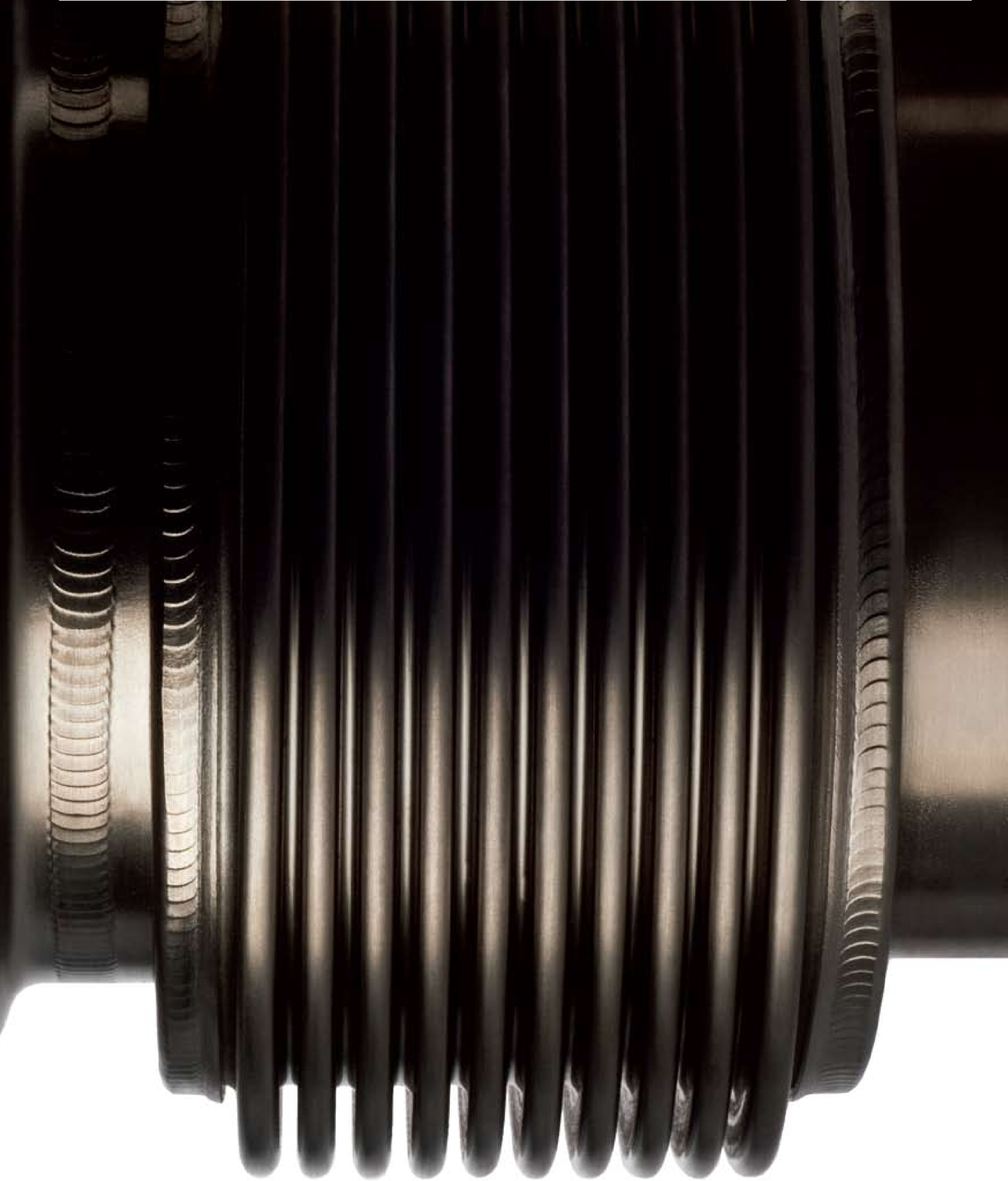
Senior plc

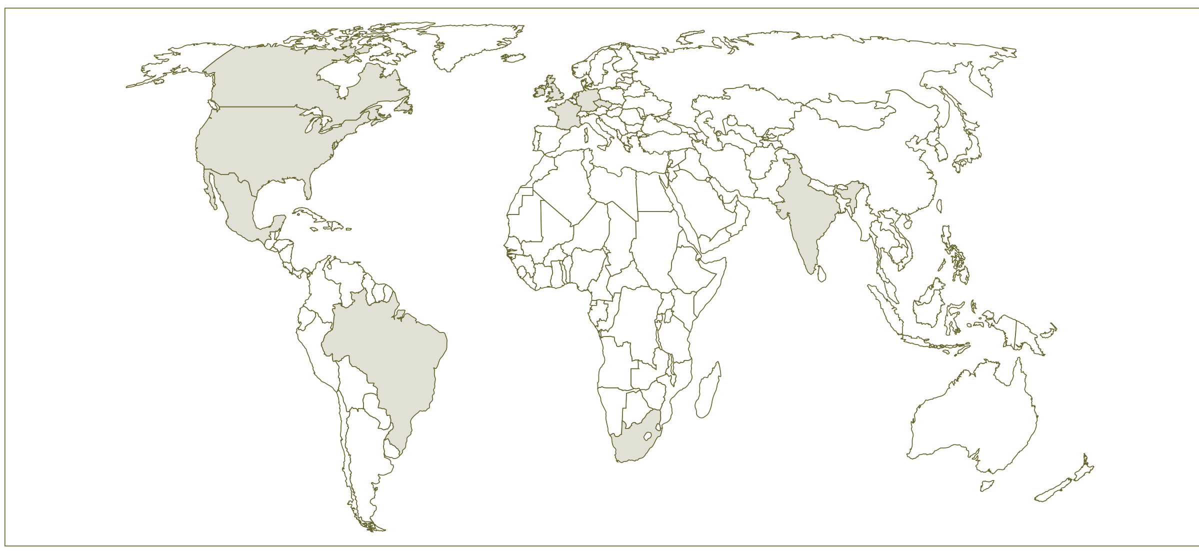
INTERIM REPORT 2009



GROUP AT A GLANCE

SENIOR IS AN INTERNATIONAL MANUFACTURING GROUP WITH OPERATIONS IN 11 COUNTRIES.

IT IS LISTED ON THE MAIN MARKET OF THE LONDON STOCK EXCHANGE. 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.



AEROSPACE – 61% OF GROUP REVENUE

ENGINE STRUCTURES AND MOUNTINGS, METALLIC HIGH-PRESSURE DUCTING, AIRFRAME AND OTHER STRUCTURAL PARTS, COMPOSITE LOW-PRESSURE DUCTING, AND HELICOPTER MACHINED PARTS.

