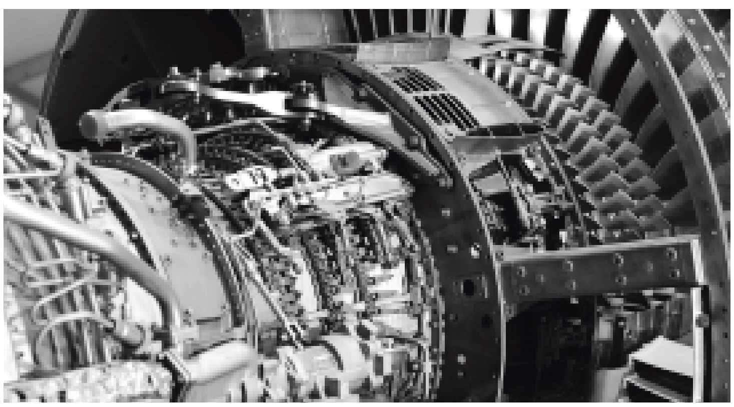
Senior plc
Interim Report 2008

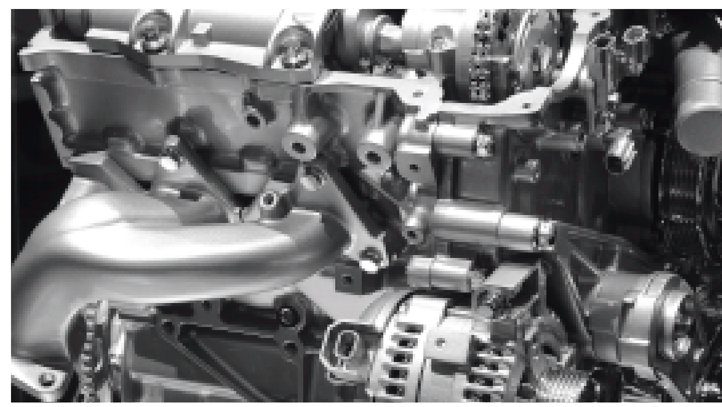
Senior plc Group at a glance

Senior is an international manufacturing group with operations in 11 countries.
Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide civil aerospace, defence, diesel engine, exhaust system and energy markets.



Aerospace
54% of Group revenue

Engine structures and mountings, metallic high-pressure ducting, air-frame and other structural parts, composite low-pressure ducting, and helicopter machined parts.



Flexonics
46% of Group revenue

Flexible exhaust connectors, cooling and emission control components and diesel fuel distribution pipework. Metallic and fabric expansion joints, flexible metallic hoses, and ventilation ducting for industrial applications.

Financial highlights

Half-year to 30 June	**2008**	2007	
Revenue	**£279.9m**	£237.8m	+18%
Operating profit	**£31.3m**	£20.0m	+57%
Adjusted operating profit[1]	**£33.4m**	£21.4m	+56%
Adjusted operating margin[1]	**11.9%**	9.0%	
Profit before tax	**£27.2m**	£16.3m	+67%
Adjusted profit before tax[1]	**£29.3m**	£17.7m	+66%
Basic earnings per share	**5.17p**	3.29p	+57%
Adjusted earnings per share[1]	**5.50p**	3.50p	+57%
Proposed interim dividend per share	**0.90p**	0.70p	+29%
Free cash flow[2]	**£24.6m**	£6.8m	+262%
Net borrowings	**£121.7m**	£92.8m	

Note (1) Adjusted figures are stated before loss on disposal of fixed assets of £nil (2007 – £0.2m), a £2.1m charge for amortisation of intangible assets acquired on acquisitions (2007 – £1.7m) and the release of a provision set up on a previous acquisition of £nil (2007 – £0.5m). Adjusted earnings per share excludes the tax impact of these items.

(2) See Note 10(b) for derivation of free cash flow.

Contents

Chairman's statement

Senior delivers a 66% increase in adjusted profit before tax

Senior has delivered another excellent set of results. In the first half of 2008 adjusted profit before tax was £29.3m, a 66% increase over the first half of 2007. Adjusted Group operating margin increased significantly, from 9.0% to 11.9%, as the benefits of internal efficiency improvement initiatives were realised and volumes increased as a result of strong demand in the Group's key aerospace and industrial markets. Free cash flow improved by 262% to £24.6m, clearly demonstrating the Group's strong cash generative nature. Looking forward, demand prospects in the Group's key markets remain encouraging and the Board is consequently pleased to announce a 29% increase in the interim dividend.

Financial results

Group revenue increased by 18% to £279.9m (H1 2007 – £237.8m) and operating profit increased by 57% to £31.3m (H1 2007 – £20.0m), largely due to high levels of activity in the aerospace and industrial markets and positive contributions from the acquisitions of Absolute Manufacturing in December 2007 and Capo Industries in January 2008. Excluding the impact of acquisitions, organic operations' revenue increased by 12%.

Adjusted profit before tax, the measure which the Board believes most accurately reflects the true underlying performance of the business, increased by 66% to £29.3m (H1 2007 – £17.7m). Adjusted profit before tax measures profit before the loss on sale of fixed assets, the charge for amortisation of intangible assets arising on acquisitions and the benefit of any release of provisions set up on previous acquisitions.

