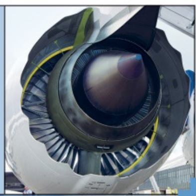
Senior plc
Interim Results 2016



Senior plc

Interim Results for the half-year ended 30 June 2016

FINANCIAL HIGHLIGHTS	Half-year to 30 June			
	2016	2015	% change	% change (constant currency)
REVENUE	**£450.5m**	£434.5m	**+4%**	**-1%**
OPERATING PROFIT	**£37.5m**	£49.1m	**-24%**	**-28%**
ADJUSTED OPERATING PROFIT (1)	**£47.2m**	£56.2m	**-16%**	**-20%**
ADJUSTED OPERATING MARGIN (1)	**10.5%**	12.9%	**-2.4ppts**	**-2.4ppts**
PROFIT BEFORE TAX	**£32.6m**	£45.0m	**-28%**	**-31%**
ADJUSTED PROFIT BEFORE TAX (1)	**£42.3m**	£52.1m	**-19%**	**-23%**
BASIC EARNINGS PER SHARE	**6.33p**	8.45p	**-25%**	
ADJUSTED EARNINGS PER SHARE (1)	**8.07p**	9.86p	**-18%**	
INTERIM DIVIDEND PER SHARE	**1.95p**	1.84p	**+6%**	
FREE CASH FLOW (2)	**£17.3m**	£24.7m	**-30%**	
NET DEBT (2) **– JUNE**	**£207.3m**	£145.5m	**+ £62m**	
NET DEBT – DECEMBER 2015		£194.6m	**+ £13m**	

Headlines

- Aerospace performance in line with expectations with good organic growth in large commercial
- Market conditions for the Flexonics Division remain subdued, mitigating actions continue
- Adjusted profit before tax of £42.3m, 19% below prior year (23% decrease at constant currency)
- Generated £17.3m free cash flow after investing £22.8m in capital expenditure for organic growth
- Interim dividend increased by 6% to 1.95 pence per share
- The Group is well positioned to increase market share and deliver strong growth over the medium-term

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

"Senior's Aerospace Division has performed in line with expectations in the first half of 2016. Revenue and adjusted profits have increased and a book to bill ratio of 1.15 is encouraging. Conversely, as previously announced, business conditions deteriorated in the Flexonics Division and resulted in a weak first half as end markets remained challenging with no clear signs of recovery yet visible.

Overall the Group remains well positioned for the future with Aerospace production programmes continuing to ramp-up and many new business opportunities in discussion with key customers. In Flexonics, despite the challenging conditions, we have continued to secure positions on new programmes and platforms, and therefore are well positioned to resume growth when markets recover. As previously announced, the Board expects the Group's performance in the second half of 2016 to be stronger than the first half and is confident of progress in 2017 and beyond."

For further information please contact:

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

(1) Adjusted figures are stated before a £9.8m charge for amortisation of intangible assets arising on acquisitions (H1 2015 - £5.4m), acquisition costs of £nil (H1 2015 - £0.9m) and a profit on sale and write-down of fixed assets of £0.1m (H1 2015 - loss £0.8m). 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 $1.42 (H1 2015 - $1.53) and €1.28 (H1 2015 - €1.36), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2016 were $1.34 (June 2015 - $1.57) and €1.20 (June 2015 - €1.41), respectively.

Webcast

There will be a presentation on Monday 1 August 2016 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 2016

Overview

Group revenue increased by 3.7% to £450.5m (H1 2015 - £434.5m). This included a favourable exchange rate impact of £21.5m and a beneficial incremental impact from acquisitions of £18.6m. Underlying Group revenue from organic operations was down £24.1m (5.3%) on a constant currency basis as growth from the Aerospace Division was offset by lower Flexonics revenue due to weaker truck and off-highway, and oil and gas markets.

Adjusted operating profit decreased by £9.0m (16.0%) to £47.2m (H1 2015 - £56.2m). This included a favourable exchange rate impact of £2.7m and £2.0m of operating profit contributed by acquisitions. Adjusted operating profit from organic operations decreased by 23.3% on a constant currency basis. Whilst the Group continues to focus on operational improvements, cost management and efficiency initiatives, as previously disclosed, margins in the first half of 2016 were impacted by the reduction in volumes and change in mix in the Flexonics Division, as well as the ramp-up of new aircraft production programmes in the Aerospace Division. These resulted in the Group's adjusted operating margin reducing by 2.4 percentage points to 10.5%.

Adjusted profit before tax decreased to £42.3m (H1 2015 - £52.1m), down 18.8%, or 22.5% on a constant currency basis. Adjusted earnings per share decreased by 18.2% to 8.07 pence (H1 2015 - 9.86 pence).