For many years, the Aerospace Division has provided engineered solutions for the rigorous challenges of bleed air duct systems, precision sheet metal fabrications, bellows, metal hose assemblies, and other pressure carrying components that are flying in virtually all military and commercial aircraft and numerous piston and jet engines.

The Senior Aerospace operations are located in the USA and Europe and produce precision machined components and mechanical assemblies for airframe and engine applications in civil and military rotary and fixed wing aircraft. The products manufactured include metallic and composite pneumatic ducting, bellows-sealed flexible joints, sheet metal components, hydraulic tubing components and assemblies.

More recently the Division has added, through acquisition, the capabilities of machining airframe structural parts and precision components for rotary applications.

FLEXONICS – 39% 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.

The Flexonics Division is a leading supplier of expansion joints, control bellows and hoses to the worldwide petrochemical, power generation and chemical processing industries. Increasingly, its products are being used in renewable energy sources such as solar and nuclear.

Senior Flexonics' diesel technologies support a growing number of major North American and European automotive and heavy truck manufacturers in meeting stringent emissions standards.

FINANCIAL HIGHLIGHTS

Chairman's statement
Interim Management Report
Directors' responsibilities
Independent review report
Financial information

HALF-YEAR TO 30 JUNE	2009	2008
REVENUE	£275.9M	£279.9M
OPERATING PROFIT	£26.5M	£31.3M
ADJUSTED OPERATING PROFIT (1)	£28.9M	£33.4M
ADJUSTED OPERATING MARGIN (1)	10.5%	11.9%
PROFIT BEFORE TAX	£21.1M	£27.2M
ADJUSTED PROFIT BEFORE TAX (1)	£23.5M	£29.3M
BASIC EARNINGS PER SHARE	3.92P	5.17P
ADJUSTED EARNINGS PER SHARE (1)	4.27P	5.50P
PROPOSED INTERIM DIVIDEND PER SHARE	0.90P	0.90P
FREE CASH FLOW (2)	£28.9M	£24.6M
NET BORROWINGS 30 JUNE	£127.4M	£121.7M
31 DECEMBER	–	£174.5M

(1) Adjusted figures are stated before a £2.4m charge for amortisation of intangible assets acquired on acquisitions (2008 – £2.1m). Adjusted earnings per share takes account of the tax impact of these items.

(2) See Note 10(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 revenue, profit and cash flow items at average rates were $1.50 (2008 – $1.98) and €1.11 (2008 – €1.30), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2009 were $1.65 (2008 – $1.99) and €1.17 (2008 – €1.26), respectively.

CONTENTS

CHAIRMAN'S STATEMENT

MARTIN CLARK
NON-EXECUTIVE CHAIRMAN

"THE GROUP CONTINUED TO BE HIGHLY CASH GENERATIVE AND NET DEBT IMPROVED BY £47.1M IN THE SIX MONTH PERIOD"

Senior's markets remained highly challenging during the first half of 2009, and so I am pleased to report that the Group continued to be highly cash generative and the Group's net debt improved by £47.1m in the six month period. The early and decisive action taken by management, to reduce the cost base in response to market conditions, also meant that the Group's adjusted operating margin remained in double digits at 10.5% (H1 2008 – 11.9%) despite underlying revenue declining by 20% compared to the first half of 2008. The Group's financial strength and its continuing focus on operational excellence are providing opportunities to win business from weaker competitors. This, combined with significant future organic growth from new aircraft programmes, such as the Boeing 787 and the Joint Strike Fighter, means the long-term prospects for the Group remain encouraging.

FINANCIAL RESULTS

Reported Group revenue fell by 1% to £275.9m (H1 2008 – £279.9m) and the Group's adjusted operating profit declined by 13% to £28.9m (H1 2008 – £33.4m). The results benefited from favourable exchange rate movements and at constant currency, where H1 2009 and H1 2008 results are both translated at H1 2009 average exchange rates, Group revenue declined by 20% and adjusted operating profit declined by 32%. The revenue decline was largely due to very weak land vehicle and business jet markets, the residual impact of the Boeing strike which took place in the final quarter of 2008 and de-stocking by customers as they took measures to preserve cash.

Adjusted profit before tax, the measure which the Board believes most accurately reflects the true underlying performance of the business, fell by 20% to £23.5m (H1 2008 – £29.3m). Adjusted profit before tax measures profit before the charge for amortisation of intangible assets arising on acquisitions of £2.4m (H1 2008 – £2.1m). Adjusted earnings per share decreased by 22% to 4.27p (H1 2008 – 5.50p) with the underlying tax charge increasing slightly to 27.7% (H1 2008 – 26.3%).

The Group again demonstrated its strongly cash generative nature, with free cash flow increasing by 17% to £28.9m (H1 2008 – £24.6m) as working capital, capital expenditure and discretionary costs were carefully controlled. The strong cash flow, combined with beneficial currency movements, resulted in net debt reducing by an encouraging £47.1m to £127.4m (31 December 2008 – £174.5m) over the six month period.

With the global economic crisis having had a significant adverse effect on a number of the Group's end markets, the first half's resilient profit performance and excellent cash generation reflect the early and decisive action taken by the Group's operational management to mitigate the effects of the economic downturn.

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

OPERATIONS

Reported revenue in the Aerospace Division increased by 11% to £169.2m (H1 2008 – £152.2m) although, on a constant currency basis, revenue decreased by 12%. Weak business and regional jet markets, de-stocking by customers and Boeing utilising inventory delivered during its employee strike in the fourth quarter of 2008, were the main reasons for the decline. Senior's sales volumes are expected to match Boeing's production rates by the end of the third quarter of 2009 as the inventory overhang is cleared. Despite the decline in revenue, the adjusted operating margin for the Aerospace Division remained relatively robust at 13.0% (H1 2008 – 14.6%).

Boeing and Airbus delivered 500 aircraft in the period, up 3% on the 486 aircraft delivered in H1 2008. Their combined order book stood at 6,998 aircraft at the end of June 2009, a healthy seven year order book at current production rates, although their net order intake in the first half of 2009 was only 69 aircraft (175 orders less 106 cancellations). Boeing recently announced the need to make modifications to its 787 aircraft thus delaying its first flight. Senior has significant content on the 787 and consequently it is an important future programme for the Group. First half aircraft deliveries were weak in the regional jet market (down 17% compared with H1 2008) and in the business jet market (down 36% in the first quarter compared with the first quarter of 2008, with the awaited data for the second quarter expected to be weaker still). However, Senior's defence markets were strong, with growing sales on unmanned aerial vehicles and the Lockheed C-130 transport aircraft being particularly beneficial.

