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SENIOR PLC
INTERIM RESULTS 2018

Senior plc

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Interim Results for the half-year ended 30 June 2018

Margin progression in both divisions

FINANCIAL HIGHLIGHTS	Half-year to 30 June			
	2018	2017	change	change (constant currency)[3]
REVENUE	**£523.3m**	£510.0m	**+3%**	**+7%**
OPERATING PROFIT	**£35.8m**	£28.9m	**+24%**	**+30%**
ADJUSTED OPERATING PROFIT [1]	**£43.4m**	£37.5m	**+16%**	**+21%**
ADJUSTED OPERATING MARGIN [1]	**8.3%**	7.4%	**+90bps**	**+100bps**
PROFIT BEFORE TAX	**£31.4m**	£24.0m	**+31%**	**+36%**
ADJUSTED PROFIT BEFORE TAX [1]	**£39.0m**	£32.6m	**+20%**	**+24%**
BASIC EARNINGS PER SHARE	**5.90p**	4.73p	**+25%**	
ADJUSTED EARNINGS PER SHARE [1]	**7.36p**	6.23p	**+18%**	
INTERIM DIVIDEND PER SHARE	**2.19p**	2.05p	**+7%**	
FREE CASH FLOW [2]	**£32.2m**	£29.6m	**+9%**	
NET DEBT [2] – JUNE	**£148.8m**	£181.6m	**-£33m**	
NET DEBT – DECEMBER 2017		£155.3m	**-£7m**	

Headlines

- Trading slightly ahead of expectations; full year guidance unchanged
- Margin progression in both Aerospace (+90 bps) [3] and Flexonics (+130 bps) [3] Divisions
- Strong free cash inflow of £32.2m
- Interim dividend increased by 6.8% to 2.19 pence per share
- The Group is well positioned to deliver good growth

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

"Trading across the Group in the first half of 2018 has been slightly ahead of expectations with margin progression in both Aerospace and Flexonics and the Group delivered another strong cash performance.

Order books across most of our business remain strong with a book-to-bill of 1.2x in the first half of 2018. For the full year 2018, we anticipate year-on-year margin progression for the Group. At current exchange rates, the Board's expectation of making good progress in 2018 is unchanged, with performance still expected to be slightly weighted to the second half.

Looking further ahead, Senior is competitively positioned. We expect to make continued improvement as more new programmes and products enter production and ramp-up, and as the benefits from implementation of the Senior Operating System and cost saving actions continue to be delivered."

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 £7.6m charge for amortisation of intangible assets from acquisitions (H1 2017: £8.6m). Adjusted earnings per share takes account of the tax impact of this item. See notes 4 and 7 for further information.

(2) See notes 12(b) and 12(c) for derivation of free cash flow and of net debt, respectively.

(3) H1 2017 results translated using H1 2018 average exchange rates - constant currency.

The Group's principal exchange rate for the US Dollar applied in the translation of first-half revenue, profit and cash flow items at average rates was $1.38 (H1 2017: $1.27) and applied in the translation of Balance Sheet items at 30 June 2018 was $1.32 (December 2017: $1.35, June 2017: $1.30).

Webcast

There will be a presentation on Monday 30 July 2018 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 2018

Overview

Trading across the Group in the first half of 2018 has been slightly ahead of expectations with margin progression in both Aerospace and Flexonics and the Group delivered another strong cash performance.

Group revenue increased by 2.6% to £523.3m (H1 2017: £510.0m). Excluding the adverse exchange rate impact of £22.4m, Group revenue was up £35.7m (7.3%) on a constant currency basis with sales increasing across both divisions. The Group's book-to-bill ratio of 1.2x is encouraging. Revenue growth in the Aerospace Division was driven by the large commercial aerospace market. Increased revenue in the Flexonics Division was driven by higher revenue from truck, off-highway, and industrial markets, particularly upstream oil and gas.

Adjusted operating profit increased by £5.9m (15.7%) to £43.4m (H1 2017: £37.5m). Excluding the adverse exchange rate impact of £1.7m, adjusted operating profit increased by 21.2% on a constant currency basis. The Group's adjusted operating margin increased by 90 basis points to 8.3%. Both Aerospace and Flexonics delivered margin improvement from increased revenues and operational improvements including those derived from the implementation of the Senior Operating System.

Adjusted profit before tax increased by 19.6% to £39.0m (H1 2017: £32.6m), or 24.2% on a constant currency basis. Adjusted earnings per share increased by 18.1% to 7.36 pence (H1 2017: 6.23 pence).

Reported operating profit was £35.8m (H1 2017: £28.9m), reported profit before tax was £31.4m (H1 2017: £24.0m) and basic earnings per share was 5.90 pence (H1 2017:4.73 pence).

The Group generated free cash inflow of £32.2m (H1 2017: £29.6m) after gross investment in capital expenditure of £22.0m (H1 2017: £20.6m). Working capital as a percentage of sales improved to 13.2% at the end of June 2018 (December 2017: 13.4%). The level of net debt at the end of June 2018 was £148.8m (December 2017: £155.3m). This decrease was principally due to free cash inflow of £32.2m partly offset by £20.5m dividend payments, £3.5m purchase of shares by the employee benefit trust and adverse currency movements of £1.9m. The ratio of net debt to EBITDA at the end of June 2018 was 1.2x.

Recognising the underlying strength of the business and its future prospects, the Board has approved an interim dividend of 2.19 pence per share, an increase of 6.8% over the prior year (H1 2017: 2.05 pence). It will be paid on 30 November 2018 to shareholders on the register at the close of business on 2 November 2018.

Market conditions

The outlook for the commercial aerospace sector continues to be strong with good visibility due to the production ramp-up of new, more efficient, large commercial aircraft programmes. For the first five months of 2018, air traffic grew by 7% and demand for new aircraft remains robust with Boeing, Airbus and independent forecasters continuing to predict air traffic growth in excess of 4% per annum over the next 20 years. Senior has healthy shipset content on all the key large commercial aircraft platforms. With significantly higher content on the new engine A320neo, 737 MAX, A330neo and 777X than the current engine versions, the Group is expected to grow faster than the large commercial aircraft market as the new engine versions of single aisle platforms ramp-up in production and widebody platforms come into service. Additionally, the 787 and A350 continue to perform well, with production expected to ramp-up. Good progress has been made on the final stages of certification for the A330neo with deliveries expected in H2 2018 and the 777X is scheduled to enter service in 2020.

