

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June 2019			Unaudited Six months ended 30 June 2018 ⁱ		
		Before Amortisation ⁱⁱ and exceptional items \$m	Amortisation ⁱⁱ and exceptional items (note 4) \$m	Total \$m	Before Amortisation ⁱⁱ and exceptional items \$m	Amortisation ⁱⁱ and exceptional items (note 4) \$m	Total \$m
Revenue	2,3	508.9	–	508.9	442.8	–	442.8
Cost of sales		(363.3)	–	(363.3)	(305.5)	–	(305.5)
Gross profit		145.6	–	145.6	137.3	–	137.3
Other operating income		6.4	–	6.4	4.3	–	4.3
Operating expenses		(96.4)	(14.5)	(110.9)	(88.1)	(14.6)	(102.7)
Profit (loss) from operations	2	55.6	(14.5)	41.1	53.5	(14.6)	38.9
Finance income		1.7	–	1.7	1.3	–	1.3
Finance expense		(2.7)	–	(2.7)	(2.2)	–	(2.2)
Profit (loss) before tax from operations		54.6	(14.5)	40.1	52.6	(14.6)	38.0
Taxation	5	(13.3)	3.6	(9.7)	(10.9)	3.6	(7.3)
Profit (loss) for the period		41.3	(10.9)	30.4	41.7	(11.0)	30.7
Profit (loss) attributable to:							
Owners of the parent		40.7	(10.9)	29.8	42.8	(10.2)	32.6
Non-controlling interests		0.6	–	0.6	(1.1)	(0.8)	(1.9)
		41.3	(10.9)	30.4	41.7	(11.0)	30.7
Earnings per share:		cents		cents	cents		cents
Basic	6	24.6		18.0	26.1		19.9
Diluted	6	23.6		17.3	25.0		19.1

- i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 17.
- ii. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The notes on pages 16 to 30 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Income Statement continued

	Notes	Audited		Total \$m
		Year ended 31 December 2018 ⁱ		
		Before amortisation ⁱⁱ and exceptional items \$m	Amortisation ⁱⁱ and exceptional items (note 4) \$m	
Revenue	2,3	911.4	–	911.4
Cost of sales		(636.3)	–	(636.3)
Gross profit		275.1	–	275.1
Other operating income		7.8	–	7.8
Operating expenses		(178.2)	(29.3)	(207.5)
Profit (loss) from operations	2	104.7	(29.3)	75.4
Finance income		2.6	–	2.6
Finance expense		(3.3)	–	(3.3)
Profit (loss) before tax from operations		104.0	(29.3)	74.7
Taxation	5	(22.0)	33.0	11.0
Profit for the year		82.0	3.7	85.7
Profit attributable to:				
Owners of the parent		84.8	4.5	89.3
Non-controlling interests		(2.8)	(0.8)	(3.6)
		82.0	3.7	85.7
Earnings per share:				
			cents	cents
Basic	6	51.6		54.4
Diluted	6	49.6		52.3

- i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The impact of implementing IFRS 16 can be seen in note 17.
- ii. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June 2019 \$m	Unaudited Six months ended 30 June 2018 \$m	Audited Year ended 31 December 2018 \$m
Comprehensive income:			
Profit for the period	30.4	30.7	85.7
Components of other comprehensive income (expense) after tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange adjustments	1.0	(4.5)	(8.4)
Fair value gains and losses			
– (losses) gains originating on net investment hedges arising during the period	(0.4)	0.7	–
– gains originating on cash flow hedges arising during the period	–	0.1	0.2
	0.6	(3.7)	(8.2)
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit pension schemes	(0.2)	0.8	1.5
Other comprehensive income (expense) after tax	0.4	(2.9)	(6.7)
Total comprehensive income for the period	30.8	27.8	79.0
Total comprehensive income (expense) attributable to:			
Owners of the parent	30.2	30.2	83.8
Non-controlling interests	0.6	(2.4)	(4.8)
	30.8	27.8	79.0

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 2019 \$m	Unaudited As at 30 June 2018 ⁱ \$m	Audited At 31 December 2018 ⁱ \$m
ASSETS				
Non-current assets				
Property, plant and equipment	7,9	362.0	365.3	360.2
Right-of-use assets	8,9	39.6	–	–
Goodwill	9	230.0	230.1	229.9
Other intangible assets	10	85.9	111.0	99.8
Deferred tax assets		22.7	4.5	26.0
Trade and other receivables	11	3.3	2.4	3.5
Investments		2.7	2.4	2.4
		746.2	715.7	721.8
Current assets				
Inventories	12	336.6	322.4	348.2
Trade and other receivables	11	263.4	217.4	231.0
Cash and cash equivalents		87.4	45.3	67.9
Current tax assets		0.1	1.1	0.1
Retirement benefit assets		–	18.2	–
		687.5	604.4	647.2
LIABILITIES				
Current liabilities				
Trade and other payables		139.2	128.6	140.9
Current tax liabilities		12.1	6.2	11.2
Lease liabilities		10.0	–	–
Borrowings		3.0	2.4	2.7
Provisions		2.6	6.5	4.7
		166.9	143.7	159.5
Net current assets		520.6	460.7	487.7
Non-current liabilities				
Lease liabilities		37.1	–	–
Provisions		5.6	10.5	9.5
Trade and other payables		4.6	3.8	3.8
Borrowings		3.9	3.9	3.9
Deferred tax liabilities		1.3	11.7	1.2
		52.5	29.9	18.4
Net assets		1,214.3	1,146.5	1,191.1
Equity attributable to owners of the parent				
Share capital		67.3	66.7	66.7
Share premium		153.0	153.0	153.0
Other components of equity		63.2	85.3	75.8
Retained earnings		916.4	825.1	881.6
		1,199.9	1,130.1	1,177.1
Non-controlling interests		14.4	16.4	14.0
Total equity		1,214.3	1,146.5	1,191.1

