

**Senior plc**  
Interim Report 2011



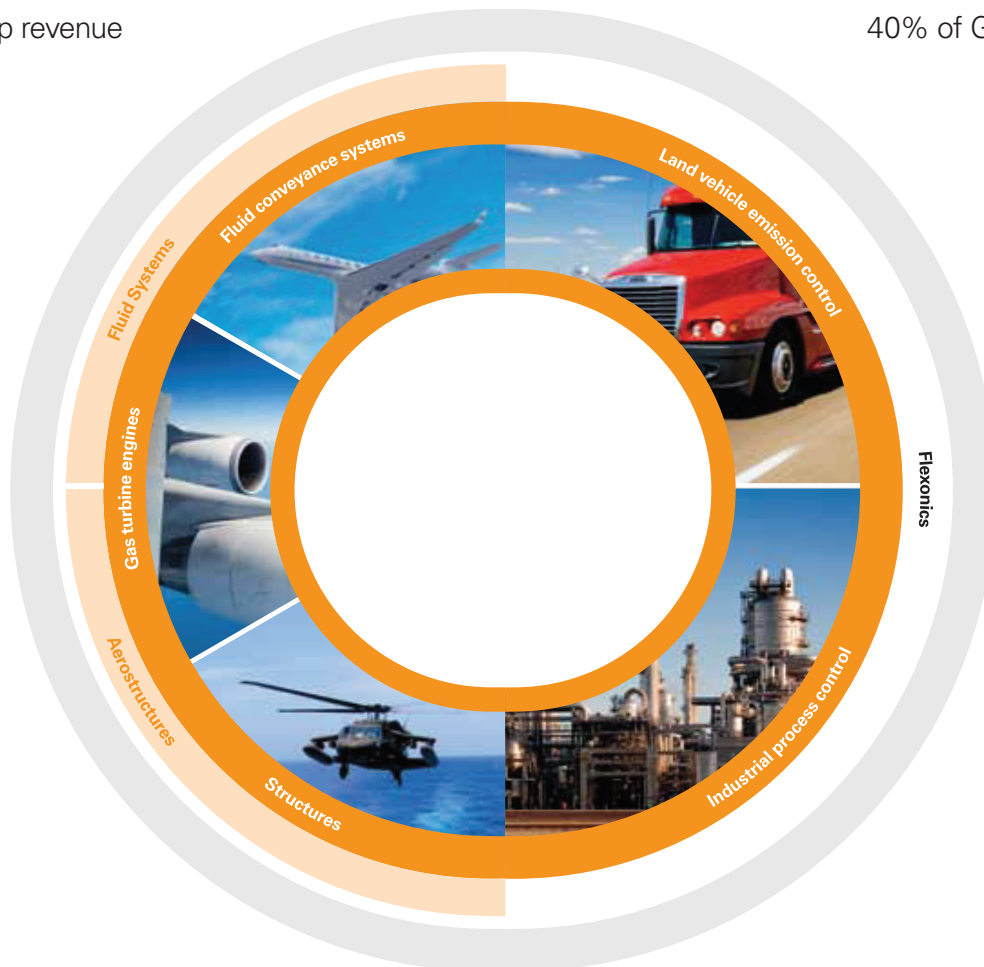
# Senior plc Interim Results 2011

## Aerospace

60% of Group revenue

## Flexonics

40% of Group revenue



## Financial Highlights

	Half-year to 30 June		
	2011	2010	
Revenue	<b>£315.6m</b>	£287.7m	+10%
Operating profit – Reported	<b>£40.6m</b>	£35.4m	+15%
– Adjusted <sup>(1)</sup>	<b>£43.0m</b>	£37.7m	+14%
Adjusted operating margin <sup>(1)</sup>	<b>13.6%</b>	13.1%	–
Profit before tax – Reported	<b>£35.6m</b>	£30.2m	+18%
– Adjusted <sup>(1)</sup>	<b>£38.0m</b>	£32.5m	+17%
Earnings per share – Basic reported	<b>6.65p</b>	5.59p	+19%
– Adjusted <sup>(1)</sup>	<b>7.00p</b>	5.94p	+18%
Proposed interim dividend per share	<b>1.15p</b>	1.00p	+15%
Free cash flow <sup>(2)</sup>	<b>£23.2m</b>	£27.6m	-16%
Net debt	<b>£62.9m</b>	£87.4m	£24m better

(1) Adjusted figures are stated before a £2.3m charge for amortisation of intangible assets acquired on acquisitions (2010 – £2.3m) and acquisition costs of £0.1m (2010 – £nil). Adjusted earnings per share takes account of the tax impact of these items.

(2) See note 11(b) for derivation of free cash flow.

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 \$1.61 (H1 2010 – \$1.54) and €1.14 (H1 2010 – €1.15), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2011 were \$1.60 (June 2010 – \$1.52) and €1.11 (June 2010 – €1.21), respectively.

## Group Highlights

- Strong performance from large commercial aircraft, military aerospace, and medium- and heavy-truck programmes
- Improved product mix and operational execution and effective cost control, resulted in record margins
- Strong, sustainable free cash flow and effective working capital management
- Damar Machine Company acquired in March 2011; integration on track
- Airbus and Boeing increasing build rates across all programmes; delivery of Boeing's 787, on which Senior has significant shipset value, set to commence in Q3 2011
- Confidence in future prospects underpins a 15% increase in the interim dividend

The Group delivered strong results for the first half of 2011. Adjusted profit before tax<sup>(1)</sup> increased by 17% to £38.0m, revenues were up 10% to £315.6m, with the record operating margin of 13.6% (H1 2010 – 13.1%) reflecting higher volumes, an improved product mix and, above all, the Group's ongoing focus on operational excellence. The Group's strong cash generation meant that net debt fell slightly to £62.9m during the six-month period, even with the acquisition of Damar Machine Company ("Damar") in March for £15.3m. At constant currency, total Group revenue increased by 12% and adjusted operating profit increased by 17%.

Aerospace Divisional revenue increased by £23.8m (15%), on a constant currency basis, to £187.9m. The increase was principally due to increased production of the Boeing 787, Lockheed Martin's C-130J military transporter and Joint Strike Fighter aircraft, as well as the acquisition of Damar and improved market shares. On a constant currency basis, adjusted operating profit for the Aerospace Division increased by 21% to £29.6m (H1 2010 – £24.4m), representing an operating margin of 15.8% (H1 2010 – 14.9%). The Aerospace Division's principal markets were generally healthy during the first half of 2011, with Boeing and Airbus reporting improved business conditions, delivering a combined 480 aircraft (H1 2010 – 472 aircraft) and receiving orders, net of cancellations, for 811 aircraft (H1 2010 – 268 aircraft). Their combined order book stood at 7,326 aircraft at the end of June 2011, representing approximately seven years of production at current build rates. In July, American Airlines ordered 460 aircraft, the largest ever order by an airline. Senior's military markets also remained strong due to the specific performance of the Group's main programmes, whilst the regional and business jet markets continued at relatively low levels throughout the period.

In land vehicles, the Flexonics Division benefited from increased revenue from the North American and European heavy-truck markets, which more than offset generally weaker passenger vehicle sales at the Group's main European customers such as Renault, Ford and PSA. The Division's industrial markets were generally healthy, with German markets improving and the global large expansion joint market reporting similar conditions to the prior

year, when volumes of emergency repair work were strong but new project activity was relatively weak. On a constant currency basis, Divisional revenue increased by 9% over H1 2010 to £127.8m for the first six months of 2011, whilst adjusted operating profit improved by 11% to £17.0m (H1 2010 – £15.3m), representing an operating margin of 13.3% (H1 2010 – 13.0%).