In the regional and business jet market, the first half of 2018 has been positive with Embraer E2-Jet entering into service in April and Bombardier making progress on the Global 7500 (previously known as the Global 7000 but recently renamed following an increase in range), as it prepares for entry into service in the second half of the year. The C Series, renamed the A220 following the Airbus and Bombardier partnership, continues to ramp-up deliveries. The Group is expected to benefit from the Mitsubishi Regional Jet (MRJ), which is scheduled to enter into service in 2020. In the defence sector, the US Senate passed the Bipartisan Budget Act of 2018 which secured higher defence discretionary spending for fiscal years 2018 and 2019 and gave a further commitment to aircraft procurement programmes. The F-35 Joint Strike Fighter and CH-53K King Stallion helicopter programmes are expected to grow significantly over the long term, while the near-term outlook for the CH-47 Chinook and UH-60 Black Hawk helicopter programmes were reaffirmed.

Market production of North American heavy-duty diesel trucks increased 30% in the first half of 2018 compared to first half of 2017. For the full year 2018, market production is forecast to grow 24%. The off-highway market continues to benefit from improved levels of activity in end markets such as oil and gas and agriculture. Upstream oil and gas related markets continue to see increasing drilling activity in North America. With few major projects being launched, the downstream oil and gas market remains flat as expected; however, repair and overhaul activities have remained stable.

Overall, end markets are generally healthy, though we are watching with care any impact from the ongoing geopolitical trade discussions.

Operational review

We continue to invest in capacity for both our Aerospace and Flexonics businesses to enable us to meet increasing customer demand and to ensure we remain competitive and profitable. In March 2018 we held a ground breaking event at the site of our new Aerospace factory in Malaysia, which is in close proximity to our existing operations. This was a direct consequence of winning new commercial aerospace business and the new facility is anticipated to be operational during the first half of 2019. In North America, work is underway to expand the Aerospace Fluid Systems Metal Bellows facility in Massachusetts to support planned growth as it continues to perform well. The expansion work is anticipated to complete in the second half of 2019. Our plans to relocate our Crumlin operation in South Wales to a dedicated high-tech facility are proceeding, with construction set to commence in the second half of 2018 and completing in 2019. The new facility will focus on design, development, test and qualification of new products, which will be manufactured around the world in our existing cost competitive locations. Additionally, we are continuing to review capacity plans in our Flexonics India business and our Flexonics JV in China, as both these facilities have continued to win new long-term business.

In the first six months of this year, Senior has continued to win additional business in the Aerospace Division with higher shipset content on platforms such as 777X, A320neo, A220 and F-35. This additional content builds on the new commercial aerospace contracts which we announced at the end of last year. At the request of customers, the introduction of some of the new products under these contracts will occur in the second half of 2018, rather than the first half. New product introduction costs therefore, will be slightly higher due to the additional wins, and will be more evenly spread throughout 2018 than previously anticipated.

Good progress has been made on cost reduction in the first half of 2018, particularly on some of our largest new aerospace programmes. With the ongoing operational improvements Senior is making, supported by the deployment of the Senior Operating System across the Group, we anticipate meeting expectations in 2018 and continue to make good progress over the medium term.

Delivery of Group Strategy

The Group's overall strategy is unchanged; we continue to be committed to retaining a balance between Aerospace and Flexonics and to grow both segments of our business. We undertake regular reviews of the Group's portfolio as we seek to increase shareholder value by leveraging our current operations, and where appropriate, acquisitions, disposals or mergers of operations will be considered to optimise returns on capital.

The Group continues to make good progress against our six strategic priorities which were identified as key elements of our business model, driving the creation of shareholder value:

1. Enhance Senior's Autonomous and Collaborative Business Model.
2. Focus on Growth.
3. Introduce a High Performance Operating System.
4. Competitive Cost Country Strategy.
5. Considered and Effective Capital Deployment.
6. Talent Development.

We continue to implement and deliver our specific plans for 2018 which we laid out on pages 16 and 17 of the Annual Report & Accounts 2017. We will give a full update on these when we announce our full year 2018 results.

Outlook

Order books across most of our business remain strong with a book to bill of 1.2x in the first half of 2018. For the full year 2018, we anticipate year-on-year margin progression for the Group. At current exchange rates, the Board's expectation of making good progress in 2018 is unchanged, with performance still expected to be slightly weighted to the second half.

Looking further ahead, Senior expects to make continued improvement as more new programmes and products enter production and ramp-up, and as the benefits from implementation of the Senior Operating System and cost saving actions continue to be delivered. Senior is competitively positioned with exposure to strong growing end markets which enable it to grow organically on a sustainable basis. 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 69% (H1 2017: 71%) 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. This Divisional review is on a constant currency basis, whereby H1 2017 results have been translated using H1 2018 average exchange rates and excludes the impact of amortisation of intangible assets from acquisitions. The Division's operating results are summarised below:

	Half-year ended 30 June 2018	Half-year ended 30 June 2017 [(1)]	Change
	£m	£m	
Revenue	**363.5**	345.5	+5.2%
Adjusted operating profit	**38.0**	33.0	+15.2%
Adjusted operating margin	**10.5%**	9.6%	+90bps

(1) H1 2017 results translated using H1 2018 average exchange rates - constant currency.

Divisional revenue increased by £18.0m (5.2%) to £363.5m (H1 2017: £345.5m) and adjusted operating profit increased by £5.0m (15.2%) to £38.0m (H1 2017: £33.0m).