The Group generated free cash inflow of £17.3m (H1 2015 - £24.7m) after gross investment in capital expenditure of £22.8m (H1 2015 - £23.3m). The level of net debt at the end of June 2016 was £207.3m (December 2015 - £194.6m). This increase was principally due to unfavourable currency movements of £12.2m and £18.3m of dividend payments partly offset by free cash inflow of £17.3m and proceeds on disposal of business of £1.5m. The ratio of net debt to EBITDA at the end of June 2016 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 1.95 pence per share, an increase of 6.0% over the prior year (H1 2015 - 1.84 pence). It will be paid on 30 November 2016 to shareholders on the register at the close of business on 21 October 2016.

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. Demand for large commercial aircraft remains robust with Boeing and Airbus predicting air traffic to grow in excess of 4% per annum over the next 20 years. Boeing is forecasting market demand for over 39,000 large commercial aircraft and Airbus is forecasting market demand for over 33,000 large commercial aircraft 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 will outgrow the market, as these new engine versions come into service and production ramps up. Customer deliveries of the A320neo began in January 2016, whilst the 737 MAX and A330neo are scheduled to enter service in 2017.

In the regional jet market, the first CSeries was delivered to Swiss International Air Lines in June, followed by its maiden commercial flight on 15 July 2016. Senior has a healthy level of content on the CSeries airframe and its Pratt & Whitney Geared Turbo Fan engine and is also expected to benefit from the Mitsubishi MRJ and Embraer E2-Jet, which are anticipated to enter into service in 2018. 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.

In the Flexonics Division, market conditions in North American truck and off-highway and oil and gas markets remain challenging. Production of North American heavy-duty diesel trucks is forecast to decline in 2016 and 2017, and the off-highway market is expected to remain weak. Oil and gas related markets remain challenging in the near term as investment in the sector is reduced or postponed.

Despite this, Senior Flexonics continues to bid for and win new opportunities with existing and new customers. In order to remain competitive and reduce costs, more work is being directed to cost competitive Flexonics facilities in Mexico, India, Czech Republic, Malaysia and China. As a consequence, when the cyclical markets do pick up, Senior will see strengthening performance from an ever-more lean and competitive business.

Operational review

In response to the challenging market conditions faced by the Flexonics Division, during the first half of 2016, there has been continuing focus on both short-term cost management actions, as well as an acceleration of longer-term structural cost improvement initiatives.

Near-term cost management actions have included headcount reductions, reduced overtime, discretionary spend management and supply chain cost out activity. In Flexonics, total payroll costs have reduced by 15% from end of June 2015 to end of June 2016. In certain businesses most affected by the challenging market conditions, headcount has reduced by up to 30%.

Longer-term structural cost improvements are centred around Senior's cost competitive country strategy. Production continues to be transferred to new facilities in Mexico, India and the Czech Republic. For example, all production has now been transferred from our Flexonics site in the UK, with the last programme and equipment having moved to India. This will enable the Group to establish a specialist technology, development and test centre in a smaller, less expensive facility in the UK. During the second half of 2016 additional common rail and cooler products and associated equipment are being transferred to Mexico from our facility in Chicago. In India, EGR coolers are now being manufactured for an off-highway customer and production of fuel rails will launch for a truck customer at the end of 2016.

On the Aerospace side, Senior's global footprint continues to provide opportunities for growth, as a result of the Group's investment in our Aerospace facilities in Thailand, Malaysia, Mexico, California and South Carolina. Plans are being developed to add aerospace capability to our existing highly efficient Flexonics plant in the Czech Republic. The new 200,000 sq.ft. facility in Thailand was officially opened on 23 June 2016 with key customers in attendance and we are encouraged by the opportunities for organic growth that this facility brings.

Senior Aerospace has continued with its targeted capital investment in its operating businesses. New state-of-the-art high speed and high performance equipment has been installed at many of our sites around the world in response to increasing customer demand. This new equipment gives a step function improvement in set-up times and machining speeds which in turn reduces costs and helps our operating businesses to be highly competitive and operationally efficient and effective.

Finally, the integration of Steico is going well and has benefitted from the new post-acquisition integration process introduced in the second half of 2015. We are pleased with its contribution to the Group in the first half, which was fully in line with the acquisition case.

Outlook

Overall the Group remains well positioned for the future with Aerospace production programmes continuing to ramp-up and many new business opportunities in discussion with key customers. In Flexonics, despite the challenging conditions, we have continued to secure positions on new programmes and platforms, and therefore are well positioned to resume growth when markets recover. As previously announced, the Board expects the Group's performance in the second half of 2016 to be stronger than the first half and is confident of progress in 2017 and beyond.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 72% (H1 2015 - 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:

	Half-year ended 30 June 2016	Half-year ended 30 June 2015 [(1)]	Change
	£m	£m	
Revenue	**323.8**	302.7	+7.0%
Adjusted operating profit	**41.1**	39.8	+3.3%
Adjusted operating margin	**12.7%**	13.1%	-0.4ppts

(1) H1 2015 results translated using H1 2016 average exchange rates - constant currency.

Divisional revenue increased by £21.1m (7.0%) to £323.8m (H1 2015 - £302.7m[(1)]) whilst adjusted operating profit increased by £1.3m (3.3%) to £41.1m (H1 2015 - £39.8m[(1)]). Excluding the incremental contribution from Steico, acquired in December 2015 (revenue of £14.3m; operating profit of £2.3m), organic revenue for the Division increased by £6.8m (2.2%) whilst adjusted operating profit decreased by £1.0m (2.5%) over the first half of 2015.

