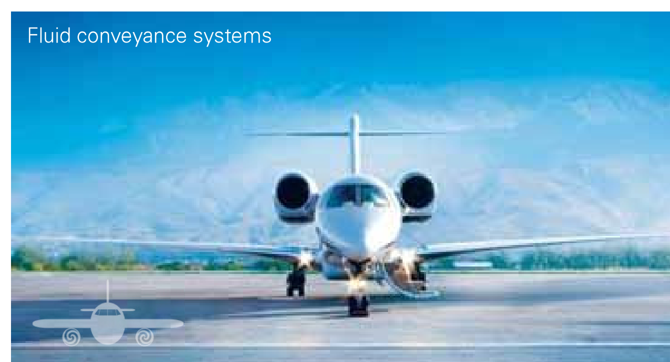
Senior plc

Interim Report 2012

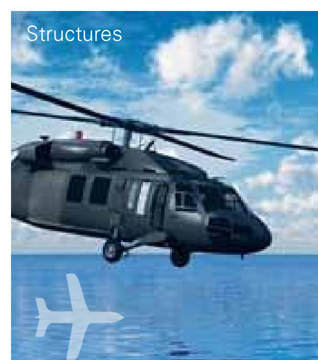
Senior plc
Interim Results 2012

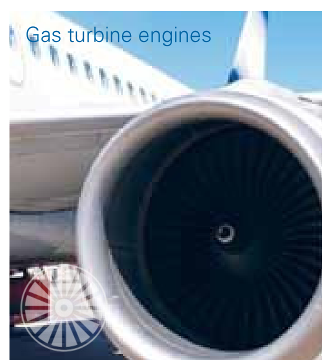
Aerospace
64% of Group revenue

Flexonics
36% of Group revenue


Fluid conveyance systems

Land vehicle emission control


Structures


Gas turbine engines

Industrial process control

Financial highlights

		Half-year to 30 June		
		2012	2011	
Revenue		**£377.2m**	£315.6m	+20%
Operating profit	– Reported	**£48.4m**	£40.6m	+19%
	– Adjusted [1]	**£50.7m**	£43.0m	+18%
Adjusted operating margin [1]		**13.5%**	13.6%	-0.1 ppts
Profit before tax	– Reported	**£43.2m**	£35.6m	+21%
	– Adjusted [1]	**£45.5m**	£38.0m	+20%
Earnings per share	– Basic reported	**8.17p**	6.65p	+23%
	– Adjusted [1]	**8.57p**	7.00p	+22%
Proposed interim dividend per share		**1.38p**	1.15p	+20%
Free cash flow [2]		**£27.7m**	£23.2m	+19%
Net debt – June		**£74.8m**	£62.9m	£12m increase
Net debt – December 2011			£93.0m	£18m decrease

(1) Adjusted figures are stated before a £2.0m charge for amortisation of intangible assets acquired on acquisitions (2011 – £2.3m) and acquisition costs of £0.3m (2011 – £0.1m). Adjusted earnings per share takes account of the tax impact of these items.

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

The Group's principal exchange rates, for the US dollar and the Euro, applied in the translation of first-half revenue, profit and cash flow items at average rates were $1.58 (H1 2011 – $1.61) and €1.22 (H1 2011 – €1.14), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2012 were $1.57 (June 2011 – $1.60) and €1.24 (June 2011 – €1.11), respectively.

Overview

Group highlights

- GROUP REVENUE UP BY 20% TO £377.2M
- HEALTHY UNDERLYING REVENUE GROWTH IN BOTH THE AEROSPACE AND FLEXONICS DIVISIONS
- PERFORMANCE OF WESTON (ACQUIRED IN NOVEMBER 2011 FOR £54M) AHEAD OF EXPECTATIONS
- ADJUSTED PROFIT BEFORE TAX[1] INCREASED BY 20% TO £45.5M, AND ADJUSTED EPS INCREASED BY 22%
- CONTINUED STRONG FREE CASH FLOW REDUCED NET DEBT BY £18.2M IN THE PERIOD
- INTERIM DIVIDEND INCREASED BY 20%, BROADLY IN LINE WITH EARNINGS
- OVERALL GROUP OUTLOOK REMAINS ENCOURAGING

