

senior



SENIOR PLC
INTERIM RESULTS 2017

Interim Results for the half-year ended 30 June 2017

Trading in line with expectations

FINANCIAL HIGHLIGHTS	Half-year to 30 June			
	2017	2016	% change	% change (constant currency)
REVENUE	£510.0m	£450.5m	+13%	+3%
OPERATING PROFIT	£28.9m	£37.5m	-23%	-32%
ADJUSTED OPERATING PROFIT ⁽¹⁾	£37.5m	£47.2m	-21%	-29%
ADJUSTED OPERATING MARGIN ⁽¹⁾	7.4%	10.5%	-3.1ppts	-3.2ppts
PROFIT BEFORE TAX	£24.0m	£32.6m	-26%	-35%
ADJUSTED PROFIT BEFORE TAX ⁽¹⁾	£32.6m	£42.3m	-23%	-31%
BASIC EARNINGS PER SHARE	4.73p	6.33p	-25%	
ADJUSTED EARNINGS PER SHARE ⁽¹⁾	6.23p	8.07p	-23%	
INTERIM DIVIDEND PER SHARE	2.05p	1.95p	+5%	
FREE CASH FLOW ⁽²⁾	£29.6m	£17.3m	+71%	
NET DEBT ⁽²⁾ – JUNE	£181.6m	£207.3m	- £26m	
NET DEBT – DECEMBER 2016		£198.1m	- £17m	

Headlines

- Trading in line with expectations
- Healthy free cash inflow of £29.6m
- Won additional airframe and engine content on key commercial aircraft growth platforms
- Interim dividend increased by 5% to 2.05 pence per share
- On track to deliver £4.0m annualised streamlining savings from 2018
- The Group is well positioned to increase market share and deliver good growth over the medium term

Commenting on the results, David Squires, Group Chief Executive of Senior plc, said:

“Trading across the Group in the first half of 2017 has been in line with expectations and the Group delivered a healthy cash performance. Overall, the Board’s expectation for 2017 remains unchanged at current exchange rates.

In Aerospace, we anticipate an improved performance in the second half of the year, as previously guided, driven by increasing revenues and operational improvements as we continue our cost reduction focus, particularly on our newer programmes. In Flexonics we are seeing some signs of recovery in our end markets and continue to believe that the end of 2017 will be an inflexion point for our truck and off-highway and upstream oil and gas facing businesses. As previously indicated, we continue to believe that Flexonics performance will be marginally lower in 2017 compared to 2016.

Looking further ahead we remain positive about future prospects with strong and visible growth in Aerospace and the anticipated recovery in Flexonics.”

For further information please contact:

Bindi Foyle, Group Finance Director, Senior plc

01923 714725

Philip Walters, Finsbury Group

020 7251 3801

This Release, together with other information on Senior plc, may be found at: www.seniorplc.com

- (1) Adjusted figures are stated before a £8.6m charge for amortisation of intangible assets from acquisitions (H1 2016 - £9.8m). In the prior half-year, profit on sale of fixed assets of £0.1m was also excluded. Adjusted earnings per share takes account of the tax impact of these items.
- (2) See Notes 12(b) and 12(c) for derivation of free cash flow and of net debt, respectively.

The Group's principal exchange rates for the US dollar and the Euro, applied in the translation of first-half revenue, profit and cash flow items at average rates were \$1.27 (H1 2016 - \$1.42) and €1.17 (H1 2016 - €1.28), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2017 were \$1.30 (December 2016 - \$1.24, June 2016 - \$1.34) and €1.14 (December 2016 - €1.17, June 2016 - €1.20), respectively.

Webcast

There will be a presentation on Monday 31 July 2017 at 11.00am BST, with a live webcast that is accessible on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is an international manufacturing Group with operations in 14 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land-vehicle and energy markets.

Cautionary Statement

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess the Group's strategy and business objectives and the potential for the strategy and objectives to be fulfilled. It should not be relied upon by any other party or for any other purpose.

This IMR contains certain forward-looking statements. Such statements have been made by the Directors in good faith based on information available to them at the time of their approval of this Report. These statements should therefore be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

INTERIM MANAGEMENT REPORT 2017

Overview

Trading across the Group in the first half of 2017 has been in line with expectations and the Group delivered a healthy cash performance.

Group revenue increased by 13% to £510.0m (H1 2016 - £450.5m). Excluding a favourable exchange rate impact of £44.5m, Group revenue was up £15.0m (3%) on a constant currency basis with sales increasing across both divisions. Revenue growth in the Aerospace Division was driven by large commercial aerospace and a book to bill ratio of 1.3 is encouraging. Revenue growth in the Flexonics Division was driven by higher revenue from off-highway and upstream oil and gas markets, partly offset by lower on-highway, downstream oil and gas, and power and energy revenue.

Adjusted operating profit decreased by £9.7m (21%) to £37.5m (H1 2016 - £47.2m). Excluding a favourable exchange rate impact of £5.3m, adjusted operating profit decreased by 29% on a constant currency basis. The Group continues to make progress on operational improvements, cost management and efficiency initiatives, consistent with the position set out in the announcement of 20 April 2017. As expected, margins were impacted by the transition from more mature aerospace programmes to the new airframe and engine products, and by the market-led reductions in volumes of the high margin segments of the Flexonics Division. These resulted in the Group's adjusted operating margin reducing by 3.1 percentage points to 7.4%.

Adjusted profit before tax decreased to £32.6m (H1 2016 - £42.3m), down 23%, or 31% on a constant currency basis. Adjusted earnings per share decreased by 23% to 6.23 pence (H1 2016 - 8.07 pence).

Reported operating profit was £28.9m (H1 2016 - £37.5m), reported profit before tax was £24.0m (H1 2016 - £32.6m) and basic earnings per share was 4.73 pence (H1 2016 - 6.33 pence).

The Group generated free cash inflow of £29.6m (H1 2016 - £17.3m) after gross investment in capital expenditure of £20.6m (H1 2016 - £22.8m). Working capital as a percentage of sales improved to 14.2% at the end of June 2017 (December 2016 - 15.1%). The level of net debt at the end of June 2017 was £181.6m (December 2016 - £198.1m). This decrease was principally due to free cash inflow of £29.6m and favourable currency movements of £6.1m, partly offset by £19.4m of dividend payments. The ratio of net debt to EBITDA at the end of June 2017 was 1.6x, comfortably below the Group's bank covenant level of 3.0x.