As previously reported, Michael Steel retired from the Board at the Group's 2011 Annual General Meeting in April, and two new non-executive Directors, Mark E Vernon (Group Chief Executive Officer of Spirax-Sarco Engineering plc) and Andy Hammett (Group Marketing Director of Ultra Electronics Holdings plc) joined the Board on 29 April. Mark and Andy bring extensive PLC board experience of managing successful international specialist engineering companies operating in similar environments to Senior, which will be of significant future value to the Group.

Senior continues to gain market share in a number of its markets, through excellent operational performance and financial strength, with both new and existing customers offering healthy growth opportunities. Looking ahead, the large commercial aerospace industry is anticipated to be strong for a number of years with Boeing and Airbus increasing build rates and the Boeing 787 due to start delivery to customers in the third quarter of this year. Elsewhere across the Group, the outlook appears generally positive with the regional and business jet manufacturers forecasting build rates to gradually improve from the current low levels, Senior's main military platforms expected to remain relatively solid and the North American truck market showing some signs of recovery. Whilst the macroeconomic outlook remains uncertain, the Group's industrial businesses are well positioned to benefit from growth in their end markets when this occurs. Overall, the outlook for Senior remains encouraging for the remainder of the year and over the longer term.

As a result of the strong first-half performance and the Group's healthy future prospects, the interim dividend is being increased by 15% to 1.15 pence per share (2010 interim dividend – 1.00 pence).

(1) Adjusted profit before tax is before amortisation of intangible assets arising on acquisitions and acquisition costs.

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# Interim Management Report

## To the Members of Senior plc

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess the Company'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.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters that are significant to Senior plc and its subsidiary undertakings when viewed as a whole. The IMR discusses the following aspects of the business: operations and business model; long-term strategy and business objectives; the results for the six months ended 30 June 2011; risks and uncertainties facing the Group during the second half of the 2011 financial year; going concern; Board diversity and the outlook for the Group.

## Operations and business model

Senior is an international engineering solutions provider with operations in 11 countries. 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.

The Group's underlying key market drivers are the build rates of large commercial aircraft and regional and business jets, military aerospace programme spending (in particular by the US Government), passenger vehicle sales in Europe, Brazil, India and North America, heavy-truck sales in North America and capital project spending in the global petrochemical, power generation and renewable energy industries. Many of the Group's products are used to satisfy the increasing requirement for emission control and environmental solutions in its principal end markets, as well as the growing desire for improvements in operating costs, particularly fuel efficiency in developing new aircraft platforms, gas turbine and land vehicle engine applications. Long-term forecasts in these

areas, which are generally positive, are anticipated to provide the foundation for future sustainable growth in revenue, profitability and associated cash flows from the Group's product portfolio.

Senior aims to be a market-leading engineering solutions provider for its customers, delivering quality products on time, utilising its design and manufacturing engineering capabilities to optimise customer value and working responsively to fulfil customer needs. In order to promote quick decision-making and enhance flexibility, the Group has a flat organisational structure with only one layer of management between the Group CEO and local operational management. The Group's culture is based around empowerment of its autonomous operations within a well defined control framework (including strong financial controls) and includes a strong commitment to Lean Manufacturing principles, whilst also promoting collaboration to support sharing of best practice between operations and to provide more complete customer programme solutions.

Sustained superior cash generation is a key financial objective for all Group operations and available funding capacity is utilised to invest in organic growth and operational improvement opportunities, with improvement initiatives aligned to the key value drivers within the business. The Group also plans to target a select number of complementary acquisitions to accelerate growth and enhance the overall asset portfolio.

The Group seeks to be consistent in its approach to all stakeholders. This means meeting commitments that are made, acting with integrity and in an ethical manner, complying with legal and regulatory requirements and being a responsible member of each community within which it operates.

The Group acknowledges that its objectives cannot be achieved without assuming some degree of risk, and that profit is in part the reward for risk taking. Risk, therefore, is embraced and managed effectively within each business unit to optimise performance. Senior takes a relatively cautious approach to risk management, believing that stronger and more effective risk management procedures will enable the Group to embrace and effectively manage increasing levels of risk as the Group grows in line with its strategic objectives.

The Group is split into two Divisions, Aerospace and Flexonics, and operates in the following five key market sectors:

Sectors	Division	Description
Fluid conveyance systems	Aerospace	Design and manufacture of metallic and non-metallic air and hydraulic system solutions
Structures	Aerospace	Provision of precision engineered structural components and higher value assemblies for airframes and nacelles
Gas turbine engines	Aerospace	Manufacture of complex critical components for demanding aero-engine operating conditions
Land vehicle emission control	Flexonics	Design, development and manufacture of engineered emission control products for passenger vehicles and heavy-duty diesel engines for trucks and off-road vehicles
Industrial process control	Flexonics	Design and delivery of low-maintenance control systems and products for demanding temperature and pressure environments in the petrochemical, power and energy, HVAC and renewable energy industries

## Interim Management Report continued

The Aerospace Division (60% of Group revenue) consists of 16 operations (11 in North America and five in Europe) whilst the Flexonics Division (40% of Group revenue) has 11 operations (three in North America, five in Europe and three in the Rest of the World). Major customers include Boeing, Airbus, UTC, Rolls-Royce, Bombardier, Goodrich, Spirit AeroSystems, GKN, Cummins, Ford, PSA and GM.

Demand levels in the Group's key aerospace markets during the six-month period were slightly ahead of expectation, driven principally by increasing build rates in large commercial and military aircraft programmes. Boeing and Airbus delivered a combined 480 aircraft in the period (2010 – 472 aircraft). Their combined order book stood at 7,326 aircraft at the end of June 2011, representing approximately seven years of production at current build rates. Combined net order intake in the first half of 2011 was 811 aircraft (1,007 orders less 196 cancellations), well above the 268 aircraft net order intake in the first half of 2010. The market for large commercial aircraft accounted for 40% of the Aerospace Division's sales. As anticipated, the Group also benefited from continued healthy demand in military aerospace markets (30% of Divisional sales) as increasing build rates on the C-130J transport aircraft and market share gains on the Sikorsky Black Hawk helicopter drove further improvements in sales. Production of regional and business jet aircraft remained broadly stable in the period, as expected. Bombardier and Embraer, the principal manufacturers of regional jets, delivered a combined 72 aircraft in the first half of 2011, an increase of 13% compared to last year.

In the Flexonics Division, demand for the Group's land vehicle components (53% of Divisional sales) increased ahead of expectation, in the main due to increases in underlying market demand for medium- and heavy-trucks in North America of 32% and in Europe of 38%. These increases were partially offset by a larger than anticipated decline in sales of passenger vehicles by the Group's principal European customers of approximately 7%. Activity levels in the Group's industrial markets (47% of Divisional sales), in particular in the global market for large industrial expansion joints, were better than anticipated in the first quarter of the year, but with second quarter activity falling more in line with expectations.

Senior continues to gain market share in a number of its markets through excellent operational performance and financial strength, with both new and existing customers offering healthy growth opportunities. As an example, the decision by Airbus to re-engine its high volume A320 aircraft by 2016 should offer Senior the opportunity to increase its content on this aircraft. Tightening emission legislation and growth in renewable energy markets can also be expected to provide healthy longer-term opportunities for the Group.