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2019						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2018 as previously reported	66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1
Adjustment on adoption of IFRS 16 (note 17)	–	–	–	(0.6)	(0.6)	(0.2)	(0.8)
At 1 January 2019 restated	66.7	153.0	75.8	881.0	1,176.5	13.8	1,190.3
Profit for the period	–	–	–	29.8	29.8	0.6	30.4
Other comprehensive income (expense)	–	–	0.6	(0.2)	0.4	–	0.4
Total comprehensive income (expense)	–	–	0.6	29.6	30.2	0.6	30.8
Dividends to equity shareholders (note 13)	–	–	–	(8.3)	(8.3)	–	(8.3)
Shares issued							
– share option schemes and awards	0.6	–	–	–	0.6	–	0.6
Treasury shares							
– purchase of treasury shares	–	–	–	(4.9)	(4.9)	–	(4.9)
Share options and awards							
– value of employee services	–	–	6.6	–	6.6	–	6.6
– discharge	–	–	(11.5)	10.7	(0.8)	–	(0.8)
– taxation	–	–	–	–	–	–	–
Transfer between reserves ⁱ	–	–	(8.3)	8.3	–	–	–
Total transactions with owners	0.6	–	(13.2)	5.8	(6.8)	–	(6.8)
At 30 June 2019	67.3	153.0	63.2	916.4	1,199.9	14.4	1,214.3

i. \$8.3m 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 2018						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2017 as previously reported	66.4	153.0	91.7	780.6	1,091.7	18.8	1,110.5
Adjustment on adoption of IFRS 15	–	–	–	1.6	1.6	–	1.6
At 31 December 2017 restated	66.4	153.0	91.7	782.2	1,093.3	18.8	1,112.1
Adjustment on adoption of IFRS 9	–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2018 restated	66.4	153.0	91.7	782.0	1,093.1	18.8	1,111.9
Profit (loss) for the period	–	–	–	32.6	32.6	(1.9)	30.7
Other comprehensive (expense) income	–	–	(3.2)	0.8	(2.4)	(0.5)	(2.9)
Total comprehensive (expense) income	–	–	(3.2)	33.4	30.2	(2.4)	27.8
Shares issued							
– share option schemes and awards	0.3	–	–	–	0.3	–	0.3
Share options and awards							
– value of employee services	–	–	7.0	–	7.0	–	7.0
– discharge	–	–	(10.2)	9.7	(0.5)	–	(0.5)
Total transactions with owners	0.3	–	(3.2)	9.7	6.8	–	6.8
At 30 June 2018	66.7	153.0	85.3	825.1	1,130.1	16.4	1,146.5

Condensed Consolidated Statement of Changes in Equity continued

	Audited Year ended 31 December 2018						
	Share capital \$m	Share premium \$m	Other components of equity \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
At 31 December 2017 as previously reported	66.4	153.0	91.7	780.6	1,091.7	18.8	1,110.5
Adjustment on adoption of IFRS 15	–	–	–	1.6	1.6	–	1.6
At 31 December 2017 restated	66.4	153.0	91.7	782.2	1,093.3	18.8	1,112.1
Adjustment on adoption of IFRS 9	–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2018 restated	66.4	153.0	91.7	782.0	1,093.1	18.8	1,111.9
Profit (loss) for the year	–	–	–	89.3	89.3	(3.6)	85.7
Other comprehensive (expense) income	–	–	(7.0)	1.5	(5.5)	(1.2)	(6.7)
Total comprehensive income	–	–	(7.0)	90.8	83.8	(4.8)	79.0
Hedging losses transferred to the carrying value of inventory purchased in the year	–	–	(0.1)	–	(0.1)	–	(0.1)
Dividends to equity shareholders (note 13)	–	–	–	(6.6)	(6.6)	–	(6.6)
Shares issued							
– share option schemes and awards	0.3	–	–	–	0.3	–	0.3
Treasury shares							
– purchase of treasury shares	–	–	–	(5.7)	(5.7)	–	(5.7)
Share options and awards							
– value of employee services	–	–	13.1	–	13.1	–	13.1
– discharge	–	–	(9.7)	9.2	(0.5)	–	(0.5)
– taxation	–	–	–	(0.3)	(0.3)	–	(0.3)
Transfer between reserves	–	–	(12.2)	12.2	–	–	–
Total transactions with owners	0.3	–	(8.8)	8.8	0.3	–	0.3
At 31 December 2018	66.7	153.0	75.8	881.6	1,177.1	14.0	1,191.1

Condensed Consolidated Statement of Cash Flows

	Notes	Unaudited Six months ended 30 June 2019 \$m	Unaudited Six months ended 30 June 2018 ⁱ \$m	Audited Year ended 31 December 2018 ⁱ \$m
Operating activities				
Reported profit from operations		41.1	38.9	75.4
Acquisition amortisation and exceptional items	4	14.5	14.6	29.3
Depreciation and non-acquisition amortisation		21.8	19.1	37.6
Underlying EBITDA (NGM A)		77.4	72.6	142.3
Share-based payment expense		6.6	7.1	13.2
Decrease (increase) in inventories		12.2	(43.7)	(72.7)
Increase in receivables		(32.7)	(31.9)	(47.3)
(Decrease) increase in payables		(0.8)	9.4	23.4
Decrease in provisions		(1.6)	(1.2)	(3.8)
Taxation paid		(3.6)	(1.4)	(2.6)
Receipt of surplus UK defined benefit pension assets		-	-	10.6
Payment of US pension scheme liabilities		-	(10.4)	(10.4)
Proceeds from disposal of property, plant and equipment held for rental		1.7	2.5	3.9
Purchase of property, plant and equipment held for rental		(4.1)	(3.1)	(5.8)
Net gain on disposal of property, plant and equipment		(0.6)	(0.7)	(1.0)
Gain on disposal of business		(1.6)	-	-
Other non-cash flow items		-	1.5	2.9
Net cash inflow from operating activities		52.9	0.7	52.7
Investing activities				
Interest received		0.6	0.3	0.4
Net movement on loans to and from associates		0.1	(0.1)	-
Proceeds from disposal of business		2.5	-	-
Proceeds from disposal of associates		-	-	1.3
Proceeds from disposal of investments		-	10.4	10.4
Proceeds from disposal of property, plant and equipment		0.5	8.4	12.5
Purchase of property, plant and equipment		(16.2)	(8.3)	(24.3)
Purchase of intangible assets		(2.2)	(1.7)	(6.6)
Net cash (outflow) inflow from investing activities		(14.7)	9.0	(6.3)
Financing activities				
Interest and bank fees paid		(0.7)	(0.7)	(2.4)
Dividends paid to equity shareholders		(8.3)	-	(6.6)
Share capital issued		0.6	0.3	0.3
Purchase of Treasury shares		(4.2)	-	(5.7)
Payment of lease liabilities		(6.2)	-	-
Proceeds from new borrowings		0.2	-	0.9
Net cash outflow from financing activities		(18.6)	(0.4)	(13.5)
Net cash inflow in cash and cash equivalents		19.6	9.3	32.9
Cash and cash equivalents at the beginning of the period		66.1	34.3	34.3
Effect of foreign exchange rates		(0.2)	(0.7)	(1.1)
Cash and cash equivalents at the end of the period		85.5	42.9	66.1
Cash and cash equivalents at the end of the period comprise:				
Cash at bank and in hand		42.3	45.3	32.4
Money Market Funds		45.1	-	26.1
Short-term deposits		-	-	9.4
Cash and cash equivalents per the balance sheet		87.4	45.3	67.9
Bank overdrafts included in borrowings		(1.9)	(2.4)	(1.8)
		85.5	42.9	66.1