The Group delivered strong results for the first half of 2012. Adjusted profit before tax[1] increased by 20% to £45.5m, on revenue up 20% to £377.2m. Operating margins remained healthy at 13.5% (H1 2011 – 13.6%) reflecting continued underlying progress and the impact of the Weston acquisition. Adjusted earnings per share increased by 22% to 8.57p (H1 2011 – 7.00p) with a lower underlying tax rate offsetting the increased number of shares in issue. The Group's strongly cash-generative nature meant that net debt fell by £18.2m, to £74.8m, during the six-month period despite investment in working capital and capital expenditure increasing to deliver the Group's growth.

Overall trading conditions remained positive for the Aerospace Division during the first half of 2012. Boeing and Airbus delivered a combined 566 aircraft, 18% ahead of the first half of 2011 (480 aircraft). Their combined order intake in the first six months of 2012 of 670 aircraft, net of cancellations, was ahead of deliveries such that their combined order book increased to 8,312 aircraft at the end of June (June 2011 – 7,326 aircraft). Excluding the acquisition of Weston, which occurred at the end of November 2011, Senior's sales to the large commercial aircraft market grew by over 20% during the period, principally due to increases in build rates. Sales also increased to the defence, regional and business jet sectors, despite flat end markets, due to Senior generally being on the faster-growing platforms in each sector. Pleasingly, Weston's financial performance was ahead of expectations for the six-month period and its integration within the Group is progressing well, with its European and Asian footprint proving of interest to a number of the Group's existing customers. In total, on a constant currency basis, the Aerospace Division's revenue increased by £52.9m (28%) to £242.5m and adjusted operating profit increased by 22% to £36.5m (H1 2011 – £30.0m). Operating margins were 15.1% (H1 2011 – 15.8%), with the change, as anticipated, due to the inclusion of the Weston operation.

In land vehicles, the Flexonics Division benefited from significantly increased revenue from the North American heavy truck market, which more than offset weaker passenger vehicle sales at the Group's main European customers such as Renault and PSA. Overall, the Flexonics Division's industrial sales were slightly better, with activity ahead in the power and energy markets but lower in petrochemical. On a constant currency basis, revenue in the Flexonics Division increased by 9% to £134.9m for the first six months of 2012 (H1 2011 – £123.5m), whilst adjusted operating profit improved by 12% to £18.3m (H1 2011 – £16.3m). Operating margins improved to 13.6% (H1 2011 – 13.2%), largely due to improved manufacturing efficiencies for heavy-duty truck engine components.

As planned, Martin Clark retired from the Board at the conclusion of the Group's 2012 Annual General Meeting held on 27 April, after 11 years on the Board, the last five as its Chairman. Charles Berry, who joined the Board on 1 March this year, took over as Chairman upon Martin's retirement. Charles brings a broad experience of listed companies and industrial markets, most recently as Chairman of Drax Group plc, and he has made an immediate contribution with a particular focus on leading the Group through the next phase of its development.

Looking ahead, the large commercial aerospace industry (32% of the Group's revenue in the first half) is anticipated to be strong for a number of years, with Boeing and Airbus increasing build rates, the Boeing 787 scheduled to ramp-up to full production by the end of 2013, and the Airbus A350 due to be delivered to its first customer in mid-2014. Elsewhere in aerospace, the regional and business jet manufacturers are forecasting build rates to improve gradually from the current low levels, with the introduction of Bombardier's CSeries being beneficial for Senior. Whilst Senior's main military platforms remain relatively solid today, future weakness cannot be discounted given the general ongoing squeeze on Western defence spending. In the Flexonics Division, North American medium- and heavy-duty truck volumes are currently at satisfactory levels, following a recent moderation in growth expectations. New programmes and lower material prices are mitigating some of the volume weakness in Senior's European passenger vehicle markets. The Group's industrial markets continue to be mixed with a number of expansion joint opportunities being pursued in Asia and the Middle East. Whilst the macroeconomic outlook remains uncertain, Senior's presence in the visible and growing large commercial aerospace market combined with the fact that the Group is well placed, operationally and financially, to gain market share means that the Board's expectation for 2012 full-year adjusted profit before tax remains unchanged and the outlook for Senior remains encouraging over the longer term.