### Long-term strategy and business objectives

The Group's primary performance objective is to create long-term and sustainable growth in shareholder value. It aims to achieve this objective through the development of a portfolio of collaborative high value-added engineering manufacturing companies within its five market sector framework, that are capable of producing sustainable real growth in operating profit and cash flow and consistently exceed the Group's cost of capital. At Group level there are four key principles to Senior's strategy, which are:

- optimising the value of the Group's existing operations portfolio by exceeding customer expectation through advanced process engineering and excellent factory and logistics execution, leading to market differentiation and continued growth in organic revenue, operating margins and cash flow delivery;

- targeted investment in new product development, technologies and geographic regions, for markets having higher than average growth potential, to further enhance organic growth opportunities;
- portfolio enhancement through focused acquisitions and disposal of non-core assets, both of which are subject to strict financial and commercial criteria, their long-term outlook and the Group's anticipated funding position; and
- creating an entrepreneurial culture within a strong control framework and continuously striving for improvements amongst its operating businesses whilst operating in a safe and socially responsible manner.

The above key elements are supported by five financial performance measures and two non-financial performance measures as set out in detail on page 13 of the Annual Report & Accounts 2010. A summary of the movements in these Key Performance Indicators ("KPIs") is set out in the table below:

	Half-year ended 30 June 2011	Half-year ended 30 June 2010
Organic revenue growth <sup>(1)</sup>	<b>+7%</b>	+5%
Adjusted earnings per share <sup>(2)</sup>	<b>7.00p</b>	5.94p
– growth	<b>+18%</b>	+39%
Return on revenue margin <sup>(3)</sup>	<b>13.6%</b>	13.1%
Free cash flow <sup>(4)</sup>	<b>£23.2m</b>	£27.6m
Return on capital employed <sup>(5)</sup>	<b>28.5%</b>	26.1%
Energy intensity <sup>(6)</sup>	<b>236</b>	239
Lost time injury frequency rate <sup>(7)</sup>	<b>0.56</b>	1.00

- (1) Organic revenue growth is the rate of growth in Group revenue, at constant exchange rates, excluding the effect of acquisitions and disposals.
- (2) Adjusted earnings per share is the profit after taxation (adjusted for amortisation of intangible assets arising on acquisitions and acquisition costs) divided by the average number of shares in issue in the period.
- (3) Return on revenue margin is the Group's adjusted operating profit divided by its revenue.
- (4) Free cash flow is net cash generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders.
- (5) Return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period. Capital employed is total assets less total liabilities, except for those of an interest-bearing nature.
- (6) Energy intensity is a measure of the Group's energy consumption relative to sales.
- (7) Lost time injury frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

Pleasingly, all of the Group's financial performance targets were exceeded in the first half of 2011 with increases in organic sales, earnings per share and return on revenue having been achieved. Cash generation and return on capital employed also exceeded target levels as set out in detail on page 13 of the Annual Report & Accounts 2010.

After significant success over the past few years, the Group has introduced a new five-year target to further reduce energy consumption, its single largest contributor to greenhouse gases. The goal is to reduce energy intensity (energy consumption normalised to revenue) by 10% before the end of 2015. In the first half of 2011 the Group's energy intensity metric was 236, a reduction of 1.3% from the prior year (H1 2010 – 239). In respect to the Group's principal health and safety measure, the lost time injury frequency rate, it is particularly pleasing to be able to report

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a further, and significant, reduction in the rate to 0.56 (H1 2010 – 1.00), which reflects the long-standing and ongoing focus on improving safety across the Group.

### Results for the six months ended 30 June 2011

The Group's operating results are summarised in the table below. In order to show like-for-like comparative performance, Divisional revenue and adjusted operating profit are shown on a constant currency basis where H1 2011 and H1 2010 results are both translated at H1 2011 average exchange rates. 66% of the Group's revenue in the first half was generated in North America, with the reported results impacted by the translation effect of a weaker US dollar (H1 2011 average rate of £1:\$1.61 compared to H1 2010 average rate of £1:\$1.54):

	Revenue		Adjusted OP <sup>(1)</sup>		Margin	
	Half-year ended 30 June 2011	Half-year ended 30 June 2010	Half-year ended 30 June 2011	Half-year ended 30 June 2010	Half-year ended 30 June 2011	Half-year ended 30 June 2010
	£m	£m	£m	£m	%	%
Aerospace	187.9	164.1	29.6	24.4	15.8	14.9
Flexonics	127.8	117.5	17.0	15.3	13.3	13.0
Inter-segment sales	(0.1)	(0.2)	–	–	–	–
Central costs	–	–	(3.6)	(2.8)	–	–
Total – constant currency	315.6	281.4	43.0	36.9	13.6	13.1
Exchange	–	6.3	–	0.8	–	–
Total – as reported	315.6	287.7	43.0	37.7	13.6	13.1

(1) Adjusted operating profit is the profit before amortisation of intangible assets arising on acquisitions, acquisition costs and before interest and tax charges. It may be reconciled to the operating profit shown in the Condensed Consolidated Income Statement as follows:

	Half-year ended 30 June 2011	Half-year ended 30 June 2010
	£m	£m
Operating profit per the Condensed Consolidated Income Statement	40.6	35.4
Amortisation of intangible assets from acquisitions	2.3	2.3
Acquisition costs	0.1	–
Adjusted operating profit	43.0	37.7

### Acquisitions

On 25 March 2011 the Group acquired 100% of the issued share capital of Damar Machine Company and two small related legal entities (collectively "Damar") for a total consideration of £15.3m. Damar is principally a manufacturer and integrator of precision machined parts and assemblies for the commercial aerospace industry. It specialises in air beams, wing skins, stow-bin parts, interior decorative assemblies, panels and bulkhead components, manufactured from aluminium, titanium and other specialist metals. The business is highly complementary to Senior's existing Aerospace Division, with content on each of Boeing's 737, 747, 767, 777 and 787 platforms which in total represented some 88% of Damar's revenue in 2010. Damar has a well established reputation in the aerospace industry and its capabilities, combined with Senior's wider market access, financial strength and operational excellence focus, are expected to lead to healthy growth prospects and improved operational performance, benefiting customers, employees and shareholders alike in the future. Financial details relating to this acquisition are set out in Note 13 to the Condensed Consolidated Interim Financial Statements ("Interim Financial Statements").

### Revenue

Reported Group revenue for the first half of 2011 increased by 10% to £315.6m compared to the first half of 2010. This increase included £7.1m relating to the acquisitions of Damar, as noted above, and WahlcoMetroflex Inc. ("Wahlco") which was acquired in August 2010. Excluding these acquisitions, revenue from organic operations increased by 7%. On a constant currency basis, total Group revenue increased by 12%.

Total revenue in the Aerospace Division, on a constant currency basis, increased by £23.8m (15%) to £187.9m. This increase in revenue was driven principally by robust demand from increases in build rates on the Group's large commercial aircraft programmes, in particular Boeing's 777 and 787 programmes and on the Airbus A330 and A380. Revenue from military aerospace also improved, in line with expectation, as build rates of the C-130J transport aircraft continue to increase and benefits were realised from previously secured increases in shipset value on the Black Hawk helicopter. Business and regional jet markets remained stable although relatively weak in the first half.

Revenue in the Flexonics Division, on a constant currency basis, increased by £10.3m (9%) to £127.8m. This increase arose mainly from increased underlying market demand for medium- and heavy-trucks in North America and Europe compared with the first half of 2010. Revenue in passenger vehicle markets in the USA, Brazil and India also increased, due to underlying market expansion, although this increase was more than offset by a decline in sales made by the Group's principal European customers (PSA, Ford and Renault) of approximately 7%. Demand conditions in the Group's principal industrial markets were mixed, with activity levels in some European markets improving whilst the important global large industrial expansion joint market was broadly unchanged overall in the first half.