CHAIRMAN'S STATEMENT

Very weak land vehicle markets, partially offset by generally satisfactory industrial markets, resulted in total revenue for the Flexonics Division declining, on a constant currency basis, by 31% in the first half of 2009 compared to H1 2008. Reported revenue of £107.0m (H1 2008 – £128.1m) was down 16%. The Division's adjusted operating margin of 9.0% (H1 2008 – 11.1%) was a resilient outcome given the 35% to 55% reduction in land vehicle production volumes typically experienced in North America and Europe. This result highlights the specialist nature and diversity of Senior's Flexonics markets as well as the positive impact of the cost control measures undertaken. Senior is one of the world's leading manufacturers of metal and fabric expansion joints for the oil and gas, power generation and chemical processing markets and this product group continued to operate close to the record 2008 performance levels throughout the first half of 2009. The Group also has a small, but established, presence in the rapidly growing alternative energy market and pleasing progress was made during the period in extending the Group's product, customer and geographical reach in this sector.

The Group's headcount was 4,756 at the end of June, a 20% reduction from the 5,936 at the end of September 2008. The necessary, but difficult, decisions which were taken to match the Group's cost base with its lower revenue were implemented at a cost of £3.0m, £1.9m of which was incurred in 2008, and are expected to result in savings of approximately £22m in 2009 compared to 2008. A further £3m year-on-year saving is expected to arise in 2010 from the actions already taken. Pleasingly, a small number of operations have recently begun recruiting, following an improvement in production volumes at a number of customers. No significant changes in overall headcount are expected for the remainder of the year.

DIVIDEND

The interim dividend is being maintained at 0.90 pence per share (H1 2008 – 0.90 pence), and will be paid on 30 November 2009 to shareholders on the register at the close of business on 30 October 2009. The estimated cost of £3.6m represents 12% of the £28.9m free cash flow generated in the first half of the year.

EMPLOYEES AND THE BOARD

The first half of the year has been a difficult time for many of the Group's personnel with redundancies, short-time working and minimal overtime opportunities having an adverse impact on employees at most operations. Against such a background, I would like to thank all of Senior's employees for their hard work on behalf of the Group and for the positive attitudes that I have witnessed when visiting operations.

Mike Sheppard, Chief Executive Officer of the Flexonics Division, has decided to step down from the Board in order to focus all of this time on the Flexonics operations. He leaves the Board today and I would like to thank him, on behalf of the Board, for his contribution to the running of Senior over the past seven years. There are an encouraging number of opportunities for the Flexonics Division and the Board looks forward to their delivery over the coming years under Mike's continued leadership.

OUTLOOK

The latest public announcements from Boeing and Airbus, along with the production schedules they provide to suppliers, indicate their production volumes continuing close to current levels during 2010 and 2011. A number of industry commentators are, however, predicting declines in the production of large commercial aircraft and Senior is working hard to win new work to help mitigate the extent of a decline, should it occur. Despite some aircraft cancellations, Boeing and Airbus still have order books representing seven years' production at current build rates. The weakness in business and regional jet markets is expected to continue for the foreseeable future and the Group has adjusted its cost base accordingly. Defence markets are anticipated to remain healthy for Senior in the near term, principally due to content and build rate increases on the Lockheed C-130 transport aircraft and Sikorsky's military helicopter programmes. In the longer term, the significant content the Group has on the Joint Strike Fighter is expected to provide substantial growth. The US Government's announcement in April this year of the acceleration in funding for this programme was positive news for Senior.

Land vehicle markets, which were extremely weak in the first half of 2009, have recently shown some signs of improvement, with production schedules from a number of European and North American customers indicating stronger second half volumes. Their view is undoubtedly helped by governmental "scrappage incentives" and the tightening of heavy truck emission legislation in North America in January 2010. Elsewhere, production volumes in India and Brazil were better in the second quarter than in the first, with an expectation that the higher volumes will continue for the remainder of 2009. With a healthy order book, prospects for the industrial expansion joint business appear excellent for the remainder of 2009. However, in respect of the capital-project element of this business, prospects are expected to be more challenging during 2010. A growing proportion of the Group's industrial products relate to emission control and renewable energy and nuclear markets, all of which offer encouraging opportunities for the future.

Senior is strongly cash generative, financed for the long term and is well regarded by its customers. Whilst the Group's end markets are expected to remain challenging for the foreseeable future, Senior is gaining market share, through excellent operational performance and its comparative financial strength, and can look forward to significant future organic growth from new aircraft programmes such as 787 and Joint Strike Fighter. Consequently, the long-term prospects for the Group remain encouraging.

MARTIN CLARK
Chairman

INTERIM MANAGEMENT REPORT

MARK ROLLINS
GROUP CHIEF EXECUTIVE

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; long-term strategy and business objectives; the results for the six months ended 30 June 2009; risks and uncertainties facing the Group during the second half of the 2009 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, much of the development of which is being increasingly driven by tightening emission legislation, for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and energy markets. Major customers include Boeing, Airbus, UTC, GE, Rolls-Royce, Bombardier, Goodrich, Spirit AeroSystems, Cummins, Ford and PSA. The Group is split into two Divisions, Aerospace and Flexonics. The Aerospace Division (61% of Group sales) consists of 14 operations (nine in North America and five in Europe) whilst the Flexonics Division (39% of Group sales) has 11 operations (three in North America, five in Europe and three in the Rest of the World).

Demand patterns in aerospace markets during the six month period were mixed. The strongest level of demand was experienced in defence markets, which accounted for 26% of the Aerospace Division's sales. The large commercial aerospace market (representing 40% of Divisional sales) remained stable, with Boeing and Airbus delivering a combined 500 aircraft, an increase of 3% over the same period last year and in line with expectations. Demand levels in the regional and business jet markets (20% of Divisional sales) declined significantly with the principal manufacturers of regional jets, Embraer and Bombardier, delivering a combined 94 aircraft in the first half of 2009, a reduction of 17% compared to the same period in 2008. The largest decline was experienced in the business jet market, where aircraft deliveries fell by 36% in the first quarter, with the awaited second quarter statistics expected to show a further decline.