As a result of the Group's strong first half performance and future prospects, the interim dividend is being increased by 20% to 1.38 pence per share (2011 interim dividend – 1.15 pence).

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

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IBC Independent review report to Senior plc

Interim management report

To the Members of Senior plc

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

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

This IMR has been prepared for the Group as a whole and therefore gives greatest emphasis to those matters that are significant to Senior plc and its subsidiary undertakings when viewed as a whole. The IMR discusses the following aspects of the business: operations and business model; long-term strategy and business objectives; the results for the six months ended 30 June 2012; risks and uncertainties facing the Group during the second half of the 2012 financial year; going concern; and the outlook for the Group.

Operations and business model

Senior is an international, market-leading engineering solutions provider with operations in 12 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. Many of the Group's products are used to satisfy the increasing requirement for emission control and environmentally driven solutions in its principal end markets, as well as the growing desire for improvements in operating costs, particularly fuel efficiency in developing new aircraft platforms, gas turbine and land vehicle engine applications. These trends are expected to drive an inherent increase in underlying demand for, and further development of, many of the Group's core products for the foreseeable future.

The Group aims to be the supplier of choice for its customers, delivering quality products on time, utilising its design and manufacturing engineering capabilities to optimise customer value and working responsively to fulfil customer needs.

The Group's principal underlying aerospace market demand drivers are global passenger air miles, air freight demand, large commercial and regional and business jet build rates, and military aerospace programme spending (in particular by the US Government). Within land vehicle and industrial markets, the principal demand drivers are passenger vehicle sales in Europe, medium- and heavy-duty truck sales in North America and capital project spending in the global petrochemical and power generation industries. Long-term forecasts for trends in these demand drivers are mostly positive, which are anticipated to provide the foundation for future sustainable growth in revenue, profitability and associated cash flows from the Group's organic product portfolio.

Senior has a flat organisational structure, with only one layer of management between the Group Chief Executive and local operational management, in order to enhance flexibility and promote quick decision making. The Group's culture is based around empowerment of its autonomous operations within a well-defined control framework (including strong financial controls), whilst also promoting collaboration to support sharing of best practice and to provide more complete customer programme solutions.

Senior embraces fully the concepts and principles of Lean, striving at all times for continuous improvement and the elimination of non-value-added activities and processes. Continuing success in implementation of this methodology across the Group's operations is the principal reason for the significant growth achieved in Group adjusted operating margin from 6.8% in 2006 to 13.5% in the first half of 2012.

All Group operations are required to maintain a strong focus on cash generation, in particular concentrating on tight controls over discretionary expenditure and continuous improvements in efficiencies in working capital management. This requires a clear understanding that the working capital cycle begins when a customer places an order and only ends when cash is collected at the end of the process. Senior has made excellent progress with this initiative in recent years, as evidenced by its consistently strong free cash flow generation. Sustaining and, where possible, building further on this position is a key Group objective.

Senior aims to utilise its available funding capacity to invest in organic growth and operational improvement opportunities, aligning its improvement initiatives with the key value drivers within the business. The Group also plans to continue to target a select number of complementary acquisitions to accelerate growth and enhance its overall asset portfolio, whilst maintaining a strong financial position.

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

Senior aims to be consistent in its approach to all stakeholders. This means meeting every commitment that is made, at all times acting with integrity and in an ethical manner, complying with all legal and regulatory requirements and being a responsible member of each community within which it operates.

The Aerospace Division (64% of Group revenue) consists of 18 operations (11 in North America, six in Europe and one in Thailand) whilst the Flexonics Division (36% of Group revenue) has 11 operations (three in North America, five in Europe and three in the Rest of the World). Major customers include Boeing, Airbus, UTC, Rolls-Royce, Bombardier, Spirit AeroSystems, GKN, Cummins, Ford and PSA.