### Operating profit

Reported Group operating profit increased by 15% in the first half of 2011 to £40.6m (H1 2010 – £35.4m). Adjusted operating profit, at constant currency, increased by £6.1m (17%) to £43.0m including acquisition contributions of £0.6m.

At constant currency, adjusted operating profit in the Aerospace Division increased by £5.2m (21%) to £29.6m. This increase was driven principally by the impact of stronger demand in large commercial aircraft and military aerospace programmes, further benefits from improved operational execution and a favourable product mix. In the Flexonics Division, adjusted operating profit at constant currency increased by £1.7m (11%), principally due to strong performances in North American and European truck programmes, effective cost control and continued operational efficiency improvements.

The benefits of increased volumes in certain key markets, combined with the positive impact of sustained cost control measures and an improved product mix, were also seen in the Group's reported operating margin which increased to 13.6% in the first half of 2011 (H1 2010 – 13.1%). On a constant currency basis, the operating margin in the Aerospace Division was 15.8% (H1 2010 – 14.9%) and 13.3% in the Flexonics Division (H1 2010 – 13.0%).

Central costs in the first half were £3.6m (H1 2010 – £2.8m). The prior year benefited from a £0.5m pension credit with the remaining increase of £0.3m principally due to an increase in staff costs and tax adviser fees.

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## Finance costs

Total finance costs, net of investment income, decreased to £5.0m (H1 2010 – £5.2m). Net interest costs on borrowings decreased to £3.8m (H1 2010 – £4.1m), mainly due to the beneficial impact of foreign exchange translation of interest on US dollar denominated borrowings, whereas finance costs relating to retirement benefits increased marginally to £1.2m (H1 2010 – £1.1m). This was principally as a result of a reduction in the expected returns on assets in the Group's pension plans, which in turn is due to an increase in the proportion of plan assets that are held as fixed income investments as part of the Group's risk reduction initiatives to implement liability-driven investment strategies in its UK and US defined benefit pension plans.

## Profit before tax

Adjusted profit before tax increased by 17% to £38.0m (H1 2010 – £32.5m). Reported profit before tax increased by 18% to £35.6m (H1 2010 – £30.2m).

## Tax charge

The Group's total tax charge increased to £8.9m (H1 2010 – £7.9m), largely as a result of the increased level of operating profits. If the net tax benefits of £1.0m (H1 2010 – £0.9m) arising from amortisation of intangible assets on acquisitions and acquisition costs are added back, the adjusted tax charge of £9.9m (H1 2010 – £8.8m) represents an underlying tax rate of 26.0% (H1 2010 – 27.1%) on adjusted profit before tax.

## Earnings per share

The average number of shares in issue in H1 2011, for the purposes of calculating undiluted earnings per share, was 401.7 million (H1 2010 – 399.0 million). The increase arose principally from the vesting of shares awarded under the Group's long-term incentive plan. Adjusted earnings per share increased by 18% to 7.00p (H1 2010 – 5.94p), whilst undiluted basic earnings per share increased by 19% to 6.65p (H1 2010 – 5.59p). Fully diluted basic earnings per share, calculated using 416.0 million shares, increased by 19% to 6.42p (H1 2010 – 5.41p).

## Dividend

The interim dividend is being increased by 15% to 1.15 pence per share (2010 interim dividend – 1.00 pence per share), reflecting the Group's strong performance and healthy future prospects. It will be paid on 30 November 2011 to shareholders on the register at the close of business on 28 October 2011.

## Cash flow

The Group's free cash flow, the derivation of which is set out in Note 11(b) of the Interim Financial Statements, remained strong at £23.2m (H1 2010 – £27.6m), driven by the increase in operating profit, and reflecting the Group's continuing focus on, and success with, cash generation initiatives. H1 2011 cash flow included an £8.9m working capital outflow, principally due to an increase in receivables that arose due to increased sales in the period. The Group maintained similar levels of working capital as a proportion of annualised sales in the first half of 2011, and working capital remains within the Group's target range.

The main drivers of cash generation during the period were the increase in the Group's operating profits, continued tight controls over discretionary expenditure (including capital expenditure) and an ongoing focus on working capital efficiency ensuring that only necessary resources are tied up in this area.

Cash generated from operating activities was £41.0m (H1 2010 – £43.5m). This included the cash outflow from working capital of £8.9m and pension payments in excess of service cost of £3.5m. Capital expenditure increased to £9.1m (H1 2010 – £5.6m) with the majority of the increase related to investment in growth programmes. Capital expenditure of £5.5m was incurred in the Aerospace Division and £3.4m in the Flexonics Division. Capital expenditure is expected to be slightly higher in the second half than the first half as investments are made to increase capacity ahead of the forthcoming aerospace build rate increases and to enhance product quality to continue to meet customer requirements.

## Net assets

Net assets increased by 11% to £251.4m in the six-month period (31 December 2010 – £225.9m) mainly as a result of retained profits of £26.7m and actuarial gains in the Group's defined benefit pension plans of £6.6m, partially offset by dividends paid of £8.5m.

## Net debt

The Group's net debt decreased by £0.8m in the six-month period, after the acquisition of Damar for £15.3m. This movement included favourable foreign currency movements of £1.4m, largely due to a weakening in the value of the US dollar against Sterling over the period from £1:\$1.57 at the start of the year to £1:\$1.60 at the end of June 2011. Total net debt at 30 June 2011 was £62.9m (31 December 2010 – £63.7m). The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 0.6x at 30 June 2011 (31 December 2010 – 0.7x). Under the Group's committed borrowing facilities, this ratio is required to be less than 3.0x.

## Retirement benefit obligations

Aggregate post-retirement benefit liabilities at 30 June 2011 were £29.3m in excess of the value of pension assets, representing a decrease in the deficit of £8.9m from 31 December 2010. The net liability in respect of the Group's UK defined benefit pension scheme decreased by £9.0m to £20.8m (31 December 2010 – £29.8m). Net pension liabilities in North America and other territories increased marginally by £0.1m. The £9.0m decrease in the UK net liability over the first six months of 2011 principally reflects the positive effect of total cash contributions to the plan combined with improved absolute investment returns on these assets.

## Change in accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Annual Report & Accounts 2010, except for the adoption of Standards and Interpretations that are effective for the current financial year. These are highlighted in Note 2 of the Interim Financial Statements, and do not have a material impact on the presentation of the Group's results.

## Related party transactions

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

## Risks and uncertainties

There are a number of potential risks and uncertainties which may have a material impact on the Group's performance over the remaining six months of this financial year, and which could cause actual results to differ materially from the expected and historical results. These were discussed in some depth in the Annual Report & Accounts 2010, where the subjects of Group strategy, global cyclical downturn, future programme participation, acquisitions, employee retention, new aircraft platform delays, raw material

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costs, low-cost country competition, pension deficits, and the Group's financing structure and liquidity were covered. The Board considers that these, together with an increase in price pressures from customers in certain key markets, remain the most likely areas of potential risk and uncertainty, with the position largely unchanged from that set out in the Annual Report & Accounts 2010.

The Group actively manages its strategic, commercial and day-to-day operational risks through its Executive Committee. Whilst there has been no significant change to the Group's risk profile in the first half of 2011, fluctuations in foreign exchange rates and underlying market demand conditions remain the most significant risks to the Group's ability to achieve its performance objectives in 2011.