Revenue Reconciliation	**£m**
H1 2017 revenue	345.5
Large commercial	13.1
Regional & business jets	(0.2)
Military	(1.5)
Other	6.6
H1 2018 revenue	363.5

The Division's most important market is large commercial aircraft where Boeing and Airbus collectively delivered 681 aircraft in the first half of 2018, 3.5% more than the prior year. Senior's sales in the large commercial aircraft sector increased by 5.9% during the six-month period to 30 June 2018, as the Group benefited from increased production of the 737 MAX, A320neo, A350, and 787; however, these increases were partly offset by the decline in build rates of the 777, A330, A380 and the current engine versions of the 737 and A320.

The Division's sales to the regional and business jet markets decreased by 0.6% in the period mainly due to lower production of the legacy jets.

Total revenue from the military and defence sector decreased by 2.6% during the period, primarily due to reductions in revenue from legacy military platforms offset partially by the ramp-up of the Joint Strike Fighter.

Around 10% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products. Revenue derived from these markets increased by 20.6%, due to strong demand for Senior's proprietary products for the semi-conductor equipment market.

The divisional adjusted operating margin increased by 90 basis points to 10.5% (H1 2017: 9.6%), from increased revenues, our focus on cost reduction and operational improvements.

New product introduction costs in the first half of the year were slightly lower than anticipated as, at the request of customers, the introduction of some of the new products under contracts announced at the end of last year have been rescheduled to the second half of 2018. Furthermore, in the first six months of this year, Senior has continued to win additional business and increased its shipset value on platforms such as 767 (+104%), 777X (+12%), Embraer E2-Jet (+8%), F-35 (+5%), A320neo (+2%), and A220 (+2%). As a result, we will continue to have a high level of new product introduction activity in the second half of 2018.

Overall the future prospects for the Group's Aerospace Division remain strong with good visibility.

Flexonics Division

The Flexonics Division represents 31% (H1 2017: 29%) 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. This Divisional review is on a constant currency basis, whereby H1 2017 results have been translated using H1 2018 average exchange rates and excludes the impact of amortisation of intangible assets from acquisitions. The Division's operating results are summarised below:

	Half-year ended 30 June 2018	Half-year ended 30 June 2017 (1)	Change
	£m	£m	
Revenue	**160.6**	142.6	+12.6%
Adjusted operating profit	**12.8**	9.6	+33.3%
Adjusted operating margin	**8.0%**	6.7%	+130bps

(1) H1 2017 results translated using H1 2018 average exchange rates - constant currency.

Divisional revenue increased by £18.0m (12.6%) to £160.6m (H1 2017: £142.6m) and adjusted operating profit increased by £3.2m (33.3%) to £12.8m (H1 2017: £9.6m).

Revenue Reconciliation	**£m**
H1 2017 revenue	142.6
Truck and off-highway	9.2
Passenger vehicles	(1.2)
Industrial	9.4
Other	0.6
H1 2018 revenue	160.6

Group sales to truck and off-highway markets increased by 19.7%. Senior's sales to the North American truck and off-highway market increased by £6.8m (20.4%), primarily due to higher sales of EGR coolers for new vehicles as heavy-duty truck and off-highway production increased, partly offset by the expected decrease in sales of service parts for older models. Sales to European truck and off-highway markets increased by £3.4m (44.2%) due to ramp-up of new programmes. Sales to India and China decreased by £1.0m (17.5%) as growth from the ramp-up of new programmes in India was offset by lower direct sales to China as some products transitioned to our China joint venture.

Group sales to passenger vehicle markets decreased by £1.2m (4.2%) in the period. As we previously advised, we elected not to add new business at low margins with high capital requirements in passenger vehicle, electing instead to deploy capital in other parts of the Group with higher returns.

In the Group's industrial markets, sales were up by £9.4m (14.8%) in the period. Sales to oil and gas markets were up £5.2m (18.4%), primarily due to increased drilling activity in upstream oil and gas related markets, while downstream oil and gas related activity was flat. Sales to power and energy markets increased by £3.0m (19.1%) due to higher nuclear sales. Sales from other industrial markets increased by £1.2m (6.2%) due to higher industrial hose and medical sales.

The adjusted operating margin increased by 130 basis points to 8.0% (H1 2017: 6.7%), primarily due to higher demand and volumes from truck, off-highway and upstream oil and gas coupled with benefits from our focus on cost management and efficiency initiatives.

Market production of North American heavy-duty trucks is forecast to grow year on year in 2018 and the off-highway market continues to benefit from improved levels of activity in end markets such as oil and gas and agriculture. Upstream oil and gas related markets continue to see increasing drilling activity in North America. With few major projects being launched, the downstream oil and gas market is expected to remain flat; however, repair and overhaul activities have remained stable.

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

OTHER FINANCIAL INFORMATION

Finance costs

Total finance costs, net of investment income of £0.3m (H1 2017: £0.1m), reduced to £4.4m (H1 2017: £4.9m) due to favourable foreign exchange impact on the translation of interest charges on US dollar denominated borrowings.

Tax charge

The adjusted tax rate for the period was 21.0% (H1 2017: 19.9%), being a tax charge of £8.2m (H1 2017: £6.5m) on adjusted profit before tax of £39.0m (H1 2017: £32.6m). After including the tax benefit of £1.5m (H1 2017: £2.3m) arising from amortisation of intangible assets from acquisitions, the reported tax charge was £6.7m (H1 2017: £4.2m) resulting in a reported tax rate of 21.3% (H1 2017: 17.5%) on profit before tax.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, reduced to 418.6 million (H1 2017: 418.9 million). The reduction arose principally from the purchase of shares by the employee benefit trust to satisfy anticipated future share awards. Adjusted earnings per share increased by 18.1% to 7.36 pence (H1 2017: 6.23 pence). Basic earnings per share increased by 24.7% to 5.90 pence (H1 2017: 4.73 pence). See note 7 of the Condensed Consolidated Interim Financial Statements for details of the basis of these calculations.

Working capital

Working capital improved by 20 basis points from 13.4% of sales at 31 December 2017 to 13.2% of sales at 30 June 2018, principally due to 130 basis points reduction from payables in excess of receivables, partly offset by increases of 70 basis points from inventory to support new product introductions and 40 basis points from exchange differences.

