



**senior**

**Senior plc**  
Interim Results 2015

## Interim Results for the half-year ended 30 June 2015

FINANCIAL HIGHLIGHTS	Half-year to 30 June			
	2015	2014	% change	% change (constant currency)
REVENUE	£434.5m	£400.4m	+9%	+4%
OPERATING PROFIT	£49.1m	£49.6m	-1%	-6%
ADJUSTED OPERATING PROFIT <sup>(1)</sup>	£56.2m	£54.6m	+3%	-2%
ADJUSTED OPERATING MARGIN <sup>(1)</sup>	12.9%	13.6%	-0.7ppts	-0.9ppts
PROFIT BEFORE TAX	£45.0m	£45.1m	-%	-5%
ADJUSTED PROFIT BEFORE TAX <sup>(1)</sup>	£52.1m	£50.1m	+4%	-1%
BASIC EARNINGS PER SHARE	8.45p	8.66p	-2%	
ADJUSTED EARNINGS PER SHARE <sup>(1)</sup>	9.86p	9.65p	+2%	
INTERIM DIVIDEND PER SHARE	1.84p	1.67p	+10%	
FREE CASH FLOW <sup>(2)</sup>	£24.7m	£32.7m	-24%	
NET DEBT <sup>(2)</sup> – JUNE	£145.5m	£114.3m	+ £31m	
NET DEBT – DECEMBER 2014		£105.0m	+ £41m	

## Headlines

- Group revenue increased by 9% to £434.5m (4% increase at constant currency)
- Adjusted profit before tax<sup>(1)</sup> increased by 4% to £52.1m (1% decrease at constant currency)
- Adjusted earnings per share<sup>(1)</sup> up 2% to 9.86 pence
- Continued investment in capital expenditure in support of organic growth
- Acquisition of Lymington Precision Engineering (“LPE”) for £47.3m
- Generated £24.7m free cash flow
- Group outlook remains encouraging and interim dividend increased by 10% to 1.84 pence per share
- David Squires became Group Chief Executive on 1 June 2015

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

“Senior has delivered a solid set of results in the first half of 2015. Revenue and adjusted profits have increased and free cash flow remains healthy despite more challenging conditions in some of our end markets. In response to these market headwinds, we are taking appropriate mitigating actions and anticipate some improvement in profitability in the second half of this year at current exchange rates. The Group remains well positioned for the future as new Aerospace and Flexonics programmes and products enter production. In addition, Senior will continue to benefit from its strong customer relationships, global footprint, excellent technical and industrial capabilities, and highly skilled workforce. The Board remains confident of progress in 2016 and beyond.”

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This Release, together with other information on Senior plc, may be found at: [www.seniorplc.com](http://www.seniorplc.com)

- (1) Adjusted figures are stated before a £5.4m charge for amortisation of intangible assets arising on acquisitions (H1 2014 - £3.1m), acquisition costs of £0.9m (H1 2014 - £0.4m), a loss on sale and write-down of fixed assets of £0.8m (H1 2014 - £nil) and a pension curtailment charge of £nil (H1 2014 - £1.5m). Adjusted earnings per share takes account of the tax impact of these items.
- (2) See Notes 11(b) and 11(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 \$1.53 (H1 2014 - \$1.67) and €1.36 (H1 2014 - €1.22), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2015 were \$1.57 (June 2014 - \$1.70) and €1.41 (June 2014 - €1.25), respectively.

#### 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 2015

## Overview

Total Group revenue increased by 8.5% to £434.5m (H1 2014 - £400.4m). This includes a favourable exchange impact of £17.6m and a beneficial incremental impact from acquisitions of £16.4m. If the effect of acquisitions and exchange are excluded, underlying Group revenue from organic operations was in line with the first half of 2014 as growth from the commercial aerospace market was offset by weaker off-highway and power and energy markets.

Adjusted operating profit increased by £1.6m (2.9%) to £56.2m (H1 2014 - £54.6m). This includes a favourable exchange impact of £2.9m and the year-on-year contribution of profit from acquisitions of £1.9m. If the effect of acquisitions and exchange movements are excluded, adjusted operating profit from organic operations decreased by 5.6% on a constant currency basis.

The Group has achieved a number of operational improvements during the first half of 2015 and enjoyed a mix benefit from the completion of the large petrochemical expansion joint project. However as previously reported, challenges such as continued costs associated with the industrialisation of new aerospace programmes, volume reductions on established programmes such as the Airbus A330, lower prices for machined waste aluminium, softening in the market for agricultural and mining vehicles, as well as volume reductions in Sikorsky commercial helicopters, Bombardier Global 5000/6000 and the Sukhoi Superjet 100 have resulted in adjusted operating margin reducing by 0.7 percentage points to 12.9%.

Reported operating profit decreased by 1.0% to £49.1m (H1 2014 - £49.6m), mainly due: to the increased charge for the amortisation of intangible assets from acquisitions; higher acquisition costs; and the loss on sale and write-down of fixed assets that were partly offset by the non-repeat of the H1 2014 exceptional pension charge, together totalling £7.1m (H1 2014 - £5.0m). A reconciliation between reported and adjusted operating profit is included in the Financial Review.

Adjusted profit before tax increased by £2.0m (4.0%) to £52.1m (H1 2014 - £50.1m). On a constant currency basis, adjusted profit before tax decreased by 1.1% (H1 2014 - £52.7m).

The underlying tax rate increased to 21.0%, compared to 20.0% in the first half of 2014, and adjusted earnings per share increased by 2.2% to 9.86 pence (H1 2014 - 9.65 pence). Basic earnings per share decreased by 2.4% to 8.45 pence (H1 2014 - 8.66 pence).

The Group continues to generate healthy cash flow and delivered free cash inflow of £24.7m (H1 2014 - £32.7m) after net investment in capital expenditure of £22.8m (H1 2014 - £11.9m). The level of net debt at the end of June 2015 was £145.5m (December 2014 - £105.0m) primarily due to the acquisition of Lymington Precision Engineering (LPE) Limited ("LPE") for £47.3m (including cash and debt acquired), which was completed at the end of March 2015.

The ratio of net debt to EBITDA at the end of June 2015 was 1.0x, within the Group's normal target range of 0.5x to 1.5x and comfortably below the Group's bank covenant level of 3.0x. The Group is financially strong and is able to fund future organic and acquisitive growth.

Recognising the underlying strength of the business and its future prospects, the Board has approved an interim dividend of 1.84 pence per share, an increase of 10% over the prior year (H1 2014 - 1.67 pence).

## Employees and the Board

As previously announced, David Squires joined Senior and the Board on 1 May 2015, and took over from Mark Rollins as Group Chief Executive on 1 June 2015. Senior now employs almost 7,500 people across the world with over 1,200 located in Asia, demonstrating the ever increasing global nature of the Group.

## Market Conditions

The production ramp-up of new engine option single-aisle and wide-body aircraft means the outlook for the large commercial aerospace sector is both strong and visible.

The Group is a supplier to all of the major engine manufacturers and will benefit in particular from additional content on the new CFM International LEAP engines, the Pratt and Whitney Geared Turbo Fan engines, as well as the Rolls-Royce Trent 1000, Trent 7000 and XWB engines.