Recognising the underlying strength of the business and its future prospects, the Board has approved an interim dividend of 2.05 pence per share, an increase of 5% over the prior year (H1 2016 - 1.95 pence). It will be paid on 30 November 2017 to shareholders on the register at the close of business on 20 October 2017.

Market conditions

The production ramp-up of new engine option large commercial aircraft means the outlook for the commercial aerospace sector is both strong and visible. Air traffic grew by 8% in the first five months of 2017 and demand for new aircraft remains robust with Boeing, Airbus and independent forecasters predicting air traffic to grow in excess of 4% per annum over the next 20 years. Senior has healthy shipset content on all the key large commercial aircraft platforms and has further increased its content on the new engine versions in the first half of this year. With significantly higher content on the new engine A320neo, 737 MAX and A330neo than the current engine versions, the Group is expected to outgrow the market, as these new engine versions come into service and production ramps up. Customer deliveries of the 737 MAX began in May 2017 and production of the A320neo continues to ramp up, whilst the A330neo is scheduled to enter service in 2018.

In the regional jet market, the C Series continues to ramp up deliveries and the Group is also expected to benefit from the Embraer E2-Jet and the Mitsubishi MRJ, which are anticipated to enter into service in 2018 and 2020, respectively. In the defence sector, military spending has stabilised and Senior is well positioned on the key growth platforms, particularly the Joint Strike Fighter which is scheduled to ramp-up significantly between now and the end of the decade.

Market production of North American heavy-duty diesel trucks declined 8% in first half of 2017 compared to first half of 2016, but is forecast to improve in the second half of the year. Whilst there has been some improved activity in the upstream oil and gas sector associated with recommissioning activities, with increased rig counts in North America, we continue to believe it will be the end of the year before we see meaningful improvements in our businesses. On the downstream side, although repair and overhaul activities have been reasonable in first half of the year, there are still very few major projects being launched and we believe recovery in this sector will lag the upstream recovery by at least a year.

Operational review

The streamlining and structural cost improvement activities that we previously announced have been progressing satisfactorily in the first half of 2017. These streamlining actions are still anticipated to cost £4.0m in 2017, of which £2.1m was incurred in the first half, and we remain on track to deliver savings of £1.0m in 2017, with annualised savings of £4.0m from 2018.

In our Aerospace Division, the closure of the BWT Ilkeston site is proceeding and will be concluded later this year once existing contract commitments to customers have been satisfied. In San Diego we have combined our Aerospace Structures Ketema and Jet Products businesses under one leadership team which is proving beneficial from a capacity utilisation, cost and customer focus perspective. We have also combined our Aerospace Structures AMT and Absolute businesses: these businesses are on the same campus in Arlington, Washington State so this will provide operational efficiencies and back office savings.

In our Flexonics Sao Paulo business we have implemented the cost savings actions previously described to reflect market conditions. We are currently finalising the plan to relocate our Crumlin South Wales operation to a smaller high tech facility focused on design, test and qualification of new products, which will be built around the world in our existing cost competitive locations. In our Flexonics business in Chicago, having provisionally entered into a sale agreement and leaseback of a significantly reduced footprint, we have re-evaluated our options in light of customer requests to slow down the transfer of certain products out of the US, and an alternative cost effective plan is being developed.

We are continuing to invest in capacity in our existing cost competitive country locations for both our Flexonics and Aerospace businesses to enable us to meet increasing order levels from our customers and to ensure we remain competitive and profitable. Work has now commenced to expand our highly efficient Flexonics plant in the Czech Republic and we anticipate opening the factory extension towards the end of this year. As a direct consequence of winning new aerospace single aisle work we have decided to add a new factory in Malaysia, close to our existing operations: work will commence this year and be completed in 2018. Additionally we are reviewing capacity plans in our Flexonics India business and our Flexonics JV in China as both these facilities have continued to win new long term business.

In response to the decline in build rates of some of our more profitable mature programmes, such as the 777, cost reduction efforts are being re-doubled to improve the returns on some of our newer work packages. This will be an area of focus on an ongoing basis as we continue to win new business and on-board many new products. Good progress has been made in the first six months of this year in reducing both labour and material costs on some of our largest new programmes. Cost reductions are being achieved through our lean manufacturing programme and through the use of the state-of-the-art high speed and high performance equipment that we have been investing in. We will see the benefits of these actions incrementally helping margins over coming months and years.

In addition to the streamlining activities previously described, we will continue to implement operational actions on a business by business basis where appropriate. Furthermore, collaboration activities across the Group are evident with multiple business units working together to bring the most cost competitive solutions to our customers.

Outlook

The Board's expectation for 2017 remains unchanged, at current exchange rates. In Aerospace, we anticipate an improved performance in the second half of the year, as previously guided, driven by increasing revenues and operational improvements as we continue our cost reduction focus, particularly on our newer programmes. In Flexonics we are seeing some signs of recovery in our end markets and continue to believe that the end of 2017 will be an inflexion point for our truck and off-highway and upstream oil and gas facing businesses. As previously indicated, we continue to believe that Flexonics performance will be marginally lower in 2017 compared to 2016.

Looking further ahead, Senior expects to make progress from 2018 onwards as Aerospace production programmes ramp up and Flexonics markets recover, and as the benefits of the implementation of the high performance operating system and cost saving actions are delivered. Staying focused on customer alignment, operational excellence and investing in organisational capability and leadership talent will enable Senior to continue to grow organically over the longer-term. Furthermore, Senior's cash-generative nature and robust financial position provide a solid platform from which the Group can continue to pursue growth opportunities to complement its existing portfolio.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 71% (H1 2016 - 72%) of Group revenue and consists of 19 operations. These are located in North America (ten), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. The Division's operating results on a constant currency basis are summarised below:

	Half-year ended 30 June 2017	Half-year ended 30 June 2016 ⁽¹⁾	Change
	£m	£m	
Revenue	362.7	354.3	+2.4%
Adjusted operating profit	34.6	45.0	-23.1%
Adjusted operating margin	9.5%	12.7%	-3.2pts

⁽¹⁾ H1 2016 results translated using H1 2017 average exchange rates - constant currency.

Divisional revenue increased by £8.4m (2%) to £362.7m (H1 2016 - £354.3m⁽¹⁾) whilst adjusted operating profit decreased by £10.4m (23%) to £34.6m (H1 2016 - £45.0m⁽¹⁾).