Adjusted earnings per share increased by 57% to 5.50p (H1 2007 – 3.50p). This was achieved despite an increased underlying tax charge of 26.3% (H1 2007 – 23.2%), principally due to the higher level of Group taxable profits arising from the USA.

The Group's net debt increased to £121.7m at 30 June 2008 (31 December 2007 – £94.8m). The main reasons for this increase were the acquisition of Capo Industries in January 2008, for £44.5m, and continuing capital investment within the Aerospace Division. The strong cash generative nature of the Group was demonstrated in the period as significantly higher profit levels combined with good working capital management offset much of the cash flow effect of the investments. Total committed borrowing facilities of over £180m were in place at the period end, providing a healthy level of headroom.

These results demonstrate the Group's continuing success in implementing its strategy of increasing its exposure to aerospace and selected industrial markets.

The financial results are discussed in greater detail in the Interim Management Report which follows this statement.

Operations

Revenue in the Aerospace Division increased by 23% to £152.2m (H1 2007 – £123.6m) and adjusted operating profit increased by 38% to £22.2m (H1 2007 – £16.1m). The results were achieved as a result of strong organic growth and healthy contributions from Absolute Manufacturing and Capo Industries, the Group's most recent acquisitions. Adjusted operating profit margins in the Aerospace Division increased to 14.6% (H1 2007 – 13.0%). This performance reflects increases in demand across the aerospace markets, particularly for new commercial aircraft, the success of production efficiency initiatives and the ongoing focus on cost control. Boeing and Airbus delivered 486 aircraft in the period, up 8% over the first half of 2007 (451 aircraft). Their combined intake of 957 net orders in the first half of the year was almost twice the rate of deliveries, resulting in a combined order book of over 7,300 aircraft at the end of June 2008. This seven year order book, and the fact that over 85% of the backlog is for delivery to airlines outside North America, indicates the current and future projected strength of the commercial aerospace market.

The Flexonics Division delivered a particularly strong performance, with revenue increasing by 12% to £128.1m (H1 2007 – £114.4m) and adjusted operating profit increasing by a very significant 75% to £14.2m (H1 2007 – £8.1m). Adjusted operating profit margins increased from 7.1% to 11.1%, an excellent result. The main drivers of this improvement were increased demand for expansion joints in energy and other industrial markets, together with efficiency improvements in the production of heavy duty diesel engine components in North America. Whilst total North American passenger vehicle demand was weak, sales of smaller front-wheel-drive vehicles, on which Senior has significantly higher content per vehicle, were relatively strong as end-users purchased more fuel-efficient vehicles due to the high cost of oil. In addition, increased volumes of automotive components manufactured in the Group's Brazilian and South African facilities had a positive impact on the comparative performance.

Dividend

The interim dividend is being increased by 29% to 0.90 pence per share (H1 2007 – 0.70p), and will be paid on 28 November 2008 to shareholders on the register at the close of business on 31 October 2008. The Board anticipates continuing to follow a progressive dividend policy in the future.

Employees and the Board

These excellent results would not have been achieved without the dedication and hard work of Senior's employees, and I would like to thank them for their continuing enthusiasm and hard work on behalf of the Group.

The first half of 2008 has seen some significant changes in the composition of the Board and, on behalf of the Board and all of his colleagues, I would like to express thanks to Graham Menzies, who retired at the AGM in April 2008, for his performance in the role of Group Chief Executive for the past eight years. During that period Graham demonstrated outstanding leadership skills, transforming the business and building the foundation for the next stage of its evolution. In that context, I am delighted that the Board has chosen to promote Mark Rollins from his former role as Group Finance Director into the role of Group Chief Executive. Mark also played an instrumental role over the past eight years and I look forward to his future strong leadership of the Group.

I am also delighted to have welcomed two new members to the Board on 1 May 2008. Simon Nicholls joined as the Group's Finance Director from Hanson Plc. Simon held a number of senior financial positions in Hanson, and this solid financial pedigree together with his most recent experience in the role of Chief Financial Officer of Hanson North America will be particularly beneficial to the Group. The other new member of the Board is Michael Steel, who joined as a Non-Executive Director. Michael brings a wealth of experience in the aerospace industry, where latterly he was President of the Mechanical Systems business of GE Aviation Systems.

Outlook

The commercial aerospace industry continues to perform strongly, with the record order books of Boeing and Airbus representing over seven years of production at current build rates. The order books for wide-bodied commercial aircraft continue to increase, despite higher oil prices, largely due to the strength of the aerospace markets outside North America, particularly those in the Middle East, Asia and China. The new aircraft are also lighter and more fuel efficient than the older aircraft they are replacing. Deliveries of Boeing's 787 Dreamliner will commence in 2009 and this programme, the most valuable in Senior's history, will provide a significant future benefit. Demand for regional and business jets also remains strong and military programmes are stable. As a result, the outlook for the Group's Aerospace Division remains encouraging.

Demand in many of the industrial sectors served by the Flexonics Division remains strong, underpinning the improved performance in this segment of the Division. Energy markets are forecast to remain healthy, with the Group benefiting from this and from the increasing demand for renewable energy and nuclear generating capacity. Further, whilst truck and passenger vehicle markets are likely to remain soft in the immediate future, the Group's product bias towards components for smaller more fuel-efficient passenger vehicles, together with further tightening in emission laws in North America, will present additional growth opportunities.