Senior's global footprint continues to provide opportunities for growth, especially as the Group's new facilities in Thailand, India, California and South Carolina enter into production over the coming months.

In the Flexonics Division, progress continues with the development of Senior's EGR cooler offering, with product on test with a number of potential new customers. Overall volumes in heavy-duty trucks and passenger vehicles have increased in the first half of 2015, albeit at a slower rate than 2014.

As anticipated, in the first half the Group experienced lower equipment sales to the off-highway, mining and agriculture markets, from the indirect impacts of lower oil and commodity prices, particularly in North America. The direct impact of lower oil prices can be seen from the equipment de-stocking evident across the sector, thus reducing activity at LPE and Upeca Flexonics.

Around 80% of the Group's profits are generated outside of the UK and consequently, exchange rates can significantly affect the Group's results. This has been the case particularly during the first half of 2015, with recent movements offsetting the benefit identified at the end of the first quarter.

## **Outlook**

Senior has delivered a solid set of results in the first half of 2015. Revenue and adjusted profits have increased and free cash flow remains healthy despite more challenging conditions in some of our end markets. In response to these market headwinds, we are taking appropriate mitigating actions and anticipate some improvement in profitability in the second half of this year at current exchange rates.

Looking further ahead, the Board believes Senior remains well positioned to make good progress in 2016 and beyond. Senior has established a global footprint which is providing opportunities to increase market share and deliver strong organic growth; new aerospace programmes are entering production, while build rates on existing platforms are increasing, thus providing opportunities for improvements in operational efficiency. Staying focused on customer alignment, operational excellence and investing in organisational capability and leadership talent will enable Senior to continue to grow organically. 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 66% (H1 2014 - 66%) 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:

	<b>Half-year ended 30 June 2015</b>	Half-year ended 30 June 2014 <sup>(1)</sup>	Change
	<b>£m</b>	£m	
Revenue	<b>287.3</b>	278.3	+3.2%
Adjusted operating profit	<b>37.9</b>	41.6	-8.9%
Adjusted operating margin	<b>13.2%</b>	14.9%	-1.7pts

<sup>(1)</sup> H1 2014 results translated using H1 2015 average exchange rates - constant currency.

Divisional revenue increased by £9.0m (3.2%) to £287.3m (H1 2014 - £278.3m<sup>(1)</sup>) whilst adjusted operating profit decreased by £3.7m (8.9%) to £37.9m (H1 2014 - £41.6m<sup>(1)</sup>). Excluding the incremental contribution from the acquisition of Upeca Aerospace in April 2014 (revenue of £3.3m; operating profit of £0.3m), organic revenue for the Division increased by £5.7m (2.0%) whilst adjusted operating profit decreased by £4.0m (9.6%) over the first half of 2014.

The Division's most important market is large commercial aircraft, now representing 60% of divisional sales (H1 2014 - 59%), where Boeing and Airbus collectively delivered 685 aircraft in the first half of 2015, 6.2% more than the prior year. They booked net orders of 629 aircraft and their combined order book of 12,119 aircraft represents a very healthy nine years' production at current build rates, meaning good growth can be expected in the future.

Senior's sales in the large commercial aircraft sector increased by 4.8%<sup>(1)</sup> during the six-month period to 30 June 2015, with organic growth, excluding acquisitions, being 2.8%. The Group benefited from higher deliveries of the B737 and B787 and increased production of the A350; however, these increases were partly offset by the impact of the announced decline in A330 build rates, particularly in relation to the Trent 700 engine.

The Division's sales to the regional jet market were flat in the period<sup>(1)</sup>. The Bombardier CSeries and Mitsubishi Regional Jet programmes, on which Senior has significant content, are expected to commence deliveries to customers in the first half of 2016 and 2017, respectively. On Embraer's new E2 regional jet, which is due into service in 2018, the Group has more than doubled its content compared to the current ERJ 170/175 and ERJ 190/195 aircraft. Revenue derived from the business jet sector was also broadly flat in the period<sup>(1)</sup>.

Revenue from the military and defence sector increased by 1.5% during the period<sup>(1)</sup>, primarily due to increases in production of the A400M, P-8 and Joint Strike Fighter, offset partially by the anticipated build rate reductions for V-22 Osprey and CH-47 Chinook, coupled with the non-repeat of a Black Hawk spares order from H1 2014.

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. Overall, revenue derived from these markets increased by 1.7%<sup>(1)</sup>, mainly due to increased sales to the semi-conductor equipment market, partly offset by reduced income from machined waste metal as a result of lower prices of waste aluminium.

The divisional adjusted operating margin declined by 1.7 percentage points to 13.2% (H1 2014 - 14.9%)<sup>(1)</sup>. During the first half of 2015, the Group continued to incur costs associated with the industrialisation of new programmes such as the A350, the A320neo and the ramp-up of the Trent 1000 TEN engine. Volume reductions for the Trent 700 engine for the A330; the full impact of Bombardier's decision to suspend the Learjet 85 ("L85") programme and its recently announced reduction in Global 5000/6000; lower demand for Sikorsky's commercial helicopters; lower orders for the Sukhoi Superjet 100; as well as lower aluminium revert prices have also had an impact on the Division's operating margin. As industrialisation transitions to series production and the benefits of mitigation actions which have been implemented to offset volume declines are realised, some improvement in profitability is anticipated in the second half of this year.

Senior is investing significant capital to support customers and grow market share. In Asia, construction work on the first phase of the new 196,000 sq. ft. facility in Thailand has completed and is scheduled to be operational in the second half of 2015. In California, an additional 59,000 sq. ft. facility has been constructed to meet the future A320neo and CSeries production demands and will be operational in the second half of 2015. In February, the Group opened a satellite factory adjacent to Boeing's rapidly growing facility in South Carolina.

The aerospace industry is currently experiencing a period of significant volume ramp-up in both the single aisle and wide-bodied programmes. Senior has significant content on the A320neo, B737 MAX, B787 and A350, all of which are forecasting significant increases in production over the coming years. Senior's on-time delivery and quality record and its cost competitiveness are key to the Group winning work on new programmes. The Group has greater content on the new engine versions of the high volume single aisle aircraft, with 27% more content on the B737 MAX and 44% more on the A320neo than the current B737 and A320 aircraft, respectively. The A320neo is scheduled to enter service towards the end of 2015 and the B737 MAX is scheduled to enter service in 2017. The Group also has meaningful content on the A330neo, which is due to enter service towards the end of 2017.

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

### **Flexonics Division**

The Flexonics Division represents 34% (H1 2014 - 34%) 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 Tianjin, China. The Group also has a 49% equity stake in a land vehicle joint venture in Wuhan, China. The Division's operating results on a constant currency basis are summarised below:

	<b>Half-year ended 30 June 2015</b>	Half-year ended 30 June 2014 <sup>(1)</sup>	Change
	<b>£m</b>	£m	
Revenue	<b>147.4</b>	139.9	+5.4%
Adjusted operating profit	<b>22.3</b>	20.9	+6.7%
Adjusted operating margin	<b>15.1%</b>	14.9%	+0.2ppts

<sup>(1)</sup> H1 2014 results translated using H1 2015 average exchange rates - constant currency.