Revenue Reconciliation	**£m**
H1 2015 revenue[(1)]	302.7
Large commercial	17.2
Regional & business jets	(3.7)
Military	(3.8)
Other	(2.9)
H1 2016 organic	309.5
Acquisitions	14.3
H1 2016 revenue	323.8

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 673 aircraft in the first half of 2016, 1.8% less than the prior year. Senior's sales in the large commercial aircraft sector increased by 12.3%[(1)] during the six-month period to 30 June 2016, with organic growth, excluding acquisitions, being 9.6%. The Group benefited from increased production of the A350 and A320neo, which began customer deliveries in January 2016, and from higher deliveries of the 787; however, these increases were partly offset by the comparative impact of the decline in A330 build rates.

The Division's sales to the regional jet market, excluding acquisitions, increased by 34.5% in the period[(1)], mainly as a result of increased production of Bombardier's CSeries, which commenced customer deliveries in June 2016, and increased revenue from the Mitsubishi Regional Jet programme which is expected to commence deliveries to customers in 2018. Revenue derived from the business jet sector declined by 31.8%, on an organic basis, in the period[(1)] due to previously announced reductions in build rates of Bombardier's Global 5000/6000 and Gulfstream's G550 programmes.

Total revenue from the military and defence sector increased by 4.5% during the period[(1)], however excluding acquisitions, organic revenue decreased by 6.6% primarily due to lower Joint Strike Fighter content as a work package was dual sourced as previously noted, and lower deliveries of the CH-47 Chinook.

Around 8% 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. Excluding acquisitions, revenue derived from these markets decreased by 9.6%[(1)], mainly due to weaker power and energy markets.

The divisional adjusted operating margin declined by 0.4 percentage points to 12.7% (H1 2015 - 13.1%)[1]. Margins were impacted by the year-on-year volume reductions on mature programmes such as the A330, Global 5000/6000 and G550, and costs associated with the ramp-up of new aircraft production programmes such as the A320neo and CSeries. Improvement in performance is anticipated in the second half of this year driven by increasing revenues and operational improvements.

Senior has a healthy level of content on the A320neo, 737 MAX, A330neo, A350, and Joint Strike Fighter, all of which are forecasting significant increases in production over the coming years. The Group will also benefit from greater content on the new engine aircraft, with 66% more content on the A320neo, 52% more on the 737 MAX, 24% more on the A330neo and 67% more on Embraer's E2-Jets, than their respective current engine versions. Customer deliveries of the A320neo began in January 2016, whilst the 737 MAX and A330neo are scheduled to enter service in 2017 and the E2-Jet in 2018.

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

Flexonics Division

The Flexonics Division represents 28% (H1 2015 - 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 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 2016	Half-year ended 30 June 2015 [1]	Change
	£m	£m	
Revenue	**126.9**	153.5	-17.3%
Adjusted operating profit	**10.8**	23.2	-53.4%
Adjusted operating margin	**8.5%**	15.1%	-6.6ppts

[1] H1 2015 results translated using H1 2016 average exchange rates - constant currency.

Divisional revenue decreased by £26.6m (17.3%) to £126.9m (H1 2015 - £153.5m[1]) and adjusted operating profit decreased by £12.4m (53.4%) to £10.8m (H1 2015 - £23.2m[1]). Excluding the incremental contribution from the acquisition of LPE at the end of March 2015 (revenue of £4.3m; operating loss of £0.3m), organic revenue for the Division declined by £30.9m (20.1%) and adjusted operating profit decreased by £12.1m (52.2%).

Revenue Reconciliation	**£m**
H1 2015 revenue[1]	153.5
Truck and off-highway	(13.2)
Passenger vehicles	(0.4)
Industrial	(17.2)
Other	(0.1)
H1 2016 organic	122.6
Acquisitions	4.3
H1 2016 revenue	126.9

Group sales to truck and off-highway markets decreased by 24.9%[1]. Senior's sales to the North American truck market decreased by £11.0m (35.6%), primarily due to lower sales of EGR coolers for new vehicles as market production declined and sales to the North American off-highway market decreased by £4.3m (31.4%) due to weaker demand for agricultural and mining vehicles. Sales to European truck and off-highway markets grew by £1.4m (20.3%) due to launch and ramp-up of new programmes, including EGR coolers to new customers. The Group also benefited by £0.7m (43.8%) increased sales from new truck and off-highway programmes in India and China.

Group sales to passenger vehicle markets decreased slightly by £0.4m (1.5%) in the period[1], with growth of £1.2m (6.3%) in the Division's main European market and growth of £0.3m (18.8%) from new programme launches in India, offset by some North American programmes ending and weaker market demand in Brazil.