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

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

Demand levels in the Group's key aerospace markets during the six-month period were slightly ahead of expectation, driven principally by increasing build rates in large commercial aircraft programmes. Boeing and Airbus delivered a combined 566 aircraft in the period, a year-on-year increase of 18% (2011 – 480 aircraft). Their combined order book stood at 8,312 aircraft at the end of June 2012, representing over seven years of production at current build rates. Combined net order intake in the first half of 2012 of 670 aircraft (729 orders less 59 cancellations) remained robust, although this was slightly lower than the net order intake of 811 aircraft in the first half of 2011. The market for large commercial aircraft accounted for 50% of the Aerospace Division's sales, an increase of 10 percentage points following the acquisition of the Weston operations in the UK and Thailand in November 2011. As anticipated, the Group also benefited from continued healthy demand in military aerospace markets (25% of divisional sales) in particular for the Lockheed Martin C-130J transport aircraft and the Sikorsky Black Hawk helicopter programmes. This, and contributions from new platforms, drove further improvements in the Group's military sales in the period. Overall, production of regional and business jet aircraft remained weak but broadly stable in the period, as expected. Against this backdrop, Senior's sales in the regional jet market increased by 8% and in the business jet market increased by 15%, reflecting the Group's success in winning positions on the faster-growing platforms in these sectors.

In the Flexonics Division, demand for the Group's land vehicle components (52% of divisional sales) increased ahead of expectation, in the main due to increases in underlying market demand for medium- and heavy-duty trucks in North America of 24%. These increases were partially offset by a larger than anticipated decline of 14% in sales of passenger vehicles by the Group's principal European customers. The Group also made further good progress in finalising its joint venture agreement to commence manufacture of heavy-duty diesel engine components in China early in 2013, marking the next step in satisfying its major land vehicle customers' increasing requirements for global programme supply as emission regulations tighten in developing markets. Activity levels in the Group's industrial markets (48% of divisional sales), in particular in the global power and energy markets for large industrial expansion joints and dampers and in HVAC markets in the UK, were better than anticipated in the first half of the year.

Long-term strategy and business objectives

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

- optimising the value of the Group's existing operations portfolio by exceeding customer expectation through advanced process engineering and excellent factory and logistics execution, leading to market differentiation and continued growth in organic revenue, operating margins and cash flow delivery;
- targeted investment in new product development, technologies and geographic regions, for markets having higher than average growth potential, to further enhance organic growth opportunities;
- portfolio enhancement through focused acquisitions and disposal of non-core assets, with decisions in both cases being subject to 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 its operating businesses, whilst operating in a safe and socially responsible manner.

The above key principles are supported by five financial performance measures and two non-financial performance measures as set out in detail on pages 21 and 22 of the Annual Report & Accounts 2011. A summary of the movements in these Key Performance Indicators ("KPIs") is set out in the table below:

	Half-year ended 30 June 2012	Half-year ended 30 June 2011
Organic revenue growth (1)	**+10%**	+7%
Adjusted earnings per share (2)	**8.57p**	7.00p
– growth	**+22%**	+18%
Return on revenue margin (3)	**13.5%**	13.6%
Free cash flow (4)	**£27.7m**	£23.2m
Return on capital employed (5)	**27.8%**	28.5%
Energy intensity (6)	**224**	236
Lost time injury frequency rate (7)	**0.83**	0.56

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

(2) Adjusted earnings per share is the profit after taxation (adjusted for amortisation of intangible assets arising on acquisitions and acquisition costs) divided by the average number of shares in issue in the period.

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

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

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

(6) Energy intensity is a measure of the Group's energy consumption relative to sales.

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

The Group continued to make good progress in achieving its financial targets in the first half of 2012 with excellent increases in organic sales and earnings per share. The Group's headline return on revenue declined marginally due to a structural change in its asset portfolio following the acquisitions of Weston and Damar in 2011, although on a like-for-like basis return on revenue in organic operations increased by 0.2 percentage points to 13.8%. Cash generation and return on capital employed also exceeded target levels as set out in detail on pages 21 and 22 of the Annual Report & Accounts 2011. Satisfactory improvements were also seen in energy intensity (energy consumption normalised to revenue). It is however disappointing to report a deterioration in the lost time injury frequency rate, the Group's principal health and safety measure, following five years of excellent progress in this area during which time the rate has been reduced by over two-thirds.