In the Flexonics Division, activity levels in the oil and gas, chemical processing, HVAC and power generation industries (55% of Divisional sales) remained relatively robust. However, demand in land vehicle markets (45% of Divisional sales) for both heavy duty diesel and passenger vehicle components, remained very weak with year-on-year production volumes declining by 44%. Low consumer confidence, combined with the uncertainty surrounding the financial position of the major US automotive manufacturers, resulted in North American land vehicle demand remaining very depressed for the whole of the first half of the year. Late in the period, a recovery was seen in the Group's European and Rest of the World land vehicle markets.

LONG-TERM STRATEGY AND BUSINESS OBJECTIVES

The Group's long-term strategy is to develop a portfolio of collaborative, high value-added engineering companies capable of producing sustainable real growth in operating profit, cash flow and shareholder value, focusing on the original equipment markets, primarily aerospace, defence, energy and emission control. There are five key elements that underpin this strategy:

– targeted investment in new product development for markets having higher than average long-term growth potential;
– exceeding customer expectations;
– portfolio enhancement through focused acquisitions and disposal of non-core assets;
– continual improvement in performance of the organic operations; and
– creation of an entrepreneurial culture with strong internal controls within the Group.

The above key elements are supported by five financial performance measures and two non-financial performance measures, as set out in detail on page 11 of the Annual Report & Accounts 2008. Two of the Group's financial performance targets have been met in the first half of 2009, as return on capital employed of 18.3% was achieved (above the target of 15%), and free cash flow increased by £4.3m to £28.9m for the six month period which fully supports the cost of the proposed interim dividend of £3.6m (0.90 pence per share). The Group did not meet three of its financial performance targets, as above inflation increases in organic sales growth and the adjusted earnings per share targets were not achieved due to the underlying market demand reductions experienced in the period. Consequently, the return on revenue margin did not increase.

Good progress was made in the first half of 2009 against the Group's non-financial improvement targets. Total CO_2 emissions decreased by 3% to 101 tonnes per £m of revenue (December 2008 – 104 tonnes per £m of revenue), in line with targeted reductions. The lost time injury frequency rate improved to an annualised 1.50 days per 100 employees (December 2008 – 1.94 days), which is comfortably ahead of the Group's reduction target.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

With 67% of the Group's revenue being generated in North America, the reported results for the first half of 2009 benefited from the translation effect of the stronger US dollar (H1 2009 average rate of £1:$1.50 compared to H1 2008 average rate of £1:$1.98). If this effect is excluded, on a constant currency basis, where H1 2009 and H1 2008 results are both translated at H1 2009 average exchange rates, the Group's operating results can be summarised as follows:

	Revenue		Adjusted OP[1]		Margin	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 %	2008 %
Aerospace	169.2	192.0	22.0	28.4	13.0	14.8
Flexonics	107.0	154.2	9.6	17.6	9.0	11.4
Inter-segment sales	(0.3)	(0.5)	–	–	–	–
Central costs	–	–	(2.7)	(3.2)	–	–
Total – constant currency	275.9	345.7	28.9	42.8	10.5	12.4
Exchange	–	(65.8)	–	(9.4)	–	–
Total – as reported	275.9	279.9	28.9	33.4	10.5	11.9

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

	2009 £m	2008 £m
Operating profit per Financial Statements	26.5	31.3
Amortisation of intangible assets from acquisitions	2.4	2.1
Adjusted operating profit	28.9	33.4

REVENUE

Reported Group revenue decreased by 1% to £275.9m compared to the first half of 2008. On a constant currency basis, Group revenue decreased by 20%. There were no acquisitions in the period.

Revenue in the Aerospace Division fell, on a constant currency basis, by £22.8m (12%) to £169.2m. Revenue increases in military programmes, in particular in the Lockheed C-130 transport aircraft programme, partially offset declines experienced in business and regional jet programmes. In the large commercial aircraft sector, build rates remained stable in the period. However, revenue in this market was adversely impacted by a combination of the utilisation of excess inventory held by Boeing following the strike that occurred in the fourth quarter of 2008, and some reduced volumes due to a number of major customers implementing targeted de-stocking initiatives.

The Flexonics Division experienced a decline in revenue, on a constant currency basis, of £47.2m (31%) to £107.0m. Demand in this Division's industrial oil and gas, chemical processing, HVAC and power generation markets remained relatively robust. However, a significant reduction in land vehicle revenues was experienced with year-on-year volumes falling by 44% in these markets.

OPERATING PROFIT

Reported Group operating profit decreased by 15% in the first half of 2009 to £26.5m (H1 2008 – £31.3m). Adjusted operating profit decreased by £4.5m (13%) to £28.9m, including a foreign exchange benefit of £9.4m. On a constant currency basis, the Group's adjusted operating profit decreased by 32%, principally due to the margin impact of lower volumes in land vehicle and business jet markets. The Group's headcount had reduced to 4,756 at the end of the period as a result of a cost rationalisation programme that was started in the fourth quarter of 2008, aimed at mitigating the adverse impact on profitability of these reduced volumes. At the end of June, the total number of employees had fallen by approximately 20% compared to the end of September 2008. The cost of implementing this programme was £3.0m, £1.9m of which was incurred in 2008, and it is estimated that cost savings of £22m will be realised in 2009 from this initiative. A further £3.0m year-on-year saving is expected to arise in 2010 from the actions already taken.

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SIMON NICHOLLS
GROUP FINANCE DIRECTOR

Reported adjusted operating profit in the Aerospace Division decreased marginally by £0.2m to £22.0m, as the negative margin impact of volume reductions was offset by cost saving initiatives, and a foreign exchange benefit of £6.2m. In the Flexonics Division, despite a strong performance from the industrial operations in North America, reported adjusted operating profits declined by £4.6m (32%) to £9.6m; this was principally due to the significant sales volume decline experienced in all land vehicle markets. The result also included a favourable exchange impact of £3.4m.

The benefits of decisive actions taken since the last quarter of 2008 in respect of the Group's cost base were seen in the Group's reported operating margin which, despite the significant revenue decline, remained at 10.5% in the first half (H1 2008 – 11.9%). On a constant currency basis, the operating margin in the Aerospace Division was 13.0% (H1 2008 – 14.8%) and in the Flexonics Division was 9.0% (H1 2008 – 11.4%).

FINANCE COSTS

Finance costs, net of investment income, increased to £5.4m (H1 2008 – £4.1m). Interest costs on borrowings remained unchanged at £3.2m, but those relating to retirement benefits increased to £2.2m (H1 2008 – £0.9m) as a result of higher assumed interest costs relating to the unwinding of discounted liabilities and reduced assumed asset returns.