Divisional revenue grew by £7.5m (5.4%) to £147.4m (H1 2014 - £139.9m<sup>(1)</sup>) and adjusted operating profit increased by £1.4m (6.7%) to £22.3m (H1 2014 - £20.9m<sup>(1)</sup>).

Excluding the incremental contribution from the acquisition of Upeca Flexonics in April 2014 (revenue of £4.8m; operating profit of £0.5m) and from the acquisition of LPE at the end of March 2015 (revenue of £8.3m; operating profit of £1.1m), organic revenue for the Division declined by £5.6m (4.0%) and adjusted operating profit decreased by £0.2m (1.0%). The adjusted operating margin increased to 15.1% (H1 2014 - 14.9%), principally due to favourable sales mix from the industrial businesses and continued operational efficiencies offsetting the impact of volume reductions in the off-highway, and power and energy markets.

Total Group sales to truck and off-highway markets decreased by 9.0%<sup>(1)</sup>. Senior's sales to the North American truck market grew by £0.7m (2.3%), with higher sales of EGR coolers for new vehicles partly offset, as anticipated, by lower spares sales as product longevity improved following technological advances made by Senior. Sales to the North American off-highway market decreased by £4.6m (29.3%) due to weaker demand for agricultural and mining vehicles and sales to European truck and off-highway markets declined by £1.6m (19.8%) due to non-repeat of prior year prebuild by our customers ahead of further tightening of Tier 4 emission regulations.

Group sales to passenger vehicle markets were broadly flat in the period<sup>(1)</sup>, with modest improvements in the Division's main European market offsetting weaker market demand in Brazil and from customers in India. In India, a new 26,000 sq. ft. leased facility is being fitted-out to support a new EGR cooler contract for a customer who has established a new production operation in India. Production is anticipated to commence in early 2016.

In the Group's industrial markets, organic sales excluding the benefit of Upeca Flexonics and LPE were down 2.5%<sup>(1)</sup>. Organic sales to petrochemical markets were up £4.9m (29.5%) with the incremental sales from the large industrial expansion joint orders for North American and South Korean petrochemical projects that started shipping in H2 2014. As anticipated, organic sales to power and energy markets decreased by £5.8m (23.9%) due to weaker power generation and nuclear activity, continued challenges in Brazil, and lower revenue from fuel cell dielectrics due to lower volumes and a reduction in price resulting from a design change. Elsewhere, lower medical sales and weaker European solar and HVAC sales were partly offset by slightly improved Canadian sales to HVAC and cryogenic markets.

On 31 March 2015, the Group acquired LPE, based in Lymington, Hampshire, UK. LPE is a leading manufacturer of precision-machined components, fabrications, assemblies and kit sets for the oil and gas, telecommunications, aerospace, defence, land and sea systems, nuclear and marine industries. LPE strengthens Senior's precision machining capabilities and provides access to its strong customer relationships and adjacent markets. During its first three months of ownership by Senior, LPE contributed £8.3m of revenue, £1.1m of operating profit and £2.7m of operating cash flow. Whilst we remain confident of the medium to longer term prospects of this business, in the near term LPE has seen some weakness in its core oil and gas related markets, compounded by de-stocking across the industry and we expect this to continue into the second half of 2015. Once this equipment overhang is utilised, it is anticipated that incremental orders will start to flow again, although the precise timing of this is hard to predict. At this stage, we anticipate LPE's profit performance in the second half of 2015 is likely to be approximately £1.0m lower than expected at the time of the acquisition. Accordingly, the £10.0m paid into escrow upon acquisition to cover contingent earn-out consideration has been recovered as it now appears unlikely that the earn-out will become payable.

Looking further ahead, global environmental legislation continues to tighten which will drive demand for many of the Flexonics Division's products. 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.

## FINANCIAL REVIEW

### Financial Summary

A summary of the Group's operating results (at reported currency) is set out in the table below. Further detail on the performance of each Division is set out above in the Divisional Review.

	Revenue		Adjusted operating profit <sup>(1)</sup>		Margin	
	Half-year ended 30 June 2015	Half-year ended 30 June 2014	Half-year ended 30 June 2015	Half-year ended 30 June 2014	Half-year ended 30 June 2015	Half-year ended 30 June 2014
	£m	£m	£m	£m	%	%
Aerospace	287.3	264.0	37.9	39.4	13.2	14.9
Flexonics	147.4	136.6	22.3	20.1	15.1	14.7
Share of results of joint venture	-	-	0.2	(0.2)	-	-
Inter-segment revenue	(0.2)	(0.2)	-	-	-	-
Central costs	-	-	(4.2)	(4.7)	-	-
<b>Group total</b>	<b>434.5</b>	<b>400.4</b>	<b>56.2</b>	<b>54.6</b>	<b>12.9</b>	<b>13.6</b>

<sup>(1)</sup> Adjusted operating profit is the profit before interest and tax and before exceptional pension curtailment charge, amortisation of intangible assets from acquisitions, acquisition costs and loss on sale and write-down of fixed assets.

Adjusted operating profit may be reconciled to the operating profit that is shown in the Condensed Consolidated Income Statement as follows:

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
	£m	£m
Operating profit per Condensed Consolidated Income Statement	49.1	49.6
Exceptional pension curtailment charge	-	1.5
Amortisation of intangible assets from acquisitions	5.4	3.1
Acquisition costs	0.9	0.4
Loss on sale and write-down of fixed assets	0.8	-
<b>Adjusted operating profit</b>	<b>56.2</b>	<b>54.6</b>

### Financial Detail

#### Revenue

Group revenue increased by 8.5% to £434.5m (H1 2014 - £400.4m). This included a favourable exchange impact of £17.6m and the beneficial incremental impact from two acquisitions of £16.4m (£8.3m from LPE acquired in March 2015 and £8.1m from Upeca acquired in April 2014). If the year-on-year effect of acquisitions and favourable exchange are excluded, Group revenue from organic operations was up £0.1m on a constant currency basis. In the first half of 2015, 63% of revenue originated from North America, 16% from the UK, 11% from the Rest of Europe and 10% from the Rest of the World.

#### Operating profit

Adjusted operating profit increased by £1.6m (2.9%) to £56.2m (H1 2014 - £54.6m), with the Group achieving an adjusted operating margin of 12.9% (H1 2014 - 13.6%). This included a favourable exchange impact of £2.9m and the year-on-year operating profit contributed by acquisitions of £1.9m (LPE £1.1m and Upeca £0.8m). If the effect of acquisitions and exchange movements are excluded, adjusted operating profit from organic operations decreased by 5.6% on a constant currency basis.

Adjusted operating profit is stated before finance costs (as detailed below), an exceptional pension charge of £nil (H1 2014 - £1.5m), amortisation of intangible assets from acquisitions of £5.4m (H1 2014 - £3.1m), acquisition costs of £0.9m (H1 2014 - £0.4m) and loss on sale and write-down of fixed assets of £0.8m (H1 2014 - £nil).

Group reported operating profit decreased by 1.0% to £49.1m (H1 2014 - £49.6m), mainly due to the increased charge for the amortisation of intangible assets from acquisitions, higher acquisition costs and the loss on sale and write-down of fixed assets that were only partly offset by the non-repeat of the H1 2014 exceptional pension charge, together totalling £7.1m (H1 2014 - £5.0m).