Results for the six months ended 30 June 2012

The Group's operating results are summarised in the following table. In order to show like-for-like comparative performance, divisional revenue and adjusted operating profit are shown on a constant currency basis where H1 2012 and H1 2011 results are both translated at H1 2012 average exchange rates. Reported results were impacted marginally overall by a slight strengthening of the Pound Sterling against non-US dollar currencies in the period, although this was offset partially by a slight weakening of the Pound Sterling against the US dollar (H1 2012 average rate of £1:$1.58 compared to H1 2011 average rate of £1:$1.61). 64% of the Group's revenue in the first half was generated in North America.

	Revenue		Adjusted OP [1]		Margin	
	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m	**Half-year ended 30 June 2012 £m**	Half-year ended 30 June 2011 £m	**Half-year ended 30 June 2012 %**	Half-year ended 30 June 2011 %
Aerospace	**242.5**	189.6	**36.5**	30.0	**15.1**	15.8
Flexonics	**134.9**	123.5	**18.3**	16.3	**13.6**	13.2
Inter-segment sales	**(0.2)**	(0.1)	**–**	–	**–**	–
Central costs	**–**	–	**(4.1)**	(3.6)	**–**	–
Total – constant currency	**377.2**	313.0	**50.7**	42.7	**13.5**	13.6
Exchange	**–**	2.6	**–**	0.3	**–**	–
Total – as reported	**377.2**	315.6	**50.7**	43.0	**13.5**	13.6

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

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m
Operating profit per the Condensed Consolidated Income Statement	**48.4**	40.6
Amortisation of intangible assets from acquisitions	**2.0**	2.3
Acquisition costs	**0.3**	0.1
Adjusted operating profit	**50.7**	43.0

Revenue

Reported Group revenue for the first half of 2012 increased by 20% to £377.2m compared to the first half of 2011. This increase included £33.6m relating to the acquisitions of Weston EU Limited and Weston (SEA) Limited, acquired on 25 November 2011, and the first quarter sales of Damar Aerosystems which was acquired on 25 March 2011. Excluding these acquisitions, revenue from organic operations increased by 9%. On a constant currency basis, total Group revenue increased by 21% and revenue from organic operations increased by 10%.

Total revenue in the Aerospace Division, on a constant currency basis, increased by £52.9m (28%) to £242.5m. This increase was driven principally by strong demand arising from increases in build rates on the Group's large commercial aircraft programmes, in particular Boeing's 787, 777 and 737 programmes and the Airbus A320 and A380 programmes. The total revenue increase in this market sector, including acquisitions, was 59%. Revenue from military aerospace improved by 7% with largely stable performance on the Group's most significant programmes, the C-130J transport aircraft and Black Hawk helicopter, and increases in revenue being seen from other programmes (e.g. Boeing's P-8A naval reconnaissance aircraft and V-22 tilt-rotor aircraft, and Augusta Westland's AW101 helicopter). Revenue from business and regional jet programmes increased by 13% as the Group again outperformed the underlying market, mainly due to recoverable development work on new regional jet platforms and from increased activity on existing large business jet programmes.

Revenue in the Flexonics Division, on a constant currency basis, increased by £11.4m (9%) to £134.9m. Revenue in land vehicle markets increased by 13%, mainly due to increased underlying market demand for medium- and heavy-duty trucks in North America compared with the first half of 2011. However, these increases were offset partially by a decrease in passenger vehicle markets, principally due to a decline in sales made by the Group's principal European customers (PSA, Ford and Renault) of approximately 14%. Demand conditions in the Group's principal industrial markets were favourable overall, with increased activity levels in global power generation markets and UK HVAC markets more than offsetting a slight decline in demand from the global petrochemical sector and weakness in European industrial markets. Total revenue from industrial markets increased by 6%.

Operating profit

Reported Group operating profit increased by 19% in the first half of 2012 to £48.4m (H1 2011 – £40.6m). Adjusted operating profit, at constant currency, increased by £7.7m (18%) to £50.7m including acquisition contributions of £3.3m.