In the Group's industrial markets, organic sales excluding the incremental contribution from LPE were down 24.3%[(1)]. As anticipated, organic sales to petrochemical markets were down £14.1m (41.6%) due to lower demand and the non-repeat of the large industrial expansion joint orders for North American and South Korean petrochemical projects from 2015. Organic sales to power and energy markets decreased by £4.1m (20.3%) due to continued weakness in North American coal and gas fired power generation markets and the year-on-year impact of lower revenue from fuel cell dielectrics.

The adjusted operating margin decreased to 8.5% (H1 2015 - 15.1%). On an organic basis, excluding acquisitions, the margin declined by 6.0 percentage points to 9.1%, principally due to volume reductions in truck, off-highway and oil and gas markets and change in mix. The Group continues to focus on cost management and efficiency initiatives and these are anticipated to provide some improvement in Flexonics performance in the second half of this year.

Looking further ahead, global environmental legislation continues to tighten and 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 diesel engines, as well as alternative energy 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

Finance costs

Total finance costs, net of investment income of £0.1m (H1 2015 - £0.1m), increased to £4.9m (H1 2015 - £4.1m). Net interest costs on borrowings increased to £4.8m (H1 2015 - £3.9m) due to the increased debt associated with the acquisitions of Steico and LPE and the adverse foreign exchange impact on the translation of US dollar denominated borrowings. The net IAS 19 pension finance cost decreased to £0.1m (H1 2015 - £0.2m) principally due to a reduction in the retirement benefit obligations at 31 December 2015 compared to 31 December 2014.

Tax charge

The total tax charge decreased to £6.1m (H1 2015 - £9.7m). Excluding the net tax benefits of £2.4m (H1 2015 - £1.2m) arising from amortisation of intangible assets from acquisitions, acquisition costs and profit or loss on sale and write-down of fixed assets, the adjusted tax charge is £8.5m (H1 2015 - £10.9m) resulting in an adjusted tax rate of 20.0% (H1 2015 - 21.0%) 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 418.8 million (H1 2015 - 417.8 million). The increase arose principally from the vesting of shares awarded under the Group's Long-Term Incentive Plan. Adjusted earnings per share decreased by 18.2% to 8.07 pence (H1 2015 - 9.86 pence). Basic earnings per share decreased by 25.1% to 6.33 pence (H1 2015 - 8.45 pence). See Note 7 of the Interim Financial Statements for details of the basis of these calculations.

Working capital

Working capital increased from 15.1% of sales at 31 December 2015 to 17.3% of sales at 30 June 2016. 0.6% of this increase was due to exchange differences resulting from the significant fluctuation in spot exchange rates at the balance sheet date compared to the average exchange rate over the past 12 months. The remaining increase was primarily driven by holding additional inventory to support new product introductions and product re-location to cost competitive countries, while movements in receivables and payables broadly offset.

Capital expenditure

Capital expenditure of £22.8m (H1 2015 - £23.3m) was 1.4 times depreciation (H1 2015 – 1.7 times), with the majority of the spend related to investment in growth programmes in the Aerospace Division. In particular, £5.1m was invested in our new Thailand facility and £1.7m invested in Malaysia both supporting A350 and 787 programmes. In the USA, £2.4m was invested to support the increasing build rate on 737. Capital expenditure is expected to continue to be significantly higher than depreciation in the second half of the year, as major investments continue, supporting future growth programmes.

Retirement benefit obligations

Aggregate retirement benefit liabilities at 30 June 2016 were £17.0m in excess of the value of pension assets, representing an increase in the deficit of £4.4m from 31 December 2015. The deficit in respect of the Group's UK defined benefit pension plan increased by £2.1m to £2.7m (31 December 2015 - £0.6m). The deficit in North America and other territories increased by £2.3m. The £4.4m net increase over the first six months of 2016 is principally due to the decrease in the bond yields used to place a value on the defined benefit obligation partially offset by £4.4m contributions in excess of service costs made by the Group.

Audit tender

As set out in the Annual Report & Accounts 2015 the Group undertook a formal tender of its external audit during the first half of 2016, led by the Audit Committee. The process began in March 2016 with a selected number of audit firms receiving an invitation to tender; Deloitte LLP, the Group's current external auditor, was not invited to tender due to the longevity of its appointment. The process involved access to a data room, detailed meetings with management, selected site visits and a final presentation to the Audit Committee by each shortlisted firm. Following its conclusion, the Board proposes the appointment of KPMG LLP as the Group external auditor for the financial year commencing 1 January 2017, subject to approval by shareholders at the Annual General Meeting to be held in April 2017. Deloitte will complete the external audit for the year ending 31 December 2016 and a hand over process will take place during that time-frame. The Board extends its appreciation to Deloitte for their contribution over many years.

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 30 to 31 of the Annual Report & Accounts 2015, which is available at 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. The Board is monitoring events following the 23 June EU Referendum and will reflect any resulting changes to its assessment of risks and uncertainties when the consequences of the decision to leave the EU are more visible.

