**0.1**	**(0.2)**	**(34.2)**
Shareholder loan from non-controlling interest	**(3.9)**	**–**	**–**	**–**	**(3.9)**
Total net cash (debt)	**57.5**	**10.0**	**0.1**	**–**	**67.6**

i. Non-cash movements on lease liabilities comprise new leases of $0.5m, lease modifications of $0.6m and interest expense of $0.8m offset by disposals of $2.0m.
ii. On 19 April 2021, the lease and the sub-lease on a leased property in the UK were surrendered. A final payment of $1.3m was made to settle the lease (note 5).

Loan facility fees are capitalised and are included in prepayments. During the period ended 30 June 2021, $0.2m loan facility fees were amortised.

13. Changes in Net Cash (Debt) continued

	At 1 January 2020 $m	Cash flow $m	Non-cash movement on lease liabilities[iii] $m	Exchange and other movements $m	At 30 June 2020 $m
Cash and cash equivalents	128.6	(74.4)	–	(4.0)	50.2
Bank overdrafts	(1.6)	0.2	–	–	(1.4)
Cash and cash equivalents – per condensed consolidated statement of cash flows	127.0	(74.2)	–	(4.0)	48.8
Total lease liabilities	(45.2)	6.0	(1.5)	1.3	(39.4)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Liabilities arising from financing activities	(49.1)	6.0	(1.5)	1.3	(43.3)
Total net cash (debt)	77.9	(68.2)	(1.5)	(2.7)	5.5
Analysed between:					
Total cash and bank	127.0	(74.2)	–	(4.0)	48.8
Total lease liabilities	(45.2)	6.0	(1.5)	1.3	(39.4)
Shareholder loan from non-controlling interest	(3.9)	–	–	–	(3.9)
Total net cash (debt)	77.9	(68.2)	(1.5)	(2.7)	5.5

iii. Non-cash movements on lease liabilities comprise new leases of $1.4m, interest expense of $1.0m and new leases from the acquisition of Enpro of $0.3m, offset by lease modifications of $1.0m and other adjustments of $0.2m.

Loan facility fees are capitalised and are included in prepayments. During the period ended 30 June 2020, $0.2m of loan facility fees were amortised.

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

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

Loan facility fees are capitalised and are included in prepayments. During the year ended 31 December 2020, $0.5m of loan facility fees were amortised.

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continued

14. Financial Risk Management

The Group's activities expose it to a variety of financial risks, namely market risk (including currency risk, fair value interest rate risk and cash flow interest risk), credit risk and liquidity risk. The Group's risk management strategy seeks to mitigate potential adverse effects on its financial performance. As part of its strategy, both primary and derivative financial instruments are used to hedge certain risk exposures. The condensed set of consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's 2020 Annual Report and Accounts.

(a) 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 a $160m Revolving Credit Facility ("RCF") that is due to mature in December 2022, with provisions to extend for a further one year to December 2023 based on mutual agreement between all parties. Security is granted over certain properties, plant and equipment, receivables and inventory. The carrying amounts of the assets pledged as security is discussed in notes 8, 11 and 12. At 30 June 2021, the Group had generated a cumulative negative EBITDA in the preceding 12 months for covenant testing purposes. Therefore, despite having total cash and bank balances of $105.7m, and consequently no loans outstanding under the RCF, the calculation of the financial charge cover covenant would technically result in a failure. However, the Group has obtained a waiver from its lender banks related to this requirement meaning that no technical covenant infringement has occurred for the 12 month measurement period to 30 June 2021. This does, however, mean that the RCF facility of $160.0m cannot be accessed until the Group's financial position improves with respect to this covenant or unless the agreement with the banks is amended. In our Going Concern assessment in note 1, the Directors consider the likelihood that the Group will require external funding in the next 12 months is remote.