### **Finance costs**

Total finance costs, net of investment income of £0.1m (H1 2014 - £0.1m), decreased to £4.1m (H1 2014 - £4.5m). Net interest costs on borrowings decreased to £3.9m (H1 2014 - £4.1m) as the lower blended interest rate on committed facilities following the repayment of \$35.0m private placement loan notes during H2 2014 offset the effects of the increased debt associated with the acquisition of LPE and the adverse foreign exchange impact on the translation of US dollar denominated borrowings. The net IAS 19 pension finance cost decreased to £0.2m (H1 2014 - £0.4m) principally due to a reduction in the retirement benefit obligations at 31 December 2014 compared to 31 December 2013.

### **Profit before tax**

Adjusted profit before tax increased by £2.0m (4.0%) to £52.1m (H1 2014 - £50.1m). On a constant currency basis, adjusted profit before tax decreased by 1.1% (H1 2014 - £52.7m). Reported profit before tax decreased 0.2% to £45.0m (H1 2014 - £45.1m). The reconciling items between adjusted and reported profit before tax are shown in Note 4 of the Interim Financial Statements.

### **Tax charge**

The total tax charge increased to £9.7m (H1 2014 - £9.1m). Excluding the net tax benefits of £1.2m (H1 2014 - £0.9m) arising from amortisation of intangible assets from acquisitions, acquisition costs and loss on sale and write-down of fixed assets, the adjusted tax charge is £10.9m (H1 2014 - £10.0m) resulting in an adjusted tax rate of 21.0% (H1 2014 - 20.0%) 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 417.8 million (H1 2014 - 415.7 million). The increase arose principally from the vesting of shares awarded under the Group's Long-Term Incentive Plan. Adjusted earnings per share increased by 2.2% to 9.86 pence (H1 2014 - 9.65 pence). Basic earnings per share decreased by 2.4% to 8.45 pence (H1 2014 - 8.66 pence). See Note 7 of the Interim Financial Statements for details of the basis of these calculations.

### **Dividend**

The interim dividend has been increased by 10% to 1.84 pence per share (2014 interim dividend - 1.67 pence), reflecting the Group's encouraging future prospects and annual dividend cover of 3.5 times. It will be paid on 30 November 2015 to shareholders on the register at the close of business on 23 October 2015.

### **Cash flow**

The Group's free cash flow, the derivation of which is set out in Note 11(b) of the Interim Financial Statements, remained strong at £24.7m (H1 2014 - £32.7m). The main driver of the cash performance was cash generated by operations of £55.8m (H1 2014 - £55.1m), which is stated after taking into account pension contributions in excess of service costs of £4.5m (H1 2014 - £4.6m) and a working capital outflow of £9.2m (H1 2014 - £9.0m).

The working capital outflow was mainly due to an increase in receivables that arose as the implementation of previously announced changes to payment terms were completed and due to the timing of a small number of collection issues, which have since been resolved. Inventory levels (before acquired inventory from LPE) were broadly flat as increased operational focus offset the upwards pressure of ongoing industrialisation. As anticipated, the Group's level of working capital as a proportion of annualised revenue in the six-month period increased to 13.7% or 13.4% excluding acquisitions (December 2014 - 13.1%), remaining within the Group's target range.

Capital expenditure of £23.3m (H1 2014 - £12.1m) was 1.7 times depreciation (H1 2014 - 1.0 times), with the majority of the spend related to investment in growth programmes. Capital expenditure of £18.3m was incurred in the Aerospace Division, £4.7m in the Flexonics Division and £0.3m at the Group's holding companies. Capital expenditure is expected to continue to be significantly higher than depreciation in the second half of the year, as major investments are being made to support future growth programmes.

## Acquisition

On 31 March 2015, the Group acquired LPE based in Lymington, Hampshire, UK as set out in Note 13. The initial cash consideration was £44.6m comprising a net consideration of £45.8m after taking account of £2.7m of net debt in the business at acquisition date and a payment of £1.5m for its working capital. Under the terms of the acquisition, there is a potential deferred contingent consideration (earn-out) of up to £31.7m that is dependent on the performance of LPE against demanding operating profit targets for the 12 month period ending 31 March 2016. Performance of the LPE business has been lower than envisaged during the first three months of Senior's ownership and it appears unlikely that the earn-out will become payable.

## Goodwill

The change in goodwill from £262.5m at 31 December 2014 to £275.2m at 30 June 2015 reflects a reduction of £4.4m due to foreign exchange differences and an increase of £17.1m due to the goodwill recognised on the acquisition of LPE as set out in Note 13. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

As noted for the year ended 31 December 2014, Thermal had been impacted by operational and performance issues. During the first half of 2015, Thermal has been trading in line with expectations and, as at 30 June 2015, no indication of impairment for the Thermal Cash Generating Unit has been noted. Its performance and forecast will continue to be closely monitored.

As noted in the Annual Report & Accounts 2014, visibility of "off-highway" land vehicles for use in agricultural markets and mining operations was less clear as the slowing GDP growth rate in China impacted commodity prices. During the first half of 2015, this has led to lower activity levels than previously anticipated at GA, our high precision machined component business based in Wisconsin, USA. The current mid-term expectations suggest a reversal to the current cyclical down trend for the markets and prospects of GA which, alongside management's focus to develop its aerospace product range and improve its operational performance, indicate that, as at 30 June 2015, the GA Cash Generating Unit has sufficient headroom over its carrying value. Its performance and forecast will continue to be closely monitored.

## Net debt

Net debt increased by £40.5m in the six-month period to £145.5m at 30 June 2015 (31 December 2014 - £105.0m). This increase was principally due to the acquisition of LPE (initial cash consideration of £44.6m plus net debt acquired of £2.7m) which was funded using the Group's existing borrowing facilities, a new two-year £20.0m revolving credit facility and new one-year term loans totalling £25.0m. Other movements included £16.6m of dividend payments, £0.9m purchase of own shares, £0.4m of unfavourable currency movements and a free cash inflow of £24.7m.

The ratio of net debt to EBITDA at the end of June 2015 was 1.0x, within the Group's target range of 0.5x to 1.5x and comfortably below the Group's bank covenant level of 3.0x.

## Retirement benefit obligations

Aggregate retirement benefit liabilities at 30 June 2015 were £15.1m in excess of the value of pension assets, representing a decrease in the deficit of £4.7m from 31 December 2014. The deficit in respect of the Group's UK defined benefit pension plan decreased by £4.8m to £4.6m (31 December 2014 - £9.4m). The deficit in North America and other territories increased by £0.1m. The £4.7m net decrease over the first six months of 2015 is principally due to £4.5m contributions in excess of service costs made by the Group and a reduction in liabilities due to higher bond yields that determine the discount rate used in their calculation that were partly offset by adverse return on assets during the period.

## Accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Report & Accounts 2014.

## Related party transactions

The Group's related party transactions are between the Company and its subsidiaries, and have been eliminated on consolidation.