Overall, the continued increase in build rates of new aircraft, together with the Group's diversified product exposure in Flexonics, gives the Board confidence in the future prospects for the Group.

Martin Clark Chairman 1 August 2008

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 strategies and the potential for those strategies 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 are made by the Directors in good faith based on the information available to them at the time of their approval of this report, and they should be treated with caution due to the inherent uncertainties underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters which are significant to Senior plc and its subsidiary undertakings when viewed as a whole. The IMR discusses the following aspects of the business: operations; long-term strategy and business objectives; the results for the six months ended 30 June 2008; risks and uncertainties facing the Group during the second half of the 2008 financial year; and the future outlook for the Group.

Operations

Senior is an international manufacturing group with operations in 11 countries. Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide civil aerospace, defence, diesel engine, exhaust system and energy markets. Major customers include Boeing, Airbus, UTC, GE, Rolls-Royce, General Motors, Ford, PSA and Cummins. The Group is split into two Divisions, Aerospace and Flexonics. The Aerospace Division (54% of Group sales) consists of 14 operating companies (nine in North America and five in Europe) whilst the Flexonics Division (46% of Group sales) has 11 operating companies (three in North America, five in Europe and three in the Rest of the World).

Aerospace markets continued to grow during the period. In commercial aerospace, representing 62% of the Aerospace Division's sales, Boeing and Airbus delivered a combined 486 aircraft, an increase of 8% over the same period last year and in line with expectations, whilst demand from regional and business jet manufacturers also remained encouragingly strong. The military sector (23% of Divisional sales) remained stable as expected.

In the Flexonics Division, activity levels in the oil and gas, chemical processing and power generation industries were buoyant and demand for Senior's recently introduced heavy duty diesel engine components increased despite an overall market decline. Automotive markets were generally uninspiring, in particular the SUV and light truck segments in North America. However, the Group's principal exposure in the automotive market is to smaller more fuel-efficient front-wheel-drive vehicles where demand is more robust.

Long-term strategy and business objectives

The Group's long-term strategy and business objectives, set out in detail on page 9 of the 2007 Annual Report, are centred on four key elements. In summary, these are: targeted investment in new product development; exceeding customer expectations; focused value-adding acquisitions; and creation of an entrepreneurial culture with strong internal controls amongst the operating businesses.

The above key elements are supported by five financial performance measures and two non-financial measures. The Group made excellent progress against each of these in the first half of 2008, as follows:

i. Organic sales growth was 12%, well above the target of inflation;
ii. Adjusted earnings per share increased by 57%, again well above the target of inflation;
iii. Return on revenue margin increased to 11.9%, well ahead of the 9.0% achieved in the first half of 2007;
iv. Free cash flow increased in the first half of 2008 to £24.6m (H1 2007 – £6.8m), easily supporting the proposed interim dividend increase of 29%;
v. The Group's return on capital employed increased from 19.2% in 2007 to 25.6% in the first half of 2008 and remains well in excess of the stated target of 15%;
vi. Total CO_2 emissions decreased by 16%, from 110 tonnes in 2007, to 92 tonnes per £m of revenue in the first half of 2008; and
vii. The lost time injury frequency rate improved to an annualised 1.98 days per 100 employees, from 2.55 days in 2007, a reduction of 22%;

Results for the six months ended 30 June 2008

A summary of the Group's operating results, on a constant currency basis (i.e. H1 2008 and H1 2007 results both translated at 2008 first half average exchange rates), are set out below:

	Revenue		Adjusted OP[1]		Margin	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 %**	2007 %
Aerospace	**152.2**	125.2	**22.2**	16.2	**14.6**	12.9
Flexonics	**128.1**	119.8	**14.2**	8.4	**11.1**	7.0
Inter-segment sales	**(0.4)**	(0.2)	**–**	–	**–**	–
Central costs	**–**	–	**(3.0)**	(2.8)	**–**	–
Total – constant currency	**279.9**	244.8	**33.4**	21.8	**11.9**	8.9
Exchange	**–**	(7.0)	**–**	(0.4)	**–**	0.1
Total – as reported	**279.9**	237.8	**33.4**	21.4	**11.9**	9.0

[1] Adjusted operating profit is the profit before the loss on sale of fixed assets, amortisation of intangible assets arising on acquisitions, release of a provision set up on an acquisition undertaken in 1998, and before interest and tax charges. It may be reconciled to the operating profit shown in the Condensed Consolidated Income Statement as follows:

	2008 £m	2007 £m
Operating profit per financial statements	**31.3**	20.0
Loss on sale of fixed assets	**–**	0.2
Amortisation of intangible assets from acquisitions	**2.1**	1.7
Release of provision set up on acquisition	**–**	(0.5)
Adjusted operating profit	**33.4**	21.4

Revenue
Total Group revenue increased by 18% over the first half of 2007, to £279.9m. On a constant currency basis, Group revenue increased by £35.1m (14%), with revenue in the Aerospace Division increasing by £27.0m (22%) of which £12.4m related to acquisitions (Capo Industries and Absolute Manufacturing). Hence, excluding the impact of exchange movements, revenue in the Aerospace Division's organic operations increased by £14.6m (12%). The principal driver of the improved performance was the increase in aircraft build rates across all major sectors of the aerospace industry.