Revenue Reconciliation	£m
H1 2016 revenue ⁽¹⁾	354.3
Large commercial	10.0
Regional & business jets	(0.7)
Military	(3.8)
Other	2.9
H1 2017 revenue	<u>362.7</u>

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 658 aircraft in the first half of 2017, 2.2% less than the prior year. Senior's sales in the large commercial aircraft sector increased by 5%⁽¹⁾ during the six-month period to 30 June 2017, as the Group benefited from increased production of the A350, A320neo and 737 MAX, which began customer deliveries in May 2017; however, these increases were partly offset by the decline in build rates of the 777, 747, A380 and the current engine versions of the 737 and A320.

The Division's sales to the regional jet market increased by 6% in the period⁽¹⁾, mainly as a result of increased production of Bombardier's C Series. Revenue derived from the business jet sector declined by 10% in the period⁽¹⁾ as a result of continuing market weakness.

Total revenue from the military and defence sector decreased by 6% during the period⁽¹⁾, due to lower A400M sales, reductions in build rates of the Black Hawk helicopter, and lower Joint Strike Fighter content.

Around 9% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products. Revenue derived from these markets increased by 10%⁽¹⁾, mainly due to strong demand for Senior's proprietary products for the semi-conductor equipment market.

The divisional adjusted operating margin declined by 3.2 percentage points to 9.5% (H1 2016 - 12.7%)⁽¹⁾. As anticipated, margins were impacted by the year-on-year volume reductions on mature programmes such as the 777, 747, A380 and the current engine versions of the 737 and A320, and costs associated with the ramp-up of new aircraft production programmes such as the 737MAX, A320neo, A350 and C Series. The first half adjusted operating profit also includes £1.8m costs related to streamlining actions. Improvement in performance is anticipated in the second half of this year driven by increasing revenues and operational improvements as we continue our cost reduction focus, particularly on our newer programmes.

During the first half of 2017, Senior successfully won additional content on 737 MAX (+6%), A320neo (+6%), A330neo (+16%) and A350 (+1%), all of which are forecasting significant increases in production over the coming years. Significant additional content was also won on 777X (+62%), which is scheduled to enter service in 2020.

Overall the future prospects for the Group's Aerospace Division are visible and remain strong.

Flexonics Division

The Flexonics Division represents 29% (H1 2016 - 28%) of Group revenue and consists of 14 operations which are located in North America (four), continental Europe (three), the United Kingdom (two), South Africa, India, Brazil, Malaysia and China where the Group also has a 49% equity stake in a land vehicle joint venture. The Division's operating results on a constant currency basis are summarised below:

	Half-year ended 30 June 2017	Half-year ended 30 June 2016 ⁽¹⁾	Change
	£m	£m	
Revenue	147.8	140.9	+4.9%
Adjusted operating profit	9.8	12.3	-20.3%
Adjusted operating margin	6.6%	8.7%	-2.1pts

⁽¹⁾ H1 2016 results translated using H1 2017 average exchange rates - constant currency.

Divisional revenue increased by £6.9m (5%) to £147.8m (H1 2016 - £140.9m⁽¹⁾) and adjusted operating profit decreased by £2.5m (20%) to £9.8m (H1 2016 - £12.3m⁽¹⁾).

Revenue Reconciliation

	£m
H1 2016 revenue ⁽¹⁾	140.9
Truck and off-highway	5.2
Passenger vehicles	(1.3)
Industrial	2.3
Other	0.7
H1 2017 revenue	<u>147.8</u>

Group sales to truck and off-highway markets increased by 12%⁽¹⁾. Senior's sales to the North American truck market decreased by £2.3m (10%), primarily due to lower sales of EGR coolers for new vehicles as heavy-duty truck production declined. Sales to the North American off-highway market increased by £5.6m (53%) due to launch of new EGR cooler programmes and improved off-highway replacement demand. Sales to European truck and off-highway markets were flat, and the Group benefited by £1.9m (76%) increased sales from new truck and off-highway programmes in India and China.

Group sales to passenger vehicle markets decreased slightly by £1.3m (4%) in the period⁽¹⁾, as a result of North American programmes coming to the end of their life and the ramp up of the next generation of European programmes not yet being sufficient to offset the decline in programmes they are replacing.

In the Group's industrial markets, sales were up by £2.3m (4%) in the period⁽¹⁾. Sales to oil and gas markets were up £4.9m (20%) primarily due to some increased upstream oil and gas rig recommissioning activity. Sales to power and energy markets decreased by £1.8m (10%) due to continued weakness in North American coal and gas fired power generation markets.

The adjusted operating margin decreased to 6.6% (H1 2016 - 8.7%)⁽¹⁾ principally due to volume reductions in the higher margin segments, particularly truck, downstream oil and gas and power and energy, as well as change in mix of passenger vehicles. Although the Group benefited from higher volumes from off-highway and upstream oil and gas, this was primarily from lower margin products. As a result, overall margins for the division decreased. The first half adjusted operating profit also includes £0.3m costs related to streamlining actions.

Production of North American heavy-duty diesel trucks is forecast to improve in the second half of the year, as a result of improved freight activity and some reduction in excess truck capacity. Whilst there has been some improved activity in the upstream oil and gas market with increased rig counts in North America, we still believe it will be the end of the year before we see meaningful improvements in our businesses. Downstream oil and gas activity is expected to remain subdued.

Looking further ahead, global environmental legislation continues to tighten, which coupled with projected increases in global energy usage, will drive increased demand for many of the Flexonics Division's products. Senior is developing solutions for the next generation of more efficient internal combustion engines, as well as electrified land vehicle applications. As a result of its global footprint, technical innovation and customer relationships, the Group remains well positioned for the future as new Flexonics programmes and products enter production.

OTHER FINANCIAL INFORMATION

Central costs

Central costs increased to £7.2m (H1 2016 - £4.9m) due to dilapidation costs relating to the sub-lease of a legacy site in the UK, the effects of strengthening the Group HR and Health, Safety & Environmental capabilities, legal costs incurred related to actions as described in Note 16 of the Condensed Consolidated Interim Financial Statements, and adverse foreign exchange movements on translation of non-Sterling costs.

Finance costs

Total finance costs, net of investment income of £0.1m (H1 2016 - £0.1m), were unchanged at £4.9m (H1 2016 - £4.9m) as the adverse foreign exchange impact on the translation of interest charges on US dollar denominated borrowings was offset by lower interest rates on private placements. The net IAS 19 pension finance cost of £0.1m remains consistent with H1 2016.