## 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**

The principal risks and uncertainties faced by the Group have not changed from those set out in detail on pages 17 to 19 of the Annual Report & Accounts 2014, which is available at [www.seniorplc.com](http://www.seniorplc.com).

These can be summarised as:

- New aircraft platform delays
- Importance of emerging markets
- Price-down pressures
- Acquisitions
- Strategy
- Programme participation
- Employee retention
- Corporate governance breach
- Financing and liquidity
- Global cyclical downturn

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

## **Directors' Responsibility Statement**

We confirm to the best of our knowledge that:

1. the condensed set of Interim 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

Derek Harding  
Group Finance Director

24 July 2015

24 July 2015

## **INDEPENDENT REVIEW REPORT TO SENIOR PLC**

We have been engaged by Senior plc ("the Company") to review the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related Notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

This report is made solely to the Company 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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 formed.

### **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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the annual Financial Statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **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.

### **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 United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

### **Conclusion**

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 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
24 July 2015

# Condensed Consolidated Income Statement

For the half-year ended 30 June 2015

	Notes	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m	Year ended 31 Dec 2014 £m
<b>Revenue</b>	3	434.5	400.4	820.8
Trading profit before one-off items		49.7	49.8	102.6
Goodwill impairment		-	-	(9.4)
Write-down of L85 inventory		-	-	(1.8)
Restructuring costs		-	-	(1.5)
Trading profit		49.7	49.8	89.9
Loss on sale and write-down of fixed assets		(0.8)	-	-
Share of joint venture profit/(loss)	3	0.2	(0.2)	(0.3)
Operating profit <sup>(1)</sup>		49.1	49.6	89.6
Investment income		0.1	0.1	0.1
Finance costs		(4.2)	(4.6)	(9.1)
Profit before tax <sup>(2)</sup>		45.0	45.1	80.6
Tax	5	(9.7)	(9.1)	(17.1)
<b>Profit for the period</b>		<b>35.3</b>	<b>36.0</b>	<b>63.5</b>
Attributable to:				
Equity holders of the parent		35.3	36.0	63.5
Earnings per share				
Basic <sup>(3)</sup>	7	8.45p	8.66p	15.25p
Diluted <sup>(4)</sup>	7	8.35p	8.55p	15.06p
<sup>(1)</sup> Adjusted operating profit	4	56.2	54.6	111.6
<sup>(2)</sup> Adjusted profit before tax	4	52.1	50.1	102.6
<sup>(3)</sup> Adjusted earnings per share	7	9.86p	9.65p	19.84p
<sup>(4)</sup> Adjusted and diluted earnings per share	7	9.75p	9.52p	19.59p

# Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2015

	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m	Year ended 31 Dec 2014 £m
<b>Profit for the period</b>	35.3	36.0	63.5
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
(Losses) / gains on cash flow hedges during the period	(0.9)	0.5	(2.3)
Reclassification adjustments for losses included in profit or loss	1.2	-	0.6
Gains / (losses) on cash flow hedges	0.3	0.5	(1.7)
Exchange differences on translation of foreign operations	(12.8)	(5.9)	7.9
Tax relating to items that may be reclassified	-	-	0.2
	(12.5)	(5.4)	6.4
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial losses on defined benefit pension schemes	-	(2.2)	(0.9)
Tax relating to items that will not be reclassified	0.4	0.1	0.4
	0.4	(2.1)	(0.5)
<b>Other comprehensive income for the period, net of tax</b>	(12.1)	(7.5)	5.9
<b>Total comprehensive income for the period</b>	23.2	28.5	69.4
Attributable to:			
Equity holders of the parent	23.2	28.5	69.4

## Condensed Consolidated Balance Sheet

As at 30 June 2015	Notes	30 June 2015 £m	30 June 2014 £m	31 Dec 2014 £m
<b>Non-current assets</b>				
Goodwill	8	275.2	258.3	262.5
Other intangible assets		50.3	31.2	28.3
Investment in joint venture		0.9	0.8	0.7
Property, plant and equipment	9	175.7	154.7	167.6
Deferred tax assets		1.1	6.7	6.5
Loan to joint venture		0.7	-	0.4
Trade and other receivables		0.4	0.4	0.4
<b>Total non-current assets</b>		<b>504.3</b>	<b>452.1</b>	<b>466.4</b>
<b>Current assets</b>				
Inventories		120.7	111.2	119.3
Loan to joint venture		0.4	-	0.7
Trade and other receivables		148.0	133.5	137.7
Cash and cash equivalents	11a)	22.0	31.8	13.2
<b>Total current assets</b>		<b>291.1</b>	<b>276.5</b>	<b>270.9</b>
<b>Total assets</b>		<b>795.4</b>	<b>728.6</b>	<b>737.3</b>
<b>Current liabilities</b>				
Trade and other payables		149.9	145.6	146.8
Current tax liabilities		15.8	16.1	13.3
Obligations under finance leases	11c)	0.7	0.4	0.3
Bank overdrafts and loans	11c)	41.6	29.2	24.1
Provisions		1.7	1.2	2.0
<b>Total current liabilities</b>		<b>209.7</b>	<b>192.5</b>	<b>186.5</b>
<b>Non-current liabilities</b>				
Bank and other loans	11c)	123.7	115.7	93.4
Retirement benefit obligations	12	15.1	24.8	19.8
Deferred tax liabilities		26.7	18.8	24.8
Obligations under finance leases	11c)	1.5	0.8	0.4
Others		0.5	0.2	0.8
<b>Total non-current liabilities</b>		<b>167.5</b>	<b>160.3</b>	<b>139.2</b>
<b>Total liabilities</b>		<b>377.2</b>	<b>352.8</b>	<b>325.7</b>
<b>Net assets</b>		<b>418.2</b>	<b>375.8</b>	<b>411.6</b>
<b>Equity</b>				
Issued share capital	10	41.9	41.7	41.8
Share premium account		14.8	13.9	14.8
Equity reserve		3.2	5.5	5.7
Hedging and translation reserve		(19.7)	(19.0)	(7.2)
Retained earnings		380.2	336.3	359.0
Own Shares		(2.2)	(2.6)	(2.5)
<b>Equity attributable to equity holders of the parent</b>		<b>418.2</b>	<b>375.8</b>	<b>411.6</b>
<b>Total equity</b>		<b>418.2</b>	<b>375.8</b>	<b>411.6</b>

# Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2015

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
<b>Balance at 1 January 2014</b>	41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5
Profit for the period	-	-	-	-	63.5	-	63.5
Losses on cash flow hedges	-	-	-	(1.7)	-	-	(1.7)
Exchange differences on translation of foreign operations	-	-	-	7.9	-	-	7.9
Actuarial losses on defined benefit pension schemes	-	-	-	-	(0.9)	-	(0.9)
Tax relating to components of other comprehensive income	-	-	-	0.2	0.4	-	0.6
<b>Total comprehensive income for the period</b>	-	-	-	6.4	63.0	-	69.4
Issue of share capital	0.2	1.0	(0.1)	-	-	-	1.1
Share-based payment charge	-	-	2.3	-	-	-	2.3
Tax relating to share-based payments	-	-	-	-	(0.1)	-	(0.1)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.7)	(0.7)
Use of shares held by employee benefit trust	-	-	-	-	(0.1)	0.1	-
Transfer to retained earnings	-	-	(1.7)	-	1.7	-	-
Dividends paid	-	-	-	-	(21.9)	-	(21.9)
<b>Balance at 31 December 2014</b>	41.8	14.8	5.7	(7.2)	359.0	(2.5)	411.6
Profit for the period	-	-	-	-	35.3	-	35.3
Gains on cash flow hedges	-	-	-	0.3	-	-	0.3
Exchange differences on translation of foreign operations	-	-	-	(12.8)	-	-	(12.8)
Tax relating to components of other comprehensive income	-	-	-	-	0.4	-	0.4
<b>Total comprehensive income for the period</b>	-	-	-	(12.5)	35.7	-	23.2
Issue of share capital	0.1	-	(0.1)	-	-	-	-
Share-based payment charge	-	-	0.9	-	-	-	0.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.9)	(0.9)
Use of shares held by employee benefit trust	-	-	-	-	(1.2)	1.2	-
Transfer to retained earnings	-	-	(3.3)	-	3.3	-	-
Dividends paid	-	-	-	-	(16.6)	-	(16.6)
<b>Balance at 30 June 2015</b>	41.9	14.8	3.2	(19.7)	380.2	(2.2)	418.2

## 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
<b>Balance at 1 January 2014</b>	41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5
Profit for the period	-	-	-	-	36.0	-	36.0
Gains on cash flow hedges	-	-	-	0.5	-	-	0.5
Exchange differences on translation of foreign operations	-	-	-	(5.9)	-	-	(5.9)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(2.2)	-	(2.2)
Tax relating to components of other comprehensive income	-	-	-	-	0.1	-	0.1
<b>Total comprehensive income for the period</b>	-	-	-	(5.4)	33.9	-	28.5
Issue of share capital	0.1	0.1	(0.1)	-	-	-	0.1
Share-based payment charge	-	-	1.6	-	-	-	1.6
Tax relating to share-based payments	-	-	-	-	(0.2)	-	(0.2)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.7)	(0.7)
Transfer to retained earnings	-	-	(1.2)	-	1.2	-	-
Dividends paid	-	-	-	-	(15.0)	-	(15.0)
<b>Balance at 30 June 2014</b>	41.7	13.9	5.5	(19.0)	336.3	(2.6)	375.8

# Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2015

	Notes	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m	Year ended 31 Dec 2014 £m
<b>Net cash from operating activities</b>	11a)	47.4	44.5	88.6
<b>Investing activities</b>				
Interest received		0.1	0.1	0.1
Proceeds on disposal of property, plant and equipment		0.5	0.2	0.2
Purchases of property, plant and equipment		(22.3)	(11.6)	(29.6)
Purchases of intangible assets		(1.0)	(0.5)	(1.5)
Acquisition of LPE	13	(43.6)	-	-
Acquisition of Upeca		-	(60.1)	(60.1)
Loan to joint venture		-	-	(1.1)
<b>Net cash used in investing activities</b>		<b>(66.3)</b>	<b>(71.9)</b>	<b>(92.0)</b>
<b>Financing activities</b>				
Dividends paid		(16.6)	(15.0)	(21.9)
New loans		78.4	27.8	16.1
Repayment of borrowings		(27.2)	(4.5)	(34.5)
Repayments of obligations under finance leases		(0.3)	(0.9)	(1.4)
Share issues		-	0.1	1.1
Purchase of shares held by employee benefit trust		(0.9)	(0.7)	(0.7)
<b>Net cash from / (used in) financing activities</b>		<b>33.4</b>	<b>6.8</b>	<b>(41.3)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>14.5</b>	<b>(20.6)</b>	<b>(44.7)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>8.5</b>	<b>53.1</b>	<b>53.1</b>
Effect of foreign exchange rate changes		(1.0)	(0.7)	0.1
<b>Cash and cash equivalents at end of period</b>	11a)	<b>22.0</b>	<b>31.8</b>	<b>8.5</b>

# 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 24 July 2015, 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 2014 do not constitute the Group's statutory accounts for 2014 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2014 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. They have also been prepared on the going concern basis as set out in this Interim Management Review. 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 not less than 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 2014 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 2014. No material new standards, amendments to standards or interpretations are effective for the half-year ended 30 June 2015.

The preparation of 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 2014.

## 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 in accordance with IFRS 8. The Flexonics Division is managed as a single division.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

Adjusted operating profit, as described in Note 4, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury function.

Segment assets include directly attributable computer software assets, property, plant and equipment, and working capital assets. Goodwill, intangible assets from acquisitions, cash, deferred and current tax, and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

Segment liabilities include directly attributable trade payables and accruals. Debt, finance lease obligations, deferred and current tax and retirement benefit obligations are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

## 3. Segmental analysis (continued)

### Business Segments

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

	Aerospace	Flexonics	Eliminations / central costs	<b>Total</b>	Aerospace	Flexonics	Eliminations / central costs	<b>Total</b>
	Half-year ended 30 June 2015	Half-year ended 30 June 2015	Half-year ended 30 June 2015	<b>Half-year ended 30 June 2015</b>	Half-year ended 30 June 2014	Half-year ended 30 June 2014	Half-year ended 30 June 2014	<b>Half-year ended 30 June 2014</b>
	£m	£m	£m	£m	£m	£m	£m	£m
External revenue	287.2	147.3	-	<b>434.5</b>	263.9	136.5	-	<b>400.4</b>
Inter-segment revenue	0.1	0.1	(0.2)	-	0.1	0.1	(0.2)	-
<b>Total revenue</b>	<b>287.3</b>	<b>147.4</b>	<b>(0.2)</b>	<b>434.5</b>	<b>264.0</b>	<b>136.6</b>	<b>(0.2)</b>	<b>400.4</b>
Adjusted trading profit	37.9	22.3	(4.2)	<b>56.0</b>	39.4	20.1	(4.7)	<b>54.8</b>
Share of joint venture profit /(loss)	-	0.2	-	<b>0.2</b>	-	(0.2)	-	<b>(0.2)</b>
Adjusted operating profit	37.9	22.5	(4.2)	<b>56.2</b>	39.4	19.9	(4.7)	<b>54.6</b>
Loss on sale and write-down of fixed assets	(0.8)	-	-	<b>(0.8)</b>	-	-	-	-
Exceptional pension charge	-	-	-	-	-	-	(1.5)	<b>(1.5)</b>
Amortisation of intangible assets from acquisitions	(2.6)	(2.8)	-	<b>(5.4)</b>	(2.1)	(1.0)	-	<b>(3.1)</b>
Acquisition costs	-	(0.9)	-	<b>(0.9)</b>	(0.2)	(0.2)	-	<b>(0.4)</b>
<b>Operating profit</b>	<b>34.5</b>	<b>18.8</b>	<b>(4.2)</b>	<b>49.1</b>	<b>37.1</b>	<b>18.7</b>	<b>(6.2)</b>	<b>49.6</b>
Investment income				<b>0.1</b>				<b>0.1</b>
Finance costs				<b>(4.2)</b>				<b>(4.6)</b>
Profit before tax				<b>45.0</b>				<b>45.1</b>
Tax				<b>(9.7)</b>				<b>(9.1)</b>
<b>Profit after tax</b>				<b>35.3</b>				<b>36.0</b>

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 3. Segmental analysis (continued)

Segment information for assets and a reconciliation to total assets and for liabilities and a reconciliation to total liabilities is presented below.