In Flexonics, again on a constant currency basis, revenue increased by £8.3m (7%). There were no acquisitions within this Division. Demand for expansion joints in the oil and gas and power generation industries was particularly high. Turnover levels also continued to benefit from the introduction in 2007 of new diesel engine components for the heavy duty truck market in North America. The Group's operations in the Rest of the World saw sales increase by 14%, as the local economies grew strongly.

Operating profit
Group operating profit in the first half of 2008 increased by 57% to £31.3m (H1 2007 – £20.0m). Adjusted operating profit increased by £12.0m (56%) to £33.4m, including a favourable exchange impact of £0.4m. On a constant currency basis, adjusted operating profit of the Aerospace Division increased by £6.0m (37%), with healthy contributions from acquisitions (Capo Industries and Absolute Manufacturing) and strong organic growth. Similarly, adjusted operating profit increased in the Flexonics Division by £5.8m (69%), from £8.4m to £14.2m. This increase was all due to organic growth, driven principally by higher demand for expansion joints in industrial markets, and improved volumes and production efficiencies in North American heavy duty diesel engine component manufacture.

The significant improvement in profitability was due to both revenue growth and the much improved operating margins, from 12.9% to 14.6% for the Aerospace Division and from 7.0% to 11.1% for the Flexonics Division.

Finance costs
Finance costs, net of investment income, increased to £4.1m (H1 2007 – £3.7m), largely as a result of higher interest costs relating to the unwinding of discounted liabilities in the pension schemes.

Profit before tax
Adjusted profit before tax increased by 66% to £29.3m (H1 2007 – £17.7m). Reported profit before tax improved by 67% to £27.2m (H1 2007 – £16.3m).

Tax charge
The total tax charge increased to £6.9m (H1 2007 – £3.5m). If the net tax benefits, arising from the loss on sale of fixed assets, amortisation of intangible assets arising on acquisitions and release of the provision set up on acquisition, which total £0.8m (H1 2007 – £0.6m), are added back, then the adjusted tax charge of £7.7m (H1 2007 – £4.1m) represents an underlying rate of 26.3% (H1 2007 – 23.2%) on the adjusted profit before tax. The increase in the underlying rate is principally due to the higher level of Group taxable profits arising from the USA, where the tax rate is approximately 40%.

Earnings per share
The average number of shares in issue in H1 2008, compared to H1 2007, increased by 4.0 million to 392.9 million for the purposes of calculating undiluted earnings per share. The increase principally arose from the vesting of shares awarded under the long-term incentive plan and from the exercise of share options. Adjusted earnings per share increased by 57% to 5.50p (H1 2007 – 3.50p). Undiluted basic earnings per share increased to 5.17p (H1 2007 – 3.29p) and fully diluted basic earnings per share increased to 5.06p (H1 2007 – 3.22p).

Dividend
An interim dividend of 0.90 pence per share, up 29% on the prior year's interim dividend of 0.70 pence per share, is proposed. The total cost of the proposed interim dividend is £3.6m (2007 interim – £2.7m).

Cash flow
The Group's free cash flow, the derivation of which is set out in note 10(b) of the Condensed Consolidated Interim Financial Statements, increased significantly by £17.8m (262%) to £24.6m in the period, an excellent performance and a reflection of the Group's continued focus on cash generation.

An important driver of this improvement was increased profitability. Working capital performance was also very good during the period, with a net inflow of £3.8m compared to an outflow of £9.0m in H1 2007. Capital expenditure increased by £3.3m to £12.9m, with an increase of £4.1m in the Aerospace Division, principally to fund new business development for the major new programmes due to come on stream shortly (e.g. Boeing 787 and Airbus 380). In the Flexonics Division capital expenditure decreased by £0.8m, as the investment programme relating to the introduction of new heavy duty diesel engine products was completed.

Net debt
Net debt increased by £26.9m over the six month period to £121.7m at 30 June 2008 (31 December 2007 – £94.8m). This is principally due to the acquisition of Capo Industries in January 2008 for £44.5m, partially offset by the strong cash generation in the period. The Group seeks to maintain a healthy level of funding headroom, and at 30 June 2008 total committed borrowing facilities of over £180m were in place.

Change in accounting policies
There were no changes to the Group's accounting policies in the first half of 2008 and the accounting policies adopted in these financial statements are consistent with those followed in the preparation of the Group's Annual Report and Accounts for the year ended 31 December 2007.

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 the actual results to differ materially from the expected and historical results. These were discussed in some depth in the Group's Annual Report for the 2007 financial year, where the subject areas of competitors, markets and customers, manufacturing, environmental, foreign exchange capital structure, liquidity, credit risk, interest rates and defined benefit pension plans were covered. It is considered that these still remain the most likely areas of potential risk and uncertainty, with the position largely unchanged from that set out in the 2007 Annual Report.