PROFIT BEFORE TAX

Adjusted profit before tax decreased by 20% to £23.5m (H1 2008 – £29.3m). Reported profit before tax declined by 22% to £21.1m (H1 2008 – £27.2m).

TAX CHARGE

The Group's total tax charge decreased to £5.5m (H1 2008 – £6.9m). If the net tax benefits of £1.0m (H1 2008 – £0.8m) arising from amortisation of intangible assets on acquisitions are added back, the adjusted tax charge of £6.5m (H1 2008 – £7.7m) represents an underlying tax rate of 27.7% (H1 2008 – 26.3%) on adjusted profit before tax. The increase in the underlying tax rate is principally due to the higher proportion of Group taxable profits being generated in the USA, where the Group's tax rate is approximately 37%, and increased taxable losses in the UK.

EARNINGS PER SHARE

The average number of shares in issue in H1 2009, for the purposes of calculating undiluted earnings per share, was 398.1 million (H1 2008 – 392.9 million). The increase arose principally from the vesting of shares awarded under the Group's long-term incentive plan and from the exercise of share options. Adjusted earnings per share decreased by 22% to 4.27p (H1 2008 – 5.50p), whilst undiluted basic earnings per share decreased by 24% to 3.92p (H1 2008 – 5.17p). Fully diluted basic earnings per share, calculated using 403.3 million shares, decreased by 24% to 3.87p (H1 2008 – 5.06p).

DIVIDEND

An interim dividend of 0.90 pence per share, unchanged from the prior year's interim dividend is proposed. The total cost of the proposed interim dividend is £3.6m (2008 interim – £3.6m).

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 by £4.3m (17%) to £28.9m (H1 2008 – £24.6m). This excellent performance, delivered in spite of challenging market conditions, reflects the Group's continuing focus on, and success with, cash generation initiatives.

The most important drivers of the improvement in free cash flow were the early implementation of cost reduction measures to mitigate the impact of declining market demand, a tightening of controls over discretionary expenditure (including capital expenditure) and a continuing focus on working capital efficiency to ensure that only necessary resources are tied up in this area.

Cash generated from operating activities was £41.8m (H1 2008 – £44.3m). This included a cash inflow from working capital of £9.5m, which more than offset the decline in operating profit. Capital expenditure decreased to £5.7m (H1 2008 – £12.9m), as the Group's operations are now well capitalised following significant recent investment supporting new programmes in both Divisions, including the Boeing 787 programme. Capital expenditure decreased by £5.2m in the Aerospace Division and by £2.0m in the Flexonics Division. The

Group also made a voluntary payment of £5.0m to its UK defined benefit pension scheme, to help reduce the scheme's funding deficit.

NET DEBT

The Group's net debt decreased significantly in the six month period, driven by strong cash conversion and favourable movements in foreign exchange rates, in particular the value of the US dollar against Sterling. Total net debt at 30 June 2009 was £127.4m (31 December 2008 – £174.5m), a reduction of £47.1m, with £22.2m attributable to cash inflows from operations and £24.9m derived from favourable foreign currency movements. The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 1.6x at 30 June 2009 (31 December 2008 – 2.1x). 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 2009 were £65.6m in excess of the value of pension assets, representing an increase in the deficit of £14.4m from 31 December 2008. The net liability in respect of the Group's UK defined benefit pension scheme increased by £18.0m to £55.3m (31 December 2008 – £37.3m) after taking into account an additional voluntary contribution of £5.0m made by the Group in June. Net pension liabilities in North America and other territories declined by £3.6m. The movement in the UK net liability reflects an increase in the present value of benefit obligations arising from an increase in market estimates of future price inflation, since pension benefits in the scheme are inflation linked, and from a decrease in market yields of high quality corporate bonds which are used to determine the rate for discounting future scheme liabilities.

GOING CONCERN BASIS

As noted in the Annual Report & Accounts 2008, 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 has no major borrowing facility renewal before 2012.

During the first half of 2009, the Group remained strongly cash generative in spite of challenging market conditions. Net cash inflows of £22.2m together with £24.9m of favourable foreign currency movements decreased net debt by £47.1m to £127.4m (31 December 2008 – £174.5m), resulting in an increase of 58% in the Group's level of funding headroom to £78.7m.

Current economic conditions continue to create uncertainty, particularly over the level of demand for the Group's products. In addition, the Group faces potential foreign exchange volatility given that 78% of the Group's profits in H1 2009 were earned in the USA and that 85% of its gross borrowings at 30 June 2009 were denominated in US dollars. The Group actively manages its strategic, commercial and day-to-day operational risks through its Executive Committee. The Group's Treasury Committee operates Board-approved financial policies, including hedging policies, that are 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 2008.

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, indicate that the Group will be able to operate comfortably within the level of its current committed borrowing facilities and banking covenants. After making relevant enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Group's Condensed Consolidated Interim Financial Statements.

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 2008, except for the adoption of Standards and Interpretations that are effective for the current financial year; these are highlighted in Note 2 of the Condensed Consolidated Interim Financial Statements, and do not have a material impact on the presentation of the Group's results.

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 2008, where the subjects of the global credit crisis, markets and customers, competitors, defined benefit pension schemes, foreign exchange, capital structure, interest rates, and credit and liquidity risk were covered. The Board considers that these remain the most likely areas of potential risk and uncertainty, with the position largely unchanged from that set out in the Annual Report & Accounts 2008.

Whilst there has been no significant change to the Group's risk profile in the first half of 2009, underlying market demand conditions still remain the most significant risk to the Group's ability to achieve its performance objectives in 2009. Demand patterns have been largely in line with expectation in the first half of 2009, with land

INTERIM MANAGEMENT REPORT

vehicles and regional and business jets showing the greatest levels of decline as a result of the global recession. Additional weakness, above expectation, has been seen in North American land vehicle markets, although this has largely been offset by greater than expected demand in other land vehicle markets. Demand in military aerospace markets has been strong, but has remained generally stable in the large commercial aerospace market and the Group's industrial markets.

In response to this challenging market risk profile, the Group has implemented various cost reduction and profit preservation plans, principally at those operations that are exposed to the land vehicle and business and regional jet markets. Total headcount has fallen by almost 20% since this programme was initiated in the fourth quarter of 2008. The Group has also reduced discretionary expenditure and has maintained positive progress with its working capital efficiency initiatives. As a result, the Group has again improved its delivery of free cash flow in the period. Management remains ready to take further action as necessary.

