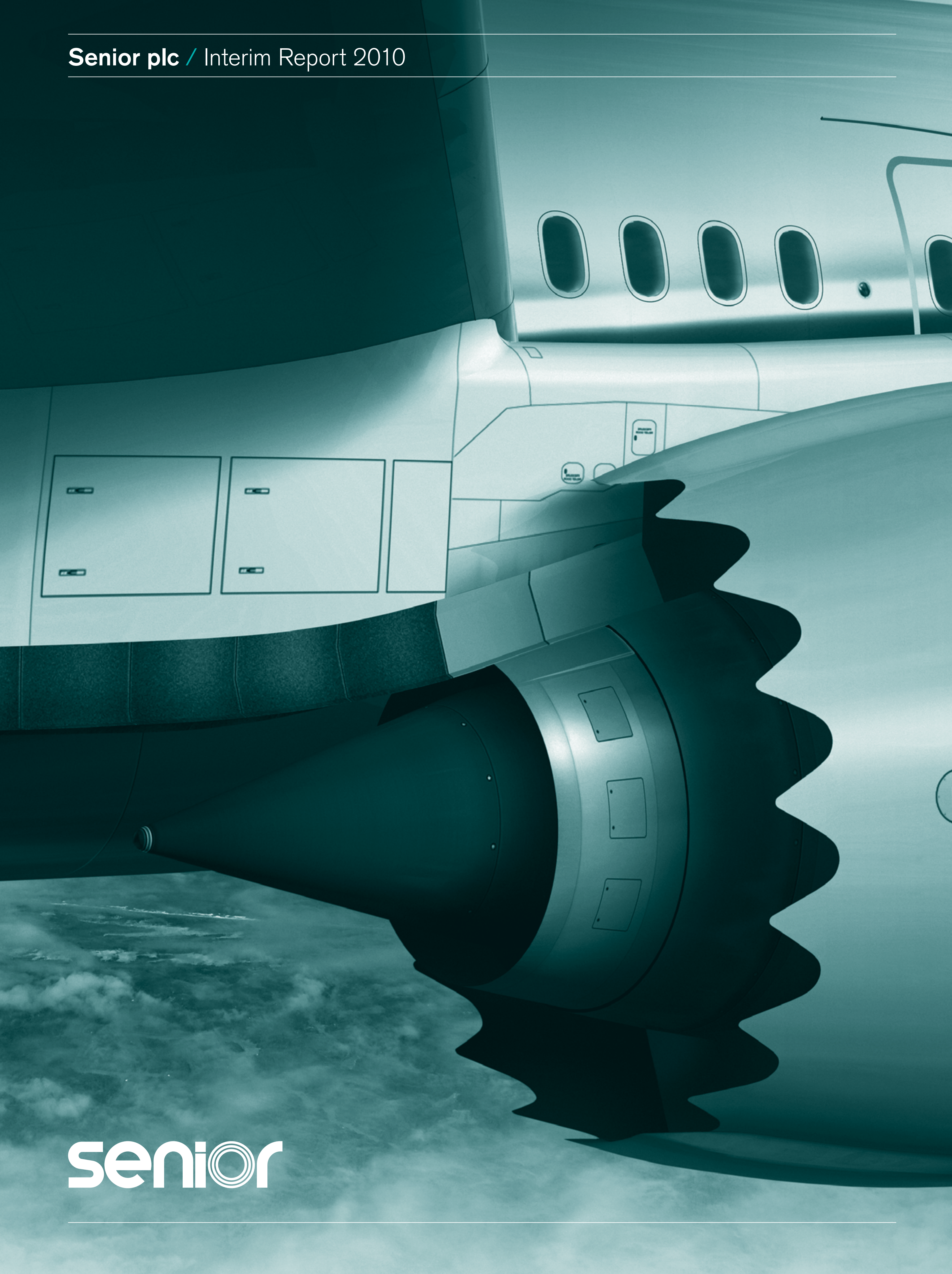
Senior plc / Interim Report 2010



Aerospace /
59% of Group revenue

Flexonics /
41% of Group revenue

Financial highlights

		Half-year to 30 June		
		2010	2009	
Revenue		**£287.7m**	£275.9m	+4%
Operating profit	**– Reported**	**£35.4m**	£26.5m	+34%
	– Adjusted[1]	**£37.7m**	£28.9m	+30%
Adjusted operating margin[1]		**13.1%**	10.5%	–
Profit before tax	**– Reported**	**£30.2m**	£21.1m	+43%
	– Adjusted[1]	**£32.5m**	£23.5m	+38%
Earnings per share	**– Basic reported**	**5.59p**	3.92p	+43%
	– Adjusted[1]	**5.94p**	4.27p	+39%
Proposed interim dividend per share		**1.00p**	0.90p	+11%
Free cash flow[2]		**£27.6m**	£28.9m	-4%
Net debt		**£87.4m**	£127.4m	£40m better

(1) Adjusted figures are stated before a £2.3m charge for amortisation of intangible assets acquired on acquisitions (2009 – £2.4m). Adjusted earnings per share takes account of the tax impact of this item.

(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 first-half revenue, profit and cash flow items at average rates were $1.54 (H1 2009 – $1.50) and €1.15 (H1 2009 – €1.11), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2010 were $1.52 (June 2009 – $1.65) and €1.21 (June 2009 – €1.17), respectively.

1 / Overview

Group highlights

/ An excellent set of results.
/ Adjusted Operating Margin increased to 13.1% from 10.5%.
/ Impressive increase of 38% in adjusted pre-tax profit.
/ Strong free cash flow delivery.
/ Adjusted profit before tax now expected to be comfortably ahead of market expectations.
/ Good progress made in strengthening and developing customer relationships.
/ Increase of 11% in interim dividend, reflects confidence in future prospects for the business.