Capital expenditure

Capital expenditure of £22.0m (H1 2017: £20.6m) was 1.1 times depreciation (H1 2017: 1.0 times), with the majority of investment related to growth programmes in the Aerospace Division. Capital expenditure is expected to be higher than depreciation in the second half of the year, as previously advised, as investments continue to support future growth programmes already won.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan increased by £14.6m to £34.0m (30 June 2017: £10.0m; 31 December 2017: £19.4m), principally due to net actuarial gains of £10.3m and £4.1m cash contributions in excess of running costs made by the Group. Retirement benefit deficits in respect of the US and other territories decreased by £0.9m to £13.8m (30 June 2017: £13.2m; 31 December 2017: £14.7m), principally due to £0.8m cash contributions in excess of service costs made by the Group.

Refinancing

In January 2018, a new £27.0m 7-year private placement carrying interest at the rate of 2.35% per annum was drawn down. A new $30.0m (£22.7m) 10-year private placement carrying interest at the rate of 4.18% per annum was committed in June 2018 and will be drawn down in September 2018. These two new private placements will replace the $75.0m (£56.8m) private placement carrying interest at the rate of 6.84% per annum that matures in October 2018.

Going concern basis

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

Risks and uncertainties

During the first half of 2018 the principal risks and uncertainties faced by the Group have been reassessed. Following the review, two risks set out in detail on pages 26 to 29 of the Annual Report & Accounts 2017 (available at www.seniorplc.com) are no longer considered to be principal risks and one principal risk has been amended. The Group's principal risks and uncertainties as at 30 June 2018 are summarised as:

Risks and uncertainties	Descriptions
Market response (amended, as previously referred to as new aircraft platform delays)	Significant shipset content has been secured on a number of new aircraft platforms currently under development or in initial phases of production. There is a risk that, as new aircraft platforms begin to ramp-up and end markets grow, the business and/or the supply chain is unable to meet demand due to capacity constraints and/or quality issues. Delays in the launch or ramp-up in production of new platforms could have a material adverse impact on the Group's rate of organic growth.
Price-down pressures	Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.
Acquisitions	Failure to execute an effective acquisition and integration programme would have a significant impact on the Group's ability to generate long-term value for shareholders.
Corporate governance breach	Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value.
Financing and liquidity	The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due.
Geo-political impact	The UK decision to leave the EU, the imposing of tariffs by the US Administration and reciprocal actions by other countries and other likely geo-political events have created uncertainty over the future impact on international trade and the ability to retain and recruit foreign nationals.
Cyber/Information security	The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in operational disruption and/or financial loss.
Innovation and technological change	In order to continue to win new business and achieve profitable growth the Group must innovate. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete.
New product introduction	The ability to introduce new products in line with the plan at point of contract award is important if the Group is to achieve its strategic objectives. There is a risk that new programmes or products are not introduced to schedule, quality and cost at a time when new programmes are ramping up. This could result in delays, cost overruns and disappointed customers.

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

Risks and uncertainties	Descriptions
Importance of emerging markets	Whilst this continues to be monitored, with the Group successfully increasing its presence in cost competitive countries, the focus is on delivering the ramp-up of volumes on the new contracts and platforms the Group has already won.
Programme participation	The likelihood and impact of this risk has reduced as a result of the Group having won positions on new platforms.

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

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

By Order of the Board

David Squires
Group Chief Executive

27 July 2018

Bindi Foyle
Group Finance Director

27 July 2018

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 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 the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

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

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

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

Robert Brent
for and on behalf of KPMG LLP
Chartered Accountants
London
27 July 2018

Condensed Consolidated Income Statement

For the half-year ended 30 June 2018

	Notes	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
		£m	£m	£m
Revenue	3	523.3	510.0	1,023.4
Trading profit	3	35.4	28.6	64.8
Share of joint venture profit	9	0.4	0.3	0.7
Operating profit [(1)]	3	35.8	28.9	65.5
Investment income		0.3	0.1	0.2
Finance costs		(4.7)	(5.0)	(9.7)
Loss on disposal	13	-	-	(3.8)
Profit before tax [(2)]		31.4	24.0	52.2
Tax (charge)/credit	5	(6.7)	(4.2)	8.1
Profit for the period		24.7	19.8	60.3
Attributable to:				
Equity holders of the parent		24.7	19.8	60.3
Earnings per share				
Basic [(3)]	7	5.90p	4.73p	14.39p
Diluted [(4)]	7	5.82p	4.70p	14.30p

	Notes	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
[(1)] Adjusted operating profit	4	43.4	37.5	82.6
[(2)] Adjusted profit before tax	4	39.0	32.6	73.1
[(3)] Adjusted earnings per share	7	7.36p	6.23p	14.39p
[(4)] Adjusted and diluted earnings per share	7	7.26p	6.20p	14.30p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2018

	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
	£m	£m	£m
Profit for the period	24.7	19.8	60.3
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on foreign exchange contracts- cash flow hedges during the period	(5.6)	6.6	12.9
Reclassification adjustments for losses/(profits) included in profit	0.9	(0.9)	(1.4)
(Losses)/gains on foreign exchange contracts- cash flow hedges	(4.7)	5.7	11.5
Exchange differences on translation of overseas operations	6.1	(10.5)	(18.2)
Tax relating to items that may be reclassified	0.9	(1.2)	(2.3)
	2.3	(6.0)	(9.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains on defined benefit pension schemes	10.3	2.4	5.2
Tax relating to items that will not be reclassified	-	(0.2)	0.7
	10.3	2.2	5.9
Other comprehensive income/(expense) for the period, net of tax	12.6	(3.8)	(3.1)
Total comprehensive income for the period	37.3	16.0	57.2
Attributable to:			
Equity holders of the parent	37.3	16.0	57.2