Demand patterns were slightly ahead of expectations in the first half of 2011, with large commercial aircraft build rates increasing and military aerospace markets remaining robust. Regional and business jet markets remained stable overall as anticipated. Land vehicle markets generally held up satisfactorily in the period, with the Group experiencing healthy increases in demand in North American and European truck markets although this was offset partially by a weakening in European passenger vehicle markets. European industrial markets were strong in the first half whereas, following a strong start to the year, the Group's North American industrial markets eased down in the second quarter. The Group continues to monitor forward market indicators closely and maintains tight controls over discretionary expenditure levels and working capital.

The Group faces potential foreign exchange volatility, given that 74% of the Group's profits in H1 2011 were earned in North America and that 99% of its gross borrowings at 30 June 2011 were denominated in US dollars. The Group's Treasury Committee operates Board-approved financial policies, including hedging policies, designed to ensure the Group maintains an adequate level of funding headroom and effectively mitigates foreign exchange and other financial risks. These policies are described more fully in the Annual Report & Accounts 2010.

### Going concern basis

As noted in the Annual Report & Accounts 2010, the Group meets its day-to-day working capital and other funding requirements through a combination of long-term funding, in the form of revolving credit and private placement facilities, and short-term overdraft borrowings. The Group's £80m revolving credit facility, which is currently undrawn, is the next major borrowing facility to be renewed. Discussions with a number of banks are at an advanced stage, and the Group is confident that an appropriate replacement facility will be put in place well before the July 2012 expiry date of the existing facility. Further, and as discussed above, during the first half of 2011 the Group remained strongly cash generative with free cash flow of £23.2m achieved. At 30 June 2011 the Group had significant funding headroom of £148m under its committed borrowing facilities.

The Group's forecasts, taking into account reasonably possible changes in trading performance together with foreign exchange fluctuations under the hedging policies that are in place, show that the Group will be able to operate comfortably within the level of its current committed borrowing facilities and banking covenants. As a consequence, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from

this reporting date. The Board has continued to adopt the going concern basis in preparing the Group's Condensed Consolidated Interim Financial Statements.

### Board diversity

In undertaking the recent recruitment of two non-executive Directors, the Board was fully cognisant of the desire for Board diversity and actively considered a wide range of candidates before selecting Mark E Vernon and Andy Hammett as being the two strongest and most appropriate candidates for the role. The Board remains committed to diversity, having an aspirational goal of 15% for female Board representation by the end of 2013 and a larger percentage thereafter.

### Outlook

The outlook for the large commercial aircraft market, where Senior has its largest end market exposure, is anticipated to be strong for a number of years with Boeing and Airbus having announced build rate increases for all of their major platforms. Further, Boeing is confident that customer deliveries of its 787 aircraft, on which Senior has significant revenue content, will commence in the third quarter of 2011 with a gradual, but meaningful, ramp-up in production anticipated thereafter. The Group can also be expected to benefit when Airbus and Bombardier bring their respective A350 and CSeries aircraft into service in a few years' time. The regional and business jet markets are stable, although relatively weak, but manufacturers are anticipating a slow but gradual increase in build rates and the Group has content on a number of new programmes scheduled to go into production over the coming years which should support longer-term growth. Whilst western governments are reducing military and defence expenditure, Senior's two main military platforms, the Black Hawk helicopter and the C-130J transport aircraft, are important strategic programmes, so providing resilience for the Group in this sector. Senior also has healthy content on the key F35 Joint Strike Fighter programme, whose build rate is anticipated to grow strongly over the next decade.

In Flexonics, the recent increases in heavy truck demand in North America and Europe are anticipated to be sustained in the second half of the year as are the healthier demand levels for passenger vehicles outside Europe. However, within Europe, the Group's main passenger vehicle customers such as Renault, Ford and PSA are anticipating that the current challenging conditions will continue for some time to come. Looking further ahead, the Flexonics Division's ongoing development of cooling and emission control products, particularly for the heavy truck and off-highway vehicle markets, is expected to provide opportunities for future growth. The Group's industrial markets are anticipated to remain solid in the near-term and to grow thereafter as tighter emission laws in North America trigger investment in the clean-up of coal fired power stations, renewable energy, becomes more widespread and an eventual improvement in the global economy leads to investment in new industrial plants.

In addition to the organic growth opportunities, the Group's improved profit performance and associated strong cash generation place the business in a good position to grow by acquisition if suitable opportunities arise. Overall, while macroeconomic concerns remain, Senior anticipates performing in line with the Board's expectations for the remainder of the year, and the longer-term outlook for Senior continues to be encouraging.



# Statement of Directors' Responsibilities

## 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 Services 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 Services Authority.

By order of the Board

Mark Rollins  
Group Chief Executive  
29 July 2011

Simon Nicholls  
Group Finance Director

## Condensed Consolidated Income Statement

For the half-year ended 30 June 2011

	Notes	Half-year ended 30 June 2011 £m	Half-year ended 30 June 2010 £m	Year ended 31 Dec 2010 £m
<b>Continuing operations</b>				
Revenue	3	315.6	287.7	566.9
Trading profit		40.6	35.4	62.0
Profit on sale of fixed assets		–	–	0.2
Operating profit <sup>(1)</sup>	3	40.6	35.4	62.2
Investment income		0.2	0.2	0.5
Finance costs		(5.2)	(5.4)	(10.6)
Profit before tax <sup>(2)</sup>		35.6	30.2	52.1
Tax	5	(8.9)	(7.9)	(11.7)
<b>Profit for the period</b>		<b>26.7</b>	<b>22.3</b>	<b>40.4</b>
Attributable to:				
Equity holders of the parent		26.7	22.3	40.4
Earnings per share				
Basic <sup>(3)</sup>	7	6.65p	5.59p	10.11p
Diluted	7	6.42p	5.41p	9.77p
<sup>(1)</sup> Adjusted operating profit	4	43.0	37.7	75.4
<sup>(2)</sup> Adjusted profit before tax	4	38.0	32.5	65.3
<sup>(3)</sup> Adjusted earnings per share	7	7.00p	5.94p	12.01p

## Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2011

	Half-year ended 30 June 2011 £m	Half-year ended 30 June 2010 £m	Year ended 31 Dec 2010 £m
Profit for the period	26.7	22.3	40.4
Other comprehensive income:			
Gains/(losses) on cash flow hedges during the period	0.4	(0.8)	0.8
Reclassification adjustments for gains included in profit or loss	(0.4)	(0.6)	(1.2)
Losses on cash flow hedges	–	(1.4)	(0.4)
Gains on revaluation of financial instruments	0.1	–	–
Exchange differences on translation of foreign operations	(1.5)	7.0	4.0
Actuarial gains/(losses) on defined benefit pension schemes	6.6	(6.2)	0.4
Other comprehensive income	5.2	(0.6)	4.0
Tax relating to components of other comprehensive income	–	0.3	2.7
Other comprehensive income for the period, net of tax	5.2	(0.3)	6.7
<b>Total comprehensive income for the period</b>	<b>31.9</b>	<b>22.0</b>	<b>47.1</b>
Attributable to:			
Equity holders of the parent	31.9	22.0	47.1