The Group's total unfunded liability relating to its defined benefit pension schemes was £65.6m as at 30 June 2009, representing an increase of £14.4m in the first half of the year. The Group has already taken action to help reduce the combined pension deficit, including: an increase in cash contributions in excess of service costs (£7.7m was contributed to the schemes in the first half of 2009, of which £5.0m was discretionary); closure of the UK defined benefit scheme to new entrants; and increases to employee contribution rates. Further actions are being considered to reduce the volatility and risk associated with the defined benefit pension scheme deficit and to reduce the absolute level of the pension deficit as efficiently as possible, in the context of the Group's overall funding requirements.

Pleasingly, significant positive progress has been made in the first half of the year in respect of the Group's capital structure, and its credit and liquidity risk, mainly through the generation of increased levels of free cash flow and favourable foreign exchange rate movements. This resulted in a significant reduction in net debt in the period and an increase of 58% in the Group's level of funding headroom to £78.7m.

FUTURE OUTLOOK

A detailed outlook statement is included in the Chairman's statement on pages 2 and 3 of this report.

In summary, the Group's end markets are expected to remain challenging for the foreseeable future. However, Senior is gaining market share through excellent operational performance and its comparative financial strength, and can look forward to significant future organic growth from new aircraft programmes such as the Boeing 787 and Joint Strike Fighter. The Group remains strongly cash generative and is financed for the longer term, with no major financing renewal due until 2012. Consequently, the long-term prospects for the Group remain 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
31 July 2009

SIMON NICHOLLS
Group Finance Director

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 2009 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 11. 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 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 2009 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 Registered Auditors
Reading
31 July 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 30 June 2009

	Notes	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m	Year ended 31 Dec 2008 £m
CONTINUING OPERATIONS				
Revenue	3	275.9	279.9	562.4
Trading profit		26.5	31.3	59.8
Loss on sale of fixed assets		–	–	–
Operating profit(1)	3	26.5	31.3	59.8
Investment income		1.1	0.9	2.7
Finance costs		(6.5)	(5.0)	(11.2)
Profit before tax(2)		21.1	27.2	51.3
Tax	5	(5.5)	(6.9)	(12.1)
PROFIT FOR THE PERIOD		15.6	20.3	39.2
Attributable to:				
Equity holders of the parent		15.6	20.3	39.2
Earnings per share				
Basic	7	3.92p	5.17p	9.92p
Diluted	7	3.87p	5.06p	9.78p
(1) Adjusted operating profit	4	28.9	33.4	64.5
(2) Adjusted profit before tax	4	23.5	29.3	56.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 30 June 2009

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m	Year ended 31 Dec 2008 £m
PROFIT FOR THE PERIOD	15.6	20.3	39.2
OTHER COMPREHENSIVE INCOME:			
Gains/(losses) on cash flow hedges during the period	5.2	(0.9)	(9.0)
Reclassification adjustments for losses included in profit or loss	1.0	0.9	3.2
Gains/(losses) on cash flow hedges	6.2	–	(5.8)
Gains/(losses) on revaluation of financial instruments	8.9	(3.0)	(44.4)
Exchange differences on translation of foreign operations	(27.2)	1.8	59.9
Actuarial losses on defined benefit pension schemes	(21.6)	(9.1)	(15.0)
Other comprehensive income	(33.7)	(10.3)	(5.3)
Tax relating to components of other comprehensive income	2.8	0.4	0.5
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(30.9)	(9.9)	(4.8)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(15.3)	10.4	34.4
Attributable to:			
Equity holders of the parent	(15.3)	10.4	34.4

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	30 June 2009 £m	30 June 2008 £m	31 Dec 2008 £m
NON-CURRENT ASSETS				
Goodwill		165.7	143.9	184.0
Other intangible assets		13.3	14.9	17.6
Property, plant and equipment	8	117.6	105.5	138.4
Deferred tax assets		0.3	0.3	0.4
Trade and other receivables		3.2	3.2	3.3
Total non-current assets		300.1	267.8	343.7
CURRENT ASSETS				
Inventories		72.0	77.5	99.6
Construction contracts		0.3	1.6	1.5
Trade and other receivables		82.1	91.6	92.7
Cash and cash equivalents	10a)	10.7	19.7	11.9
Total current assets		165.1	190.4	205.7
TOTAL ASSETS		465.2	458.2	549.4
CURRENT LIABILITIES				
Trade and other payables		97.7	105.0	151.8
Tax liabilities		7.6	7.8	8.0
Obligations under finance leases		0.2	0.2	0.2
Bank overdrafts and loans		0.2	39.0	1.2
Total current liabilities		105.7	152.0	161.2
NON-CURRENT LIABILITIES				
Bank and other loans	10c)	130.4	97.7	149.6
Retirement benefit obligations	11	65.6	44.3	51.2
Deferred tax liabilities		7.0	7.1	8.8
Obligations under finance leases		1.2	1.3	1.5
Others		0.6	0.6	0.9
Total non-current liabilities		204.8	151.0	212.0
TOTAL LIABILITIES		310.5	303.0	373.2
NET ASSETS		154.7	155.2	176.2
EQUITY				
Issued share capital	9	39.9	39.8	39.8
Share premium account		12.1	12.0	12.0
Equity reserve		1.6	1.3	1.7
Distributable reserve		19.4	19.4	19.4
Hedging and translation reserve		(5.1)	(5.0)	6.3
Retained earnings		88.2	89.1	98.4
Own shares		(1.4)	(1.4)	(1.4)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		154.7	155.2	176.2
TOTAL EQUITY		154.7	155.2	176.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2009