Tax charge

The total tax charge decreased to £4.2m (H1 2016 - £6.1m) resulting in a tax rate of 17.5% (H1 2016 - 18.7%) on profit before tax. Excluding the tax benefit of £2.3m (H1 2016 - £2.4m) arising from amortisation of intangible assets from acquisitions, the adjusted tax charge was £6.5m (H1 2016 - £8.5m) resulting in an adjusted tax rate of 20% (H1 2016 - 20%) on adjusted profit before tax.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 418.9 million (H1 2016 - 418.8 million). The increase arose principally due to vesting of share awards. Adjusted earnings per share decreased by 23% to 6.23 pence (H1 2016 - 8.07 pence). Basic earnings per share decreased by 25% to 4.73 pence (H1 2016 - 6.33 pence). See Note 7 of the Condensed Consolidated Interim Financial Statements for details of the basis of these calculations.

Working capital

Working capital improved by 0.9ppts from 15.1% of sales at 31 December 2016 to 14.2% of sales at 30 June 2017, principally due to 1.1ppts reduction from payables in excess of receivables and 0.3ppts reduction from exchange differences, whilst inventory to support new product introductions contributed a 0.5ppts increase.

Capital expenditure

Capital expenditure of £20.6m (H1 2016 - £22.8m) was 1.0 times depreciation (H1 2016 - 1.4 times), with the majority of investment related to growth programmes in the Aerospace Division. In particular, £3.7m was invested in Thailand and Malaysia supporting A350 and 787 programmes. In the USA, £10.2m was invested in capacity expansions, equipment replacements and tooling to support increasing build rates. In the Czech Republic, £1.7m was invested in facility expansion. Capital expenditure is expected to be higher than depreciation in the second half of the year as previously advised as investments continue, supporting future growth programmes.

Retirement benefit schemes

The retirement benefit asset in respect of the Group's UK defined benefit pension funded scheme increased by £6.0m to £10.0m (30 June 2016 - £2.7m obligation; 31 December 2016 - £4.0m asset), principally due to £3.9m cash contributions in excess of running costs made by the Group and £2.2m experience gain on the scheme assets compared to actuarial assumptions.

Retirement benefit obligations in respect of the US and other territories decreased by £1.2m to £13.2m (30 June 2016 £17.0m; 31 December 2016 - £14.4m), principally due to £0.9m cash contributions in excess of service costs made by the Group.

Going concern basis

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Risks and uncertainties

During the first half of 2017 the principal risks and uncertainties faced by the Group have been reassessed. Following the review, two risks set out in detail on pages 27 to 29 of the Annual Report & Accounts 2016 (available at www.seniorplc.com) are no longer considered to be principal risks and two new principal risks have been added. The Group's principal risks and uncertainties as at 30 June 2017 are summarised as:

- New aircraft platform delays
- Importance of emerging markets
- Price-down pressures
- Acquisitions
- Programme participation
- Corporate governance breach
- Financing and liquidity
- Geo-political impact
- Cyber/information security
- Innovation and technological change - new principal risk
Concerned with ensuring the Group continues to innovate and implement technological change to avoid its technology from becoming uncompetitive or obsolete.
- New product introduction - new principal risk
Concerned with ensuring new products are introduced to schedule, quality and cost at a time when new programmes are ramping up.

The two risks which are no longer considered to be principal risks are:

- Employee retention
Improvements in the Group's succession planning process together with ongoing in-house development programmes has reduced both the likelihood, and resulting impact, of not being able to attract, develop and retain high quality individuals.
- Strategy
The Group has strengthened the strategic planning process, thereby reducing the likelihood of the Group's strategy not being appropriately formulated, communicated and effectively executed.

Overall, the Board does not anticipate any significant change in the likely impact of these risks.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

1. the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;
2. the Interim Management Report herein includes a fair review of the important events during the first six months and description of the principal risks and uncertainties for the remaining six months of the year, as required by Rule 4.2.7R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority; and
3. the Interim Management Report includes as applicable, a fair review of disclosure of related party transactions and changes therein, as required by Rule 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

By Order of the Board

David Squires
Group Chief Executive

Bindi Foyle
Group Finance Director

28 July 2017

28 July 2017

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Robert Brent
for and on behalf of KPMG LLP
Chartered Accountants
London
28 July 2017

Condensed Consolidated Income Statement

For the half-year ended 30 June 2017

	Notes	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m	Year ended 31 Dec 2016 £m
Revenue	3	510.0	450.5	917.0
Trading profit		28.8	37.2	65.1
(Loss)/profit on sale of fixed assets		(0.2)	0.1	-
Share of joint venture profit	9	0.3	0.2	0.7
Operating profit ⁽¹⁾	3	28.9	37.5	65.8
Investment income		0.1	0.1	0.2
Finance costs		(5.0)	(5.0)	(10.5)
Profit before tax ⁽²⁾		24.0	32.6	55.5
Tax	5	(4.2)	(6.1)	(10.1)
Profit for the period		19.8	26.5	45.4
Attributable to:				
Equity holders of the parent		19.8	26.5	45.4
Earnings per share				
Basic ⁽³⁾	7	4.73p	6.33p	10.84p
Diluted ⁽⁴⁾	7	4.70p	6.26p	10.83p
⁽¹⁾ Adjusted operating profit	4	37.5	47.2	85.6
⁽²⁾ Adjusted profit before tax	4	32.6	42.3	75.3
⁽³⁾ Adjusted earnings per share	7	6.23p	8.07p	14.37p
⁽⁴⁾ Adjusted and diluted earnings per share	7	6.20p	7.98p	14.36p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2017

	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m	Year ended 31 Dec 2016 £m
Profit for the period	19.8	26.5	45.4
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges during the period	6.6	(3.7)	(9.8)
Reclassification adjustments for (gains)/losses included in profit	(0.9)	0.4	0.7
Gains/(losses) on cash flow hedges	5.7	(3.3)	(9.1)
Foreign exchange gain recycled to the Income Statement on disposal of business	-	(0.4)	(0.4)
Exchange differences on translation of foreign operations	(10.5)	41.4	62.6
Tax relating to items that may be reclassified	(1.2)	1.1	2.1
	(6.0)	38.8	55.2
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	2.4	(7.2)	(5.1)
Tax relating to items that will not be reclassified	(0.2)	1.6	0.5
	2.2	(5.6)	(4.6)
Other comprehensive income for the period, net of tax	(3.8)	33.2	50.6
Total comprehensive income for the period	16.0	59.7	96.0
Attributable to:			
Equity holders of the parent	16.0	59.7	96.0