The principal changes to the Group's risk profile in the first half of 2008 relate to the macro economic environment, and specifically the potential impact that the significant recent increase in the price of oil may have on global commercial airline passenger demand. Oil prices increased by approximately 40% in the six months to 30 June 2008, and any sustained decrease in demand by airline passengers could have a negative impact on orders for new commercial aircraft. However, new aircraft are generally more fuel efficient than aircraft currently in service and Boeing and Airbus are enjoying record order books that equate to over seven years of demand based on current annual production rates. There were no order deferrals or cancellations of significance in the period. The Group closely monitors this order book position, and related commercial information from its customers, and will implement appropriate measures if any significant decrease in demand is anticipated.

The credit crisis is having a negative impact on demand for consumer durables. The Group is affected principally via its exposure to the passenger vehicle market, particularly in North America where sales of passenger vehicles have fallen by 9% from an annualised rate of 16.1 million in 2007, to 14.6 million vehicles for the first six months of 2008. The Group has become less dependent on the passenger vehicle market in recent years, with this segment now accounting for 18% of Group revenue. In addition, the majority of the passenger vehicle components supplied by the Group are for small front-wheel-drive vehicles, where the impact of the reduction in sales is being felt least due to their higher fuel efficiency.

The recent increase in inflationary pressure may also impact the Group adversely. Fortunately, the Group is in a good position to be able to contain these pressures, principally via internal cost control measures, fixed price contracts with major suppliers and price escalation or pass-through clauses with major customers. Cost control and enhancement of operating margins is an area of continuous focus across the Group.

Future outlook
The outlook for the Aerospace Division remains robust. Production rates for commercial aircraft (62% of Aerospace Division revenue) are set to increase to satisfy a record backlog of orders, that are currently held by Boeing and Airbus as well as by many of the business and regional jet manufacturers. Military programmes are anticipated to remain broadly stable (23% of Aerospace Division revenue).

The combined total order book for Boeing and Airbus at 30 June 2008 was 7,319 aircraft, an increase of 471 in the last six months. Much of this order book relates to airlines outside of the traditional markets of Europe and North America, most notably in the Middle East, Asia and China. Order rates in the first half of 2008 were almost twice the level of deliveries. The current backlog represents over seven years of production at current rates. The Group also stands to benefit significantly from the future ramp up in production of both the Boeing 787 Dreamliner and the Airbus 380. It is currently anticipated that the first Dreamliner will be delivered in the third quarter of 2009, with 25 aircraft scheduled for delivery in 2009, and production rates increasing to 10 per month by 2012. The shipset value on this programme (on average over £0.4m per aircraft) is the highest level achieved on any individual programme by the Group to date.

Demand remains generally positive for the Flexonics Division with the strongest markets being oil and gas, chemical processing and power generation. In particular, renewable energy and nuclear markets offer good growth potential for the Group. Heavy duty diesel engine and passenger vehicle markets are more subdued, although tightening emission legislation and the move away from SUVs and light trucks towards smaller more fuel-efficient passenger vehicles should provide additional growth opportunities for the Group.

Consequently, the overall outlook for the Group remains encouraging.

Mark Rollins Group Chief Executive

Simon Nicholls Group Finance Director 1 August 2008

Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of interim Financial Statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by Rules 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

By order of the Board

Mark Rollins Group Chief Executive

Simon Nicholls Group Finance Director

1 August 2008

Independent Review Report to Senior plc

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 2008, which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Recognised Income and Expense, the Condensed Consolidated Cash Flow Statement and related Notes 1 to 12. 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 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 enquiries, 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 2008 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 & Touche LLP
Chartered Accountants and Registered Auditor
Nottingham, UK

1 August 2008

Condensed Consolidated Income Statement

For the half-year ended 30 June 2008

	Notes	**Half-year ended 30 June 2008 £m**	Half-year ended 30 June 2007 £m	Year ended 31 Dec 2007 £m
Continuing operations				
Revenue	3	**279.9**	237.8	470.7
Trading profit		**31.3**	20.2	42.2
Loss on sale of fixed assets		**–**	(0.2)	(0.7)
Operating profit [(1)]	3	**31.3**	20.0	41.5
Investment income		**0.9**	0.4	1.0
Finance costs		**(5.0)**	(4.1)	(8.2)
Profit before tax [(2)]		**27.2**	16.3	34.3
Tax	5	**(6.9)**	(3.5)	(6.4)
Profit for the period		**20.3**	12.8	27.9
Attributable to:				
Equity holders of the parent		**20.3**	12.8	27.9
Earnings per share				
Basic	7	**5.17p**	3.29p	7.17p
Diluted	7	**5.06p**	3.22p	7.00p
[(1)] Adjusted operating profit	4	**33.4**	21.4	45.0
[(2)] Adjusted profit before tax	4	**29.3**	17.7	37.8

Condensed Consolidated Statement of Recognised Income and Expense

For the half-year ended 30 June 2008

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m	Year ended 31 Dec 2007 £m
(Losses)/gains on cash flow hedges	**(0.9)**	0.2	0.5
(Losses)/gains on revaluation of financial instruments	**(3.0)**	1.2	(2.6)
Exchange differences on translation of foreign operations	**1.8**	(1.7)	3.2
Actuarial (losses)/gains on defined benefit pension schemes	**(9.1)**	10.7	(0.8)
Tax on items taken directly to equity	**0.4**	–	2.1
Net (loss)/income recognised directly in equity	**(10.8)**	10.4	2.4
Amounts transferred to profit or loss on cash flow hedges	**0.9**	0.2	(0.4)
Profit for the period	**20.3**	12.8	27.9
Total recognised income and expense for the period	**10.4**	23.4	29.9
Attributable to:			
Equity holders of the parent	**10.4**	23.4	29.9