i. From 1 January 2019, the Group has adopted IFRS 16 Leases ("IFRS 16") by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.

Notes

1. Basis of Accounting

The financial information contained in this Half Year Report is presented in US dollars and complies with IAS 34 Interim Financial Reporting, as adopted by the European Union, and with the Disclosure and Transparency Rules of the Financial Conduct Authority. The condensed set of consolidated financial statements should be read in conjunction with the 2018 Annual Report and Accounts, which have been prepared in accordance with the Companies Act 2006 and those International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") Interpretations as adopted by the European Union. In preparing this condensed set of consolidated financial statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies were the same as those applied in the 2018 Annual Report and Accounts except as described below.

For interim periods, taxes on income are accrued using an estimated weighted average tax rate that would be applicable to the full year profit or loss.

IFRS 16 Leases has been adopted and is effective for the financial year beginning as of 1 January 2019. The Group has changed its accounting policies as a result of adopting IFRS 16 Leases. The new accounting policy and the impact of adopting this accounting standard have been shown in note 17.

A number of amendments to IFRS became effective for the financial year beginning on 1 January 2019, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

Terms used in this condensed set of consolidated financial statements are defined in the Glossary on pages 170 and 171 contained in the 2018 Annual Report and Accounts.

The information for the year ended 31 December 2018 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.

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.

Going Concern and Liquidity

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 the 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 2019, 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 \$160m of secured committed facilities, which were undrawn on 30 June 2019. 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. The Board is 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 the Half Year Report.

2. Segmental Reporting

Following a restructuring in reporting lines and the reduced operations in Africa and the Middle East, the Middle East, Africa and Other operating segment has been combined with the Europe operating segment to form the Europe, Middle East and Africa segment ("EMEA"). In addition, due to diminished materiality, the Exploration and Production segment has been combined with the US segment. Therefore, for the six months ended 30 June 2019, the Group has been reporting on five operating segments in its internal management reports, which are used to make strategic decisions by the Hunting PLC Board, the Group's Chief Operating Decision Maker ("CODM"). The segment information for 2018 has been restated to reflect these changes.

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 4). 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 driven by the 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. Central 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™ gun systems, ControlFire™ switches, EQUAfrac™ shaped charges, the TSet™ 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.

US: The US businesses supply premium connections, oil country tubular goods ("OCTG"), drilling tools, 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. The segment also includes the Group's legacy exploration and production activities in the Southern US and offshore Gulf of Mexico.

Canada: Hunting's Canadian business manufactures premium connections and accessories for oil and gas operators in Canada, often focused on heavy oil plays which require specialist tubing technologies. Canada also manufactures perforating guns for Hunting Titan.

Europe, Middle East and Africa ("EMEA"): Revenue from this segment is generated from the supply of OCTG and well intervention equipment to operators in the North Sea as well as the sale and rental of in-field well intervention products across the Middle East region. In the Middle East, the operations also 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.

Due to its size and nature of operations, Hunting Titan's activities are reported separately. Although the Canada segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, this segment is separately reported as it is separately monitored by the Board.

2. Segmental Reporting continued

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.

Segment Revenue and Profit

	Six months ended 30 June 2019					
	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	206.1	(2.1)	204.0	42.2	(12.9)	29.3
US	181.1	(20.3)	160.8	12.9	(1.6)	11.3
Canada	19.5	(4.4)	15.1	(3.0)	–	(3.0)
EMEA	67.0	(4.1)	62.9	0.2	–	0.2
Asia Pacific	75.1	(9.0)	66.1	3.3	–	3.3
Total from operations	548.8	(39.9)	508.9	55.6	(14.5)	41.1
Net finance expense				(1.0)	–	(1.0)
Profit (loss) before tax from operations				54.6	(14.5)	40.1

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

	Restated Six months ended 30 June 2018					
	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	216.7	(4.0)	212.7	59.2	(13.0)	46.2
US	147.3	(22.5)	124.8	3.2	(1.6)	1.6
Canada	21.7	(6.3)	15.4	(1.1)	–	(1.1)
EMEA	56.1	(6.8)	49.3	(6.8)	–	(6.8)
Asia Pacific	51.2	(10.6)	40.6	(1.0)	–	(1.0)
Total from operations	493.0	(50.2)	442.8	53.5	(14.6)	38.9
Net finance expense				(0.9)	–	(0.9)
Profit (loss) before tax from operations				52.6	(14.6)	38.0

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The segment information for 30 June 2018 has been restated for the change in the Group's operating segments reported to the CODM as discussed above. The segment information for 30 June 2018 has also been restated for a change in the calculation of central costs, which was implemented in H2 2018. Previously, certain segmental costs had been identified as central costs. The impact of the change in central costs has been to increase Hunting Titan's results by \$1.9m, reduce the US results by \$3.1m and increase Canada, EMEA and Asia Pacific's results by \$0.2m, \$0.5m and \$0.5m respectively.