The Group delivered an excellent set of results for the first half of 2010. Adjusted profit before tax increased by 38% to £32.5m on revenue up 4%, to £287.7m, with the much improved adjusted operating margin of 13.1% (H1 2009 – 10.5%) reflecting the Group's ongoing focus on operational excellence, customer development and cost control. On a constant currency basis, revenues and adjusted operating profit increased by 5% and 30%, respectively. Net debt improved by £14.9m in the six-month period to £87.4m at the end of June, reinforcing the Group's strong cash-generative nature.

Overall, the markets in which the Aerospace Division operates were satisfactory during the first half of 2010, with Divisional revenue of £169.9m representing an increase of 3%, on a constant currency basis, over the prior year. Boeing and Airbus production volumes remained healthy, with the two manufacturers delivering a combined 472 aircraft (H1 2009 – 500 aircraft) and receiving orders, net of cancellations, for 268 aircraft (H1 2009 – 69 aircraft). A further 233 new orders were announced by Boeing and Airbus at the Farnborough Air Show in July. As expected, after a difficult 2009, the business jet market began to stabilise in the period whilst the regional jet market continued to decline. Revenue from the Division's military and defence programmes improved over H1 2009, as its two most important programmes, the Sikorsky Black Hawk helicopter and the Lockheed Martin C-130J transport aircraft, saw increased build rates. On a constant currency basis, adjusted operating profit for the Aerospace Division improved by 18% to £25.3m (H1 2009 – £21.4m), with an operating margin of 14.9% (H1 2009 – 13.0%).

In the Flexonics Division, most land vehicle markets saw improved demand levels during the period. Production volumes of European passenger vehicles and North American medium and heavy duty trucks, the most important land vehicle markets for the Group, increased by 21% and 18% respectively over H1 2009 levels. The Division's industrial markets were more mixed, with German markets improving but the global market for large industrial expansion joints easing down from its historic high level. Conditions are expected to be more challenging in the second half of 2010 for the European passenger vehicle market, following the ending of government incentive schemes, and for the Group's large expansion joint business, due to weaker order intake early in the second quarter. On a constant currency basis, Divisional revenue increased by 9% over H1 2009 to £118.0m for the first six months of 2010, whilst adjusted operating profit improved by 48% to £15.2m (H1 2009 – £10.3m), an operating margin of 12.9% (H1 2009 – 9.5%).

The strong first-half results, and a healthy near-term outlook for some of the Group's markets, now lead the Board to expect 2010 adjusted profit before tax[(1)] to be comfortably ahead of market expectations[(2)]. The Board's expectations assume unchanged Aerospace markets, but foresee weaker Flexonics markets, during the second half of the year.

The longer-term outlook for Senior remains encouraging. In Aerospace, Boeing and Airbus have announced increases in aircraft build rates for future years. The Boeing 787, an important programme for Senior, is expected to be delivered to customers starting in early 2011; and a range of other new platforms, such as Lockheed Martin's Joint Strike Fighter and Bombardier's CSeries, are scheduled to go into production over the coming years. In the medium term, the Flexonics Division is expected to benefit from a recovery in demand, from the current low levels, for heavy duty trucks in North America and from the opportunities arising from tightening emissions legislation and the growth in renewable energy markets.

As a result of the strong first-half performance and the Group's healthy future prospects, the interim dividend is being increased by 11% to 1.00 pence per share (2009 interim dividend – 0.90 pence).

(1) Adjusted profit before tax is before amortisation of intangible assets arising on acquisitions of £2.3m (2009 – £2.4m).

(2) Market consensus, as reported by Bloomberg prior to release of this announcement, is for 2010 adjusted profit before tax of £55.6m.

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To the Members of Senior plc

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess the Company's strategy and business objectives and the potential for the strategy and objectives to be fulfilled. It should not be relied upon by any other party or for any other purpose.

This IMR contains certain forward-looking statements. Such statements have been made by the Directors in good faith based on information available to them at the time of their approval of this Report. These statements should therefore be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters that are significant to Senior plc and its subsidiary undertakings when viewed as a whole. The IMR discusses the following aspects of the business: operations and business model; long-term strategy and business objectives; the results for the six months ended 30 June 2010; risks and uncertainties facing the Group during the second half of the 2010 financial year; going concern; and the outlook for the Group.

Operations and Business Model

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 aerospace, defence, land vehicle and energy markets.

The Group's underlying key market drivers are the build rates of large commercial aircraft and regional and business jets, military aerospace programme spending (in particular by the US Government), passenger vehicle sales in North America, Europe and Brazil, heavy duty truck sales in North America and capital project spending in the global petrochemical, power generation and renewable energy industries. Many of Senior's products are used to satisfy the growing need for emission control and environmental solutions in the Group's principal end markets.

Senior aims to be a market-leading engineering solutions provider for its customers. In order to promote quick decision-making and enhance flexibility, the Group has a flat organisational structure with only one layer of management between the Group CEO and local operational management. The Group's culture is based around empowerment of its autonomous operations (within a well defined control framework) and includes a strong commitment to Lean Manufacturing principles, whilst also promoting collaboration to support sharing of best practice. There is a strong focus on cash generation and available funding capacity is utilised to invest in organic growth and operational improvement opportunities, aligning improvement initiatives with the key value drivers within the business. In addition, the Group now plans to target a small number of acquisitions to accelerate growth and enhance the overall asset portfolio, whilst remaining cognisant of market conditions and funding headroom. The Group seeks to be consistent in its approach to all stakeholders. This means meeting commitments that are made, acting with integrity and in an ethical manner, complying with legal and regulatory requirements and being a responsible member of each community within which it operates.

Major customers include Boeing, Airbus, UTC, Rolls-Royce, Bombardier, Goodrich, Spirit AeroSystems, GKN, Cummins, Ford, PSA and GM. The Group is split into two Divisions, Aerospace and Flexonics. The Aerospace Division (59% of Group revenue) consists of 15 operations (10 in North America and five in Europe) whilst the Flexonics Division (41% of Group revenue) has 11 operations (three in North America, five in Europe and three in the Rest of the World).