The Group's undrawn borrowing facilities were as follows:

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Secured committed facilities – RCF	**160.0**	160.0	160.0
Secured uncommitted facilities	**4.2**	3.9	4.2
	164.2	163.9	164.2

(ii) Management of Cash

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

The treasury function seeks to centralise surplus cash balances to ensure that funds are managed in the best interests of the Group. 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.

During the six months to 30 June 2021, 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 period end, the Group held $16.1m (30 June 2020 – $nil; 31 December 2020 – $nil) in FTFs and held $6.9m (30 June 2020 – $nil; 31 December 2020 – $nil) in deposits with a maturity greater than 90 days, which have been classified as current investments on the balance sheet (note 10). The fair value gains recognised on the FTFs and the interest earned on the deposits during the period are immaterial and have been included in finance income.

14. Financial Risk Management continued

(b) Credit Risk

The Group's credit risk continues to arise from its cash at bank and in hand, money market funds, short-term deposits, investments, derivative financial instruments, the loan note, accrued revenue, outstanding receivables and contract assets.

(i) Financial Assets

At 30 June 2021, the ageing of the Group's gross financial assets, based on days overdue, was 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 at 30 June 2021 $m
Trade receivables – contracts with customers	**52.4**	**20.4**	**13.0**	**4.8**	**6.4**	**11.0**	**108.0**
Trade receivables – rental receivables	**0.3**	**0.3**	**–**	**0.3**	**0.1**	**0.4**	**1.4**
Trade receivables – other	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
Total trade receivables	**52.9**	**20.7**	**13.0**	**5.1**	**6.5**	**11.4**	**109.6**
Contract assets	**11.9**	**–**	**–**	**–**	**–**	**–**	**11.9**
Accrued revenue – contracts with customers	**3.6**	**–**	**–**	**–**	**–**	**–**	**3.6**
Other receivables	**2.2**	**0.1**	**–**	**–**	**–**	**–**	**2.3**
	70.6	**20.8**	**13.0**	**5.1**	**6.5**	**11.4**	**127.4**

Since the year end 31 December 2020, the ageing of receivables has remained static, with trade receivables not overdue at 30 June 2021 comprising 48% of gross trade receivables (48% – 31 December 2020).

At 30 June 2020, the ageing of the Group's gross financial assets, based on days overdue, was 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 at 30 June 2020 $m
Trade receivables – contracts with customers	54.0	23.2	15.8	11.5	19.4	8.3	132.2
Trade receivables – rental receivables	3.3	1.4	1.3	1.0	0.1	1.0	8.1
Trade receivables – other	0.2	–	–	–	–	–	0.2
Total trade receivables	57.5	24.6	17.1	12.5	19.5	9.3	140.5
Contract assets	9.4	–	–	–	–	–	9.4
Accrued revenue – contracts with customers	7.9	–	–	–	–	–	7.9
Accrued revenue – rental receivables	0.2	–	–	–	–	–	0.2
Loan note	0.9	–	–	–	–	–	0.9
Other receivables	2.0	0.1	–	–	–	0.3	2.4
	77.9	24.7	17.1	12.5	19.5	9.6	161.3

Notes
continued

14. Financial Risk Management continued

(b) Credit Risk continued
At 31 December 2020, the ageing of the Group's gross financial assets, based on days overdue, was 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 at 31 December 2020 $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

(ii) Provision for Impairment – Trade and Other Receivables
During the period, the following gains and losses were recognised in profit or loss in relation to impaired financial assets:

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
At 1 January	**(4.5)**	(3.9)	(3.9)
Charge to the consolidated income statement – lifetime expected credit losses	**(0.6)**	(2.2)	(2.5)
Unused provisions released to the consolidated income statement	**0.4**	0.3	0.7
Utilised against receivables written off	**–**	–	1.2
	(4.7)	(5.8)	(4.5)

Following the global economic downturn in 2020, the provision for the impairment of trade and other receivables has increased in 2021 by $0.2m to $4.7m at 30 June 2021. Debtors will continue to face cash flow difficulties in the coming months; however trading conditions are beginning to stabilise with some signs of improvement in the oil and gas sector.