2. Segmental Reporting continued

	Restated Year ended 31 December 2018					
	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	418.2	(6.9)	411.3	106.9	(26.1)	80.8
US	329.7	(43.0)	286.7	14.2	(3.2)	11.0
Canada	44.8	(9.6)	35.2	(1.8)	–	(1.8)
EMEA	107.3	(9.9)	97.4	(13.8)	–	(13.8)
Asia Pacific	107.0	(26.2)	80.8	(0.8)	–	(0.8)
Total from operations	1,007.0	(95.6)	911.4	104.7	(29.3)	75.4
Net finance expense				(0.7)	–	(0.7)
Profit (loss) before tax from operations				104.0	(29.3)	74.7

i. Relates to amortisation of intangible assets arising on the acquisition of businesses (referred to hereafter as amortisation of acquired intangible assets).

The segment information for 31 December 2018 has been restated for the change in the Group's operating segments reported to the CODM, as discussed above.

Revenue by Products and Services

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

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Perforating Systems	199.4	209.4	404.1
OCTG	181.7	123.6	277.4
Advanced Manufacturing	59.4	46.6	98.5
Intervention Tools	24.9	22.3	46.4
Subsea	18.9	13.4	30.5
Drilling Tools	11.3	13.1	27.6
Other	13.3	14.4	26.9
Total external revenue	508.9	442.8	911.4

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 month ended 30 June 2019			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	204.0	–	–	204.0
US	147.6	12.2	1.0	160.8
Canada	15.1	–	–	15.1
EMEA	59.3	3.6	–	62.9
Asia Pacific	66.1	–	–	66.1
External revenue	492.1	15.8	1.0	508.9

	Restated Six month ended 30 June 2018			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	212.7	–	–	212.7
US	109.4	13.9	1.5	124.8
Canada	15.3	0.1	–	15.4
EMEA	44.6	4.7	–	49.3
Asia Pacific	40.6	–	–	40.6
External revenue	422.6	18.7	1.5	442.8

The table above has been restated for the change in operating segments.

	Restated Year ended 31 December 2018			
	Revenue from contracts with customers \$m	Rental revenue \$m	Other revenue \$m	Total external revenue \$m
Hunting Titan	411.3	–	–	411.3
US	254.5	29.6	2.6	286.7
Canada	35.1	0.1	–	35.2
EMEA	87.8	9.6	–	97.4
Asia Pacific	80.8	–	–	80.8
External revenue	869.5	39.3	2.6	911.4

The table above has been restated for the change in operating segments.

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. Invoices for products are issued when the product is shipped or made available to the customer and invoices for services are issued either on completion of the service or, at a minimum, monthly for services covering more than one month.

4. Amortisation and Exceptional Items

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Closure of South African facility	–	(2.0)	(2.0)
Closure of Kenya joint venture	–	2.0	2.0
Charged to cost of sales	–	–	–
Amortisation of acquired intangible assets charged to operating expenses	14.5	14.6	29.3
Total amortisation and exceptional items charged to profit from operations	14.5	14.6	29.3
Taxation on amortisation and exceptional items	(3.6)	(3.6)	(33.0)
	10.9	11.0	(3.7)

Due to their size and nature, the following items have been disclosed as exceptional items in the financial statements:

In 2018, the Group reversed \$2.0m of the impairment provision for property, plant and equipment in relation to the closure of the South African facility in Cape Town. The Group received \$8.0m in 2018 in relation to the disposal of property, plant and equipment from the South African facility. Also, given the modest drilling activity forecast for East Africa in the medium term, the Board made the decision to close its Kenyan joint venture in Mombasa in H1 2018. An impairment of property, plant and equipment totalling \$1.0m, a loss on disposal of Kenya's rental fleet of \$0.5m and a provision for costs of \$0.5m relating to the closure of the facility were recognised in 2018, totalling \$2.0m.

There were no exceptional items in the six months ended 30 June 2019.

5. Taxation

The taxation charge for the six months ended 30 June 2019 is calculated by applying the estimated annual Group effective rate of tax to the profit for the period. The underlying estimated weighted average tax rate for the year ending 31 December 2019 is 24% (NGM B) and has been used for the six months ended 30 June 2019 (six months ended 30 June 2018 – 21%).

The underlying tax charge for the six months ended 30 June 2019 is \$13.3m (six months ended 30 June 2018 – \$10.9m; year ended 31 December 2018 – \$22.0m).

A tax credit of \$3.6m has been included in the income statement in respect of amortisation of acquired intangible assets and exceptional items (six months ended 30 June 2018 – \$3.6m; year ended 31 December 2018 – \$33.0m). The tax credit for the year ended 31 December 2018 of \$33.0m included a credit of \$25.3m for the recognition of US deferred tax assets, as a result of improved trading conditions in the US. The credit was shown as part of the credit in respect of amortisation of acquired intangible assets and exceptional items, which was consistent with the treatment of tax on amortisation in prior years.

The reported tax charge for the six months ended 30 June 2019 is \$9.7m (six months ended 30 June 2018 – \$7.3m charge; year ended 31 December 2018 – \$11.0m credit).

A number of changes to the UK corporation tax system were announced in the Chancellor's Autumn Budget on 29 October 2018. The Finance Act 2019 was enacted on 12 February 2019. The Finance Bill 2016, which received Royal Assent on 15 September 2016, included reductions to the main rate of corporation tax to reduce the rate to 17% from 1 April 2020. The changes are not expected to have a material impact on the Group's deferred tax balances.

6. Earnings per Share

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

For diluted earnings per share, the weighted average number of outstanding Ordinary shares is adjusted to assume conversion of all dilutive potential Ordinary shares. The dilution in respect of share options applies where the exercise price is less than the average market price of the Company's Ordinary shares during the period and the possible issue of shares under the Group's long-term incentive plans.

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

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Reported earnings attributable to Ordinary shareholders	29.8	32.6	89.3
Add (subtract): amortisation and exceptional items after taxation	10.9	10.2	(4.5)
Underlying earnings attributable to Ordinary shareholders	40.7	42.8	84.8

	millions	millions	millions
Basic weighted average number of Ordinary shares	165.1	163.9	164.1
Long-term incentive plans	7.0	7.3	6.6
Adjusted weighted average number of Ordinary shares	172.1	171.2	170.7

	cents	cents	cents
Reported earnings per share:			
Basic EPS	18.0	19.9	54.4
Diluted EPS	17.3	19.1	52.3
Underlying earnings per share:			
Basic EPS	24.6	26.1	51.6
Diluted EPS	23.6	25.0	49.6

7. Property, Plant and Equipment

During the first six months of 2019, the net book value of property, plant and equipment increased from \$360.2m to \$362.0m due to additions of \$19.9m being offset by disposals of \$2.0m and depreciation of \$16.1m.