# Condensed Consolidated Balance Sheet

As at 30 June 2011

	Notes	30 June 2011 £m	30 June 2010 £m	31 Dec 2010 £m
<b>Non-current assets</b>				
Goodwill	8	178.1	176.9	169.7
Other intangible assets		5.0	9.0	6.9
Property, plant and equipment	9	115.6	116.2	114.0
Deferred tax assets		0.5	0.2	1.0
Trade and other receivables		0.6	0.6	0.6
<b>Total non-current assets</b>		<b>299.8</b>	302.9	292.2
<b>Current assets</b>				
Inventories		78.1	70.8	75.1
Construction contracts		1.7	1.9	1.4
Trade and other receivables		97.7	86.0	79.3
Cash and cash equivalents	11a)	54.4	40.0	56.0
<b>Total current assets</b>		<b>231.9</b>	198.7	211.8
<b>Total assets</b>		<b>531.7</b>	501.6	504.0
<b>Current liabilities</b>				
Trade and other payables		122.1	109.7	110.5
Tax liabilities		7.2	4.3	7.4
Obligations under finance leases		0.2	0.2	0.3
Bank overdrafts and loans		0.2	0.4	0.3
<b>Total current liabilities</b>		<b>129.7</b>	114.6	118.5
<b>Non-current liabilities</b>				
Bank and other loans	11c)	116.2	125.8	118.3
Retirement benefit obligations	12	29.3	50.1	38.2
Deferred tax liabilities		3.9	7.2	1.9
Obligations under finance leases		0.7	1.0	0.8
Others		0.5	0.5	0.4
<b>Total non-current liabilities</b>		<b>150.6</b>	184.6	159.6
<b>Total liabilities</b>		<b>280.3</b>	299.2	278.1
<b>Net assets</b>		<b>251.4</b>	202.4	225.9
<b>Equity</b>				
Issued share capital	10	40.2	40.0	40.1
Share premium account		12.3	12.2	12.3
Equity reserve		2.0	1.9	2.2
Distributable reserve		–	19.4	–
Hedging and translation reserve		4.8	7.5	6.2
Retained earnings		192.1	122.8	165.1
Own shares		–	(1.4)	–
<b>Equity attributable to equity holders of the parent</b>		<b>251.4</b>	202.4	225.9
<b>Total equity</b>		<b>251.4</b>	202.4	225.9

# Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2011

All equity is attributable to equity holders of the parent

	Issued share capital £m	Share premium account £m	Equity reserve £m	Distributable reserve £m	Hedging and translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Balance at 1 January 2010</b>	39.9	12.1	1.9	19.4	1.6	111.3	(1.4)	184.8
Profit for the period	–	–	–	–	–	40.4	–	40.4
Losses on cash flow hedges	–	–	–	–	(0.4)	–	–	(0.4)
Gains on revaluation of financial instruments	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	4.0	–	–	4.0
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	0.4	–	0.4
Tax relating to components of other comprehensive income	–	–	–	–	1.0	1.7	–	2.7
<b>Total comprehensive income for the period</b>	–	–	–	–	4.6	42.5	–	47.1
Issue of share capital	0.2	0.2	(0.1)	–	–	–	–	0.3
Share-based payment charge	–	–	1.0	–	–	–	–	1.0
Sale of shares held by employee benefit trust	–	–	–	–	–	–	1.4	1.4
Tax relating to share-based payments	–	–	–	–	–	2.1	–	2.1
Transfer to retained earnings	–	–	(0.6)	(19.4)	–	20.0	–	–
Dividends paid	–	–	–	–	–	(10.8)	–	(10.8)
<b>Balance at 31 December 2010</b>	40.1	12.3	2.2	–	6.2	165.1	–	225.9
Profit for the period	–	–	–	–	–	26.7	–	26.7
Losses on cash flow hedges	–	–	–	–	–	–	–	–
Gains on revaluation of financial instruments	–	–	–	–	0.1	–	–	0.1
Exchange differences on translation of foreign operations	–	–	–	–	(1.5)	–	–	(1.5)
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	6.6	–	6.6
Tax relating to components of other comprehensive income	–	–	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>	–	–	–	–	(1.4)	33.3	–	31.9
Issue of share capital	0.1	–	(0.1)	–	–	–	–	–
Share-based payment charge	–	–	0.8	–	–	–	–	0.8
Tax relating to share-based payments	–	–	–	–	–	1.3	–	1.3
Transfer to retained earnings	–	–	(0.9)	–	–	0.9	–	–
Dividends paid	–	–	–	–	–	(8.5)	–	(8.5)
<b>Balance at 30 June 2011</b>	40.2	12.3	2.0	–	4.8	192.1	–	251.4
<b>Balance at 1 January 2010</b>	39.9	12.1	1.9	19.4	1.6	111.3	(1.4)	184.8
Profit for the period	–	–	–	–	–	22.3	–	22.3
Losses on cash flow hedges	–	–	–	–	(1.4)	–	–	(1.4)
Gains on revaluation of financial instruments	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	7.0	–	–	7.0
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(6.2)	–	(6.2)
Tax relating to components of other comprehensive income	–	–	–	–	0.3	–	–	0.3
<b>Total comprehensive income for the period</b>	–	–	–	–	5.9	16.1	–	22.0
Issue of share capital	0.1	0.1	(0.1)	–	–	–	–	0.1
Share-based payment charge	–	–	0.7	–	–	–	–	0.7
Tax relating to share-based payments	–	–	–	–	–	1.6	–	1.6
Transfer to retained earnings	–	–	(0.6)	–	–	0.6	–	–
Dividends paid	–	–	–	–	–	(6.8)	–	(6.8)
<b>Balance at 30 June 2010</b>	40.0	12.2	1.9	19.4	7.5	122.8	(1.4)	202.4

# Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2011

	Notes	Half-year ended 30 June 2011 £m	Half-year ended 30 June 2010 £m	Year ended 31 Dec 2010 £m
<b>Net cash from operating activities</b>	11a)	<b>31.7</b>	32.9	70.2
<b>Investing activities</b>				
Interest received		0.2	0.2	0.7
Proceeds on disposal of property, plant and equipment		0.4	0.1	2.1
Purchases of property, plant and equipment		(8.8)	(5.5)	(13.5)
Purchases of intangible assets		(0.3)	(0.1)	(0.7)
Acquisition of Damar	13	(15.3)	–	–
Acquisition of Wahlco		–	–	(8.3)
<b>Net cash used in investing activities</b>		<b>(23.8)</b>	(5.3)	(19.7)
<b>Financing activities</b>				
Dividends paid		(8.5)	(6.8)	(10.8)
Repayment of borrowings		–	(4.5)	(4.6)
Repayments of obligations under finance leases		(0.2)	(0.1)	(0.2)
Share issues		–	0.1	0.3
Sale of shares held by employee benefit trust		–	–	1.4
New loans raised		–	3.5	–
Net cash inflow on forward contracts		0.1	–	–
<b>Net cash used in financing activities</b>		<b>(8.6)</b>	(7.8)	(13.9)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(0.7)</b>	19.8	36.6
<b>Cash and cash equivalents at beginning of period</b>		<b>55.9</b>	19.3	19.3
Effect of foreign exchange rate changes		(0.8)	0.7	–
<b>Cash and cash equivalents at end of period</b>	11a)	<b>54.4</b>	39.8	55.9

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

The information for the year ended 31 December 2010 does not constitute the Group's statutory accounts for 2010 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2010 have been delivered to the Registrar of Companies. The Auditors' 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.

These Interim Financial Statements, which were approved by the Board of Directors on 29 July 2011, have been reviewed by the Auditors, and their review opinion is set out at the end of this Report.

## 2. Accounting policies

The Group's Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

These Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They have also been prepared on the going concern basis as set out in the IMR. The Directors have, at the time of approving these Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

The accounting policies, presentation and methods of computation adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2010, except for as described below.