Demand levels in the majority of the Group's key aerospace markets during the six-month period were satisfactory. Large commercial aircraft build rates were ahead of expectation, with Boeing and Airbus delivering a combined 472 aircraft in the period (2009 – 500 aircraft). Their combined order book stood at 6,659 aircraft at the end of June 2010, representing almost seven years of production at current build rates. Combined net order intake in the first half of 2010 was 268 aircraft (319 orders less 51 cancellations), well above the 69 aircraft net order intake in the first half of 2009. A further 233 new orders were announced by Boeing and Airbus at the Farnborough Air Show in July. The market for large commercial aircraft accounted for 39% of the Aerospace Division's sales. As anticipated, the Group benefited from continued healthy demand in military aerospace markets (29% of Divisional sales) as increasing build rates on the Group's largest programmes, the Black Hawk helicopter and C-130J transport aircraft drove further improvements in sales. Production of business jet aircraft began to stabilise in the period, following steep declines last year, whilst regional jet build rates declined further, as expected. Bombardier and Embraer, currently the principal manufacturers of regional jets, delivered a combined 64 aircraft in the first half of 2010, a decline of 32% compared to last year. Within the Aerospace Division's other markets (17% of Divisional sales), sales of edge-welded bellows to the semi-conductor industry, used in the manufacture of silicon wafers, increased significantly.

In the Flexonics Division, activity levels in the Group's industrial markets (46% of Divisional sales), in particular in the global market for large industrial expansion joints, were better than anticipated in the first quarter of the year, but eased during the second quarter. Demand for the Group's land vehicle components (54% of Divisional sales) followed a similar pattern. Overall, production of passenger cars in Europe in the six-month period was 21% ahead of last year whilst production of North American medium and heavy duty trucks increased by 18%.

Long-term Strategy and Business Objectives

There are four key elements to Senior's strategy for accelerating growth and creating long-term sustainable shareholder value, namely:

- targeted investment in new product development and new geographies, for markets having higher than average growth potential;
- exceeding customer expectation through advanced process engineering and operational excellence;
- portfolio enhancement, through focused acquisitions and disposal of non-core assets, taking full account of strict financial and commercial criteria, the operation's long-term outlook and the Group's anticipated funding position; and
- creating an entrepreneurial culture within a strong control framework, and continuously striving for improvements amongst all facets of business whilst operating in a safe and socially responsible manner.

The above key elements are supported by five financial performance measures and two non-financial performance measures as set out in detail on page 11 of the Annual Report & Accounts 2009. A summary of the movements in these Key Performance Indicators ("KPIs") is set out in the table below:

	Half-year ended 30 June 2010	Half-year ended 30 June 2009
Organic revenue growth(1)	**+5%**	-20%
Adjusted earnings per share(2)	**5.94p**	4.27p
– growth	**+39%**	-22%
Return on revenue margin(3)	**13.1%**	10.5%
Free cash flow(4)	**£27.6m**	£28.9m
Return on capital employed(5)	**26.1%**	18.3%
CO_2 emissions/£m revenue(6)	**98 tonnes**	101 tonnes
Lost time injury frequency rate(7)	**1.00**	0.75

(1) Organic revenue growth is the rate of growth in Group revenue, at constant exchange rates, excluding the effect of acquisitions and disposals.

(2) Adjusted earnings per share is the profit after taxation (adjusted for the profit or loss on disposal of fixed assets, amortisation of intangible assets arising on acquisitions and exceptional pension gains) divided by the average number of shares in issue in the period.

(3) Return on revenue margin is the Group's adjusted operating profit divided by its revenue.

(4) Free cash flow is net cash generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders.

(5) Return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period. Capital employed is total assets less total liabilities, except for those of an interest-bearing nature.

(6) CO_2 emissions/£m revenue is an estimate of the Group's carbon dioxide emissions in tonnes divided by the Group's revenue in £ millions.

(7) Lost time injury frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

Pleasingly, all of the Group's financial performance targets were exceeded in the first half of 2010 with increases in organic sales, earnings per share and return on revenue having been achieved. Cash generation and return on capital employed also exceeded target levels.

Satisfactory progress was made in the first half of 2010 against the Group's CO_2 emission improvement target. Total CO_2 emissions decreased by 1.3% to 98 tonnes per £m of revenue (H1 2009 – 101 tonnes per £m of revenue), in line with targeted reductions. However, after three years of continuous improvement, the lost time injury frequency rate of 1.00 days per 100 employees (H1 2009 – 0.75 days), did not meet the Group's reduction target. Following detailed root cause analysis, corrective actions have now been taken, aimed at bringing this rate back in line with the previously improving trend.

Results for the six months ended 30 June 2010

The Group's operating results are summarised in the table below. In order to show like-for-like comparative performance, Divisional revenue and adjusted operating profit are shown on a constant currency basis where H1 2010 and H1 2009 results are both translated at H1 2010 average exchange rates. 64% of the Group's revenue in the first half was generated in North America, with the reported results only slightly impacted by the translation effect of a marginally weaker US dollar (H1 2010 average rate of £1:$1.54 compared to H1 2009 average rate of £1:$1.50):

	Revenue		Adjusted OP(1)		Margin	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 %**	2009 %
Aerospace	**169.9**	165.2	**25.3**	21.4	**14.9**	13.0
Flexonics	**118.0**	107.9	**15.2**	10.3	**12.9**	9.5
Inter-segment sales	**(0.2)**	(0.3)	**–**	–	**–**	–
Central costs	**–**	–	**(2.8)**	(2.7)	**–**	–
Total – constant currency	**287.7**	272.8	**37.7**	29.0	**13.1**	10.6
Exchange	**–**	3.1	**–**	(0.1)	**–**	–
Total – as reported	**287.7**	275.9	**37.7**	28.9	**13.1**	10.5

(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:

	2010 £m	2009 £m
Operating profit per Financial Statements	**35.4**	26.5
Amortisation of intangible assets from acquisitions	**2.3**	2.4
Adjusted operating profit	**37.7**	28.9

Revenue
Reported Group revenue for the first half of 2010 increased by 4% to £287.7m compared to the first half of 2009. On a constant currency basis, Group revenue increased by 5%. There were no acquisitions in the period.