At constant currency, adjusted operating profit in the Aerospace Division increased by £6.5m (22%) to £36.5m. This increase was driven principally by the impact of stronger demand on large commercial aircraft programmes, the positive impact from the acquisitions of Weston and Damar and further benefits from improved operational execution. In the Flexonics Division, adjusted operating profit at constant currency increased by £2.0m (12%) to £18.3m, principally due to strong performances in North American truck programmes, including the benefit of targeted operational efficiency improvements.

The Group's reported operating margin in the first half of 2012 fell by 0.1 percentage points to 13.5% (2011 – 13.6%) due to marginal dilution as a result of the operating margins generated by the two acquisitions. However, underlying margins in organic operations continued to improve as the benefits of increased volumes in certain key markets combined with the positive impact of further operational efficiency improvements. This resulted in an increase in operating margin from organic operations of 0.2 percentage points to 13.8%. On a constant currency basis, the operating margin achieved by organic operations in the Aerospace Division was 15.9% (H1 2011 – 15.8%) and in the Flexonics Division was 13.6% (H1 2011 – 13.2%).

Central costs in the first half were £4.1m (H1 2011 – £3.6m), with the increase attributable to a combination of increased staff costs and share-based payment costs.

Finance costs

Total finance costs, net of investment income, increased to £5.2m (H1 2011 – £5.0m). Net interest costs on borrowings increased to £3.9m (H1 2011 – £3.8m), mainly due to an increase in average borrowing levels following the acquisition of Weston in November 2011. Finance costs relating to retirement benefits increased marginally to £1.3m (H1 2011 – £1.2m), principally as a result of a reduction in the expected returns on assets in the Group's pension plans. This in turn is due to an increase in the proportion of plan assets that are held as fixed income investments as part of the Group's risk reduction initiatives to implement liability-driven investment strategies in its UK and US defined benefit pension plans.

Profit before tax

Adjusted profit before tax increased by 20% to £45.5m (H1 2011 – £38.0m). Reported profit before tax increased by 21% to £43.2m (H1 2011 – £35.6m).

Tax charge

The Group's total tax charge increased to £10.2m (H1 2011 – £8.9m), largely as a result of the increased level of operating profits. If the net tax benefits of £0.7m (H1 2011 – £1.0m) arising from amortisation of intangible assets on acquisitions and acquisition costs are added back, the adjusted tax charge of £10.9m (H1 2011 – £9.9m) represents an underlying tax rate of 24.0% (H1 2011 – 26.0%) on adjusted profit before tax. The reduction in the Group's tax rate arose due to a combination of changes in the geographic mix of profits following the acquisitions in 2011 and a reorganisation of certain overseas operations completed in the fourth quarter last year.

Earnings per share

The average number of shares in issue in H1 2012, for the purposes of calculating undiluted earnings per share, was 403.9 million (H1 2011 – 401.7 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 22% to 8.57p (H1 2011 – 7.00p), whilst undiluted basic earnings per share increased by 23% to 8.17p (H1 2011 – 6.65p). Fully diluted basic earnings per share, calculated using 418.1 million shares, increased by 23% to 7.89p (H1 2011 – 6.42p).

Dividend
The interim dividend is being increased by 20% to 1.38 pence per share (2011 interim dividend – 1.15 pence per share), reflecting the Group's healthy first half performance and encouraging future prospects. It will be paid on 30 November 2012 to shareholders on the register at the close of business on 26 October 2012.

Cash flow
The Group's free cash flow, the derivation of which is set out in Note 11b) of the Interim Financial Statements, remained strong at £27.7m (H1 2011 – £23.2m), driven by the increase in operating profit, and reflecting the Group's sustained focus on, and success with, cash generation initiatives. H1 2012 cash flow included a £9.9m working capital outflow, mainly due to an increase in receivables and inventory that arose due to increased underlying activity in the period. The Group's level of working capital as a proportion of annualised sales in the six-month period increased by 0.6 percentage points to 9.4%, reflecting underlying increases in market activity, and remains well within the target range.

Cash generated from operating activities was £48.9m (H1 2011 – £41.0m). This included the cash outflow from working capital of £9.9m and pension payments in excess of service cost of £3.5m. Capital expenditure increased to £12.8m (H1 2011 – £9.1m), with the majority of the increase related to investment in growth programmes. Capital expenditure of £7.8m was incurred in the Aerospace Division and £4.9m in the Flexonics Division. Capital expenditure is expected to be higher in the second half than the first half as further investments are made to increase capacity ahead of the forthcoming aerospace build rate increases and to enhance product quality to continue to meet customer requirements.