	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
BALANCE AT 1 JANUARY 2008	39.1	11.3	1.6	19.4	(4.4)	84.3	(1.4)	149.9
Profit for the period	–	–	–	–	–	39.2	–	39.2
Losses on cash flow hedges	–	–	–	–	(5.8)	–	–	(5.8)
Losses on revaluation of financial instruments	–	–	–	–	(44.4)	–	–	(44.4)
Exchange differences on translation of foreign operations	–	–	–	–	59.9	–	–	59.9
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(15.0)	–	(15.0)
Tax relating to components of other comprehensive income	–	–	–	–	1.0	(0.5)	–	0.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	–	–	10.7	23.7	–	34.4
Issue of share capital	0.7	0.7	(0.1)	–	–	–	–	1.3
Share-based payment charge	–	–	0.9	–	–	–	–	0.9
Transfer to retained earnings	–	–	(0.7)	–	–	0.7	–	–
Dividends paid	–	–	–	–	–	(10.3)	–	(10.3)
BALANCE AT 31 DECEMBER 2008	39.8	12.0	1.7	19.4	6.3	98.4	(1.4)	176.2
Profit for the period	–	–	–	–	–	15.6	–	15.6
Gains on cash flow hedges	–	–	–	–	6.2	–	–	6.2
Gains on revaluation of financial instruments	–	–	–	–	8.9	–	–	8.9
Exchange differences on translation of foreign operations	–	–	–	–	(27.2)	–	–	(27.2)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(21.6)	–	(21.6)
Tax relating to components of other comprehensive income	–	–	–	–	0.7	2.1	–	2.8
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	–	–	(11.4)	(3.9)	–	(15.3)
Issue of share capital	0.1	0.1	(0.1)	–	–	–	–	0.1
Share-based payment charge	–	–	0.5	–	–	–	–	0.5
Transfer to retained earnings	–	–	(0.5)	–	–	0.5	–	–
Dividends paid	–	–	–	–	–	(6.8)	–	(6.8)
BALANCE AT 30 JUNE 2009	39.9	12.1	1.6	19.4	(5.1)	88.2	(1.4)	154.7
BALANCE AT 1 JANUARY 2008	39.1	11.3	1.6	19.4	(4.4)	84.3	(1.4)	149.9
Profit for the period	–	–	–	–	–	20.3	–	20.3
(Losses)/gains on cash flow hedges	–	–	–	–	–	–	–	–
Losses on revaluation of financial instruments	–	–	–	–	(3.0)	–	–	(3.0)
Exchange differences on translation of foreign operations	–	–	–	–	1.8	–	–	1.8
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(9.1)	–	(9.1)
Tax relating to components of other comprehensive income	–	–	–	–	0.6	(0.2)	–	0.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	–	–	–	–	(0.6)	11.0	–	10.4
Issue of share capital	0.7	0.7	(0.3)	–	–	–	–	1.1
Share-based payment charge	–	–	0.5	–	–	–	–	0.5
Transfer to retained earnings	–	–	(0.5)	–	–	0.5	–	–
Dividends paid	–	–	–	–	–	(6.7)	–	(6.7)
BALANCE AT 30 JUNE 2008	39.8	12.0	1.3	19.4	(5.0)	89.1	(1.4)	155.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 30 June 2009

	Notes	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m	Year ended 31 Dec 2008 £m
NET CASH FROM OPERATING ACTIVITIES	10a)	32.8	36.5	74.6
INVESTING ACTIVITIES				
Interest received		1.7	0.5	1.7
Disposal of subsidiary		–	–	0.1
Proceeds on disposal of property, plant and equipment		0.1	0.5	0.6
Purchases of property, plant and equipment		(5.3)	(12.6)	(23.8)
Purchases of intangible assets		(0.4)	(0.3)	(0.7)
Acquisition of Capo Industries		–	(44.1)	(44.1)
Acquisition of Sterling Machine		–	0.4	0.4
NET CASH USED IN INVESTING ACTIVITIES		(3.9)	(55.6)	(65.8)
FINANCING ACTIVITIES				
Dividends paid		(6.8)	(6.7)	(10.3)
Repayment of borrowings		(2.6)	(1.7)	(85.9)
Repayments of obligations under finance leases		(0.1)	(0.1)	(0.2)
Share issues		0.1	1.1	1.3
New loans raised		–	41.2	103.4
Net cash outflow on forward contracts		(18.3)	(1.3)	(13.0)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(27.7)	32.5	(4.7)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1.2	13.4	4.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		10.7	4.9	4.9
Effect of foreign exchange rate changes		(1.4)	0.1	1.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10a)	10.5	18.4	10.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 30 June 2009

1. GENERAL INFORMATION

The information for the year ended 31 December 2008 does not constitute the Group's statutory accounts for 2008 as defined in Section 435 of the Companies Act 2006. Statutory accounts for 2008 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 31 July 2009, have been reviewed by the Auditors, and their review opinion is on page 10.

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 on pages 4 to 8.

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 2008, except for as described below.

In the current financial year, the Group has adopted IFRS 8 "Operating Segments", IAS 1 (Revised) "Presentation of Financial Statements", IFRS 2 (Amendment) "Share-based Payment Vesting Conditions and Cancellations" and IAS 23 (Revised) "Borrowing Costs".

IFRS 8 replaces IAS 14 "Segment Reporting" and requires segment information to be presented on the same basis as that used for internal reporting purposes, identifying the components of the Group that are regularly reviewed by the Group Chief Executive to allocate resources to the segments and to assess their performance. Adoption of IFRS 8 has not led to a change in the Group's reportable segments.

IAS 1 (Revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a Condensed Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented.

IFRS 2 (Amendment) clarifies that for share-based payments, vesting conditions are service and performance conditions only and that all cancellations of awards, whether by the entity or by other parties, should receive the same accounting treatment. These do not represent a material impact on the Group's Financial Statements.

IAS 23 (Revised) removes the option of immediately expensing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset and instead requires these costs to be capitalised as part of the cost of that asset. Whilst this is an accounting policy change for the Group, it does not represent a material impact on 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: IFRS 1 (Amendment)/IAS 27 (Amendment) "Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate"; IAS 32 (Amendment)/IAS 1 (Amendment) "Puttable Financial Instruments and Obligations Arising on Liquidation"; Improvements to IFRS – as published in May 2008; and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 17 "Distributions of Non-cash Assets to Owners" are currently not relevant to the Group's operations.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 30 June 2009

3. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating Divisions according to the market segments they serve, Aerospace and Flexonics. These Divisions are the basis on which the Group reports its segment information. This is consistent with the way the Group is managed and with the format of the Group's internal financial reporting.

BUSINESS SEGMENTS

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

	Aerospace Half-year ended 30 June 2009 £m	Flexonics Half-year ended 30 June 2009 £m	Eliminations/ Central costs Half-year ended 30 June 2009 £m	Total Half-year ended 30 June 2009 £m	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
External revenue	169.0	106.9	–	275.9	151.9	128.0	–	279.9
Inter-segment revenue	0.2	0.1	(0.3)	–	0.3	0.1	(0.4)	–
Total revenue	169.2	107.0	(0.3)	275.9	152.2	128.1	(0.4)	279.9
Adjusted operating profit (see Note 4)	22.0	9.6	(2.7)	28.9	22.2	14.2	(3.0)	33.4
Loss on sale of fixed assets	–	–	–	–	–	–	–	–
Amortisation of intangible assets from acquisitions	(2.4)	–	–	(2.4)	(2.1)	–	–	(2.1)
Operating profit	19.6	9.6	(2.7)	26.5	20.1	14.2	(3.0)	31.3
Investment income				1.1				0.9
Finance costs				(6.5)				(5.0)
Profit before tax				21.1				27.2
Tax				(5.5)				(6.9)
Profit after tax				15.6				20.3

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

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m	Year ended 31 Dec 2008 £m
Aerospace	322.0	294.2	374.4
Flexonics	125.7	137.8	156.1
Sub total continuing operations	447.7	432.0	530.5
Unallocated corporate amounts	17.5	26.2	18.9
Total	465.2	458.2	549.4

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 and amortisation of intangible assets acquired on acquisitions.