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
29 July 2016	29 July 2016

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 2016 which comprises the 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 related Notes 1 to 15. 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 it 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 IFRSs 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 2016 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
London, United Kingdom
29 July 2016

Condensed Consolidated Income Statement

For the half-year ended 30 June 2016

	Notes	Half-year ended 30 June 2016	Half-year ended 30 June 2015	Year ended 31 Dec 2015
		£m	£m	£m
Revenue	3	450.5	434.5	849.5
Trading profit before one-off items		37.2	49.7	94.0
Goodwill impairment		-	-	(18.8)
Impairment of assets held for sale		-	-	(1.8)
Trading profit		37.2	49.7	73.4
Profit/(loss) on sale and write-down of fixed assets		0.1	(0.8)	(1.5)
Share of joint venture profit	3	0.2	0.2	0.4
Operating profit (1)		37.5	49.1	72.3
Investment income		0.1	0.1	0.3
Finance costs		(5.0)	(4.2)	(8.8)
Profit before tax (2)		32.6	45.0	63.8
Tax	5	(6.1)	(9.7)	(15.3)
Profit for the period		26.5	35.3	48.5
Attributable to:				
Equity holders of the parent		26.5	35.3	48.5
Earnings per share				
Basic (3)	7	6.33p	8.45p	11.59p
Diluted (4)	7	6.26p	8.35p	11.47p
(1) Adjusted operating profit	4	47.2	56.2	107.8
(2) Adjusted profit before tax	4	42.3	52.1	99.3
(3) Adjusted earnings per share	7	8.07p	9.86p	18.98p
(4) Adjusted and diluted earnings per share	7	7.98p	9.75p	18.78p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2016

	Half-year ended 30 June 2016	Half-year ended 30 June 2015	Year ended 31 Dec 2015
	£m	£m	£m
Profit for the period	26.5	35.3	48.5
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Losses on cash flow hedges during the period	(3.7)	(0.9)	(5.6)
Reclassification adjustments for losses included in profit or loss	0.4	1.2	3.8
(Losses) / gains on cash flow hedges	(3.3)	0.3	(1.8)
Foreign exchange gain recycled to the Income Statement on disposal of business	(0.4)	-	-
Exchange differences on translation of foreign operations	41.4	(12.8)	(4.3)
Tax relating to items that may be reclassified	1.1	-	0.4
	38.8	(12.5)	(5.7)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	(7.2)	-	(1.1)
Tax relating to items that will not be reclassified	1.6	0.4	0.8
	(5.6)	0.4	(0.3)
Other comprehensive income for the period, net of tax	33.2	(12.1)	(6.0)
Total comprehensive income for the period	59.7	23.2	42.5
Attributable to:			
Equity holders of the parent	59.7	23.2	42.5

Condensed Consolidated Balance Sheet

As at 30 June 2016	Notes	30 June 2016	30 June 2015	31 Dec 2015
		£m	£m	£m
Non-current assets				
Goodwill	8	305.8	275.2	284.5
Other intangible assets		67.6	50.3	72.1
Investment in joint venture		1.2	0.9	1.1
Property, plant and equipment	9	233.5	175.7	206.6
Deferred tax assets		8.2	1.1	6.7
Loan to joint venture		0.3	0.7	1.1
Trade and other receivables		0.4	0.4	0.3
Total non-current assets		617.0	504.3	572.4
Current assets				
Inventories		147.0	120.7	126.9
Loan to joint venture		1.0	0.4	0.1
Current tax receivables		2.2	0.3	5.1
Trade and other receivables		168.6	147.7	140.6
Cash and bank balances	11a)	13.5	22.0	14.4
Asset classified as held for sale		-	-	1.8
Total current assets		332.3	291.1	288.9
Total assets		949.3	795.4	861.3
Current liabilities				
Trade and other payables		164.5	149.9	138.2
Current tax liabilities		20.3	15.8	20.5
Obligations under finance leases	11c)	0.7	0.7	0.8
Bank overdrafts and loans	11c)	65.3	41.6	28.6
Provisions		1.8	1.7	1.4
Liabilities classified as held for sale		-	-	1.1
Total current liabilities		252.6	209.7	190.6
Non-current liabilities				
Bank and other loans	11c)	154.1	123.7	178.6
Retirement benefit obligations	12	17.0	15.1	12.6
Deferred tax liabilities		52.5	26.7	46.9
Obligations under finance leases	11c)	0.7	1.5	1.0
Others		0.7	0.5	0.7
Total non-current liabilities		225.0	167.5	239.8
Total liabilities		477.6	377.2	430.4
Net assets		471.7	418.2	430.9
Equity				
Issued share capital	10	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		3.6	3.2	4.5
Hedging and translation reserve		25.9	(19.7)	(12.9)
Retained earnings		387.2	380.2	384.7
Own Shares		(1.7)	(2.2)	(2.1)
Equity attributable to equity holders of the parent		471.7	418.2	430.9
Total equity		471.7	418.2	430.9