During 2020, $1.2m of the above net impairment losses charged to the condensed consolidated income statement were shown as an exceptional item. As any unused provision is released to the condensed consolidated income statement, the release will be shown in exceptional items if the original charge was taken to exceptional items. During 2021, $nil has been shown in exceptional items (note 5).

15. Financial Instruments: Fair Values

(a) Fair Value Hierarchy
The Group's net financial assets and liabilities that are measured and recognised at fair value at the period end are $27.6m (30 June 2020 – $2.3m; 31 December 2020 – $1.2m), with $24.8m categorised in Level 1 of the fair value hierarchy, $0.2m in Level 2 and $2.6m in Level 3. There were no transfers between levels of the fair value hierarchy used in the measurement of the fair values of the financial instruments.

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

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

The fair value of Fixed Term Funds ("FTFs"), deposits greater than 90 days 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 FTFs, deposits greater than 90 days and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurements are categorised in Level 1 of the fair value hierarchy. Fair value gains on the listed investments and mutual funds of $0.1m have been recognised in finance income in the period and are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

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. 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 at the balance sheet date.

15. Financial Instruments: Fair Values continued

(b) Valuation Techniques used to Determine Fair Values

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. Net fair value gains of $0.9m have been recognised in the condensed consolidated income statement in the period for derivatives not designated in a hedge, with $0.1m fair value losses in operating expense and $1.0m fair value gains in net finance expense. For derivatives designated in a cash flow hedge, immaterial fair value losses have been recognised in equity.

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. The fair value at 30 June 2021 is $2.6m, comprising the fair value at the date of acquisition of $2.5m and the fair value gains recognised in finance income during the period of $0.1m. Due to unobservable inputs used in the valuation, the fair value calculated is a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13. The fair value gains of $0.1m are unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

During 2020, the contingent consideration recognised on the acquisition of Enpro of $2.5m was estimated by calculating the present value of the future expected cash flows using the income approach and appropriate discount rates. The expected cash flows were based on probabilities of achieving a required threshold for an adjusted EBITDA measure (as defined in the purchase and sale agreement) in the 2020 financial year. The fair value calculated was a Level 3 measurement as per the fair value hierarchy as defined within IFRS 13 due to unobservable inputs used in the valuation. The contingent consideration had a fair value of $nil at 30 June 2020 and so the amount of $2.5m recognised at the date of the acquisition was reversed. At 31 December 2020, the required EBITDA threshold was not achieved and the contingent consideration recognised at acquisition of $2.5m was released. The remeasurement was recognised in the consolidated income statement as an exceptional credit to operating expenses (see note 5).

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. At 30 June 2020, a $0.5m write-down to the property was recognised as an exceptional item in restructuring costs (see note 5) to reflect its expected recoverable amount given the market conditions prevailing at the time. The impairment was reversed in the second half of the year following receipt of new information about its market value. The 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 resulting fair value estimate for the held-for-sale property was included in Level 3 of the fair value hierarchy.

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

Due to their short-term nature, the carrying value of contract assets, trade receivables, accrued revenue, other receivables, cash and cash equivalents, trade payables, accruals and other payables considered to be financial liabilities, bank overdrafts and other unsecured loans approximates their fair value.

The Group also has lease liabilities of $34.2m (30 June 2020 – $39.4m; 31 December 2020 – $40.3m), which are not measured at fair value, in the condensed 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. There is no expectation that the lease liabilities will be disposed of in the future.