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Notes	**30 June 2008 £m**	30 June 2007 £m	31 Dec 2007 £m
Non-current assets				
Goodwill		**143.9**	109.4	114.3
Other intangible assets		**14.9**	13.1	11.9
Property, plant and equipment	8	**105.5**	86.3	93.6
Deferred tax assets		**0.3**	0.2	0.1
Trade and other receivables		**3.2**	3.3	3.5
Total non-current assets		**267.8**	212.3	223.4
Current assets				
Inventories		**77.5**	73.2	79.4
Construction contracts		**1.6**	3.0	2.9
Trade and other receivables		**91.6**	83.6	78.7
Cash and cash equivalents		**19.7**	12.1	8.7
Total current assets		**190.4**	171.9	169.7
Total assets		**458.2**	384.2	393.1
Current liabilities				
Trade and other payables		**105.0**	90.3	92.5
Tax liabilities		**7.8**	10.7	9.0
Obligations under finance leases		**0.2**	0.2	0.2
Bank overdrafts and loans		**39.0**	0.1	41.5
Total current liabilities		**152.0**	101.3	143.2
Non-current liabilities				
Bank and other loans		**97.7**	104.9	58.3
Retirement benefit obligations	9	**44.3**	26.0	36.3
Deferred tax liabilities		**7.1**	4.7	3.3
Obligations under finance leases		**1.3**	1.3	1.3
Others		**0.6**	0.6	0.8
Total non-current liabilities		**151.0**	137.5	100.0
Total liabilities		**303.0**	238.8	243.2
Net assets		**155.2**	145.4	149.9
Equity				
Issued share capital		**39.8**	39.0	39.1
Share premium account		**12.0**	11.2	11.3
Equity reserve		**1.3**	1.1	1.6
Distributable reserve		**19.4**	19.4	19.4
Hedging and translation reserve		**(5.0)**	(6.2)	(4.4)
Retained earnings		**89.1**	82.3	84.3
Own shares		**(1.4)**	(1.4)	(1.4)
Equity attributable to equity holders of the parent		**155.2**	145.4	149.9
Total equity		**155.2**	145.4	149.9

Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2008

	Notes	**Half-year ended 30 June 2008 £m**	Half-year ended 30 June 2007 £m	Year ended 31 Dec 2007 £m
Net cash from operating activities	10a)	**36.5**	14.4	35.3
Investing activities				
Interest received		**0.5**	0.2	0.8
Disposal of subsidiary		**–**	–	0.1
Proceeds on disposal of property, plant and equipment		**0.5**	1.8	1.9
Purchases of property, plant and equipment		**(12.6)**	(9.3)	(19.0)
Purchases of intangible assets		**(0.3)**	(0.3)	(0.5)
Acquisition of Capo Industries	11	**(44.1)**	–	–
Acquisition of Absolute Manufacturing		**–**	–	(7.0)
Acquisition of AMT		**–**	(1.2)	(1.2)
Acquisition of Sterling Machine		**0.4**	–	–
Net cash used in investing activities		**(55.6)**	(8.8)	(24.9)
Financing activities				
Dividends paid		**(6.7)**	(5.4)	(8.1)
Repayment of borrowings		**(1.7)**	(12.6)	(61.0)
Repayments of obligations under finance leases		**(0.1)**	(0.1)	(0.2)
Share issues		**1.1**	–	0.2
New loans raised		**41.2**	17.1	55.9
Net cash (outflow)/inflow on forward contracts		**(1.3)**	0.5	0.4
Net cash from/(used in) financing activities		**32.5**	(0.5)	(12.8)
Net increase/(decrease) in cash and cash equivalents		**13.4**	5.1	(2.4)
Cash and cash equivalents at beginning of period		**4.9**	7.0	7.0
Effect of foreign exchange rate changes		**0.1**	–	0.3
Cash and cash equivalents at end of period	10c)	**18.4**	12.1	4.9

Notes to the Condensed Consolidated Interim Financial Statements

For the half-year ended 30 June 2008

1. General information

The information for the year ended 31 December 2007 does not constitute the Group's statutory accounts for 2007 as defined in Section 240 of the Companies Act 1985. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The Auditors' report on those accounts was unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985.

These interim Financial Statements, which were approved by the Board of Directors on 1 August 2008, have been reviewed by the Auditors, and their review opinion is on page 8.

2. Accounting policies

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.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual Financial Statements for the year ended 31 December 2007.

3. Business segments

For management purposes, the Group is organised into two operating divisions according to the market segments they serve. These divisions are the basis on which the Group reports its primary segment information. The two divisions are Aerospace and Flexonics.