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2016

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 2015	41.8	14.8	5.7	(7.2)	359.0	(2.5)	411.6
Profit for the period	-	-	-	-	48.5	-	48.5
Losses on cash flow hedges	-	-	-	(1.8)	-	-	(1.8)
Exchange differences on translation of foreign operations	-	-	-	(4.3)	-	-	(4.3)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(1.1)	-	(1.1)
Tax relating to components of other comprehensive income	-	-	-	0.4	0.8	-	1.2
Total comprehensive income for the period	-	-	-	(5.7)	48.2	-	42.5
Issue of share capital	0.1	-	(0.1)	-	-	-	-
Share-based payment charge	-	-	2.2	-	-	-	2.2
Tax relating to share-based payments	-	-	-	-	(0.2)	-	(0.2)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.9)	(0.9)
Use of shares held by employee benefit trust	-	-	-	-	(1.3)	1.3	-
Transfer to retained earnings	-	-	(3.3)	-	3.3	-	-
Dividends paid	-	-	-	-	(24.3)	-	(24.3)
Balance at 31 December 2015	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
Issue of share capital	-	-	-	-	-	-	-
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 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 2015	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
Total comprehensive income for the period	-	-	-	(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)
Balance at 30 June 2015	41.9	14.8	3.2	(19.7)	380.2	(2.2)	418.2

Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2016

	Notes	Half-year ended 30 June 2016	Half-year ended 30 June 2015	Year ended 31 Dec 2015
		£m	£m	£m
Net cash from operating activities	11a)	39.5	47.4	99.4
Investing activities				
Interest received		0.1	0.1	0.2
Proceeds on disposal of property, plant and equipment		0.5	0.5	0.7
Purchases of property, plant and equipment		(21.9)	(22.3)	(46.4)
Purchases of intangible assets		(0.9)	(1.0)	(2.2)
Proceeds on disposal of business	13	1.5	-	-
Acquisition of Steico		-	-	(60.3)
Acquisition of LPE		-	(43.6)	(43.6)
Loan to joint venture		-	-	(0.1)
Net cash used in investing activities		(20.7)	(66.3)	(151.7)
Financing activities				
Dividends paid		(18.3)	(16.6)	(24.3)
New loans		26.9	78.4	179.9
Repayment of borrowings		(28.9)	(27.2)	(98.2)
Repayments of obligations under finance leases		(0.4)	(0.3)	(0.6)
Share issues		-	-	-
Purchase of shares held by employee benefit trust		(1.0)	(0.9)	(0.9)
Net cash (used in)/ from financing activities		(21.7)	33.4	55.9
Net (decrease)/ increase in cash and cash equivalents		(2.9)	14.5	3.6
Cash and cash equivalents at beginning of period		11.6	8.5	8.5
Effect of foreign exchange rate changes		1.9	(1.0)	(0.5)
Cash and cash equivalents at end of period	11a)	10.6	22.0	11.6

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 29 July 2016, 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 2015 do not constitute the Group's statutory accounts for 2015 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2015 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 2015 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 2015. No material new standards, amendments to standards or interpretations are effective for the half-year ended 30 June 2016.

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 2015.

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	**Total**	Aerospace	Flexonics	Eliminations / central costs	**Total**
	Half-year ended 30 June 2016	Half-year ended 30 June 2016	Half-year ended 30 June 2016	**Half-year ended 30 June 2016**	Half-year ended 30 June 2015	Half-year ended 30 June 2015	Half-year ended 30 June 2015	**Half-year ended 30 June 2015**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
External revenue	323.7	126.8	-	**450.5**	287.2	147.3	-	**434.5**
Inter-segment revenue	0.1	0.1	(0.2)	**-**	0.1	0.1	(0.2)	**-**
Total revenue	323.8	126.9	(0.2)	**450.5**	287.3	147.4	(0.2)	**434.5**
Adjusted trading profit	41.1	10.8	(4.9)	**47.0**	37.9	22.3	(4.2)	**56.0**
Share of joint venture profit	-	0.2	-	**0.2**	-	0.2	-	**0.2**
Adjusted operating profit	41.1	11.0	(4.9)	**47.2**	37.9	22.5	(4.2)	**56.2**
Profit/(loss) on sale and write-down of fixed assets	0.1	-	-	**0.1**	(0.8)	-	-	**(0.8)**
Amortisation of intangible assets from acquisitions	(5.6)	(4.2)	-	**(9.8)**	(2.6)	(2.8)	-	**(5.4)**
Acquisition costs	-	-	-	**-**	-	(0.9)	-	**(0.9)**
Operating profit	35.6	6.8	(4.9)	**37.5**	34.5	18.8	(4.2)	**49.1**
Investment income				**0.1**				**0.1**
Finance costs				**(5.0)**				**(4.2)**
Profit before tax				**32.6**				**45.0**
Tax				**(6.1)**				**(9.7)**
Profit after tax				**26.5**				**35.3**