16. Dividends Paid to Hunting PLC Shareholders

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Year ended 31 December 2020 $m
Ordinary dividends:			
2020 final dividend paid – 4.0c	**6.4**	–	–
2020 second interim dividend paid – 2.0c	**–**	–	3.3
2020 first interim dividend paid – 3.0c (paid in place of the proposed 2019 final dividend of 6.0c)	**–**	4.9	4.9
	6.4	4.9	8.2

The Board declared and paid a final dividend of 4.0 cents for 2020 on 14 May 2021. The Board is declaring an interim dividend of 4.0 cents per share, which will absorb an estimated $6.5m, and be paid on 29 October 2021 to shareholders on the register at the close of business on 8 October 2021. The ex-dividend date is 7 October 2021.

Notes
continued

17. 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.

The Group has recently been notified of a warranty claim as a result of a corporate transaction. The claim is in relation to the transfer of assets, and their condition, as part of the agreement. The Group believes that it has, in good faith, complied with the terms of the agreement. The Group is in the early stages of discussions with the claimant and legal counsel and, based on the current position, has not identified that a material outflow is probable. Although management believes the risk of a material outflow is very low, management does not have sufficient evidence to establish that the risk of a material settlement is remote or to make a reliable estimate of the potential financial impact that may arise.

18. Events After the Balance Sheet Date

(a) Investment in Cumberland Additive Holdings, LLC
The Group has acquired a 27% interest in the equity shares of Cumberland Additive Holdings, LLC ("CAH") in August 2021 for $5.0m cash. CAH offers engineering design services and production of parts via additive manufacturing in both metals and polymer materials using power bed fusion technology. CAH holds AS9100D and ITAR accreditations, which supports customers in the aerospace, defence, space, oil and gas and energy sectors that demand strongly quality-assured components, which operate in high performance operating environments.

(b) Waiver Letter
At 30 June 2021, the Group had generated a cumulative negative EBITDA in the preceding 12 months for bank covenant testing purposes. Therefore, despite having total cash and bank balances of $105.7m and not having made any drawdowns under the RCF, the calculation of the financial charge cover covenant would technically result in a failure. However, the Group has obtained a waiver letter from its lender banks in relation to this requirement, meaning that no covenant infringement has occurred for the 12 month measurement period to 30 June 2021, see note 14(a)(i).

Non-GAAP Measures

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. Underlying profitability measures are presented excluding amortisation of acquired intangible assets and exceptional items as this provides both management and investors with useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next and with similar businesses. 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 5.

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.

This condensed set of consolidated financial statements do not include all NGMs of the Group; this section should be read in conjunction with the Group's 2020 Annual Report and Accounts.

The definition of each NGM presented in this report is shown below.

A. EBITDA
Purpose: This profit measure is used as a simple proxy for pre-tax cash flows from operating activities.

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Reported loss from operations (condensed consolidated income statement)	**(26.5)**	(183.6)	(36.4)	(220.0)
Add:				
Depreciation of property, plant and equipment (note 8)	**14.5**	16.5	15.6	32.1
Depreciation of right-of-use assets (note 8)	**3.4**	3.8	3.7	7.5
Reversal of impairment of right-of-use assets	**–**	–	(0.6)	(0.6)
Non-exceptional amortisation of other intangible assets (note 8(d))	**1.5**	2.4	1.1	3.5
Non-exceptional amortisation, depreciation and impairment	**19.4**	22.7	19.8	42.5
Amortisation of acquired intangible assets and exceptional items (note 5)	**3.5**	189.3	14.3	203.6
Underlying EBITDA	**(3.6)**	28.4	(2.3)	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) profit before tax divided by underlying (loss) profit before tax, expressed as a percentage.