In the current financial year, the Group has adopted IAS 24 "Related Party Disclosures", IFRIC 14 (Amendment) "Prepayments of a Minimum Funding Requirement" and Improvements to IFRSs 2010 – as published in May 2010.

IAS 24 simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by government related entities and clarifies the definition of a related party. This revision does not impact the Group's related party disclosures.

IFRIC 14 (Amendment) allows an entity to recognise an early payment of contributions to cover minimum funding requirements on its pension plan as a prepayment. This amendment does not represent a material impact on the Group's Financial Statements.

The Improvements to IFRSs 2010 incorporated necessary, but non-urgent, amendments to seven International Financial Reporting Standards. The amendments most relevant to the Group are:

IFRS 7 Financial Instruments – Disclosures. The required enhanced disclosures will be presented in the Group's Annual Financial Statements for the year ending 31 December 2011.

IAS 34 Interim Financial Reporting emphasises the principle that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual report. These Interim Financial Statements as at 30 June 2011 reflect the amended disclosure requirements, where applicable.

The remaining five amendments in the Improvements to IFRSs 2010 do not currently impact the Group's Financial Statements.

The following Standards and Interpretations are also effective from the current financial year, but currently do not impact the Group's Financial Statements: IAS 32 (Amendment) "Classification of Rights Issues". IFRS 1 (Amendments) "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" and IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" are currently not relevant to the Group's operations.

## 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.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's Annual Financial Statements for the year ended 31 December 2010 and sales between segments are carried out at arm's length. 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 customer relationships, 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.

# 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 Half-year ended 30 June 2011 £m	Flexonics Half-year ended 30 June 2011 £m	Eliminations/ central costs Half-year ended 30 June 2011 £m	Total Half-year ended 30 June 2011 £m	Aerospace Half-year ended 30 June 2010 £m	Flexonics Half-year ended 30 June 2010 £m	Eliminations/ central costs Half-year ended 30 June 2010 £m	Total Half-year ended 30 June 2010 £m
External revenue	187.9	127.7	–	315.6	169.8	117.9	–	287.7
Inter-segment revenue	–	0.1	(0.1)	–	0.1	0.1	(0.2)	–
Total revenue	187.9	127.8	(0.1)	315.6	169.9	118.0	(0.2)	287.7
Adjusted operating profit (see Note 4)	29.6	17.0	(3.6)	43.0	25.3	15.2	(2.8)	37.7
Amortisation of intangible assets from acquisitions	(2.3)	–	–	(2.3)	(2.3)	–	–	(2.3)
Acquisition costs	(0.1)	–	–	(0.1)	–	–	–	–
Operating profit	27.2	17.0	(3.6)	40.6	23.0	15.2	(2.8)	35.4
Investment income				0.2				0.2
Finance costs				(5.2)				(5.4)
Profit before tax				35.6				30.2
Tax				(8.9)				(7.9)
Profit after tax				26.7				22.3

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

	Half-year ended 30 June 2011 £m	Half-year ended 30 June 2010 £m	Year ended 31 Dec 2010 £m
Aerospace	185.3	173.4	167.0
Flexonics	107.8	99.9	101.9
Corporate	1.2	0.9	1.2
Segment assets for reportable segments	294.3	274.2	270.1
Unallocated			
Goodwill	178.1	176.9	169.7
Intangible customer relationships	3.4	7.7	5.3
Cash	54.4	40.0	56.0
Deferred and current tax	0.8	2.1	1.1
Others	0.7	0.7	1.8
Total assets per balance sheet	531.7	501.6	504.0

# Notes to the Condensed Consolidated Interim Financial Statements

## continued

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

Adjusted operating profit and adjusted profit before tax, derived in accordance with the table below, have been provided to identify the performance of operations, from the time of acquisition or until the time of disposal, prior to the impact of gains or losses arising from the sale of fixed assets, impairment of goodwill, amortisation of intangible assets acquired on acquisitions and acquisition costs.

	<b>Half-year ended 30 June 2011 £m</b>	Half-year ended 30 June 2010 £m	Year ended 31 Dec 2010 £m
Operating profit	<b>40.6</b>	35.4	62.2
Profit on sale of fixed assets	–	–	(0.2)
Amortisation of intangible assets from acquisitions	<b>2.3</b>	2.3	4.6
Impairment of goodwill	–	–	8.7
Acquisition costs	<b>0.1</b>	–	0.1
Adjustments to operating profit	<b>2.4</b>	2.3	13.2
Adjusted operating profit	<b>43.0</b>	37.7	75.4
Profit before tax	<b>35.6</b>	30.2	52.1
Adjustments to profit as above before tax	<b>2.4</b>	2.3	13.2
Adjusted profit before tax	<b>38.0</b>	32.5	65.3

### 5. Tax charge

	<b>Half-year ended 30 June 2011 £m</b>	Half-year ended 30 June 2010 £m
Current tax:		
UK corporation tax	–	–
Foreign tax	<b>5.1</b>	7.3
	<b>5.1</b>	7.3
Deferred tax:		
Current year	<b>3.8</b>	0.6
	<b>8.9</b>	7.9

Corporation tax for the interim period is charged at 26.0% (2010 – 27.1%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

### 6. Dividends

	<b>Half-year ended 30 June 2011 £m</b>	Half-year ended 30 June 2010 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 2.12p (2009 – 1.70p) per share	<b>8.5</b>	6.8
Proposed interim dividend for the year ended 31 December 2011 of 1.15p (2010 – 1.00p) per share	<b>4.6</b>	4.0

The proposed interim dividend was approved by the Board of Directors on 29 July 2011 and has not been included as a liability in these Interim Financial Statements.



# Notes to the Condensed Consolidated Interim Financial Statements continued

## 7. Earnings per share

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

	<b>Half-year ended 30 June 2011 million</b>	Half-year ended 30 June 2010 million
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>401.7</b>	399.0
Effect of dilutive potential ordinary shares:		
Share options	<b>14.3</b>	13.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>416.0</b>	412.5

	Half-year ended 30 June 2011		Half-year ended 30 June 2010	
	Earnings £m	EPS pence	Earnings £m	EPS pence
Earnings and earnings per share				
Profit for the period	<b>26.7</b>	<b>6.65</b>	22.3	5.59
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.9m (2010 – £0.9m)	<b>1.4</b>	<b>0.35</b>	1.4	0.35
Acquisition costs net of tax of £0.1m (2010 - £nil)	–	–	–	–
Adjusted earnings after tax	<b>28.1</b>	<b>7.00</b>	23.7	5.94
Earnings per share				
– basic		<b>6.65p</b>		5.59p
– diluted		<b>6.42p</b>		5.41p
– adjusted		<b>7.00p</b>		5.94p
– adjusted and diluted		<b>6.75p</b>		5.75p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2010 – £nil).

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

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

- amortisation of intangible assets acquired on acquisitions; and
- acquisition costs.

# Notes to the Condensed Consolidated Interim Financial Statements

## continued

### 8. Goodwill

The increase in goodwill from £169.7m at 31 December 2010 to £178.1m at 30 June 2011 reflects the goodwill arising on the acquisition of Damar (see Note 13) of £10.6m, partially offset by foreign exchange differences of £2.2m.

### 9. Property, plant and equipment

During the period, the Group spent £8.8m (2010 – £5.5m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.4m (2010 – £0.1m) for proceeds of £0.4m (2010 – £0.1m).

### 10. Share capital

Share capital as at 30 June 2011 amounted to £40.2m. During the period, the Group issued 74,200 shares at an average price of 25.0p per share under share option plans, raising £0.02m. A further 1,256,703 shares were issued during the period under the Group's long-term incentive plan.