Total revenue in the Aerospace Division, on a constant currency basis, increased by £4.7m (3%) to £169.9m. Large commercial aircraft build rates remained broadly stable in the period, whereas the Group's revenue from military aerospace improved as build rates of its two principal programmes (the C-130J transport aircraft and Black Hawk helicopter) increased. Business and regional jet markets remained relatively weak in the first half with build rates for business jets beginning to stabilise towards the end of the period, but regional jet markets continuing to decline. The Division's revenue in other markets increased, in the main due to increased activity in the production of silicon wafers in the semi-conductor industry.

Revenue in the Flexonics Division, on a constant currency basis, increased by £10.1m (9%) to £118.0m. The increase arose mainly from improvements in land vehicle markets, compared with the first half of 2009 which had been particularly weak. Demand conditions in the Group's principal industrial markets were mixed, with activity levels in some European markets improving whilst the important large industrial expansion joint market eased down, from its historic high level, in the second quarter.

Operating profit
Reported Group operating profit increased by 34% in the first half of 2010 to £35.4m (H1 2009 – £26.5m). Adjusted operating profit increased by £8.8m (30%) to £37.7m, including a foreign exchange benefit of £0.1m. The increase in operating profits was principally due to the impact of stronger land vehicle markets, solid underlying demand in key aerospace markets, effective cost control and continued operational efficiency improvements across the Group on a reduced cost base. Despite the 5% underlying revenue increase, the Group's headcount remained broadly stable during the first half of 2010 with 4,777 employees at the end of June 2010 (31 December 2009 – 4,764).

Reported adjusted operating profit in the Aerospace Division increased by £3.3m, after an adverse foreign exchange impact of £0.6m, to £25.3m, driven by increased volumes, further benefits from improved operational execution, and a favourable product mix. In the Flexonics Division, reported adjusted operating profit increased by £5.6m, including a favourable foreign exchange impact of £0.7m, to £15.2m, due to strong performances from the North American and European land vehicle operations.

The benefits of increased volumes in certain key markets, combined with the effects of the cost reduction measures implemented in 2009 and an improved product mix, were seen in the Group's reported operating margin which increased to 13.1% in the first half of 2010 (H1 2009 – 10.5%). On a constant currency basis, the operating margin in the Aerospace Division was 14.9% (H1 2009 – 13.0%) and 12.9% in the Flexonics Division (H1 2009 – 9.5%).

Finance costs
Total finance costs, net of investment income, decreased to £5.2m (H1 2009 – £5.4m). Net interest costs on borrowings increased to £4.1m (H1 2009 – £3.2m), mainly as a result of the benefit from asset hedges in 2009 not repeating in 2010, whereas finance costs relating to retirement benefits decreased to £1.1m (H1 2009 – £2.2m), principally as a result of the increased level of assets in the Group's pension plans compared to the prior year.

Profit before tax
Adjusted profit before tax increased by 38% to £32.5m (H1 2009 – £23.5m). Reported profit before tax increased by 43% to £30.2m (H1 2009 – £21.1m).

Tax charge
The Group's total tax charge increased to £7.9m (H1 2009 – £5.5m), largely as a result of the increased level of operating profits. If the net tax benefits of £0.9m (H1 2009 – £1.0m) arising from amortisation of intangible assets on acquisitions are added back, the adjusted tax charge of £8.8m (H1 2009 – £6.5m) represents an underlying tax rate of 27.1% (H1 2009 – 27.7%) on adjusted profit before tax.

Earnings per share
The average number of shares in issue in H1 2010, for the purposes of calculating undiluted earnings per share, was 399.0 million (H1 2009 – 398.1 million). The increase arose principally from the vesting of shares awarded under the Group's long-term incentive plan. Adjusted earnings per share increased by 39% to 5.94p (H1 2009 – 4.27p), whilst undiluted basic earnings per share increased by 43% to 5.59p (H1 2009 – 3.92p). Fully diluted basic earnings per share, calculated using 412.5 million shares, increased by 40% to 5.41p (H1 2009 – 3.87p).

Dividend
The interim dividend is being increased by 11% to 1.00 pence per share (2009 interim dividend – 0.90 pence per share), reflecting the Group's strong performance and healthy future prospects. It will be paid on 29 November 2010 to shareholders on the register at the close of business on 29 October 2010.

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, remained strong at £27.6m (H1 2009 – £28.9m), driven by the excellent increase in operating profit, and reflecting the Group's continuing focus on, and success with, cash generation initiatives. H1 2009 cash flow benefitted from a significant inventory-driven working capital inflow. The Group maintains similar levels of working capital in rising markets in the first half of 2010.

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

Cash generated from operating activities was £43.5m (H1 2009 – £41.8m). This included a small cash outflow from working capital of £0.1m. The Group also made a further voluntary payment of £2.5m to its UK defined benefit pension scheme, to help reduce the scheme's funding deficit. Capital expenditure was broadly unchanged at £5.6m (H1 2009 – £5.7m) with £3.8m of expenditure in the Aerospace Division and £1.8m in the Flexonics Division.

Net assets

Net assets increased by 10% to £202.4m in the six-month period (31 December 2009 – £184.8m) mainly as a result of retained profits of £22.3m offset by dividends paid of £6.8m.

Net debt

The Group's net debt decreased by 15% in the six-month period. This was achieved despite the impact of adverse foreign currency movements, in particular the value of the US dollar against Sterling which strengthened over the period from £1:$1.61 at the start of the year to £1:$1.52 at the end of June 2010. Total net debt at 30 June 2010 was £87.4m (31 December 2009 – £102.3m), a reduction of £14.9m, with cash inflows of £20.9m partially offset by £6.0m in adverse foreign currency movements. The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 1.0x at 30 June 2010 (31 December 2009 – 1.3x). 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 2010 were £50.1m in excess of the value of pension assets, representing an increase in the deficit of £2.0m from 31 December 2009. The net liability in respect of the Group's UK defined benefit pension scheme increased by £2.2m to £41.8m (31 December 2009 – £39.6m) after taking into account an additional voluntary contribution of £2.5m made by the Group in June. Net pension liabilities in North America and other territories declined by £0.2m. The £2.2m increase in the UK net liability over the first six-months of 2010 reflects the positive effect of increased total cash contributions in excess of service cost of £5.2m together with the adverse effects of an increase in the present value of benefit obligations, due to a decrease in the market yields of high-quality corporate bonds used to determine the rate for discounting future scheme liabilities, and lower than assumed investment returns.