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

	Aerospace Half-year ended 30 June 2008 £m	**Flexonics Half-year ended 30 June 2008 £m**	**Eliminations/ Central costs Half-year ended 30 June 2008 £m**	**Total Half-year ended 30 June 2008 £m**	Aerospace Half-year ended 30 June 2007 £m	Flexonics Half-year ended 30 June 2007 £m	Eliminations/ Central costs Half-year ended 30 June 2007 £m	Total Half-year ended 30 June 2007 £m
External revenue	**151.9**	**128.0**	**–**	**279.9**	123.5	114.3	–	237.8
Inter-segment revenue	**0.3**	**0.1**	**(0.4)**	**–**	0.1	0.1	(0.2)	–
Total revenue	**152.2**	**128.1**	**(0.4)**	**279.9**	123.6	114.4	(0.2)	237.8
Adjusted operating profit (see Note 4)	**22.2**	**14.2**	**(3.0)**	**33.4**	16.1	8.1	(2.8)	21.4
Loss on sale of fixed assets	**–**	**–**	**–**	**–**	–	(0.2)	–	(0.2)
Release of provision from previous acquisition	**–**	**–**	**–**	**–**	–	0.5	–	0.5
Amortisation of intangible assets from acquisitions	**(2.1)**	**–**	**–**	**(2.1)**	(1.7)	–	–	(1.7)
Operating profit	**20.1**	**14.2**	**(3.0)**	**31.3**	14.4	8.4	(2.8)	20.0
Investment income				**0.9**				0.4
Finance costs				**(5.0)**				(4.1)
Profit before tax				**27.2**				16.3
Tax				**(6.9)**				(3.5)
Profit after tax				**20.3**				12.8

4. Adjusted operating profit and profit before tax

The provision of adjusted operating profit and profit before tax, derived in accordance with the table below, has been included 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 disposal of fixed assets, release of a provision from a previous acquisition and amortisation of intangible assets acquired on acquisitions.

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m	Year ended 31 Dec 2007 £m
Operating profit	**31.3**	20.0	41.5
Loss on sale of fixed assets	**–**	0.2	0.7
Release of provision from previous acquisition	**–**	(0.5)	(0.5)
Amortisation of intangible assets from acquisitions	**2.1**	1.7	3.3
Adjustments to operating profit	**2.1**	1.4	3.5
Adjusted operating profit	**33.4**	21.4	45.0
Profit before tax	**27.2**	16.3	34.3
Adjustments to profit as above before tax	**2.1**	1.4	3.5
Adjusted profit before tax	**29.3**	17.7	37.8

5. Tax charge

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m
Current tax:		
UK corporation tax	**–**	–
Foreign tax	**4.5**	2.2
	4.5	2.2
Deferred tax:		
Current year	**2.4**	1.3
	6.9	3.5

Corporation tax for the interim period is charged at 26.3% (2007 – 23.2%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

With effect from 1 April 2008, the UK corporation tax rate was reduced to 28%. This reduction has had no significant impact upon these interim financial statements and is not expected to affect the Group's effective tax rate in the foreseeable future.

6. Dividends

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 1.700p (2006 – 1.381p) per share	**6.7**	5.4
Proposed interim dividend for the year ended 31 December 2008 of 0.900p (2007 – 0.700p) per share	**3.6**	2.7

The proposed interim dividend was approved by the Board of Directors on 1 August 2008. This proposed dividend has not been included as a liability in these interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements
continued

For the half-year ended 30 June 2008

7. Earnings per share

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

Number of shares	**Half-year ended 30 June 2008 million**	Half-year ended 30 June 2007 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**392.9**	388.9
Effect of dilutive potential ordinary shares:		
Share options	**8.6**	8.6
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**401.5**	397.5

	Half-year ended 30 June 2008		Half-year ended 30 June 2007	
Earnings and earnings per share	**Earnings £m**	**EPS pence**	Earnings £m	EPS pence
Profit for the period	**20.3**	**5.17**	12.8	3.29
Adjust:				
Loss on sale of fixed assets net of tax of £nil (2007 – £0.1m)	**–**	**–**	0.1	0.02
Release of provision from previous acquisition net of tax of £nil (2007 – £0.2m)	**–**	**–**	(0.3)	(0.07)
Amortisation of intangible assets from acquisitions net of tax of £0.8m (2007 – £0.7m)	**1.3**	**0.33**	1.0	0.26
Adjusted earnings after tax	**21.6**	**5.50**	13.6	3.50
Earnings per share				
– basic		**5.17p**		3.29p
– diluted		**5.06p**		3.22p
– adjusted		**5.50p**		3.50p
– adjusted and diluted		**5.38p**		3.42p

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

The provision of an adjusted earnings per share, derived in accordance with the table above, has been included 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:

– gains or losses arising from the disposal of fixed assets
– release of provision from previous acquisition
– amortisation of intangible assets acquired on acquisitions.

8. Property, plant and equipment

During the period, the Group spent £12.6m (2007 – £9.3m) on the acquisition of property, plant and equipment.

The Group also disposed of machinery with a carrying value of £0.5m (2007 – £2.0m) for proceeds of £0.5m (2007 – £1.8m).