Additions include \$3.4m for land and buildings, \$12.5m for plant, machinery and motor vehicles and \$4.0m for rental tools.

Group capital expenditure committed, for the purchase of property, plant and equipment, but not provided for at 30 June 2019 amounted to \$13.4m (30 June 2018 – \$9.5m; at 31 December 2018 – \$15.0m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade properties, plant and equipment in the UK and US, which have a carrying value of \$232.3m (six months ended 30 June 2018 – \$226.8m; year ended 31 December 2018 – \$229.6m).

8. Right-of-use Assets

On the adoption of IFRS 16 Leases as at 1 January 2019 (note 17), the Group recognised right-of-use assets of \$40.4m; \$39.9m for land and buildings and \$0.5m for plant, machinery and motor vehicles. Additions in the year of \$2.5m, foreign exchange adjustments of \$0.4m and modifications of \$0.3m were offset by depreciation of \$4.0m. The net book value at 30 June 2019 was \$39.6m.

9. Indicators of Impairment and Updated Impairment Tests

In preparing the June 2019 accounts, Hunting has considered whether any indicators of impairment exist, in particular considering those CGUs which were considered sensitive in the 2018 Annual Report and Accounts (as disclosed in notes 12 and 13). For these, conditions in the North Sea have been improving and there are no negative indicators of change for our Aberdeen / Netherlands OCTG and European Well Intervention CGUs. In Canada, current market conditions are worse than originally expected and the CGU is performing below budget, which was the basis for impairment testing projections. Management has, however, implemented restructuring actions and revised projections, including the cost savings implemented, indicate that impairment is not required and that sensitivities are not adverse to those disclosed in the 2018 year-end accounts.

After right-of-use assets have been recognised under IFRS 16 Leases they become subject to the same impairment testing considerations required by IAS 36 Impairment as other non-current assets. This assessment was carried out on adoption on 1 January 2019 as disclosed in note 17b. A right of use asset will be impaired if expected cash flows are insufficient to justify the carrying value. If a right-of-use asset is no longer being used by the business this is an indicator of impairment. In such a case any contractual cash flows from sub-leasing the asset are taken into consideration in an impairment assessment. There have been no indicators of impairment since adoption, in particular there have been no changes in contractual terms for right-of-use assets which are not being used by the Group.

10. Other Intangible Assets

During the first six months of 2019, the net book value of other intangible assets decreased from \$99.8m to \$85.9m due to amortisation charges of \$14.5m on intangible assets arising on business acquisitions and \$1.7m on purchased intangible assets, which are offset by \$2.2m of additions and \$0.1m foreign exchange adjustments.

11. Trade and Other Receivables

	At 30 June 2019 \$m	At 30 June 2018 \$m	At 31 December 2018 \$m
Non-current:			
Prepayments	1.7	1.7	2.5
Loan note	0.6	0.6	0.6
Other receivables	1.0	0.1	0.4
	3.3	2.4	3.5
	At 30 June 2019 \$m	At 30 June 2018 \$m	At 31 December 2018 \$m
Current:			
Contract assets	14.7	8.7	11.8
Trade receivables	209.0	169.5	185.0
Accrued revenue	8.4	8.3	7.9
Gross receivables	232.1	186.5	204.7
Less: provision for impairment	(3.4)	(3.7)	(3.0)
Net receivables	228.7	182.8	201.7
Prepayments	27.5	28.5	22.5
Loan note	0.6	0.6	0.6
Other receivables ⁱ	6.6	5.5	6.2
	263.4	217.4	231.0

i. Other receivables include a provision for impairment of \$nil (30 June 2018 – \$nil; 31 December 2018 – \$0.1m).

The net impairment loss on trade and other receivables recognised in the income statement in the period is \$0.4m (30 June 2018 – \$0.3m; 31 December 2018 – \$1.1m).

In accordance with the amendments made to the Group's core committed bank facility in July 2016, security has been granted over certain trade receivables and other receivables in the UK, US and Canada, which have a gross value of \$162.8m (six months ended 30 June 2018 – \$143.6m; year ended 31 December 2018 – \$153.6m).

12. Inventories

	At 30 June 2019 \$m	At 30 June 2018 \$m	At 31 December 2018 \$m
Raw materials	106.1	103.7	113.8
Work in progress	62.0	75.1	67.7
Finished goods	193.9	170.2	191.2
Gross inventories	362.0	349.0	372.7
Less: provision for losses	(25.4)	(26.6)	(24.5)
Net inventories	336.6	322.4	348.2

Gross inventories have decreased \$10.7m from \$372.7m at 31 December 2018 to \$362.0m at 30 June 2019. Additions to inventories of \$339.0m and foreign exchange movements of \$1.3m were offset by inventories expensed to cost of sales of \$349.7m and utilisation of inventory provisions of \$1.3m.

The inventory provision has increased by \$0.9m from \$24.5m at 31 December 2018 to \$25.4m at 30 June 2019, with \$1.3m of the provision being utilised in the period. After foreign exchange movements of \$0.1m, a net charge of \$2.1m has been recognised in cost of sales in the period. Overall, Hunting's provision for inventory losses of 7% of gross inventory balances at 30 June 2019 remains unchanged from 31 December 2018.

In accordance with the amendments to the Group's core committed bank facility in July 2016, security has been granted over inventories in certain subsidiaries in the UK, US and Canada, which have a gross value of \$231.3m (six months ended 30 June 2018 – \$210.0m; year ended 31 December 2018 – \$234.1m).

13. Dividends Paid to Equity Shareholders

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Ordinary dividends:			
2018 final paid – 5.0c	8.3	–	–
2018 interim paid – 4.0c	–	–	6.6
	8.3	–	6.6

The 2018 final dividend was paid on 10 May 2019.

The Board is declaring an interim dividend of 5.0 cents (2018 – 4.0 cents) per share, which will absorb an estimated \$8.3m, and be paid on 23 October 2019 to shareholders on the register at the close of business on 4 October 2019. The ex-dividend date is 3 October 2019.