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 2009, 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.

Related party transactions

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

Risks and uncertainties

There are a number of potential risks and uncertainties which may have a material impact on the Group's performance over the remaining six months of this financial year, and which could cause actual results to differ materially from the expected and historical results. These were discussed in some depth in the Annual Report & Accounts 2009, 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 2009.

Whilst there has been no significant change to the Group's risk profile in the first half of 2010, fluctuations in foreign exchange rates and underlying market demand conditions remain the most significant risks to the Group's ability to achieve its performance objectives in 2010.

The Group actively manages its strategic, commercial and day-to-day operational risks through its Executive Committee. Demand patterns were mainly as expected in the first half of 2010, with large commercial aircraft and military aerospace markets in particular remaining robust. Following a strong start to the year in the Group's North American industrial markets, demand levels eased down in the second quarter. Land vehicle markets generally held up satisfactorily in the period, although did weaken to an extent in Europe late in the period. Business and regional jet market demand was in line with expectation, with business jet markets stabilising at low levels and regional jet build rates continuing to fall. The Group continues to monitor forward market indicators closely and maintains tight controls over discretionary expenditure levels and working capital.

The Group faces potential foreign exchange volatility, given that 69% of the Group's profits in H1 2010 were earned in North America and that 96% of its gross borrowings at 30 June 2010 were denominated in US dollars. The Group's Treasury Committee operates Board-approved financial policies, including hedging policies, designed to ensure the Group maintains an adequate level of funding headroom and effectively mitigates foreign exchange and other financial risks. These policies are described more fully in the Annual Report & Accounts 2009.

Going concern basis

As noted in the Annual Report & Accounts 2009, 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. There is no major borrowing facility renewal due before 2012. Further, and as discussed above, during the first half of 2010 the Group remained strongly cash generative with net debt decreasing by £14.9m to £87.4m (31 December 2009 – £102.3m), resulting in an increase of 22% in the Group's level of funding headroom to £128m.

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

Outlook

The Group's strong first-half performance and the recently improved outlook for large commercial aircraft build rates lead the Board to expect 2010 adjusted profit before tax[1] to be comfortably ahead of market expectations[2] and, consequently, to be significantly ahead of the 2009 outcome. The Board's expectations assume land vehicle and industrial markets are slightly weaker in the second half of the year. Further progress is also expected to be made, assuming no material adverse movement in foreign exchange rates, in reducing the level of net debt over the remainder of 2010.

Looking further ahead, the outlook for the large commercial aircraft market, the most important market for Senior, is positive with recently announced increases in aircraft build rates for future years and Boeing indicating that customer deliveries of its 787 aircraft will commence early in 2011. The Group can also be expected to benefit when Airbus and Bombardier bring their respective A350 and CSeries aircraft into service. First customer deliveries of these aircraft are targeted for 2013. The regional and business jet markets are currently weak, but the Group has content on a number of new programmes scheduled to go into production over the coming years which should provide longer-term growth. Many Governments are expected to begin to reduce their military and defence expenditure in the near future. However, Senior's two main military platforms, the Black Hawk helicopter and the C-130J transport aircraft, are important strategic programmes providing significant resilience for the Group in this sector. Senior also has healthy content on the key Lockheed Martin F-35 Joint Strike Fighter; the programme build rate is anticipated to grow strongly over the next decade.

Whilst showing some modest increases over 2009, production volumes for North American and European land vehicles remain significantly below historic levels. This is particularly true of the Group's important North American heavy duty truck market where, because of the increased age of the existing fleets and the expectation of a return to economic growth, industry analysts are forecasting markedly improved volumes in the coming years. The European car market can be expected to be more challenging due to continuing economic uncertainty and the end of government incentive schemes. As anticipated, the global large industrial expansion joint market experienced some weakness in the second quarter but, hopefully, the recent increase in the level of quotation activity is an early sign of an improved future outlook for this market.

Senior continues to gain share in a number of its markets, through excellent operational performance and financial strength, with both new and existing customers offering healthy growth opportunities. Tightening emissions legislation and growth in renewable energy markets can also be expected to provide healthy longer-term opportunities for the Group. In addition, the Group's improved profit performance and associated strong cash generation now place the business in a good position to grow by acquisition, as well as organically, if suitable opportunities arise. Consequently, Senior's future prospects remain encouraging.

(1) Adjusted profit before tax is before amortisation of intangible assets arising on acquisitions of £2.3m (2009 – £2.4m).

(2) Market consensus, as reported by Bloomberg prior to release of this announcement, is for 2010 adjusted profit before tax of £55.6m.

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
30 July 2010

Simon Nicholls
Group Finance Director

8 / Condensed Consolidated Income Statement

For the half-year ended 30 June 2010

	Notes	**Half-year ended 30 June 2010 £m**	Half-year ended 30 June 2009 £m	Year ended 31 Dec 2009 £m
Continuing operations				
Revenue	3	**287.7**	275.9	540.1
Trading profit		**35.4**	26.5	61.1
Loss on sale of fixed assets		**–**	–	(0.1)
Operating profit(1)	3	**35.4**	26.5	61.0
Investment income		**0.2**	1.1	1.2
Finance costs		**(5.4)**	(6.5)	(12.6)
Profit before tax(2)		**30.2**	21.1	49.6
Tax	5	**(7.9)**	(5.5)	(10.6)
Profit for the period		**22.3**	15.6	39.0
Attributable to:				
Equity holders of the parent		**22.3**	15.6	39.0
Earnings per share				
Basic	7	**5.59p**	3.92p	9.79p
Diluted	7	**5.41p**	3.87p	9.58p
(1) Adjusted operating profit	4	**37.7**	28.9	59.4
(2) Adjusted profit before tax	4	**32.5**	23.5	48.0