Condensed Consolidated Balance Sheet

As at 30 June 2018	Notes	30 June 2018	30 June 2017	31 Dec 2017
		£m	£m	£m
Non-current assets				
Goodwill	8	306.9	309.9	302.4
Other intangible assets		33.9	50.7	41.6
Investment in joint venture	9	2.7	2.0	2.4
Property, plant and equipment	10	265.0	248.3	256.1
Deferred tax assets		2.4	5.9	1.6
Loan to joint venture	9	0.3	0.5	0.3
Retirement benefits	11	34.0	10.0	19.4
Trade and other receivables		0.5	0.5	0.5
Total non-current assets		645.7	627.8	624.3
Current assets				
Inventories		169.5	156.8	154.5
Loan to joint venture	9	-	-	0.2
Current tax receivables		1.4	0.8	1.0
Trade and other receivables		161.3	163.5	154.3
Cash and bank balances	12	34.9	22.3	12.6
Asset classified as held for sale	13	-	4.0	3.9
Total current assets		367.1	347.4	326.5
Total assets		1,012.8	975.2	950.8
Current liabilities				
Trade and other payables		200.4	177.5	173.0
Current tax liabilities		21.8	24.8	21.2
Obligations under finance leases	12c)	0.2	0.4	0.3
Bank overdrafts and loans	12c)	56.9	10.0	60.5
Provisions	14	7.1	4.0	5.5
Total current liabilities		286.4	216.7	260.5
Non-current liabilities				
Bank and other loans	12c)	126.8	193.2	106.7
Retirement benefits	11	13.8	13.2	14.7
Deferred tax liabilities		36.4	51.2	34.3
Obligations under finance leases	12c)	0.1	0.3	0.2
Provisions	14	0.3	0.2	0.2
Others		2.5	2.5	2.6
Total non-current liabilities		179.9	260.6	158.7
Total liabilities		466.3	477.3	419.2
Net assets		546.5	497.9	531.6
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		4.5	2.9	3.9
Hedging and translation reserve		35.6	36.3	33.3
Retained earnings		454.0	403.1	438.8
Own Shares		(4.3)	(1.1)	(1.1)
Equity attributable to equity holders of the parent		546.5	497.9	531.6
Total equity		546.5	497.9	531.6

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2018

	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 2017	41.9	14.8	3.0	42.3	400.0	(1.5)	500.5
Profit for the period	-	-	-	-	60.3	-	60.3
Gains on foreign exchange contracts- cash flow hedges	-	-	-	11.5	-	-	11.5
Exchange differences on translation of overseas operations	-	-	-	(18.2)	-	-	(18.2)
Actuarial gains on defined benefit pension schemes	-	-	-	-	5.2	-	5.2
Tax relating to components of other comprehensive income	-	-	-	(2.3)	0.7	-	(1.6)
Total comprehensive income for the period	-	-	-	(9.0)	66.2	-	57.2
Share-based payment charge	-	-	1.9	-	-	-	1.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.1)	(0.1)
Use of shares held by employee benefit trust	-	-	-	-	(0.5)	0.5	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(27.9)	-	(27.9)
Balance at 31 December 2017	41.9	14.8	3.9	33.3	438.8	(1.1)	531.6
Profit for the period	-	-	-	-	24.7	-	24.7
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(4.7)	-	-	(4.7)
Exchange differences on translation of overseas operations	-	-	-	6.1	-	-	6.1
Actuarial gains on defined benefit pension schemes	-	-	-	-	10.3	-	10.3
Tax relating to components of other comprehensive income	-	-	-	0.9	-	-	0.9
Total comprehensive income for the period	-	-	-	2.3	35.0	-	37.3
Share-based payment charge	-	-	1.6	-	-	-	1.6
Purchase of shares held by employee benefit trust	-	-	-	-	-	(3.5)	(3.5)
Use of shares held by employee benefit trust	-	-	-	-	(0.3)	0.3	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(20.5)	-	(20.5)
Balance at 30 June 2018	41.9	14.8	4.5	35.6	454.0	(4.3)	546.5

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 2017	41.9	14.8	3.0	42.3	400.0	(1.5)	500.5
Profit for the period	-	-	-	-	19.8	-	19.8
Gains on foreign exchange contracts- cash flow hedges	-	-	-	5.7	-	-	5.7
Exchange differences on translation of overseas operations	-	-	-	(10.5)	-	-	(10.5)
Actuarial gains on defined benefit pension schemes	-	-	-	-	2.4	-	2.4
Tax relating to components of other comprehensive income	-	-	-	(1.2)	(0.2)	-	(1.4)
Total comprehensive income for the period	-	-	-	(6.0)	22.0	-	16.0
Share-based payment charge	-	-	0.9	-	-	-	0.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	(0.1)	(0.1)
Use of shares held by employee benefit trust	-	-	-	-	(0.5)	0.5	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(19.4)	-	(19.4)
Balance at 30 June 2017	41.9	14.8	2.9	36.3	403.1	(1.1)	497.9

Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2018

	Notes	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
		£m	£m	£m
Net cash from operating activities	12a)	53.8	49.9	110.9
Investing activities				
Interest received		0.1	0.2	0.4
Proceeds on disposal of property, plant and equipment		0.3	0.1	1.8
Purchases of property, plant and equipment		(21.6)	(19.4)	(52.3)
Purchases of intangible assets		(0.4)	(1.2)	(2.5)
Proceeds on disposal		-	-	0.4
Loan repayment by joint venture	9	0.2	0.3	0.3
Net cash used in investing activities		(21.4)	(20.0)	(51.9)
Financing activities				
Dividends paid		(20.5)	(19.4)	(27.9)
New loans		42.0	73.6	78.7
Repayment of borrowings		(25.6)	(77.8)	(115.8)
Repayments of obligations under finance leases		(0.2)	(0.3)	(0.5)
Purchase of shares held by employee benefit trust		(3.5)	(0.1)	(0.1)
Net cash used in financing activities		(7.8)	(24.0)	(65.6)
Net increase/ (decrease) in cash and cash equivalents		24.6	5.9	(6.6)
Cash and cash equivalents at beginning of period		9.7	16.8	16.8
Effect of foreign exchange rate changes		0.5	(0.4)	(0.5)
Cash and cash equivalents at end of period	12	34.8	22.3	9.7

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

These Condensed Consolidated Interim Financial Statements of Senior plc (the Group), which were approved by the Board of Directors on 27 July 2018, have been reviewed by KPMG LLP, the Group's auditor, whose report is set out after the Directors' Responsibility Statement.