14. 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. As the Group manages funding on a net cash/debt basis, internal reporting focuses on changes in net cash/debt and this is presented in the Management Report. The net cash/debt reconciliation provides an analysis of the movement in the year for each component of net debt split between cash and non-cash items. Net cash/debt comprises cash at bank and in hand, short-term deposits and Money Market Funds less bank overdrafts, current and non-current borrowings, and current and non-current lease liabilities.

	At 1 January 2019 \$m	Adoption of IFRS 16 \$m	Restated at 1 January 2019 \$m	Cash flow \$m	New lease liabilities \$m	Reclassified as current liabilities \$m	Exchange and other movements \$m	At 30 June 2019 \$m
Cash and cash equivalents	67.9	–	67.9	19.7	–	–	(0.2)	87.4
Bank overdrafts	(1.8)	–	(1.8)	(0.1)	–	–	–	(1.9)
Cash and cash equivalents - per cash flow statement	66.1	–	66.1	19.6	–	–	(0.2)	85.5
Current lease liabilities	–	(9.3)	(9.3)	6.2	–	(6.8)	(0.1)	(10.0)
Non-current lease liabilities	–	(39.7)	(39.7)	–	(2.7)	6.8	(1.5)	(37.1)
Total lease liabilities	–	(49.0)	(49.0)	6.2	(2.7)	–	(1.6)	(47.1)
Unsecured bank loans	(0.9)	–	(0.9)	(0.2)	–	–	–	(1.1)
Non-current borrowings	(3.9)	–	(3.9)	–	–	–	–	(3.9)
Liabilities arising from financing activities	(4.8)	(49.0)	(53.8)	6.0	(2.7)	–	(1.6)	(52.1)
Total net cash (debt)	61.3	(49.0)	12.3	25.6	(2.7)	–	(1.8)	33.4

During the period ended 30 June 2019, \$0.4m loan facility fees were paid and \$0.2m fees were amortised.

	At 1 January 2018 \$m	Cash flow \$m	Exchange movements \$m	At 30 June 2018 \$m
Cash and cash equivalents	36.4	9.6	(0.7)	45.3
Bank overdrafts	(2.1)	(0.3)	–	(2.4)
Cash and cash equivalents - per cash flow statement	34.3	9.3	(0.7)	42.9
Non-current borrowings	(3.9)	–	–	(3.9)
Liabilities arising from financing activities	(3.9)	–	–	(3.9)
Total net cash (debt)	30.4	9.3	(0.7)	39.0

During the period ended 30 June 2018, \$0.2m loan facility fees were amortised.

	At 1 January 2018 \$m	Cash flow \$m	Exchange movements \$m	At 31 December 2018 \$m
Cash and cash equivalents	36.4	32.6	(1.1)	67.9
Bank overdrafts	(2.1)	0.3	–	(1.8)
Cash and cash equivalents - per cash flow statement	34.3	32.9	(1.1)	66.1
Other current borrowings	–	(0.9)	–	(0.9)
Non-current borrowings	(3.9)	–	–	(3.9)
Liabilities arising from financing activities	(3.9)	(0.9)	–	(4.8)
Total net cash (debt)	30.4	32.0	(1.1)	61.3

During the year ended 31 December 2018, \$0.5m loan facility fees were paid, \$0.6m fees were accrued and \$0.4m were amortised.

15. 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 condensed interim 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 2018 Annual Report and Accounts. There have been no changes in any risk management policies since the year-end.

16. Financial Instruments: Fair Values

The carrying value of investments, the loan note, contract assets, trade receivables, accrued revenue, other receivables, short-term deposits, 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. Drawdowns under the revolving credit facility are typically for periods of one month or less and, as a result, the carrying value and the fair value are considered to be the same.

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

The inputs used to determine the fair value of derivative financial instruments are inputs other than quoted prices that are observable and so the fair value measurement is categorised in Level 2 of the fair value hierarchy. The fair value of Money Market Funds and listed equity investments and mutual funds is based on quoted market prices and so the fair value measurement is categorised in Level 1 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy used in the measurement of the fair values of financial instruments.

The Group also has lease liabilities of \$47.1m, which are not measured at fair value, in the 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.

17. Change in Accounting Policies

IFRS 16 Leases ("IFRS 16") has replaced IAS 17 Leases ("IAS 17") and its related interpretations. IFRS 16 establishes new principles for the recognition, measurement, presentation and disclosure of leases and became effective for the Group on 1 January 2019.

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

IFRS 16 has been adopted by applying the modified retrospective approach from 1 January 2019; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019.

Under IFRS 16, lessor accounting requirements remain largely unchanged from IAS 17, and continue to require a lessor to classify a lease either as an operating lease or a finance lease. There has been no impact on the Group's lessor accounting following the adoption of IFRS 16.

17a. Practical expedients applied on Adoption of IFRS 16

In applying IFRS 16 for the first time, the Group has applied the following practical expedients as permitted by the standard:

- for contracts entered into before the transition date, the Group has relied on its assessment made when applying IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Contracts have not been reassessed to determine if a contract is, or contains, a lease at the date of initial application;
- the accounting for operating leases with a remaining lease term of 12 months or less as at 1 January 2019 as short-term leases, with costs charged directly to the income statement;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

17b. Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases previously identified as operating leases in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. These lease liabilities were measured at 1 January 2019 at the present value of the remaining lease payments payable after that date. The associated right-of-use assets have been recognised as at 1 January 2019 on a retrospective basis as if IFRS 16 had always been applied.

17. Change in Accounting Policies continued

17b. Adjustments Recognised on Adoption of IFRS 16 continued

The lease term has been determined according to management's expectation of exercising any available extension/break/purchase options.