9. Retirement benefit schemes

Defined benefit schemes

Aggregate post-retirement benefit liabilities are £44.3m (30 June 2007 – £26.0m; 31 December 2007 – £36.3m). The primary components of this liability are the Group's UK pension plan and US pension plans, with deficits of £37.1m (30 June 2007 – £20.5m; 31 December 2007 – £30.5m) and £3.1m (30 June 2007 – £1.8m; 31 December 2007 – £2.0m) respectively. These values have been assessed by independent actuaries using current market values and discount rates. The increase in the liability from £36.3m at 31 December 2007 to £44.3m at 30 June 2008 is primarily due to lower returns on plan assets than assumed and increasing the UK plan inflation rate assumption, offset partially by increasing the UK plan discount rate assumption to 6.6% (31 December 2007 – 5.9%), in line with increases in market yields of high quality corporate bonds.

10. Notes to the cash flow statement

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

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m
Operating profit	**31.3**	20.0
Adjustments for:		
Depreciation of property, plant and equipment	**8.4**	7.2
Amortisation of intangible assets from acquisitions	**2.1**	1.7
Amortisation of other intangible assets	**0.3**	0.2
Share options	**0.7**	0.6
Loss on disposal of property, plant and equipment	**–**	0.2
Release of provision from previous acquisition	**–**	(0.5)
Pension payments in excess of service cost	**(2.3)**	(1.1)
Operating cash flows before movements in working capital	**40.5**	28.3
Decrease/(increase) in inventories	**5.9**	(3.4)
Increase in receivables	**(9.4)**	(14.3)
Increase in payables	**6.9**	9.9
Working capital currency movements	**0.4**	(1.2)
Cash generated by operations	**44.3**	19.3
Income taxes paid	**(4.1)**	(1.7)
Interest paid	**(3.7)**	(3.2)
Net cash from operating activities	**36.5**	14.4

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:

	Half-year ended 30 June 2008 £m	Half-year ended 30 June 2007 £m
Net cash from operating activities	**36.5**	14.4
Interest received	**0.5**	0.2
Proceeds on disposal of property, plant and equipment	**0.5**	1.8
Purchases of property, plant and equipment	**(12.6)**	(9.3)
Purchases of intangible assets	**(0.3)**	(0.3)
Free cash flow	**24.6**	6.8

c) Analysis of net debt

	At 1 January 2008 £m	**Cash flow £m**	**Exchange movement £m**	**At 30 June 2008 £m**
Cash	**8.7**	**10.9**	**0.1**	**19.7**
Overdrafts	**(3.8)**	**2.5**	**–**	**(1.3)**
Cash and cash equivalents	**4.9**	**13.4**	**0.1**	**18.4**
Debt due within one year	**(37.7)**	**–**	**–**	**(37.7)**
Debt due after one year	**(58.3)**	**(39.5)**	**0.1**	**(97.7)**
Finance leases	**(1.5)**	**0.1**	**(0.1)**	**(1.5)**
Forward exchange contract losses	**(2.2)**	**1.3**	**(2.3)**	**(3.2)**
Total	**(94.8)**	**(24.7)**	**(2.2)**	**(121.7)**

The forward exchange contract losses shown above are reported as £0.5m (1 January 2008 – £0.5m) in current assets within trade and other receivables and £3.7m (1 January 2008 – £2.7m) in current liabilities within trade and other payables.

Notes to the Condensed Consolidated Interim Financial Statements
continued

For the half-year ended 30 June 2008

11. Acquisitions

Capo Industries, Inc.

On 25 January 2008, the Group acquired 100% of the issued share capital of Capo Industries, Inc. ("Capo"), a manufacturer of highly engineered, complex super-alloy components primarily for the aero-engine market, based in Chino near Los Angeles, California, USA. The cash consideration was £44.5m, including costs, of which £0.4m is payable in 2009. The acquisition was funded by the Group's existing debt facilities and a new £20.0m short-term facility.

Set out below is a summary of the net assets acquired and details of the fair value adjustments:

	Carrying values pre-acquisition £m	Provisional fair value £m
Intangible assets	–	5.1
Property, plant and equipment	5.4	6.2
Inventories	3.8	4.0
Trade and other receivables	1.9	1.9
Trade and other payables	(2.2)	(2.2)
Net assets acquired	8.9	15.0
Goodwill		29.5
Total consideration		44.5

Consideration satisfied by:	
Cash	44.0
Directly attributable costs	0.1
Net cash outflow	44.1
Deferred consideration	0.4
Total consideration	44.5

The fair value adjustments contain some provisional amounts which will be finalised in the Financial Statements for the year ending 31 December 2008.

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. Goodwill represents the value of the assembled workforce and its contribution to anticipated future profitability arising from additional capital investment.

In addition to the deferred consideration of £0.4m, a further £2.5m may be payable contingent upon Capo's 2008 performance. This amount has not been included in the above calculation as the targets are very stretching and their achievement is not thought probable.

Capo contributed £9.1m revenue and £1.4m (before £0.3m inventory mark-up) to the Group's operating profit from the date of acquisition to 30 June 2008.

If the above acquisition had been completed on 1 January 2008, Group revenue for the half-year ended 30 June 2008 would have been £281.2m and Group operating profit would have been £31.4m.

12. Bank loans

In January 2008, a new £20m bilateral 364 day facility, with an option to extend by one year, was established with the Group's principal UK clearing bankers. This facility is to provide increased headroom following the acquisition of Capo.

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