Net assets
Net assets increased by 3% to £284.4m in the six-month period (31 December 2011 – £276.3m) mainly as a result of retained profits of £33.0m, which was partially offset by actuarial losses in the Group's defined benefit pension plans of £14.3m and dividends paid of £10.7m.

Net debt
The Group's net debt decreased by £18.2m in the six-month period. This movement included favourable foreign currency movements of £1.2m, largely due to a weakening in the value of the US dollar against the Pound Sterling over the period from £1:$1.55 at the start of the year to £1:$1.57 at the end of June 2012. Total net debt at 30 June 2012 was £74.8m (31 December 2011 – £93.0m). The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 0.6x at 30 June 2012 (31 December 2011 – 0.8x). 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 2012 were £46.3m in excess of the value of pension assets, representing an increase in the deficit of £11.8m from 31 December 2011. The net liability in respect of the Group's UK defined benefit pension plan increased by £8.5m to £33.8m (31 December 2011 – £25.3m). Net pension liabilities in North America and other territories increased by £3.3m. The £8.5m increase in the UK net liability over the first six months of 2012 is principally due to the adverse impact of a reduction in bond yields that determine the discount rate used in calculating the plan's total benefit obligations.

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 2011, except for the adoption of Standards and Interpretations that are effective for the current financial year. These are highlighted in Note 2 of the Interim Financial Statements, and do not have a material impact on the presentation of the Group's results.

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

Risks and uncertainties
There are a number of potential risks and uncertainties which may have a material impact on the Group's performance over the remaining six months of this financial year, and which could cause actual results to differ materially from the expected and historical results. These risks, and the steps that the Group is taking to manage them, were discussed in some depth on pages 31 to 33 of the Annual Report & Accounts 2011 which is available at www.seniorplc.com. They can be summarised as follows:

Strategy
The Group has a significant breadth of future potential growth opportunities. It is therefore essential that an appropriately focused strategy is formulated, communicated and executed to optimise long-term performance. The Group's focus on, and communication of, its evolving strategy has increased in recent years.

Global cyclical downturn
The potential adverse impact on the Group of significant demand reductions in key global markets arising from the consequences of either sovereign debt issues in Europe, government austerity measures and/or political instability in the Middle East, remains a risk. The diversity of the Group's end market exposures provides strong mitigation against inevitable cyclicality but nevertheless management remains ready to implement appropriate cost reduction measures in response to any significant reduction in key end market demand.

Programme participation
Long-term growth in demand, including participation in future development programmes in the Group's major markets, is an essential foundation for future growth. Considerable focus is therefore given to securing profitable new programme wins that will underpin future Group performance.

Acquisition programme
Continued significant free cash flow generation, and the expectation that this will be sustained in the future, has enabled the Group to undertake a targeted acquisition programme. Failure to execute this programme effectively could have an adverse impact on the Group's ability to generate long-term value for shareholders. The Group has a well-established process designed to optimise results from the acquisition and integration process.

Employee retention
Capable, empowered and highly engaged individuals are a key asset of the business. An ability to attract, develop and retain high-quality individuals in key management positions is therefore essential to the long-term success of the Group. Increasing attention is being paid to recruitment processes and the training and development of personnel at all levels.

New aircraft platform delays
Significant shipset content has been secured on a number of new aircraft platforms currently under development or in initial phases of production. These include the Boeing 787 Dreamliner, Bombardier's CSeries regional jet and the Airbus A350. Delays in the launch or ramp-up in production of these platforms could have a material adverse impact on the Group's rate of organic growth. The Group maintains close relationships with its key customers which enables it effectively to monitor new programme development and prospective launch timings.

Raw material costs
Raw materials, principally stainless steel, aluminium and various exotic metal alloys are the Group's largest input cost, representing over 40% of total costs in 2011. A significant increase in the cost of raw material inputs could have a damaging impact on the Group's profitability. The Group mitigates this risk via a combination of fixed price purchase contracts, customer surcharge agreements and customer directed purchases at fixed costs.