	Note	2019 \$m
Total future aggregate minimum lease payments under non-cancellable operating leases (IAS 17)	1	59.9
Less: commitments in respect of leases that are not capitalised under IFRS 16	2	(0.5)
Less: lease that was incepted before 31.12.18 but which commenced after 31.12.18	3	(0.6)
Total future aggregate minimum lease payments of leases that are capitalised under IFRS 16		58.8
Less: Impact of discounting the future payments to their present value as at 31.12.18	4	(9.8)
Lease liability recognised as at 1 January 2019		49.0
Lease liabilities recognised on the balance sheet as at 1 January 2019:		
Current lease liabilities		9.3
Non-current lease liabilities		39.7
		49.0

Notes

- As disclosed in note 35 of the 2018 Annual Report and Accounts. Under IAS 17, these future payments are not discounted for the time value of money.
- Hunting PLC has elected to not capitalise leases that have a term of one year or less and leases that are for assets for which the Group would have had to have paid \$5,000 or less if they were purchased, as new, instead of being leased.
- The Group signed, and therefore "incepted", a lease in November 2018 and which, therefore, was a lease commitment as at 31 December 2018 under IAS 17. The property was first made available to the Group in February 2019, which is the commencement date for recognising the lease liability under IFRS 16.
- Under IFRS 16, the Group's capitalised future lease commitments have been discounted using their relevant incremental borrowing rate, which has been determined by reference to the financial position of the operating unit that is leasing the asset, the amount of the gross lease obligation, the weighted average length of the lease term, the economic environment in which the lease takes place and the type of asset that is leased. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.7%.

The Group has elected not to apply the practical expedient of relying on its previous assessment of whether a lease is onerous as at 1 January 2019. Therefore, the measurement of certain right-of-use assets as at 1 January 2019 has been adjusted by an impairment charge. As a result of this, onerous lease provisions, required by IAS 17, of \$4.1m have been derecognised and dilapidation provisions of \$0.1m have also been derecognised. Lease incentive liabilities and rent expense accruals previously recognised in relation to operating leases of \$2.3m have also been derecognised, together with rent prepayments of \$0.4m, as these have been taken into account in the measurement of the lease liabilities and right-of-use assets.

The recognised right-of-use assets relate to the following types of assets:

	At 30 June 2019 \$m	At 1 January 2019 \$m
Land and buildings	39.1	39.9
Plant, machinery and motor vehicles	0.5	0.5
	39.6	40.4

17. Change in Accounting Policies continued

17b. Adjustments Recognised on Adoption of IFRS 16 continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As previously reported at 31 December 2018 \$m	IFRS 16 \$m	At 1 January 2019 \$m
ASSETS			
Non-current assets			
Right-of-use assets	–	40.4	40.4
Deferred tax assets	26.0	1.7	27.7
Other non-current assets	695.8	–	695.8
	721.8	42.1	763.9
Current assets			
Trade and other receivables	231.0	(0.4)	230.6
Other current assets	416.2	–	416.2
	647.2	(0.4)	646.8
LIABILITIES			
Current liabilities			
Trade and other payables	140.9	(2.3)	138.6
Lease liabilities	–	9.3	9.3
Borrowings	2.7	–	2.7
Provisions	4.7	(1.1)	3.6
Current tax liabilities	11.2	–	11.2
	159.5	5.9	165.4
Net current assets	487.7	(6.3)	481.4
Non-current liabilities			
Lease liabilities	–	39.7	39.7
Provisions	9.5	(3.1)	6.4
Other non-current liabilities	8.9	–	8.9
	18.4	36.6	55.0
Net assets	1,191.1	(0.8)	1,190.3
Equity attributable to owners of the parent			
Retained earnings	881.6	(0.6)	881.0
Other equity reserves	295.5	–	295.5
	1,177.1	(0.6)	1,176.5
Non-controlling interests	14.0	(0.2)	13.8
Total equity	1,191.1	(0.8)	1,190.3

17. Change in Accounting Policies continued

17c. Impact on the 30 June 2019 Income Statement of the Adoption of IFRS 16

Underlying profit from operations has increased by \$0.6m from \$55.0m to \$55.6m and underlying profit before tax has decreased from \$55.1m to \$54.6m following the adoption of IFRS 16. Reported profit from operations has increased by \$0.6m from \$40.5m to \$41.1m for the period and reported profit before tax has decreased by \$0.5m from \$40.6m to \$40.1m following the adoption of IFRS 16.

	Six months ended 30 June 2019 \$m
Underlying and reported profit before taxation is stated after charging:	
Depreciation on right-of-use assets	4.0
Interest on lease liabilities	1.1

The underlying result and the reported result for the six months ended 30 June 2019 for the operating segments increased by \$0.6m. The impact on the operating segments of adopting of IFRS 16 is shown below.

	Underlying result			Reported result		
	Pre IFRS 16 \$m	IFRS 16 \$m	Revised total \$m	Pre IFRS 16 \$m	IFRS 16 \$m	Revised total \$m
Hunting Titan	42.0	0.2	42.2	29.1	0.2	29.3
US	12.7	0.2	12.9	11.1	0.2	11.3
Canada	(3.1)	0.1	(3.0)	(3.1)	0.1	(3.0)
EMEA	0.2	–	0.2	0.2	–	0.2
Asia Pacific	3.2	0.1	3.3	3.2	0.1	3.3
	55.0	0.6	55.6	40.5	0.6	41.1

Underlying basic earnings per share decreased by 0.2 cents per share to 24.6 cents per share and underlying diluted earnings per share decreased by 0.2 cents per share to 23.6 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16. Reported basic earnings per share decreased by 0.2 cents per share to 18.0 cents per share and reported diluted earnings per share decreased by 0.2 cents per share to 17.3 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16.

Under IAS 17, all operating lease payments were included in cash flows from operating activities. Under IFRS 16, for capitalised leases, the lease payments are presented within financing activities and therefore cash inflows from operating activities have increased by \$6.2m to \$52.9m and cash outflows from financing activities have increased by \$6.2m to \$18.6m. For non-capitalised short-term leases and low-value asset leases cash outflows will be included in operating activities as was the case under IAS 17.

17d. The Group's Leasing Activities and Accounting Treatment

Leases

The Group assesses whether a contract is, or contains, a lease at the inception of the contract. The Group leases various offices, warehouses, equipment and vehicles. Rental contracts for offices and warehouses are typically made for fixed periods of between 3 and 10 years, but may have extension options as described in below. Rental contracts for equipment and vehicles are typically made for fixed periods of between 3 and 7 years. 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases, however the Group did not have any leases classified as finance leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

17. Change in Accounting Policies continued

17d. The Group's Leasing Activities and Accounting Treatment continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments are included once known;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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 has been 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.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The majority of the Group's leases are calculated using an incremental borrowing rate.