The comparative figures for the year ended 31 December 2017 do not constitute the Group's statutory accounts for 2017 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2017 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 2017, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, aside from the adoption of IFRS 9 and IFRS 15 from 1 January 2018.

Additionally, the discount rate and inflation rate used to measure the UK retirement benefit scheme have been updated in line with developing market practice following actuarial advice, which do not have a significant impact on the Condensed Consolidated Interim Financial Statements.

These Condensed Consolidated Interim Financial Statements 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 2017.

At the date of authorisation of these Condensed Consolidated Interim Financial Statements, a number of new standards and amendments to existing standards have been issued, all of which are effective, apart from IFRS 16, which is effective on 1 January 2019 and has not been adopted early. A summary of the impact review performed on each standard is given below. None of these changes will have an effect on net cash from operating activities nor on free cash flow, apart from IFRS 16, which is explained below.

a) IFRS 9 Financial instruments – This standard covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model. It replaced IAS 39 Financial Instruments from 1 January 2018.

There is no material impact for the Group on transition to the new standard.

b) IFRS 15 Revenue from Contracts with Customers – This standard, which has replaced existing revenue standards, requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied.

The Group has adopted this standard using the cumulative effect method (without practical expedients), therefore the information presented for 2017 has not been restated. This involved calculating the relevant adjustments required for contracts not completed as at the transition date of 1 January 2018. The impact of the transition on the Condensed Consolidated Interim Financial Statements for 2018 is immaterial. Market practice and industry interpretations of IFRS 15 are continuing to evolve in 2018. The Group will continue to monitor these developments and will re-evaluate the transitional adjustments as necessary, but we do not anticipate any material adjustments being required given the Group's operating model.

The Group predominantly has one revenue stream relating to engineered components or systems (products), which are customer specific, with a secondary revenue stream of funded development revenue. Both streams have identifiable customer contracts and pricing specific performance obligations.

c) IFRS 16 Leases – This standard, which will replace IAS 17, requires lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less (short-term) or the underlying asset is low value. As at 30 June 2018, the Group holds a significant number of operating leases which currently, under IAS 17, are expensed on a straight-line basis over the lease term.

Retrospective application in the comparative year ending 31 December 2018 is optional. The Group expects that it will not adopt this optional application and will apply the standard from the transitional date (1 January 2019) using the modified retrospective approach, adjusting opening retained earnings and not re-stating comparatives. An extensive exercise has been conducted to assess the impact of the new standard. This involves calculating the right-of-use asset and lease liability based on the present value of remaining lease payments on all applicable lease contracts as at the transition date.

The Group previously reported that had the new standard been adopted for the year ended 31 December 2017, the profit before tax would change by an immaterial amount, while lease liabilities and property, plant and equipment were estimated to increase between £50m and £70m (2016: £50m and £70m).

This adoption of the standard does not impact the Group's principal lending covenant, being the ratio of net debt to EBITDA, as this is based on frozen GAAP. If the principal lending covenant was not based on frozen GAAP, the ratio of net debt to EBITDA is estimated to increase by 0.2x to 0.5x. As a result of this accounting change and the related classification of certain items in the cash flow statement, net cash from operating activities and free cash flow (as defined in note 12b) are expected to increase, while net cash used in financing activities is expected to decrease, resulting in a neutral effect on the movement in cash and cash equivalents. The ranges disclosed reflect the sensitivity of the adjustment to a +/-3 percentage point movement in the discount rate used to calculate the present value of the future cash flow commitments. The discount rate, the renewal of and changes to the lease portfolio and exchange rates on translation of financial statements of non-Sterling operations used in estimating the 2017 impact are all subject to change after the estimation date, which will impact the actual transitional adjustment on the transition date.

The following practical expedients for IFRS 16 are expected to be taken on the transition date:

- The Group will not reassess whether existing contracts are, or contain, a lease and will apply IFRS 16 only to existing contracts that were previously identified as leases under IAS 17.
- The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group will assess whether leases are onerous, using IAS 37, immediately before the transition date as an alternative to performing an impairment review. The right of use asset will be adjusted by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the transition.
- For leases which have a remaining term of less than 12 months from the transition date, the Group will treat these leases in the same way as short-term leases.
- Hindsight will be used to determine the lease term on the transition date if the contract contains options to extend or terminate.

There are no other material new standards, amendments to standards or interpretations which are effective for the half-year ended 30 June 2018.

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made were the same as those that applied to the Consolidated Financial Statements for the year ended 31 December 2017, which are available via Senior's website www.seniorplc.com.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis

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

Business Segments

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

	Aerospace	Flexonics	Eliminations / central costs	**Total**	Aerospace	Flexonics	Eliminations / central costs	**Total**
	Half-year ended 30 June 2018	Half-year ended 30 June 2018	Half-year ended 30 June 2018	**Half-year ended 30 June 2018**	Half-year ended 30 June 2017	Half-year ended 30 June 2017	Half-year ended 30 June 2017	**Half-year ended 30 June 2017**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
External revenue	362.8	160.5	-	**523.3**	362.3	147.7	-	**510.0**
Inter-segment revenue	0.7	0.1	(0.8)	**-**	0.4	0.1	(0.5)	**-**
Total revenue	363.5	160.6	(0.8)	**523.3**	362.7	147.8	(0.5)	**510.0**
Adjusted trading profit	38.0	12.8	(7.8)	**43.0**	34.6	9.8	(7.2)	**37.2**
Share of joint venture profit	-	0.4	-	**0.4**	-	0.3	-	**0.3**
Adjusted operating profit	38.0	13.2	(7.8)	**43.4**	34.6	10.1	(7.2)	**37.5**
Amortisation of intangible assets from acquisitions	(4.0)	(3.6)	-	**(7.6)**	(4.3)	(4.3)	-	**(8.6)**
Operating profit	34.0	9.6	(7.8)	**35.8**	30.3	5.8	(7.2)	**28.9**
Investment income				**0.3**				**0.1**
Finance costs				**(4.7)**				**(5.0)**
Profit before tax				**31.4**				**24.0**
Tax				**(6.7)**				**(4.2)**
Profit after tax				**24.7**				**19.8**

Trading profit and adjusted trading profit is operating profit and adjusted operating profit respectively before share of joint venture profit. See note 4 for the derivation of adjusted operating profit.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Segment information for assets and liabilities is presented below.