Condensed Consolidated Balance Sheet

As at 30 June 2017	Notes	30 June 2017 £m	30 June 2016 £m	31 Dec 2016 £m
Non-current assets				
Goodwill	8	309.9	305.8	318.8
Other intangible assets		50.7	67.6	60.5
Investment in joint venture	9	2.0	1.2	1.7
Property, plant and equipment	10	248.3	233.5	254.2
Deferred tax assets		5.9	8.2	6.6
Loan to joint venture	9	0.5	0.3	0.9
Retirement benefit asset	11	10.0	-	4.0
Trade and other receivables		0.5	0.4	0.3
Total non-current assets		627.8	617.0	647.0
Current assets				
Inventories		156.8	147.0	154.4
Loan to joint venture	9	-	1.0	-
Current tax receivables		0.8	2.2	0.7
Trade and other receivables		163.5	168.6	152.5
Cash and bank balances	12	22.3	13.5	17.5
Asset classified as held for sale	13	4.0	-	4.2
Total current assets		347.4	332.3	329.3
Total assets		975.2	949.3	976.3
Current liabilities				
Trade and other payables		177.5	164.5	164.8
Current tax liabilities		24.8	20.3	21.5
Obligations under finance leases	12c)	0.4	0.7	0.5
Bank overdrafts and loans	12c)	10.0	65.3	44.9
Provisions	14	4.0	1.8	3.6
Total current liabilities		216.7	252.6	235.3
Non-current liabilities				
Bank and other loans	12c)	193.2	154.1	169.7
Retirement benefit obligations	11	13.2	17.0	14.4
Deferred tax liabilities		51.2	52.5	55.2
Provisions	14	0.2	-	-
Obligations under finance leases	12c)	0.3	0.7	0.5
Others		2.5	0.7	0.7
Total non-current liabilities		260.6	225.0	240.5
Total liabilities		477.3	477.6	475.8
Net assets		497.9	471.7	500.5
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		2.9	3.6	3.0
Hedging and translation reserve		36.3	25.9	42.3
Retained earnings		403.1	387.2	400.0
Own Shares		(1.1)	(1.7)	(1.5)
Equity attributable to equity holders of the parent		497.9	471.7	500.5
Total equity		497.9	471.7	500.5

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2017

All equity is attributable to equity holders of the parent

	Issued share capital	Share premium account	Equity reserve	Hedging and translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	41.9	14.8	4.5	(12.9)	384.7	(2.1)	430.9
Profit for the period	-	-	-	-	45.4	-	45.4
Losses on cash flow hedges	-	-	-	(9.1)	-	-	(9.1)
Foreign exchange gain recycled to the Income Statement on disposal of business	-	-	-	(0.4)	-	-	(0.4)
Exchange differences on translation of foreign operations	-	-	-	62.6	-	-	62.6
Actuarial losses on defined benefit pension schemes	-	-	-	-	(5.1)	-	(5.1)
Tax relating to components of other comprehensive income	-	-	-	2.1	0.5	-	2.6
Total comprehensive income for the period	-	-	-	55.2	40.8	-	96.0
Share-based payment charge	-	-	1.1	-	-	-	1.1
Purchase of shares held by employee benefit trust	-	-	-	-	-	(1.1)	(1.1)
Use of shares held by employee benefit trust	-	-	-	-	(1.7)	1.7	-
Transfer to retained earnings	-	-	(2.6)	-	2.6	-	-
Dividends paid	-	-	-	-	(26.4)	-	(26.4)
Balance at 31 December 2016	41.9	14.8	3.0	42.3	400.0	(1.5)	500.5
Profit for the period	-	-	-	-	19.8	-	19.8
Gains on cash flow hedges	-	-	-	5.7	-	-	5.7
Exchange differences on translation of foreign operations	-	-	-	(10.5)	-	-	(10.5)
Actuarial gains on defined benefit pension schemes	-	-	-	-	2.4	-	2.4
Tax relating to components of other comprehensive income	-	-	-	(1.2)	(0.2)	-	(1.4)
Total comprehensive income for the period	-	-	-	(6.0)	22.0	-	16.0
Share-based payment charge	-	-	0.9	-	-	-	0.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.1)	(0.1)
Use of shares held by employee benefit trust	-	-	-	-	(0.5)	0.5	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(19.4)	-	(19.4)
Balance at 30 June 2017	41.9	14.8	2.9	36.3	403.1	(1.1)	497.9

Condensed Consolidated Statement of Changes in Equity (continued)

All equity is attributable to equity holders of the parent

	Issued share capital	Share premium account	Equity reserve	Hedging and translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2016	41.9	14.8	4.5	(12.9)	384.7	(2.1)	430.9
Profit for the period	-	-	-	-	26.5	-	26.5
Losses on cash flow hedges	-	-	-	(3.3)	-	-	(3.3)
Foreign exchange gain recycled to the Income Statement on disposal of business	-	-	-	(0.4)	-	-	(0.4)
Exchange differences on translation of foreign operations	-	-	-	41.4	-	-	41.4
Actuarial losses on defined benefit pension schemes	-	-	-	-	(7.2)	-	(7.2)
Tax relating to components of other comprehensive income	-	-	-	1.1	1.6	-	2.7
Total comprehensive income for the period	-	-	-	38.8	20.9	-	59.7
Share-based payment charge	-	-	0.4	-	-	-	0.4
Purchase of shares held by employee benefit trust	-	-	-	-	-	(1.0)	(1.0)
Use of shares held by employee benefit trust	-	-	-	-	(1.4)	1.4	-
Transfer to retained earnings	-	-	(1.3)	-	1.3	-	-
Dividends paid	-	-	-	-	(18.3)	-	(18.3)
Balance at 30 June 2016	41.9	14.8	3.6	25.9	387.2	(1.7)	471.7

Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2017

	Notes	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m	Year ended 31 Dec 2016 £m
Net cash from operating activities	12a)	49.9	39.5	100.3
Investing activities				
Interest received		0.2	0.1	0.2
Proceeds on disposal of property, plant and equipment		0.1	0.5	0.8
Purchases of property, plant and equipment		(19.4)	(21.9)	(50.7)
Purchases of intangible assets		(1.2)	(0.9)	(2.1)
Proceeds on disposal of business		-	1.5	1.3
Loan repayment from joint venture	9	0.3	-	0.5
Net cash used in investing activities		(20.0)	(20.7)	(50.0)
Financing activities				
Dividends paid		(19.4)	(18.3)	(26.4)
New loans raised		73.6	26.9	39.2
Repayment of borrowings		(77.8)	(28.9)	(58.7)
Repayments of obligations under finance leases		(0.3)	(0.4)	(0.8)
Purchase of shares held by employee benefit trust		(0.1)	(1.0)	(1.1)
Net cash used in financing activities		(24.0)	(21.7)	(47.8)
Net increase/ (decrease) in cash and cash equivalents		5.9	(2.9)	2.5
Cash and cash equivalents at beginning of period		16.8	11.6	11.6
Effect of foreign exchange rate changes		(0.4)	1.9	2.7
Cash and cash equivalents at end of period	12	22.3	10.6	16.8

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

These Condensed Consolidated Interim Financial Statements, which were approved by the Board of Directors on 28 July 2017, have been reviewed by the auditor, whose report is set out after the Directors' Responsibility Statement.

The comparative figures for the year ended 31 December 2016 do not constitute the Group's statutory accounts for 2016 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2016 have been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Sections 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The Directors have, at the time of approving these Condensed Consolidated Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from this reporting date. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Condensed Consolidated Interim Financial Statements.

The accounting policies, presentation and methods of computation adopted in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2016 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. They do not include all the information required for full annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2016.

There are no material new standards, amendments to standards or interpretations which are effective for the half-year ended 30 June 2017.

At the date of authorisation of these Condensed Consolidated Interim Financial Statements, a number of new standards and amendments to existing standards have been issued but are not yet effective and, for IFRS 16, not yet endorsed by the EU. They have not been adopted early in these Condensed Consolidated Interim Financial Statements. A summary of the impact review performed on each standard is given below. None of these changes will have an effect on net cash from operating activities nor on free cash flow.

a) IFRS 9 Financial instruments - Effective for annual periods beginning 1 January 2018, EU endorsed in 2016. This standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. It will replace IAS 39 Financial Instruments. The Group does not expect the transition to this standard to have a material impact on the Condensed Consolidated Interim Financial Statements.

b) IFRS 15 Revenue from Contracts with Customers - Effective for annual periods beginning 1 January 2018, EU endorsed in 2016. This standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. This standard will replace existing revenue recognition standards.

Retrospective application in the comparative year ending 31 December 2017 is optional. The Group expects that it will not take this optional application and will apply the standard from the transitional date using the cumulative effect method. This involves calculating the relevant adjustments required for contracts not completed as at the transition date of 1 January 2018.

An initial impact assessment has been performed by reviewing all contract types across the Group. This assessment highlighted that if the standard were to be applied in 2016, the cumulative impact on adoption would not be material to either the Group's reported revenue or profit before tax. The majority of this required adjustment would relate to contracts in the Aerospace Division where customer contributions of goods may be received to facilitate the Group's fulfilment of the customer contracts. The standard requires such goods to be treated as non-cash consideration and recognised at their fair value in revenue and cost of sales when the performance obligations in the customer contracts are met. This introduces timing differences when comparing to the current recognition. There is no impact on the timing of receipt of cash consideration, which is determined within the underlying customer contracts. The required adjustment expected at the transition date will be impacted by future changes such as customer contract renewals, terminations and modifications, as well as exchange rate fluctuations.

The process of implementation is complex, as all Divisions will be affected and may need to implement new information systems and processes to collect the required information. The Group will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as further progress is made on implementation.

c) IFRS 16 Leases - Effective for annual periods beginning 1 January 2019, subject to EU endorsement. This standard, which will replace IAS 17, requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is low value. As at 31 December 2016, the Group held a significant number of operating leases which, under IAS 17, are expensed on a straight-line basis over the lease term.

Retrospective application in the comparative year ending 31 December 2018 is optional. The Group expects that it will not take this optional application and will apply the standard from the transitional date using the modified retrospective approach, adjusting opening retained earnings and not re-stating comparatives. This involves calculating the right-of-use asset and lease liability based on the present value of remaining lease payments on all applicable lease contracts as at the transition date.

The Group has initiated a process to collect operating lease information across all the Divisions in order to assess the cumulative adjustment on transition. Based on an initial analysis performed for the year ending 31 December 2016, had the new requirements been adopted in 2016, profit before tax would have decreased by an immaterial amount, whilst it is estimated lease liabilities and property, plant and equipment would have increased between £50m and £70m. This is expected to result in an increase of the Group's principal lending covenant, the ratio of net debt to EBITDA by 0.2x to 0.5x, except where it is determined at constant accounting standards. The ranges disclosed reflect the sensitivity of the adjustment to a +/-3 percentage point movement in the discount rate used to calculate the present value of the future cash flow commitments. The discount rate, the renewal of and changes to the lease portfolio and exchange rates on translation of financial statements of non-Sterling operations are all subject to change in future years, which will impact the actual transitional adjustment as at the expected transition date.

The Group will continue to monitor the impact until the transition date, providing further quantitative and qualitative measures as progress is made on implementation.

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2016. The Consolidated Financial Statements are available via Senior's website www.seniorplc.com.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis

The Group reports its segment information as two operating divisions according to the market segments they serve, Aerospace and Flexonics. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems, in order to enhance management oversight; however, these are aggregated as one reporting segment as they service similar markets and customers in accordance with IFRS 8. The Flexonics Division is managed as a single division.