### 11. Notes to the cash flow statement

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

	Half-year ended 30 June 2011 £m	Half-year ended 30 June 2010 £m
Operating profit from continuing operations	40.6	35.4
Adjustments for:		
Depreciation of property, plant and equipment	8.9	9.6
Amortisation of intangible assets from acquisitions	2.3	2.3
Amortisation of other intangible assets	0.3	0.3
Share-based payment charges	1.5	0.8
Pension payments in excess of service cost	(3.5)	(5.2)
Operating cash flows before movements in working capital	50.1	43.2
Increase in inventories	(1.5)	(3.7)
Increase in receivables	(17.6)	(7.3)
Increase in payables	10.2	10.9
Working capital currency movements	(0.2)	0.4
Cash generated by operations	41.0	43.5
Income taxes paid	(5.3)	(6.5)
Interest paid	(4.0)	(4.1)
Net cash from operating activities	31.7	32.9
Cash and cash equivalents comprise:		
Cash	54.4	40.0
Bank overdrafts	–	(0.2)
Total	54.4	39.8

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

# Notes to the Condensed Consolidated Interim Financial Statements continued

## 11. Notes to the cash flow statement continued

### b) Free cash flow

Free cash flow, a non-statutory 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:

	<b>Half-year ended 30 June 2011 £m</b>	Half-year ended 30 June 2010 £m
Net cash from operating activities	<b>31.7</b>	32.9
Interest received	<b>0.2</b>	0.2
Proceeds on disposal of property, plant and equipment	<b>0.4</b>	0.1
Purchases of property, plant and equipment – cash	<b>(8.8)</b>	(5.5)
Purchase of intangible assets	<b>(0.3)</b>	(0.1)
Free cash flow	<b>23.2</b>	27.6

### c) Analysis of net debt

	At 1 January 2011 £m	Cash flow £m	Exchange movement £m	At 30 June 2011 £m
Cash	56.0	(0.8)	(0.8)	<b>54.4</b>
Overdrafts	(0.1)	0.1	–	–
Cash and cash equivalents	55.9	(0.7)	(0.8)	<b>54.4</b>
Debt due within one year	(0.2)	–	–	<b>(0.2)</b>
Debt due after one year	(118.3)	–	2.1	<b>(116.2)</b>
Finance leases	(1.1)	0.2	–	<b>(0.9)</b>
Forward exchange contract losses	–	(0.1)	0.1	–
Total	(63.7)	(0.6)	1.4	<b>(62.9)</b>

## 12. Retirement benefit schemes

### Defined Benefit Schemes

Aggregate post-retirement benefit obligations are £29.3m (30 June 2010 – £50.1m; 31 December 2010 – £38.2m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £20.8m (30 June 2010 – £41.8m; 31 December 2010 – £29.8m) and £3.2m (30 June 2010 – £3.8m; 31 December 2010 – £3.3m) respectively, and a liability on unfunded schemes of £5.3m (30 June 2010 – £4.5m; 31 December 2010 – £5.1m). These values have been assessed by independent actuaries using current market values and discount rates. The decrease in the liability from £38.2m at 31 December 2010 to £29.3m at 30 June 2011 reflects the positive effect of total cash contributions in excess of service cost of £3.5m, together with higher than assumed investment returns and a decrease in the present value of benefit obligations, due to an increase in the UK plan discount rate assumption to 5.6% (31 December 2010 – 5.4%). This change in the discount rate assumption since 31 December 2010 is in line with movements in market yields of high-quality corporate bonds which are used to determine the rate for discounting future scheme liabilities.

# Notes to the Condensed Consolidated Interim Financial Statements

## continued

### 13. Acquisitions

#### Damar Machine Company

On 25 March 2011, the Group acquired 100% of the issued share capital of Damar Machine Company and two small related legal entities (collectively "Damar"). Damar, located in Monroe, Washington, USA, is principally a manufacturer and integrator of precision machined parts and assemblies for the commercial aircraft industry. The business, like the Group's existing Aerospace Division, has content on each of Boeing's 737, 747, 767, 777 and 787 platforms, with Boeing commercial aircraft representing some 88% of Damar's 2010 revenue. Over the past year, Boeing has announced build-rate increases for all of these aircraft types. Consequently, the future prospects for Damar, and the Group's Aerospace Division, appear highly encouraging. Damar's capabilities, combined with Senior's wider market access, financial strength and operational excellence focus, are expected to lead to stronger growth prospects and improved operational efficiencies, benefiting customers, employees and shareholders. The cash consideration, including acquired overdraft of £0.1m, was £15.3m and the acquisition was funded from the Group's existing debt facilities.

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

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Identifiable intangible assets	0.5
Property, plant and equipment	2.2
Inventories	2.0
Financial assets, excluding cash and cash equivalents	1.1
Bank overdraft	(0.1)
Financial liabilities	(1.1)
Net assets acquired	4.6
Goodwill	10.6
Total consideration	15.2
Consideration satisfied by:	
Cash paid at closing	15.3
Net asset adjustment	(0.1)
Total consideration transferred	15.2
Net cash outflow arising on acquisition:	
Cash consideration paid to date	15.2
Plus: overdraft acquired	0.1
Net cash outflow arising on acquisition	15.3

The goodwill of £10.6m results largely from the expectation that the Group will be able to leverage the excellent business relationship the Group has with Boeing, as well as the Group's relationships with other commercial aerospace suppliers, to generate substantial, sustainable financial growth beyond what Damar would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate to customer contracts, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over 2.8 years.

The financial assets acquired include trade receivables with a fair value of £1.0m and a gross contractual value of £1.0m, all of which is expected to be collectible.

Acquisition-related costs of £0.1m are included in administrative expenses within trading profit in the Group's Condensed Consolidated Income Statement for the half-year ended 30 June 2011.

The fair value of the acquired identifiable tangible and intangible assets and liabilities is provisional pending completion of the fair value exercise.

Damar contributed £4.3m of external revenue and £0.2m to the Group's operating profit from the date of acquisition to 30 June 2011. If the acquisition had been completed on 1 January 2011, Group revenue for the six months ending 30 June 2011 would have been £319.7m and Group operating profit would have been £40.9m.

# 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 2011 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related Notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## Directors’ Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services Authority.

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

## Our Responsibility

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

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2011 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 Services Authority.

## Deloitte LLP

Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
29 July 2011

# Directors, Officers and Advisers

## Non-executive Directors

**Martin Clark** Non-executive Chairman

**David Best** Non-executive Director

**Andy Hamment** Non-executive Director

**Ian Much** Non-executive Director and Senior Independent Director

**Mark E Vernon** Non-executive Director

## Executive Directors

**Mark Rollins** Group Chief Executive

**Simon Nicholls** Group Finance Director

## Executive Committee

Executive Directors and the following Divisional Executive Officers:

**Laurie Fleming** Chief Executive of Aerospace Fluid Systems

**Jerry Goodwin** Chief Executive of Aerospace Structures

**Mike Sheppard** Chief Executive of Flexonics

## Secretary and Registered Office

**Andrew Bodenham**

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## Solicitors

Slaughter and May

One Bunhill Row, London EC1Y 8YY

## Principal UK Clearing Bankers

Lloyds Banking Group plc

25 Gresham Street, London EC2V 7HN

## Financial Advisers

Lazards & Co., Limited

50 Stratton Street, London W1J 8LL

## Stockbrokers

RBS Hoare Govett Limited

250 Bishopsgate, London EC2M 4AA



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