	30 June 2018	30 June 2017	31 Dec 2017
Assets	£m	£m	£m
Aerospace	686.5	684.4	667.8
Flexonics	248.8	246.2	244.2
Segment assets for reportable segments	935.3	930.6	912.0
Unallocated			
Central	4.1	4.1	3.7
Cash	34.9	22.3	12.6
Deferred and current tax	3.8	6.7	2.6
Retirement benefits	34.0	10.0	19.4
Others	0.7	1.5	0.5
Total assets per Balance Sheet	1,012.8	975.2	950.8

	30 June 2018	30 June 2017	31 Dec 2017
Liabilities	£m	£m	£m
Aerospace	131.9	122.2	120.3
Flexonics	63.2	53.0	48.1
Segment liabilities for reportable segments	195.1	175.2	168.4
Unallocated			
Central	12.0	7.3	11.0
Debt	183.7	203.2	167.2
Finance leases	0.3	0.7	0.5
Deferred and current tax	58.2	76.0	55.5
Retirement benefits	13.8	13.2	14.7
Others	3.2	1.7	1.9
Total liabilities per Balance Sheet	466.3	477.3	419.2

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Total revenue is disaggregated by market sectors as follows:

	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
	£m	£m	£m
Civil Aerospace	267.7	266.2	533.4
Military Aerospace	57.1	63.1	123.6
Other	38.7	33.4	68.3
Aerospace	363.5	362.7	725.3
Land Vehicles	83.6	78.2	157.8
Industrial	72.9	65.7	133.3
Other	4.1	3.9	7.7
Flexonics	160.6	147.8	298.8
Eliminations	(0.8)	(0.5)	(0.7)
Total revenue	523.3	510.0	1,023.4

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit before tax

The adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, have been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions and loss on disposal of the BWT Ilkeston facility.

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 2018	Half-year ended 30 June 2017	Year ended 31 Dec 2017
	£m	£m	£m
Operating profit	35.8	28.9	65.5
Amortisation of intangible assets from acquisitions	7.6	8.6	17.1
Adjusted operating profit	43.4	37.5	82.6
Profit before tax	31.4	24.0	52.2
Adjustments to profit before tax as above	7.6	8.6	17.1
Loss on disposal	-	-	3.8
Adjusted profit before tax	39.0	32.6	73.1

5. Tax charge

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Current tax:		
Current year	5.2	6.7
Withholding tax:		
Current year	0.1	-
Deferred tax:		
Current year	1.4	(2.5)
	6.7	4.2

Corporation tax for the half-year ended 30 June 2018 is calculated at 21.3% (H1 2017: 17.5%) on profit before tax. On adjusted profit before tax, an adjusted tax rate of 21.0% (H1 2017: 19.9%) 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 2018	Half-year ended 30 June 2017
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2017 of 4.90p (2016: 4.62p) per share	20.5	19.4
Interim dividend for the year ending 31 December 2018 of 2.19p (2017: 2.05p) per share	9.2	8.5

The interim dividend was approved by the Board of Directors on 27 July 2018 and has not been included as a liability in these Interim Condensed Consolidated Financial Statements, in accordance with the requirements of IFRS.

7. Earnings per share

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

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	418.6	418.9
Effect of dilutive potential ordinary shares:		
Share options	5.5	2.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	424.1	421.0

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Earnings per share (continued)

	Half-year ended 30 June 2018	Half-year ended 30 June 2018	Half-year ended 30 June 2017	Half-year ended 30 June 2017
	Earnings	EPS	Earnings	EPS
Earnings and earnings per share (“EPS”)	£m	pence	£m	pence
Profit for the period	24.7	5.90	19.8	4.73
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £1.5m (H1 2017: £2.3m)	6.1	1.46	6.3	1.50
Adjusted earnings after tax	30.8	7.36	26.1	6.23
Earnings per share				
- basic		5.90p		4.73p
- diluted		5.82p		4.70p
- adjusted		7.36p		6.23p
- adjusted and diluted		7.26p		6.20p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2017: £nil).

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

The adjusted earnings per share, derived in accordance with the table above, has been disclosed to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions. See note 4 for further details.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Goodwill

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

The change in goodwill from £302.4m at 31 December 2017 (30 June 2017: £309.9m) to £306.9m at 30 June 2018 reflects an increase of £4.5m due to foreign exchange differences.

9. Investment in joint venture

During 2012, the Group set up and has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £2.7m (30 June 2017: £2.0m; 31 December 2017: £2.4m) represents the Group's share of the joint venture's net assets as at 30 June 2018.

At the half year the Group had provided loans of £0.3m (30 June 2017: £0.5m; 31 December 2017: £0.5m) to the joint venture, £nil (30 June 2017: £nil; 31 December 2017: £0.2m) is reported as a current asset and £0.3m (30 June 2017: £0.5m; 31 December 2017: £0.3m) as a non-current asset.

During the half-year to 30 June 2018, £0.2m of the loans were repaid (H1 2017: £0.3m).

10. Property, plant and equipment

During the period, the Group invested £21.6m (H1 2017: £19.4m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.3m (H1 2017: £0.3m) for proceeds of £0.3m (H1 2017: £0.1m).

11. Retirement benefit schemes

Retirement benefit obligations of £13.8m (30 June 2017: £13.2m; 31 December 2017: £14.7m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £6.5m (30 June 2017: £5.9m; 31 December 2017: £7.2m) and other unfunded schemes, with a deficit of £7.3m (30 June 2017: £7.3m; 31 December 2017: £7.5m).