Business Segments

Segment information for revenue, operating profit and a reconciliation to entity net profit is presented below:

	Aerospace	Flexonics	Eliminations / central costs	Total	Aerospace	Flexonics	Eliminations / central costs	Total
	Half-year ended 30 June 2017	Half-year ended 30 June 2017	Half-year ended 30 June 2017	Half-year ended 30 June 2017	Half-year ended 30 June 2016	Half-year ended 30 June 2016	Half-year ended 30 June 2016	Half-year ended 30 June 2016
	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	362.3	147.7	-	510.0	323.7	126.8	-	450.5
Inter-segment revenue	0.4	0.1	(0.5)	-	0.1	0.1	(0.2)	-
Total revenue	362.7	147.8	(0.5)	510.0	323.8	126.9	(0.2)	450.5
Adjusted trading profit	34.6	9.8	(7.2)	37.2	41.1	10.8	(4.9)	47.0
Share of joint venture profit	-	0.3	-	0.3	-	0.2	-	0.2
Adjusted operating profit	34.6	10.1	(7.2)	37.5	41.1	11.0	(4.9)	47.2
Profit on sale of fixed assets	-	-	-	-	0.1	-	-	0.1
Amortisation of intangible assets from acquisitions	(4.3)	(4.3)	-	(8.6)	(5.6)	(4.2)	-	(9.8)
Operating profit	30.3	5.8	(7.2)	28.9	35.6	6.8	(4.9)	37.5
Investment income				0.1				0.1
Finance costs				(5.0)				(5.0)
Profit before tax				24.0				32.6
Tax				(4.2)				(6.1)
Profit after tax				19.8				26.5

The provision of adjusted operating profit and adjusted trading profit, derived in accordance with the table above, has been disclosed to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions and for the half year ended 30 June 2016, profit on sale of fixed assets. See Note 4 for further details.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Segment information for assets and liabilities is presented below.

	30 June 2017	30 June 2016	31 Dec 2016
	£m	£m	£m
Assets			
Aerospace	425.1	405.1	422.2
Flexonics	150.9	144.1	146.2
Segment assets for reportable segments	576.0	549.2	568.4
Unallocated			
Central	4.1	4.5	3.8
Goodwill	309.9	305.8	318.8
Intangible assets from acquisitions	44.7	62.6	54.7
Cash	22.3	13.5	17.5
Deferred and current tax	6.7	10.4	7.3
Retirement benefit asset	10.0	-	4.0
Others	1.5	3.3	1.8
Total assets per Balance Sheet	975.2	949.3	976.3
	30 June 2017	30 June 2016	31 Dec 2016
	£m	£m	£m
Liabilities			
Aerospace	122.2	110.8	117.4
Flexonics	53.0	46.7	41.6
Segment liabilities for reportable segments	175.2	157.5	159.0
Unallocated			
Central	7.3	7.2	6.8
Debt	203.2	219.4	214.6
Finance leases	0.7	1.4	1.0
Deferred and current tax	76.0	72.8	76.7
Retirement benefit obligations	13.2	17.0	14.4
Others	1.7	2.3	3.3
Total liabilities per Balance Sheet	477.3	477.6	475.8

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit before tax

The provision of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been disclosed to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions and for the half year ended 30 June 2016, profit on sale of fixed assets.

Amortisation of intangible assets from acquisitions is a non-cash charge that relates to prior acquisitions. It has been excluded from the adjusted measures in order to show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed on a day-to-day basis.

	Half-year ended 30 June 2017	Half-year ended 30 June 2016	Year ended 31 Dec 2016
	£m	£m	£m
Operating profit	28.9	37.5	65.8
Amortisation of intangible assets from acquisitions	8.6	9.8	19.8
Profit on sale of fixed assets	- ⁽¹⁾	(0.1)	-
Adjustments to operating profit	8.6	9.7	19.8
Adjusted operating profit	37.5	47.2	85.6
Profit before tax	24.0	32.6	55.5
Adjustments to profit before tax as above	8.6	9.7	19.8
Adjusted profit before tax	32.6	42.3	75.3

⁽¹⁾ From 2017, the profit or loss on sale of fixed assets is not considered an adjusting item.

5. Tax charge

	Half-year ended 30 June 2017	Half-year ended 30 June 2016
	£m	£m
Current tax:		
Current year	6.7	3.3
Deferred tax:		
Current year	(2.5)	2.8
	4.2	6.1

Corporation tax for the half-year ended 30 June 2017 is calculated at 17.5% (H1 2016 – 18.7%) on profit before tax. On adjusted profit before tax, an adjusted tax rate of 20% (H1 2016 - 20%) is charged, representing the estimate of the weighted average annual corporation tax rate expected for the full financial year.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. Dividends

	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2016 of 4.62p (2015 - 4.36p) per share	19.4	18.3
Interim dividend for the year ending 31 December 2017 of 2.05p (2016 - 1.95p) per share	8.6	8.1

The interim dividend was approved by the Board of Directors on 28 July 2017 and has not been included as a liability in these Interim Financial Statements, in accordance with the requirements of IFRS.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Half-year ended 30 June 2017 million	Half-year ended 30 June 2016 million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	418.9	418.8
Effect of dilutive potential ordinary shares:		
Share options	2.1	4.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	421.0	423.3

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Earnings per share (continued)

	Half-year ended 30 June 2017	Half-year ended 30 June 2017	Half-year ended 30 June 2016	Half-year ended 30 June 2016
	Earnings £m	EPS pence	Earnings £m	EPS pence
Earnings and earnings per share ("EPS")				
Profit for the period	19.8	4.73	26.5	6.33
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £2.3m (H1 2016 - £2.4m)	6.3	1.50	7.4	1.77
Profit on sale of fixed assets net of tax of £nil (H1 2016 - £nil)	-	-	(0.1)	(0.03)
Adjusted earnings after tax	26.1	6.23	33.8	8.07
Earnings per share				
- basic		4.73p		6.33p
- diluted		4.70p		6.26p
- adjusted		6.23p		8.07p
- adjusted and diluted		6.20p		7.98p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2016-£nil).

The denominators used for all basic, diluted and adjusted earnings per share are as detailed in the table above.

The provision of adjusted earnings per share, derived in accordance with the table above, has been disclosed to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions and for the half year ended 30 June 2016, profit on sale of fixed assets. See Note 4 for further details.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The change in goodwill from £318.8m at 31 December 2016 (30 June 2016 - £305.8) to £309.9m at 30 June 2017 reflects a decrease of £8.9m due to foreign exchange differences.

9. Investment in joint venture

During 2012, the Group set up and has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £2.0m (30 June 2016- £1.2m; 31 December 2016 £1.7m) represents the Group's share of the joint venture's net assets as at 30 June 2017.

At the half year the Group had provided loans of £0.5m (30 June 2016- £1.3m; 31 December 2016 - £0.9m) to the joint venture, £nil (30 June 2016- £1.0m; 31 December 2016 - £nil) is reported as a current asset and £0.5m (30 June 2016- £0.3m; 31 December 2016- £0.9m) as a non-current asset.