	30 June 2015	30 June 2014	31 Dec 2014
	£m	£m	£m
Assets			
Aerospace	303.1	269.3	293.0
Flexonics	140.0	127.3	130.7
Corporate	3.6	3.7	3.0
Segment assets for reportable segments	446.7	400.3	426.7
Unallocated			
Goodwill	275.2	258.3	262.5
Intangible assets from acquisitions	46.5	28.8	25.1
Cash	22.0	31.8	13.2
Deferred and current tax	1.4	7.1	7.1
Others	3.6	2.3	2.7
Total assets per Balance Sheet	795.4	728.6	737.3

	30 June 2015	30 June 2014	31 Dec 2014
	£m	£m	£m
Liabilities			
Aerospace	88.9	82.8	84.7
Flexonics	51.0	50.4	51.2
Corporate	9.5	10.8	11.2
Segment liabilities for reportable segments	149.4	144.0	147.1
Unallocated			
Debt	165.3	144.9	117.5
Finance leases	2.2	1.2	0.7
Deferred and current tax	42.5	34.9	38.1
Retirement benefit obligations	15.1	24.8	19.8
Others	2.7	3.0	2.5
Total liabilities per Balance Sheet	377.2	352.8	325.7

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 4. Adjusted operating profit and adjusted profit before tax

Adjusted operating profit and adjusted profit before tax, derived in accordance with the table below, have been provided to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of exceptional pension charges, amortisation of intangible assets acquired on acquisitions, impairment charges, write-down of L85 inventory, loss on sale and write-down of fixed assets, restructuring costs and acquisition costs.

	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m	Year ended 31 Dec 2014 £m
Operating profit	49.1	49.6	89.6
Exceptional pension charge	-	1.5	1.5
Amortisation of intangible assets from acquisitions	5.4	3.1	7.2
Impairment of goodwill	-	-	9.4
Write-down of L85 inventory	-	-	1.8
Restructuring costs	-	-	1.5
Acquisition costs	0.9	0.4	0.6
Loss on sale and write-down of fixed assets	0.8	-	-
Adjustments to operating profit	7.1	5.0	22.0
Adjusted operating profit	56.2	54.6	111.6
Profit before tax	45.0	45.1	80.6
Adjustments to profit before tax as above	7.1	5.0	22.0
Adjusted profit before tax	52.1	50.1	102.6

### 5. Tax charge

	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m
Current tax:		
Current year	7.7	8.1
Deferred tax:		
Current year	2.0	1.0
	9.7	9.1

Corporation tax for the interim period is charged at 21.6% (H1 2014 - 20.2%) on profit before tax. On adjusted profit before tax, an underlying tax rate of 21.0% (H1 2014 - 20.0%) is charged, representing the best 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 2015 £m	Half-year ended 30 June 2014 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014 of 3.96p (2013 - 3.60p) per share	16.6	15.0
Interim dividend for the year ending 31 December 2015 of 1.84p (2014 - 1.67p) per share	7.7	7.0

The interim dividend was approved by the Board of Directors on 24 July 2015 and has not been included as a liability in these Interim Financial Statements.

### 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 2015 million	Half-year ended 30 June 2014 million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	417.8	415.7
Effect of dilutive potential ordinary shares:		
Share options	4.8	5.4
Weighted average number of ordinary shares for the purposes of diluted earnings per share	422.6	421.1

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 7. Earnings per share (continued)

	Half-year ended 30 June 2015	Half-year ended 30 June 2015	Half-year ended 30 June 2014	Half-year ended 30 June 2014
	Earnings £m	EPS pence	Earnings £m	EPS pence
Earnings and earnings per share ("EPS")				
Profit for the period	35.3	8.45	36.0	8.66
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.9m (H1 2014 - £0.6m)	4.5	1.07	2.5	0.60
Acquisition costs net of tax of £nil (H1 2014 - £nil)	0.9	0.22	0.4	0.10
Exceptional pension charge net of tax of £nil (H1 2014 - £0.3m)	-	-	1.2	0.29
Loss on sale and write-down of fixed assets net of tax of £0.3m (H1 2014 - £nil)	0.5	0.12	-	-
Adjusted earnings after tax	41.2	9.86	40.1	9.65
Earnings per share				
- basic		8.45p		8.66p
- diluted		8.35p		8.55p
- adjusted		9.86p		9.65p
- adjusted and diluted		9.75p		9.52p

The earnings figures used to calculate both the basic earnings per share and the diluted earnings per share are the same.

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

Adjusted earnings per share, derived in accordance with the table above, has been provided to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of the following items:

- amortisation of intangible assets acquired on acquisitions;
- acquisition costs;
- exceptional pension charges; and
- loss on sale and write-down of fixed assets.

## **Notes to the Condensed Consolidated Interim Financial Statements (continued)**

### **8. Goodwill**

The change in goodwill from £262.5m at 31 December 2014 to £275.2m at 30 June 2015 reflects foreign exchange differences of £4.4m, and a £17.1m increase in goodwill recognised on the acquisition of LPE.

### **9. Property, plant and equipment**

During the period, the Group spent £22.3m (H1 2014 - £11.6m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.6m (H1 2014 - £0.2m) for proceeds of £0.5m (H1 2014 - £0.2m). In addition, the Group wrote down assets with a carrying value of £0.7m.

### **10. Share capital**

Share capital as at 30 June 2015 amounted to £41.9m. During the period, the Group issued 1,332,508 shares under the Group's Long-Term Incentive Plan. No shares were issued under other share option plans.

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 11. Notes to the cash flow statement

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

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
	£m	£m
Operating profit	49.1	49.6
Adjustments for:		
Depreciation of property, plant and equipment	13.2	11.8
Amortisation of intangible assets from acquisitions	5.4	3.1
Amortisation of other intangible assets	0.4	0.3
Loss on sale and write-down of fixed assets	0.8	-
Share of joint venture	(0.2)	0.2
Share-based payment charges	0.9	1.7
Pension payments in excess of service cost	(4.5)	(4.6)
Exceptional pension charge	-	1.5
Operating cash flows before movements in working capital	65.1	63.6
Decrease / (increase) in inventories	0.4	(8.7)
Increase in receivables	(8.0)	(14.3)
(Decrease) / increase in payables	(1.6)	14.0
Working capital currency movements	(0.1)	0.5
Cash generated by operations	55.8	55.1
Income taxes paid	(4.4)	(6.5)
Interest paid	(4.0)	(4.1)
Net cash from operating activities	47.4	44.5
Cash and cash equivalents comprise:		
Cash	22.0	31.8
Total	22.0	31.8

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)

### 11. Notes to the cash flow statement (continued)

#### b) Free cash flow

Free cash flow, a non-IFRS item, highlights the total net cash generated by 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 2015	Half-year ended 30 June 2014
	£m	£m
Net cash from operating activities	47.4	44.5
Interest received	0.1	0.1
Proceeds on disposal of property, plant and equipment	0.5	0.2
Purchases of property, plant and equipment	(22.3)	(11.6)
Purchase of intangible assets	(1.0)	(0.5)
Free cash flow	24.7	32.7