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Underlying taxation charge (credit) – condensed consolidated income statement	**2.1**	2.6	(3.5)	(0.9)
Underlying (loss) profit before tax for the year – condensed consolidated income statement	**(25.1)**	3.9	(23.3)	(19.4)
Underlying tax rate	**(8)%**	67%	15%	5%

Non-GAAP Measures

continued

C. Working Capital

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

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

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Trade and other receivables – non-current (note 11)	**2.3**	3.3	2.0
Trade and other receivables – current (note 11)	**135.6**	173.6	136.3
Inventories (note 12)	**267.3**	331.1	288.4
Trade and other payables – non-current	**(2.7)**	(2.9)	(2.4)
Trade and other payables – current	**(69.0)**	(76.7)	(67.9)
Add: non-working capital US deferred compensation plan obligation	**1.8**	1.6	1.7
(Less) add: non-working capital current other receivables and other payables	**(0.6)**	(0.3)	0.2
	334.7	429.7	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 period end divided by underlying cost of sales for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Inventories (note 12)	**267.3**	331.1	288.4
Underlying cost of sales for the last three months of the period	**97.4**	121.5	98.4
Inventory days	**250 days**	248 days	270 days

E. 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 period end divided by revenue for the last three months of the period multiplied by the number of days in the last quarter, adjusted for the impact of acquisitions and disposals when applicable.

	At 30 June 2021 $m	At 30 June 2020 $m	At 31 December 2020 $m
Net trade receivables	**104.9**	134.7	106.9
Contract assets	**11.9**	9.4	9.8
Accrued revenue	**3.6**	8.1	3.2
Net receivables (note 11)	**120.4**	152.2	119.9
Revenue for the last three months of the period	**123.1**	150.2	119.3
Trade receivables days	**89 days**	92 days	92 days

F. Cash Flow Working Capital Movements

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Working capital – opening balance	**358.3**	433.3	429.7	433.3
Foreign exchange	**0.1**	1.1	(1.1)	–
Exceptional items impacting working capital:				
Impairments of inventories	**–**	(33.3)	(0.9)	(34.2)
Reversal of impairments of inventories	**0.8**	–	–	–
Impairments of receivables	**–**	(1.2)	–	(1.2)
Profit on disposal of Canadian assets	**–**	–	0.6	0.6
Acquisition	**–**	0.5	–	0.5
Disposal of business	**–**	–	(2.7)	(2.7)
Adjustments:				
Transfer to property, plant and equipment (note 8)	**(0.1)**	(0.3)	(0.3)	(0.6)
Capital investment debtors/creditors cash flows	**(0.1)**	(0.3)	0.2	(0.1)
Asset disposals debtors/creditors cash flows	**-**	–	1.7	1.7
Other non-cash flow movements	**(0.1)**	0.1	(0.1)	–
Other cash flow movement	**(0.2)**	(1.4)	1.2	(0.2)
Working capital – closing balance (NGM C)	**(334.7)**	(429.7)	(358.3)	(358.3)
Cash flow	**24.0**	(31.2)	70.0	38.8

G. Free Cash Flow

Purpose: Free cash flow is a measure of financial performance and represents the cash that the Group is able to generate. Free cash flow represents the amount of cash the Group has available to either retain for investment, whether organic or by way of acquisition, or to return to shareholders.

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

	Six months ended 30 June 2021 $m	Six months ended 30 June 2020 $m	Six months ended 31 December 2020 $m	Year ended 31 December 2020 $m
Underlying EBITDA (NGM A)	**(3.6)**	28.4	(2.3)	26.1
Add: share-based payment charge	**5.1**	4.9	4.1	9.0
	1.5	33.3	1.8	35.1
Working capital movements (NGM F)	**24.0**	(31.2)	70.0	38.8
Net tax received (paid) – condensed consolidated statement of cash flows	**1.1**	(6.0)	1.0	(5.0)
Proceeds from business and asset disposals – condensed consolidated statement of cash flows	**4.4**	2.2	1.7	3.9
Net gains on business and asset disposals	**(0.7)**	(1.0)	(1.4)	(2.4)
Lease payments	**(6.2)**	(6.0)	(4.4)	(10.4)
Restructuring costs	**(1.2)**	(2.4)	(8.3)	(10.7)
Other operating cash and non-cash movements	**(0.5)**	(0.3)	(1.2)	(1.5)
	22.4	(11.4)	59.2	47.8

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