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2010

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m	Year ended 31 Dec 2009 £m
Profit for the period	**22.3**	15.6	39.0
Other comprehensive income:			
(Losses)/gains on cash flow hedges during the period	**(0.8)**	5.2	5.1
Reclassification adjustments for (gains)/losses included in profit or loss	**(0.6)**	1.0	1.7
(Losses)/gains on cash flow hedges	**(1.4)**	6.2	6.8
Gains on revaluation of financial instruments	**–**	8.9	8.0
Exchange differences on translation of foreign operations	**7.0**	(27.2)	(20.6)
Actuarial losses on defined benefit pension schemes	**(6.2)**	(21.6)	(20.0)
Other comprehensive income	**(0.6)**	(33.7)	(25.8)
Tax relating to components of other comprehensive income	**0.3**	2.8	4.4
Other comprehensive income for the period, net of tax	**(0.3)**	(30.9)	(21.4)
Total comprehensive income for the period	**22.0**	(15.3)	17.6
Attributable to:			
Equity holders of the parent	**22.0**	(15.3)	17.6

9 / Condensed Consolidated Balance Sheet

As at 30 June 2010

	Notes	**30 June 2010 £m**	30 June 2009 £m	31 Dec 2009 £m
Non-current assets				
Goodwill		**176.9**	165.7	169.3
Other intangible assets		**9.0**	13.3	11.0
Property, plant and equipment	8	**116.2**	117.6	118.0
Deferred tax assets		**0.2**	0.3	0.2
Trade and other receivables		**0.6**	3.2	0.6
Total non-current assets		**302.9**	300.1	299.1
Current assets				
Inventories		**70.8**	72.0	65.0
Construction contracts		**1.9**	0.3	0.5
Trade and other receivables		**86.0**	82.1	79.1
Cash and cash equivalents	10a)	**40.0**	10.7	20.4
Total current assets		**198.7**	165.1	165.0
Total assets		**501.6**	465.2	464.1
Current liabilities				
Trade and other payables		**109.7**	97.7	95.6
Tax liabilities		**4.3**	7.6	4.6
Obligations under finance leases		**0.2**	0.2	0.2
Bank overdrafts and loans		**0.4**	0.2	1.1
Total current liabilities		**114.6**	105.7	101.5
Non-current liabilities				
Bank and other loans	10c)	**125.8**	130.4	120.3
Retirement benefit obligations	11	**50.1**	65.6	48.1
Deferred tax liabilities		**7.2**	7.0	7.8
Obligations under finance leases		**1.0**	1.2	1.1
Others		**0.5**	0.6	0.5
Total non-current liabilities		**184.6**	204.8	177.8
Total liabilities		**299.2**	310.5	279.3
Net assets		**202.4**	154.7	184.8
Equity				
Issued share capital	9	**40.0**	39.9	39.9
Share premium account		**12.2**	12.1	12.1
Equity reserve		**1.9**	1.6	1.9
Distributable reserve		**19.4**	19.4	19.4
Hedging and translation reserve		**7.5**	(5.1)	1.6
Retained earnings		**122.8**	88.2	111.3
Own shares		**(1.4)**	(1.4)	(1.4)
Equity attributable to equity holders of the parent		**202.4**	154.7	184.8
Total equity		**202.4**	154.7	184.8

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2010

	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 2009	39.8	12.0	1.7	19.4	6.3	98.4	(1.4)	176.2
Profit for the period	–	–	–	–	–	39.0	–	39.0
Gains on cash flow hedges	–	–	–	–	6.8	–	–	6.8
Gains on revaluation of financial instruments	–	–	–	–	8.0	–	–	8.0
Exchange differences on translation of foreign operations	–	–	–	–	(20.6)	–	–	(20.6)
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(20.0)	–	(20.0)
Tax relating to components of other comprehensive income	–	–	–	–	1.1	3.3	–	4.4
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(4.7)**	**22.3**	**–**	**17.6**
Issue of share capital	0.1	0.1	(0.1)	–	–	–	–	0.1
Share-based payment charge	–	–	0.8	–	–	–	–	0.8
Tax relating to share-based payments	–	–	–	–	–	0.5	–	0.5
Transfer to retained earnings	–	–	(0.5)	–	–	0.5	–	–
Dividends paid	–	–	–	–	–	(10.4)	–	(10.4)
Balance at 31 December 2009	**39.9**	**12.1**	**1.9**	**19.4**	**1.6**	**111.3**	**(1.4)**	**184.8**
Profit for the period	–	–	–	–	–	22.3	–	22.3
Losses on cash flow hedges	–	–	–	–	(1.4)	–	–	(1.4)
Gains on revaluation of financial instruments	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	7.0	–	–	7.0
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(6.2)	–	(6.2)
Tax relating to components of other comprehensive income	–	–	–	–	0.3	–	–	0.3
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**5.9**	**16.1**	**–**	**22.0**
Issue of share capital	0.1	0.1	(0.1)	–	–	–	–	0.1
Share-based payment charge	–	–	0.7	–	–	–	–	0.7
Tax relating to share-based payments	–	–	–	–	–	1.6	–	1.6
Transfer to retained earnings	–	–	(0.6)	–	–	0.6	–	–
Dividends paid	–	–	–	–	–	(6.8)	–	(6.8)
Balance at 30 June 2010	**40.0**	**12.2**	**1.9**	**19.4**	**7.5**	**122.8**	**(1.4)**	**202.4**
Balance at 1 January 2009	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**