#### c) Analysis of net debt

	At 1 January 2015	Cash flow	Assumed on acquisition	Exchange movement	At 30 June 2015
	£m	£m	£m	£m	£m
Cash	13.2	9.8	-	(1.0)	22.0
Overdrafts	(4.7)	4.7	-	-	-
Cash and cash equivalents	8.5	14.5	-	(1.0)	22.0
Debt due within one year	(19.4)	(22.3)	-	0.1	(41.6)
Debt due after one year	(93.4)	(28.9)	(1.9)	0.5	(123.7)
Finance leases	(0.7)	0.3	(1.8)	-	(2.2)
Total	(105.0)	(36.4)	(3.7)	(0.4)	(145.5)

### 12. Retirement benefit schemes

Aggregate post-retirement benefit obligations are £15.1m (30 June 2014 - £24.8m; 31 December 2014 - £19.8m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £4.6m (30 June 2014 - £16.1m; 31 December 2014 - £9.4m) and £5.3m (30 June 2014 - £3.7m; 31 December 2014 - £4.7m) respectively, and a liability on unfunded schemes of £5.2m (30 June 2014 - £5.0m; 31 December 2014 - £5.7m). These values have been assessed by independent actuaries using current market values and discount rates. The decrease in the liability from £19.8m at 31 December 2014 to £15.1m at 30 June 2015 is mainly due to the positive effect of total cash contributions in excess of service costs of £4.5m.

# Notes to the Condensed Consolidated Interim Financial Statements (continued)

## 13. Acquisitions

### Lymington Precision Engineering (LPE) Limited

On 31 March 2015, the Group acquired 100% of the issued share capital of Lymington Precision Engineering (LPE) Limited, and its 100%-owned subsidiary Lymington Precision Engineers Co. Limited (collectively "LPE") through a business combination. LPE is based in Lymington, Hampshire, UK and manufactures precision-machined components, fabrications, assemblies and kit sets for the oil and gas, telecommunications, aerospace, defence, land and sea systems, nuclear and marine industries. LPE strengthens the Group's precision machining capabilities and provides access to LPE's strong customer relationships and adjacent markets.

The initial consideration was £44.6m comprising a net consideration of £45.8m after taking account of £2.7m of net debt in the business at acquisition date and a payment of £1.5m for working capital. Under the terms of the acquisition, there is a potential deferred contingent consideration (earn-out) of up to £31.7m that is dependent on the performance of LPE against demanding operating profit targets for the 12 month period ending 31 March 2016. The acquisition was funded using the Group's existing borrowing facilities, a new two-year £20.0m revolving credit facility and new one-year term loans totalling £25.0m.

Performance of the LPE business has been lower than envisaged during the first three months of Senior's ownership. It appears unlikely that the earn-out (provided for in the share purchase agreement) will become payable and as a result the £10.0m previously held in escrow has been returned to Senior approximately 10 months earlier than originally planned (and provided for in the transaction documents) thus reducing our half year debt position and interest cost. Over the medium to long term, prospects for LPE remain encouraging.

Set out below is a provisional summary of the net assets acquired:

Recognised amounts of identified assets acquired and liabilities assumed	£m
Identifiable intangible assets	27.9
Property, plant and equipment	5.0
Inventories	4.5
Financial assets, excluding cash and cash equivalents	6.2
Cash and cash equivalents	1.0
Financial liabilities, excluding borrowings	(7.7)
Borrowings	(3.7)
Deferred tax liability	(5.7)
<b>Net Assets Acquired</b>	<b>27.5</b>
Goodwill	17.1
<b>Total Consideration</b>	<b>44.6</b>
Consideration satisfied by:	
Cash paid	44.6
Deferred consideration payable	-
<b>Total Consideration</b>	<b>44.6</b>
Net cash outflow arising on acquisition:	
Cash consideration	44.6
Less: Cash and cash equivalents acquired	(1.0)
<b>Net cash outflow arising on acquisition</b>	<b>43.6</b>

The goodwill of £17.1m represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what LPE would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 13. Acquisitions (continued)

The intangible assets acquired as part of the acquisition relate mainly to customer contracts and relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over five years. Fair value has also been assigned to the order book and trade name which are both being amortised over five years.

The financial assets acquired include trade receivables with a provisional fair value of £5.8m and a gross contractual value of £5.8m, all of which is currently expected to be collectible.

Acquisition-related costs of £0.9m are included in administrative expenses within trading profit in the Group's Condensed Consolidated Income Statement for the 6 months ended 30 June 2015.

The fair value of the acquired identifiable assets and liabilities is provisional pending finalisation of the fair value exercise.

From the date of acquisition to 30 June 2015, LPE contributed £8.3m of external revenue and £1.1m to the Group's operating profit before amortisation of intangible assets from the acquisition of £1.4m. If the acquisition had been completed on 1 January 2015, Group revenue for the 6 months ended 30 June 2015 would have been £447.9m, Group adjusted operating profit would have been £58.2m and Group operating profit would have been £49.7m.

### 14. Financial Instruments

#### Categories of financial instruments

	Half-year ended 30 June 2015	Half-year ended 30 June 2014
	£m	£m
Carrying value of financial assets:		
Cash and cash equivalents	22.0	31.8
Trade receivables	134.0	121.4
Other receivables	2.0	2.0
Loans and receivables at amortised cost	158.0	155.2
Currency derivatives used for hedging	1.0	1.9
Total financial assets	159.0	157.1
Carrying value of financial liabilities:		
Bank overdrafts and loans	165.3	144.9
Obligations under finance leases	2.2	1.2
Trade payables	84.2	81.1
Other payables	59.0	57.2
Other financial liabilities at amortised cost	310.7	284.4
Currency derivatives used for hedging	3.0	1.3
Fair value of interest rate swaps	-	0.1
Total financial liabilities	313.7	285.8

## Notes to the Condensed Consolidated Interim Financial Statements (continued)

### 14. Financial Instruments (continued)

	Half-year ended 30 June 2015 £m	Half-year ended 30 June 2014 £m
Undiscounted contractual maturity of other financial liabilities:		
Amounts payable:		
On demand or within one year	192.1	202.0
In the second to fifth years inclusive	124.7	93.1
After five years	13.2	13.0
	<hr/>	<hr/>
	330.0	308.1
Less: future finance charges	(19.3)	(23.7)
	<hr/>	<hr/>
Other financial liabilities at amortised cost	310.7	284.4

Any amounts drawn under the committed syndicated multi-currency facility, which matures in 2019, are drawn on a short-term basis and are therefore shown as payable within one year in the above contractual maturity analysis. 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 £174.4m (30 June 2014 - £157.4m). 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 2015 £m	Half-year ended 30 June 2014 £m
Assets:		
Foreign exchange contracts – cash flow hedges	1.0	1.9
Total assets	<hr/>	<hr/>
	1.0	1.9
Liabilities:		
Foreign exchange contracts – cash flow hedges	3.0	1.3
Interest rate swap	-	0.1
Total liabilities	<hr/>	<hr/>
	3.0	1.4