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 2016	30 June 2015	31 Dec 2015
Assets	£m	£m	£m
Aerospace	405.1	303.1	346.6
Flexonics	144.1	140.0	128.9
Central	4.5	3.6	4.4
Segment assets for reportable segments	553.7	446.7	479.9
Unallocated			
Goodwill	305.8	275.2	284.5
Intangible assets from acquisitions	62.6	46.5	67.9
Cash	13.5	22.0	14.4
Deferred and current tax	10.4	1.4	11.8
Others	3.3	3.6	2.8
Total assets per Balance Sheet	949.3	795.4	861.3

	30 June 2016	30 June 2015	31 Dec 2015
Liabilities	£m	£m	£m
Aerospace	110.8	88.9	91.3
Flexonics	46.7	51.0	37.8
Central	7.2	9.5	9.4
Segment liabilities for reportable segments	164.7	149.4	138.5
Unallocated			
Debt	219.4	165.3	207.2
Finance leases	1.4	2.2	1.8
Deferred and current tax	72.8	42.5	67.4
Retirement benefit obligations	17.0	15.1	12.6
Others	2.3	2.7	2.9
Total liabilities per Balance Sheet	477.6	377.2	430.4

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 included to identify the performance of the Group prior to the impact of goodwill impairment, impairment of assets held for sale, amortisation of intangible assets acquired from acquisitions, acquisition costs and profit or loss on sale and write-down of fixed assets. These items have 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 2016	Half-year ended 30 June 2015	Year ended 31 Dec 2015
	£m	£m	£m
Operating profit	37.5	49.1	72.3
Amortisation of intangible assets from acquisitions	9.8	5.4	12.2
Goodwill impairment	-	-	18.8
Impairment of assets held for sale	-	-	1.8
Acquisition costs	-	0.9	1.2
(Profit)/loss on sale and write-down of fixed assets	(0.1)	0.8	1.5
Adjustments to operating profit	9.7	7.1	35.5
Adjusted operating profit	47.2	56.2	107.8
Profit before tax	32.6	45.0	63.8
Adjustments to profit before tax as above	9.7	7.1	35.5
Adjusted profit before tax	42.3	52.1	99.3

5. Tax charge

	Half-year ended 30 June 2016	Half-year ended 30 June 2015
	£m	£m
Current tax:		
Current year	3.3	7.7
Deferred tax:		
Current year	2.8	2.0
	6.1	9.7

Corporation tax for the half-year ended 30 June 2016 is calculated at 18.7% (H1 2015 - 21.6%) on profit before tax. On adjusted profit before tax, an adjusted tax rate of 20.0% (H1 2015 - 21.0%) 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 2016	Half-year ended 30 June 2015
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2015 of 4.36p (2014 - 3.96p) per share	18.3	16.6
Interim dividend for the year ending 31 December 2016 of 1.95p (2015 - 1.84p) per share	8.2	7.7

The interim dividend was approved by the Board of Directors on 29 July 2016 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 2016	Half-year ended 30 June 2015
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	418.8	417.8
Effect of dilutive potential ordinary shares:		
Share options	4.5	4.8
Weighted average number of ordinary shares for the purposes of diluted earnings per share	423.3	422.6

7. Earnings per share (continued)

	Half-year ended 30 June 2016	Half-year ended 30 June 2016	Half-year ended 30 June 2015	Half-year ended 30 June 2015
	Earnings	EPS	Earnings	EPS
Earnings and earnings per share ("EPS")	£m	pence	£m	pence
Profit for the period	26.5	6.33	35.3	8.45
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £2.4m (H1 2015 - £0.9m)	7.4	1.77	4.5	1.07
Acquisition costs net of tax of £nil (H1 2015 - £nil)	-	-	0.9	0.22
(Profit)/loss on sale and write-down of fixed assets net of tax of £nil (H1 2015 - £0.3m)	(0.1)	(0.03)	0.5	0.12
Adjusted earnings after tax	33.8	8.07	41.2	9.86
Earnings per share				
- basic		6.33p		8.45p
- diluted		6.26p		8.35p
- adjusted		8.07p		9.86p
- adjusted and diluted		7.98p		9.75p

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.

The provision of an adjusted earnings per share, derived in accordance with the table, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets acquired from acquisitions, acquisition costs and profit or loss on sale and write-down of fixed assets. These items have 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Goodwill

Goodwill has been reallocated to the two Aerospace sub-divisions and Flexonics with effect from 1 January 2016, reflecting the way management now exercises oversight and monitors the Group's performance. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The change in goodwill from £284.5m at 31 December 2015 to £305.8m at 30 June 2016 reflects an increase of £21.3m due to foreign exchange differences.

9. Property, plant and equipment

During the period, the Group spent £21.9m (H1 2015 - £22.3m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.4m (H1 2015 - £0.6m) for proceeds of £0.5m (H1 2015 - £0.5m).

10. Share capital

Share capital as at 30 June 2016 amounted to £41.9m. No shares were issued during the period.