In applying IFRS 16, the Group has elected to apply both of the available exemptions that permit lessees, under pre-defined conditions, not to recognise a lease liability and right-of-use asset in respect of certain leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets have a low value purchase price when new, typically \$5,000 or less, and comprise items such as office equipment and small items of office furniture.

IFRS 16 permits a lessee not to separate out non-lease components, such as service charges, from the lease and instead account for the lease and associated non-lease component as a single arrangement. The Group has chosen not to apply this practical expedient.

Right-of-use Assets

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs, where the initial amount is equal to the restoration liability.

The right-of-use asset is normally depreciated over the lease term on a straight-line basis, except where an option to purchase the asset is available, and it is reasonably certain that the option will be exercised, and then the asset will be depreciated over its useful life.

Right-of-use assets are presented as non-current assets in the balance sheet.

17e. Significant Judgements and Accounting Estimates

Extension and termination options

Extension and termination 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. The majority of extension and termination options are exercisable only by the Group and not by the lessor.

Critical Judgements in Determining the Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

18. Events After the Balance Sheet Date

On 16 August 2019, the Group announced the acquisition of the business and assets of RTI Energy Systems Inc. ("RTIES"). RTIES is a leading manufacturer of production riser technologies for deep water applications within the offshore oil and gas industry. The acquisition increases the Group's presence in the offshore market and complements Hunting's Subsea business unit, which provides hydraulic valves and couplings to many offshore clients, and provides Hunting with new proprietary technology as well as access to additional offshore developments either in production or under development. RTIES will form part of the Group's US operating segment. The cash consideration paid for RTIES was \$12.5m. During the period to 30 June 2019, acquisition related costs of \$0.4m have been recognised in the income statement. The fair values of acquired assets and liabilities, as required by IFRS 3 paragraph B64, have not been disclosed as the calculation of the provisional fair values is yet to be finalised.

Non-GAAP Measures

The Directors believe it is appropriate to include in the Half Year Report a number of non-GAAP measures (“NGMs”) that are commonly used within the business. These measures supplement the information provided in the IFRS “reported” financial statements and accompanying notes, providing additional insight to the users of the Half Year Report. The condensed interim financial statements do not include all non-GAAP measures of the Group; this section should be read in conjunction with the Group’s 2018 Annual Report and Accounts.

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 2019 ⁱ \$m	Six months ended 30 June 2018 ⁱ \$m	Year ended 31 December 2018 ⁱ \$m
Reported profit from operations	41.1	38.9	75.4
Add:			
Depreciation charge for property, plant and equipment	16.1	17.7	35.0
Depreciation charge for right-of-use assets	4.0	–	–
Amortisation of other intangible assets	16.2	16.0	31.9
Impairment of property plant and equipment	–	1.0	1.0
Less:			
Reversal of Impairment of property plant and equipment and other assets	–	(2.0)	(2.0)
Reported EBITDA	77.4	71.6	141.3
Add exceptional items impacting EBITDA:			
Restructuring costs	–	0.5	0.5
Loss on disposal of Kenya rental fleet	–	0.5	0.5
Underlying EBITDA	77.4	72.6	142.3

- From 1 January 2019, the Group has adopted IFRS 16 Leases (“IFRS 16”) by applying the modified retrospective approach; consequently the comparatives for the 2018 reporting period have not been restated, as permitted under the specific transitional provisions in IFRS 16.
- EBITDA for the six months ended 30 June 2019 has benefited by \$4.6m, which represents operating lease charges that would have been recognised in the income statement under IAS 17 Leases and have now been replaced by a depreciation charge of \$4.0m for right-of-use assets under IFRS 16.

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

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Underlying taxation charge (consolidated income statement)	13.3	10.9	22.0
Underlying profit before tax for the year (consolidated income statement)	54.6	52.6	104.0
Underlying tax rate	24%	21%	21%

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 the loan note, plus inventories less trade and other payables, excluding payables due to associates, derivative financial liabilities and retirement plan obligations.

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Trade and other receivables – non-current	3.3	2.4	3.5
Trade and other receivables – current	263.4	217.4	231.0
Inventories	336.6	322.4	348.2
Trade and other payables – current	(139.2)	(128.6)	(140.9)
Trade and other payables – non-current	(4.6)	(3.8)	(3.8)
Less: non-working capital loan note	(1.2)	(1.2)	(1.2)
Add: non-working capital US deferred compensation plan obligation	2.0	1.7	1.7
Less: non-working capital current other receivables and other payables	(1.0)	(0.3)	(2.0)
	459.3	410.0	436.5

Non-GAAP Measures continued

D. 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 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.

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Net trade receivables	205.6	165.8	182.0
Contract assets	14.7	8.7	11.8
Accrued revenue	8.4	8.3	7.9
Net receivables (note 11)	228.7	182.8	201.7
Revenue for the last three months of the period	268.0	234.0	236.6
Trade receivables days	78 days	71 days	78 days

E. 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.

	Six months ended 30 June 2019 \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Net inventories (note 12)	336.6	322.4	348.2
Underlying cost of sales for the last three months of the period	191.5	158.9	173.0
Inventory days	160 days	185 days	185 days

F. 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. The definition has been updated to take into account the adoption of IFRS 16 Leases from 1 January 2019. Comparatives for the 2018 reporting period have not been restated.

	Six months ended 30 June 2019 ⁱ \$m	Six months ended 30 June 2018 \$m	Year ended 31 December 2018 \$m
Underlying EBITDA (NGM A)	77.4	72.6	142.3
Add: share-based payment charge	6.6	7.1	13.2
Working capital movements	84.0	79.7	155.5
Net interest, bank fees and net tax paid (consolidated statement of cash flows)	(21.3)	(66.2)	(96.6)
Net interest, bank fees and net tax paid (consolidated statement of cash flows)	(3.7)	(1.8)	(4.6)
Proceeds from disposal of assets (consolidated statement of cash flows)	4.7	10.9	16.4
UK pension scheme refund (consolidated statement of cash flows)	–	–	10.6
Other operating cash and non-cash movements	(3.7)	(0.5)	(0.6)
	60.0	22.1	80.7

i. Free cash flow for the six months ended 30 June 2019 has benefited by \$6.2m due to the conversion of lease accounting from IAS 17 Leases to IFRS 16 Leases.