11 / Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2010

	Notes	**Half-year ended 30 June 2010 £m**	Half-year ended 30 June 2009 £m	Year ended 31 Dec 2009 £m
Net cash from operating activities	10a)	**32.9**	32.8	69.8
Investing activities				
Interest received		**0.2**	1.7	2.6
Deferred consideration received		**–**	–	0.5
Proceeds on disposal of property, plant and equipment		**0.1**	0.1	0.3
Purchases of property, plant and equipment		**(5.5)**	(5.3)	(12.3)
Purchases of intangible assets		**(0.1)**	(0.4)	(0.3)
Net cash used in investing activities		**(5.3)**	(3.9)	(9.2)
Financing activities				
Dividends paid		**(6.8)**	(6.8)	(10.4)
Repayment of borrowings		**(4.5)**	(2.6)	(20.0)
Repayments of obligations under finance leases		**(0.1)**	(0.1)	(0.2)
Share issues		**0.1**	0.1	0.1
New loans raised		**3.5**	–	4.5
Net cash outflow on forward contracts		**–**	(18.3)	(25.2)
Net cash used in financing activities		**(7.8)**	(27.7)	(51.2)
Net increase in cash and cash equivalents		**19.8**	1.2	9.4
Cash and cash equivalents at beginning of period		**19.3**	10.7	10.7
Effect of foreign exchange rate changes		**0.7**	(1.4)	(0.8)
Cash and cash equivalents at end of period	10a)	**39.8**	10.5	19.3

1. General information

The information for the year ended 31 December 2009 does not constitute the Group's statutory accounts for 2009 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2009 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 30 July 2010, have been reviewed by the Auditors, and their review opinion is set out at the end of this Report.

2. Accounting policies

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

These Interim Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. They have also been prepared on the going concern basis as set out in the IMR on pages 2 to 6. The Directors have, at the time of approving these Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

The accounting policies, presentation and methods of computation adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2009, except for as described below.

In the current financial year, the Group has adopted IFRS 2 (Amendment) "Group Cash-settled Share-based Payment Transactions", IFRS 3 (Revised) "Business Combinations" and IAS 27 (Amendment) "Consolidated and Separate Financial Statements".

IFRS 2 (Amendment) clarifies that the Standard applies to all share-based payment transactions, whether or not the goods or services received under the share-based payment transaction can be individually identified. This amendment does not represent a material impact on the Group's Financial Statements.

IFRS 3 (Revised) focuses on what is given to the vendor as consideration, rather than what is spent on achieving the acquisition. It also focuses on changes in control as a significant economic event and places greater emphasis on the use of fair value. The main impact of the revisions to the Group's Financial Statements would be that of expensing acquisition costs and not being able to adjust goodwill after the measurement date for changes in the fair value of any contingent consideration. The Group will apply IFRS 3 (Revised) prospectively to all business combinations occurring from 1 January 2010.

IAS 27 (Amendment) primarily deals with the accounting for non-controlling interests and the loss of control of a subsidiary. This amendment has not led to a change in the way the Group accounts for its subsidiaries in its consolidated financial statements.

The following Standards and Interpretations are also effective from the current financial year, but currently do not impact the Group's Financial Statements: IAS 39 (Amendment) "Eligible Hedged Items" and Improvements to IFRS – as published in April 2009. IFRS 1 (Amendments) "First Time Adoption of Financial Reporting Standards" and "Additional Exemptions for First-time Adopters"; and IFRIC 17 "Distributions of Non-cash Assets to Owners" are currently not relevant to the Group's operations.

3. Segmental analysis

The Group reports its segment information as two operating Divisions according to the market segments they serve, Aerospace and Flexonics. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems, in order to enhance management oversight; however, these are aggregated as one reporting segment in accordance with IFRS 8. The Flexonics Division is managed as a single division.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Group's Annual Financial Statements for the year ended 31 December 2009 and sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 4, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Investment income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury function.

Segment assets include directly attributable computer software assets, property, plant and equipment, and working capital assets. Goodwill, intangible customer relationships, cash, deferred and current tax and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Group's Executive Committee.

3. Segmental analysis continued

Business segments

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

	Aerospace Half-year ended 30 June 2010 £m	**Flexonics Half-year ended 30 June 2010 £m**	**Eliminations/ Central costs Half-year ended 30 June 2010 £m**	**Total Half-year ended 30 June 2010 £m**	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
External revenue	**169.8**	**117.9**	**–**	**287.7**	169.0	106.9	–	275.9
Inter-segment revenue	**0.1**	**0.1**	**(0.2)**	**–**	0.2	0.1	(0.3)	–
Total revenue	**169.9**	**118.0**	**(0.2)**	**287.7**	169.2	107.0	(0.3)	275.9
Adjusted operating profit (see Note 4)	**25.3**	**15.2**	**(2.8)**	**37.7**	22.0	9.6	(2.7)	28.9
Amortisation of intangible assets from acquisitions	**(2.3)**	**–**	**–**	**(2.3)**	(2.4)	–	–	(2.4)
Operating profit	**23.0**	**15.2**	**(2.8)**	**35.4**	19.6	9.6	(2.7)	26.5
Investment income				**0.2**				1.1
Finance costs				**(5.4)**				(6.5)
Profit before tax				**30.2**				21.1
Tax				**(7.9)**				(5.5)
Profit after tax				**22.3**				15.6

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

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m	Year ended 31 Dec 2009 £m
Aerospace	**173.4**	170.9	162.3
Flexonics	**99.9**	99.7	97.7
Corporate	**0.9**	1.1	0.9
Segment assets for reportable segments	**274.2**	271.7	260.9
Unallocated			
Goodwill	**176.9**	165.7	169.3
Intangible customer relationships	**7.7**	11.5	9.5
Cash	**40.0**	10.7	20.4
Deferred and current tax	**2.1**	1.3	2.6
Others	**0.7**	4.3	1.4
Total assets per balance sheet	**501.6**	465.2	464.1

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, an exceptional pension gain and amortisation of intangible assets acquired on acquisitions. The exceptional pension gain relates to the curtailment gain arising from the introduction of a cap on future pensionable earnings growth of 2% per annum from 6 April 2010 in the UK defined benefit plan.