11. Notes to the cash flow statement

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

	Half-year ended 30 June 2016	Half-year ended 30 June 2015
	£m	£m
Operating profit	37.5	49.1
Adjustments for:		
Depreciation of property, plant and equipment	15.3	13.2
Amortisation of intangible assets from acquisitions	9.8	5.4
Amortisation of other intangible assets	0.8	0.4
(Profit)/loss on sale and write-down of fixed assets	(0.1)	0.8
Costs on disposal of business	(0.2)	-
Share of joint venture	(0.2)	(0.2)
Share-based payment charges	0.4	0.9
Pension payments in excess of service cost	(4.4)	(4.5)
Operating cash flows before movements in working capital	58.9	65.1
(Increase) / decrease in inventories	(7.5)	0.4
Increase in receivables	(14.4)	(8.0)
Increase / (decrease) in payables	9.0	(1.6)
Working capital currency movements	(0.5)	(0.1)
Cash generated by operations	45.5	55.8
Income taxes paid	(1.4)	(4.4)
Interest paid	(4.6)	(4.0)
Net cash from operating activities	39.5	47.4

Cash	13.5	22.0
Overdrafts	(2.9)	-
Total	10.6	22.0

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 2016	Half-year ended 30 June 2015
	£m	£m
Net cash from operating activities	39.5	47.4
Interest received	0.1	0.1
Proceeds on disposal of property, plant and equipment	0.5	0.5
Purchases of property, plant and equipment	(21.9)	(22.3)
Purchase of intangible assets	(0.9)	(1.0)
Free cash flow	17.3	24.7

c) Analysis of net debt

	At 1 January 2016	Cash flow	Non- Cash Items	Exchange movement	At 30 June 2016
	£m	£m	£m	£m	£m
Cash	14.4	(2.5)	-	1.6	13.5
Overdrafts	(2.8)	(0.4)	-	0.3	(2.9)
Cash and cash equivalents	11.6	(2.9)	-	1.9	10.6
Debt due within one year	(25.8)	5.8	(40.4)	(2.0)	(62.4)
Debt due after one year	(178.6)	(3.8)	40.4	(12.1)	(154.1)
Finance leases	(1.8)	0.4	-	-	(1.4)
Total	(194.6)	(0.5)	-	(12.2)	(207.3)

12. Retirement benefit schemes

Aggregate post-retirement benefit obligations are £17.0m (30 June 2015 - £15.1m; 31 December 2015 - £12.6m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £2.7m (30 June 2015 - £4.6m; 31 December 2015 - £0.6m) and £8.0m (30 June 2015 - £5.3m; 31 December 2015 - £6.5m) respectively, and a liability on unfunded schemes of £6.3m (30 June 2015 - £5.2m; 31 December 2015 - £5.5m). These values have been assessed by independent actuaries using current market values and discount rates.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Disposals

On 16 February 2016 the Group sold its Senior Aerospace Composites business which was based in Wichita, Kansas, USA and included in the Aerospace Division. The business had been classified as held for sale at 31 December 2015 and presented separately in the balance sheet. An impairment of assets held for sale of £1.8m had also been recognised in the year ended 31 December 2015.

During the half-year ended 30 June 2016, a loss of £nil (H1 2015 - £nil) arose on disposal after taking into account the fair value of net assets disposed after exit costs of £1.9m offset by cash consideration of £1.5m and the previously recorded foreign exchange gain that has been recycled to the income statement of £0.4m.

14. 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 class action lawsuit filed against Ametek, Inc. in the US. The lawsuit claims that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located. While the outcome of some of these matters cannot precisely be foreseen, based on the information currently held by the Directors, the Directors do not believe any of these arrangements, legal actions or claims, after allowing for provisions already made, are likely to result in significant loss to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

15. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2016	Half-year ended 30 June 2015
	£m	£m
Carrying value of financial assets:		
Cash and cash equivalents	13.5	22.0
Trade receivables	150.9	134.0
Other receivables	2.5	2.0
Loans and receivables at amortised cost	166.9	158.0
Currency derivatives used for hedging	2.1	1.0
Total financial assets	169.0	159.0
Carrying value of financial liabilities:		
Bank overdrafts and loans	219.4	165.3
Obligations under finance leases	1.4	2.2
Trade payables	91.7	84.2
Other payables	60.4	59.0
Other financial liabilities at amortised cost	372.9	310.7
Currency derivatives used for hedging	10.2	3.0
Total financial liabilities	383.1	313.7

Notes to the Condensed Consolidated Interim Financial Statements (continued)

15. Financial Instruments (continued)

	Half-year ended 30 June 2016	Half-year ended 30 June 2015
	£m	£m
Undiscounted contractual maturity of other financial liabilities:		
Amounts payable:		
On demand or within one year	227.0	192.1
In the second to fifth years inclusive	113.3	124.7
After five years	68.0	13.2
	408.3	330.0
Less: future finance charges	(35.4)	(19.3)
Other financial liabilities at amortised cost	372.9	310.7

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 £232.1m (30 June 2015 - £174.4m). 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 2016	Half-year ended 30 June 2015
	£m	£m
Assets:		
Foreign exchange contracts – cash flow hedges	2.1	1.0
Total assets	2.1	1.0
Liabilities:		
Foreign exchange contracts – cash flow hedges	10.2	3.0
Total liabilities	10.2	3.0