During the half- year to 30 June 2017, £0.3m of the loans were repaid (H1 2016 - £nil) after £0.1m of foreign exchange differences.

10. Property, plant and equipment

During the period, the Group invested £19.4m (H1 2016 - £21.9m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.3m (H1 2016 - £0.4m) for proceeds of £0.1m (H1 2016 - £0.5m).

11. Retirement benefit schemes

Retirement benefit obligations of £13.2m (30 June 2016 - £14.3m; 31 December 2016 - £14.4m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £5.9m (30 June 2016 - £8.0m; 31 December 2016 - £7.4m) and other unfunded schemes, with a deficit of £7.3m (30 June 2016 - £6.3m; 31 December 2016 - £7.0m).

The retirement benefit asset of £10.0m (30 June 2016 - £2.7m deficit; 31 December 2016 - £4.0m) comprises the Group's UK defined benefit pension funded scheme.

The liability and asset values of the funded schemes have been assessed by independent actuaries using current market values and discount rates.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the cash flow statement

a) Reconciliation of operating profit to net cash from operating activities

	Half-year ended 30 June 2017	Half-year ended 30 June 2016
	£m	£m
Operating profit	28.9	37.5
Adjustments for:		
Depreciation of property, plant and equipment	19.1	15.3
Amortisation of intangible assets	9.5	10.6
Loss/(profit) on sale of fixed assets	0.2	(0.1)
Costs on disposal of business	-	(0.2)
Share of joint venture	(0.3)	(0.2)
Share-based payment charges	0.9	0.4
Pension payments in excess of service cost	(4.7)	(4.4)
Operating cash flows before movements in working capital	53.6	58.9
Increase in inventories	(6.5)	(7.5)
Increase in receivables	(13.7)	(14.4)
Increase in payables and provisions	23.8	9.0
Working capital currency movements	0.8	(0.5)
Cash generated by operations	58.0	45.5
Income taxes paid	(2.7)	(1.4)
Interest paid	(5.4)	(4.6)
Net cash from operating activities	49.9	39.5

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the cash flow statement (continued)

b) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2017	Half-year ended 30 June 2016
	£m	£m
Net cash from operating activities	49.9	39.5
Interest received	0.2	0.1
Proceeds on disposal of property, plant and equipment	0.1	0.5
Purchases of property, plant and equipment	(19.4)	(21.9)
Purchase of intangible assets	(1.2)	(0.9)
Free cash flow	<u>29.6</u>	<u>17.3</u>

c) Analysis of net debt

	At 1 January 2017	Cash flow	Exchange movement	At 30 June 2017
	£m	£m	£m	£m
Cash	17.5	5.2	(0.4)	22.3
Overdrafts	(0.7)	0.7	-	-
Cash and cash equivalents	<u>16.8</u>	<u>5.9</u>	<u>(0.4)</u>	<u>22.3</u>
Debt due within one year	(44.2)	33.8	0.4	(10.0)
Debt due after one year	(169.7)	(29.6)	6.1	(193.2)
Finance leases	(1.0)	0.3	-	(0.7)
Total	<u>(198.1)</u>	<u>10.4</u>	<u>6.1</u>	<u>(181.6)</u>

	Half-year ended 30 June 2017	Half-year ended 30 June 2016
	£m	£m
Cash	22.3	13.5
Overdrafts	-	(2.9)
Total	<u>22.3</u>	<u>10.6</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Assets held for sale

In November 2016, the Group entered into a sale agreement to dispose of a property (land and building) in the Senior Flexonics Bartlett operation, which is classified as held for sale and presented separately in the Balance Sheet. The Group continues to market the property despite the sale agreement not completing during the period.

The major category of assets classified as held for sale is property, plant and equipment of £4.0m (30 June 2016 - £nil; 31 December 2016 - £4.2m). The movement in the balance during 2017 relates to foreign exchange differences.

14. Provisions

Current and non-current provisions include warranty costs of £1.8m (30 June 2016 - £1.8m; 31 December 2016 - £2.5m), restructuring costs of £1.6m (30 June 2016 and 31 December 2016 - £nil) and other costs of £0.8m (30 June 2016 - £nil; 31 December 2016 - £1.1m).

Restructuring costs relate to the closure of the BWT Ilkeston facility, which is planned to complete during the second half 2017.

15. Share capital

Share capital as at 30 June 2017 amounted to £41.9m (30 June 2016 - £41.9m, 31 December 2016 - £41.9m). No shares were issued during the period.

16. Contingent Liabilities

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts. In May 2015, Senior Aerospace Ketema was named as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc. in the USA. On January 25, 2017 and March 27, 2017, Senior Aerospace Ketema was named as a co-defendant in similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made, to result in significant loss to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m
Carrying value of financial assets:		
Cash and cash equivalents	22.3	13.5
Trade receivables	146.8	150.9
Other receivables	1.9	2.5
Loans and receivables at amortised cost	171.0	166.9
Currency derivatives used for hedging	1.9	2.1
Total financial assets	172.9	169.0
Carrying value of financial liabilities:		
Bank overdrafts and loans	203.2	219.4
Obligations under finance leases	0.7	1.4
Trade payables	108.9	91.7
Other payables	53.2	60.4
Financial liabilities at amortised cost	366.0	372.9
Currency derivatives used for hedging	9.5	10.2
Total financial liabilities	375.5	383.1

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments (continued)

	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	180.2	227.0
In the second to fifth years inclusive	123.0	113.3
After five years	94.3	68.0
	<hr/>	<hr/>
	397.5	408.3
Less: future finance charges	(31.5)	(35.4)
Financial liabilities at amortised cost	<hr/>	<hr/>
	366.0	372.9

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities noted above except for bank overdrafts and loans, where the Directors estimate the fair value to be £209.0m (30 June 2016 - £232.1m). The fair value has been determined by applying a make-whole calculation using prevailing treasury bill yields plus the applicable credit spread for the Group.

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All financial instruments are measured at level 2, i.e. those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements.

	Half-year ended 30 June 2017 £m	Half-year ended 30 June 2016 £m
Assets:		
Foreign exchange contracts – cash flow hedges	1.9	2.1
Total assets	<hr/>	<hr/>
	1.9	2.1
Liabilities:		
Foreign exchange contracts – cash flow hedges	9.5	10.2
Total liabilities	<hr/>	<hr/>
	9.5	10.2