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m	Year ended 31 Dec 2009 £m
Operating profit	**35.4**	26.5	61.0
Loss on sale of fixed assets	**–**	–	0.1
Exceptional pension gain	**–**	–	(6.3)
Amortisation of intangible assets from acquisitions	**2.3**	2.4	4.6
Adjustments to operating profit	**2.3**	2.4	(1.6)
Adjusted operating profit	**37.7**	28.9	59.4
Profit before tax	**30.2**	21.1	49.6
Adjustments to profit as above before tax	**2.3**	2.4	(1.6)
Adjusted profit before tax	**32.5**	23.5	48.0

5. Tax charge

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m
Current tax:		
UK corporation tax	**–**	–
Foreign tax	**7.3**	4.3
	7.3	4.3
Deferred tax:		
Current year	**0.6**	1.2
	7.9	5.5

Corporation tax for the interim period is charged at 27.1% (2009 – 27.7%), 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 2010 £m	Half-year ended 30 June 2009 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2009 of 1.70p (2008 – 1.70p) per share	**6.8**	6.8
Proposed interim dividend for the year ended 31 December 2010 of 1.00p (2009 – 0.90p) per share	**4.0**	3.6

The proposed interim dividend was approved by the Board of Directors on 30 July 2010 and has not been included as a liability in these Interim Financial Statements.

7. Earnings per share

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

Number of shares	Half-year ended 30 June 2010 million	Half-year ended 30 June 2009 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**399.0**	398.1
Effect of dilutive potential ordinary shares:		
Share options	**13.5**	5.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**412.5**	403.3

	Half-year ended 30 June 2010		Half-year ended 30 June 2009	
Earnings and earnings per share	Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period	**22.3**	**5.59**	15.6	3.92
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.9m (2009 – £1.0m)	**1.4**	**0.35**	1.4	0.35
Adjusted earnings after tax	**23.7**	**5.94**	17.0	4.27
Earnings per share				
– basic		**5.59p**		3.92p
– diluted		**5.41p**		3.87p
– adjusted		**5.94p**		4.27p
– adjusted and diluted		**5.75p**		4.22p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2009 – £nil).

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

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

– amortisation of intangible assets acquired on acquisitions.

8. Property, plant and equipment

During the period, the Group spent £5.5m (2009 – £5.3m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.1m (2009 – £0.1m) for proceeds of £0.1m (2009 – £0.1m).

9. Share capital

Share capital as at 30 June 2010 amounted to £40.0m. During the period, the Group issued 192,396 shares at an average price of 75.40p per share under share option plans, raising £0.1m. A further 674,387 shares were issued during the period under the Group's long-term incentive plan.

10. Notes to the cash flow statement

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

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m
Operating profit from continuing operations	**35.4**	26.5
Adjustments for:		
Depreciation of property, plant and equipment	**9.6**	10.5
Amortisation of intangible assets from acquisitions	**2.3**	2.4
Amortisation of other intangible assets	**0.3**	0.3
Share-based payment charges	**0.8**	0.5
Pension payments in excess of service cost	**(5.2)**	(7.7)
Operating cash flows before movements in working capital	**43.2**	32.5
(Increase)/decrease in inventories	**(3.7)**	17.9
(Increase)/decrease in receivables	**(7.3)**	2.7
Increase/(decrease) in payables	**10.9**	(11.1)
Working capital currency movements	**0.4**	(0.2)
Cash generated by operations	**43.5**	41.8
Income taxes paid	**(6.5)**	(4.4)
Interest paid	**(4.1)**	(4.6)
Net cash from operating activities	**32.9**	32.8
Cash and cash equivalents comprise:		
Cash	**40.0**	10.7
Bank overdrafts	**(0.2)**	(0.2)
Total	**39.8**	10.5

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.

10. Notes to the cash flow statement continued

b) Free cash flow

Free cash flow, a non-statutory item, highlights the total net cash generated by the Group prior to corporate activity such as acquisitions, disposals, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2010 £m	Half-year ended 30 June 2009 £m
Net cash from operating activities	**32.9**	32.8
Interest received	**0.2**	1.7
Proceeds on disposal of property, plant and equipment	**0.1**	0.1
Purchases of property, plant and equipment – cash	**(5.5)**	(5.3)
Purchase of intangible assets	**(0.1)**	(0.4)
Free cash flow	**27.6**	28.9

c) Analysis of net debt

	At 1 January 2010 £m	Cash flow £m	Non-cash items £m	Exchange movement £m	**At 30 June 2010 £m**
Cash	20.4	18.9	–	0.7	**40.0**
Overdrafts	(1.1)	0.9	–	–	**(0.2)**
Cash and cash equivalents	19.3	19.8	–	0.7	**39.8**
Debt due within one year	–	–	(0.2)	–	**(0.2)**
Debt due after one year	(120.3)	1.0	0.2	(6.7)	**(125.8)**
Finance leases	(1.3)	0.1	–	–	**(1.2)**
Forward exchange contract losses	–	–	–	–	**–**
Total	(102.3)	20.9	–	(6.0)	**(87.4)**

11. Retirement benefit schemes

Defined Benefit Schemes

Aggregate post-retirement benefit obligations are £50.1m (30 June 2009 – £65.6m; 31 December 2009 – £48.1m). This liability is principally made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £41.8m (30 June 2009 – £55.3m; 31 December 2009 – £39.6m) and £3.8m (30 June 2009 – £6.1m; 31 December 2009 – £3.8m), respectively. These values have been assessed by independent actuaries using current market values and discount rates. The increase in the liability from £48.1m at 31 December 2009 to £50.1m at 30 June 2010 reflects the positive effect of increased total cash contributions in excess of service cost of £5.2m which is more than offset by the combination of lower than assumed investment returns and an increase in the present value of benefit obligations, due to a decrease in the UK plan discount rate assumption to 5.4% (31 December 2009 – 5.7%). This change in the discount rate assumption since 31 December 2009 is in line with movements in market yields of high-quality corporate bonds which are used to determine the rate for discounting future scheme liabilities.

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 2010 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 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom
30 July 2010

Designed by **35** Communications
Printed by Beacon Press using *pure***print**® their environmental print technology

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