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m	Year ended 31 Dec 2008 £m
Operating profit	26.5	31.3	59.8
Loss on sale of fixed assets	–	–	–
Amortisation of intangible assets from acquisitions	2.4	2.1	4.7
Adjustments to operating profit	2.4	2.1	4.7
Adjusted operating profit	28.9	33.4	64.5
Profit before tax	21.1	27.2	51.3
Adjustments to profit as above before tax	2.4	2.1	4.7
Adjusted profit before tax	23.5	29.3	56.0

5. TAX CHARGE

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m
Current tax:		
UK corporation tax	–	–
Foreign tax	4.3	4.5
	4.3	4.5
Deferred tax:		
Current year	1.2	2.4
	5.5	6.9

Corporation tax for the interim period is charged at 27.7% (2008 – 26.3%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

6. DIVIDENDS

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2008 of 1.70p (2007 – 1.70p) per share	6.8	6.7
Proposed interim dividend for the year ended 31 December 2009 of 0.90p (2008 – 0.90p) per share	3.6	3.6

The proposed interim dividend was approved by the Board of Directors on 31 July 2009 and has not been included as a liability in these Interim Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 30 June 2009

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 2009 million	Half-year ended 30 June 2008 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	398.1	392.9
Effect of dilutive potential ordinary shares:		
Share options	5.2	8.6
Weighted average number of ordinary shares for the purposes of diluted earnings per share	403.3	401.5

	Half-year ended 30 June 2009		Half-year ended 30 June 2008	
Earnings and earnings per share	Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period	15.6	3.92	20.3	5.17
Adjust:				
Loss on sale of fixed assets net of tax of £nil (2008 – £nil)	–	–	–	–
Amortisation of intangible assets from acquisitions net of tax of £1.0m (2008 – £0.8m)	1.4	0.35	1.3	0.33
Adjusted earnings after tax	17.0	4.27	21.6	5.50
Earnings per share				
– basic		3.92p		5.17p
– diluted		3.87p		5.06p
– adjusted		4.27p		5.50p
– adjusted and diluted		4.22p		5.38p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2008 – £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:

– gains or losses arising from the sale of fixed assets
– amortisation of intangible assets acquired on acquisitions.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £5.3m (2008 – £12.6m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.1m (2008 – £0.5m) for proceeds of £0.1m (2008 – £0.5m).

9. SHARE CAPITAL

Share capital as at 30 June 2009 amounted to £39.9m. During the period, the Group issued 239,894 shares at an average price of 21.97p per share under share option plans, raising £0.1m. A further 1,099,451 shares were issued during the period under the Group's long-term incentive plan.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 30 June 2009

10. NOTES TO THE CASH FLOW STATEMENT

A) RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	Half-year ended 30 June 2009 £m	Half-year ended 30 June 2008 £m
Operating profit from continuing operations	26.5	31.3
Adjustments for:		
Depreciation of property, plant and equipment	10.5	8.4
Amortisation of intangible assets from acquisitions	2.4	2.1
Amortisation of other intangible assets	0.3	0.3
Share options	0.5	0.7
Loss on disposal of property, plant and equipment	–	–
Pension payments in excess of service cost	(7.7)	(2.3)
Operating cash flows before movements in working capital	32.5	40.5
Decrease in inventories	17.9	5.9
Decrease/(increase) in receivables	2.7	(9.4)
(Decrease)/increase in payables	(11.1)	6.9
Working capital currency movements	(0.2)	0.4
Cash generated by operations	41.8	44.3
Income taxes paid	(4.4)	(4.1)
Interest paid	(4.6)	(3.7)
Net cash from operating activities	32.8	36.5
Cash and cash equivalents comprise:		
Cash	10.7	19.7
Bank overdrafts	(0.2)	(1.3)
Total	10.5	18.4

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.

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 2009 £m	Half-year ended 30 June 2008 £m
Net cash from operating activities	32.8	36.5
Interest received	1.7	0.5
Proceeds on disposal of property, plant and equipment	0.1	0.5
Purchases of property, plant and equipment – cash	(5.3)	(12.6)
Purchase of intangible assets	(0.4)	(0.3)
Free cash flow	28.9	24.6

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For the half-year ended 30 June 2009

C) ANALYSIS OF NET DEBT

	At 1 January 2009 £m	Cash flow £m	Exchange movement £m	At 30 June 2009 £m
Cash	11.9	0.3	(1.5)	10.7
Overdrafts	(1.2)	0.9	0.1	(0.2)
Cash and cash equivalents	10.7	1.2	(1.4)	10.5
Debt due within one year	–	–	–	–
Debt due after one year	(149.6)	2.6	16.6	(130.4)
Finance leases	(1.7)	0.1	0.2	(1.4)
Forward exchange contract losses	(33.9)	18.3	9.5	(6.1)
Total	(174.5)	22.2	24.9	(127.4)

The forward exchange contract losses shown above are reported as £6.1m (1 January 2009 – £33.9m) in current liabilities within trade and other payables.

11. RETIREMENT BENEFIT SCHEMES

DEFINED BENEFIT SCHEMES

Aggregate post-retirement benefit obligations are £65.6m (30 June 2008 – £44.3m; 31 December 2008 – £51.2m). This liability is principally made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £55.3m (30 June 2008 – £37.1m; 31 December 2008 – £37.3m) and £6.1m (30 June 2008 – £3.1m; 31 December 2008 – £9.3m) respectively. These values have been assessed by independent actuaries using current market values and discount rates. The increase in the liability from £51.2m at 31 December 2008 to £65.6m at 30 June 2009 is primarily due to lower returns on UK plan assets than assumed, an increase in the UK plan inflation rate assumption to 3.5% (31 December 2008 – 2.8%) and a decrease in the UK plan discount rate assumption to 6.2% (31 December 2008 – 6.4%). The changes in inflation and discount rate assumptions since 31 December 2008 are in line with movements in market estimates of future price inflation and movements in market yields of high quality corporate bonds respectively.

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