The retirement benefit asset of £34.0m (30 June 2017: £10.0m; 31 December 2017: £19.4m) comprises the Group's UK defined benefit pension funded scheme.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the cash flow statement

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

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Operating profit	35.8	28.9
Adjustments for:		
Depreciation of property, plant and equipment	19.3	19.1
Amortisation of intangible assets	8.6	9.5
Loss on sale of fixed assets	-	0.2
Share of joint venture	(0.4)	(0.3)
Share-based payment charges	1.6	0.9
Pension payments in excess of service cost	(4.9)	(4.7)
Pension curtailment gain	(0.4)	-
Increase in inventories	(12.8)	(6.5)
Increase in receivables	(6.2)	(13.7)
Increase in payables and provisions	22.0	23.8
Working capital and provisions currency movements	0.4	0.8
Cash generated by operations	63.0	58.0
Income taxes paid	(4.8)	(2.7)
Interest paid	(4.4)	(5.4)
Net cash from operating activities	53.8	49.9

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the cash flow statement (continued)

b) Free cash flow

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

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Net cash from operating activities	53.8	49.9
Interest received	0.1	0.2
Proceeds on disposal of property, plant and equipment	0.3	0.1
Purchases of property, plant and equipment	(21.6)	(19.4)
Purchase of intangible assets	(0.4)	(1.2)
Free cash flow	32.2	29.6

c) Analysis of net debt

	At 1 January 2018	Cash flow	Exchange movement	At 30 June 2018
	£m	£m	£m	£m
Cash	12.6	21.8	0.5	34.9
Overdrafts	(2.9)	2.8	-	(0.1)
Cash and cash equivalents	9.7	24.6	0.5	34.8
Debt due within one year	(57.6)	2.1	(1.3)	(56.8)
Debt due after one year	(106.7)	(18.5)	(1.6)	(126.8)
Finance leases	(0.5)	0.2	-	(0.3)
Foreign exchange contracts- held for trading	(0.2)	-	0.5	0.3
Total	(155.3)	8.4	(1.9)	(148.8)

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Cash	34.9	22.3
Overdrafts	(0.1)	-
Total	34.8	22.3

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Disposal and Assets held for sale

During the first half of 2018, the sale agreement that the Group had entered into to dispose of a property (land and building) in the Senior Flexonics Bartlett operation did not complete and the property is no longer marketed for sale. As a result, the property has been re-classified from held for sale as at 31 December 2017 into property, plant and equipment as at 30 June 2018. The net book value of the property at 30 June 2018 is £3.5m (30 June 2017: £4.0m; 31 December 2017: £3.9m). The movement in net book value for the half year ended 30 June 2018 reflects the depreciation charge related to the period the property was classified as held for sale and foreign exchange translation differences.

On 9 September 2017, the Group sold the BWT Ilkeston facility. The sale enabled management to have greater focus on opportunities in its core activities. A loss of £3.8m arose on disposal after taking into account exit costs together with fair value of net assets disposed (£4.2m including £0.9m of inventories and £0.7m of property, plant and equipment and £1.7m of goodwill), offset by cash consideration of £0.4m.

14. Provisions

Current and non-current provisions include warranty costs of £5.4m (30 June 2017: £1.8m; 31 December 2017: £3.9m), restructuring costs of £nil (30 June 2017: £1.6m; 31 December 2017: £nil) and other costs, including claims and legal costs that arise in the ordinary course of business, of £2.0m (30 June 2017: £0.8m; 31 December 2017: £1.8m).

Restructuring costs held at 30 June 2017 related to the closure of the BWT Ilkeston facility, which was sold during the second half of 2017.

15. Share capital

Share capital as at 30 June 2018 amounted to £41.9m (30 June 2017: £41.9m, 31 December 2017: £41.9m). No shares were issued during the period.

16. Contingent Liabilities

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts.

In May 2015, Senior Aerospace Ketema was named as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc. in the USA. On 25 January 2017, 27 March 2017 and 1 February 2018, Senior Aerospace Ketema was named as a co-defendant in similar lawsuits filed by additional plaintiffs. Each of the lawsuits claim that Ametek had polluted the groundwater during its tenure as owners of the site where Senior Aerospace Ketema is currently located, allegedly causing harm to neighbouring properties and/or creating health risks. In January and March 2018, separate wage and hour class action lawsuits were filed against Steico Industries, Inc. and Senior Aerospace SSP in California, USA, by two former production workers employed in 2014 and 2016, respectively, alleging breaches of regulations concerning meal and rest breaks, unpaid wages, and related penalties.

On 16 November 2017, the European Commission published its preliminary decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation, finding that the legislation is in breach of the EU State Aid rules. Like many other multinational groups that have acted in accordance with this UK legislation, the Group may be affected by the final outcome of this investigation.

While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Carrying value of financial assets:		
Cash and cash equivalents	34.9	22.3
Trade receivables	144.3	146.8
Other receivables	1.0	1.9
Financial assets at amortised cost	180.2	171.0
Foreign exchange contracts- cash flow hedges	2.0	1.9
Foreign exchange contracts-held for trading	0.3	-
Total financial assets	182.5	172.9
Carrying value of financial liabilities:		
Bank overdrafts and loans	183.7	203.2
Obligations under finance leases	0.3	0.7
Trade payables	119.3	108.9
Other payables	59.4	53.2
Financial liabilities at amortised cost	362.7	366.0
Foreign exchange contracts- cash flow hedges	8.9	9.5
Total financial liabilities	371.6	375.5

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments (continued)

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	£m	£m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	242.1	180.2
In the second to fifth years inclusive	44.6	123.0
After five years	104.6	94.3
	391.3	397.5
Less: future finance charges	(28.6)	(31.5)
Financial liabilities at amortised cost	362.7	366.0

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 £185.9m (30 June 2017: £209.0m). 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 2018	Half-year ended 30 June 2017
	£m	£m
Assets:		
Foreign exchange contracts – cash flow hedges	2.0	1.9
Foreign exchange contracts- held for trading	0.3	-
Total assets	2.3	1.9
Liabilities:		
Foreign exchange contracts – cash flow hedges	8.9	9.5
Total liabilities	8.9	9.5

18. Related party transaction

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, is its Executive Vice-President and Chief Operations Officer. In the first six months of 2018, the Group sold £1.2m (H1 2017: £1.2m) of components to Bloom Energy Corporation. The gross receivable position as at 30 June 2018 was £0.4m (30 June 2017: £0.4m; 31 December 2017: £0.5m).