Importance of emerging markets

Customers' desire to move manufacture of components to low-cost countries could render the Group's operations uncompetitive and have an adverse impact on profitability. In addition, certain customers require global programme support as they respond to increasing domestic demand in a number of these emerging markets. The Group is increasingly manufacturing products internationally to meet these requirements, including developing additional capabilities in low-cost countries such as Mexico, Czech Republic, Thailand, Brazil, India and most recently in China.

Pension deficit

An increase in the Group's pension deficit might have a material adverse impact on cash flow and the ability of the Group to invest for growth. The Group has for some time been developing and implementing liability-driven investment strategies in all defined benefit pension plans.

Financing and liquidity

The Group's activities expose it to a variety of financial risks including foreign exchange risk and liquidity risk. The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, seeking to minimise any potential adverse effects on the Group's financial performance, and to ensure that the Group has sufficient financial resources to fund its growth strategy and to meet its financial obligations as they fall due.

Corporate governance breach

Corporate governance legislation, (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value. The Group has well-established governance policies and procedures in all key areas.

The Board considers that the above remain the most likely areas of potential risk and uncertainty, with the position remaining largely unchanged from that set out in the Annual Report & Accounts 2011.

The Group actively manages its strategic, commercial and day-to-day operational risks through its Executive Committee. Whilst there has been no significant change to the Group's risk profile in the first half of 2012, 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 2012.

Going concern basis

As noted in the Annual Report & Accounts 2011, the Group is well funded with significant long-term committed borrowing facilities in place. It 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 (the first of which is not due to mature until October 2014), and short-term overdraft borrowings. The Group's £60m revolving credit facility, which is currently undrawn, is not due for renewal until 2016. Furthermore, and as discussed above, during the first half of 2012 the Group remained strongly cash generative with free cash flow of £27.7m achieved. The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 0.6x at 30 June 2012 (31 December 2011 – 0.8x). Under the Group's committed borrowing facilities, this ratio is required to be less than 3.0x. At 30 June 2012, the Group had significant funding headroom of £106m under its committed borrowing facilities.

The Group's forecasts, taking into account reasonably possible changes in trading performance together with foreign exchange fluctuations under the hedging policies that are in place, show that the Group will be able to operate comfortably within the level of its current committed borrowing facilities and banking covenants.

As a consequence, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from this reporting date. Consequently the Board has continued to adopt the going concern basis in preparing the Group's Condensed Consolidated Interim Financial Statements.

Outlook

The large commercial aircraft market, which now accounts for 50% of the Aerospace Division's revenue, is anticipated to be strong for a number of years. Boeing and Airbus are in the process of increasing build rates for all of their major platforms, including the Boeing 787 which entered service at the end of 2011 and on which Senior has significant content. Further growth is expected when Airbus delivers the new A350 aircraft to its first customer during 2014. The regional and business jet markets are broadly stable, although relatively weak, with manufacturers anticipating a gradual increase in build rates when the global economic climate improves. In the meantime, a number of new programmes are scheduled to go into production in the next couple of years, such as Bombardier's CSeries aircraft. Whilst Senior's main military platforms, the Black Hawk helicopter and the C-130J transport aircraft, are solid today, future weakness cannot be discounted given the general ongoing squeeze on Western governments' defence spending. However, Senior has healthy content on the newly developing F35 Joint Strike Fighter, P-8A maritime surveillance aircraft and A400M military transporter programmes, whose build rates are anticipated to grow over the coming years so providing some resilience for the future.

In the Flexonics Division, North American truck volumes are currently at satisfactory levels, following a recent moderation in growth expectations, and new programmes and lower material prices are mitigating some of the volume weakness in Senior's European passenger vehicle markets. The Group's industrial markets continue to be mixed with a number of expansion joint opportunities being pursued in Asia and the Middle East. Looking further ahead, the Flexonics Division's ongoing development of cooling and emission control products, particularly for the heavy-duty truck and off-highway vehicle markets, can be anticipated to contribute to future growth. Tightening emission legislation and growth in renewable energy markets can also be expected to provide healthy longer-term opportunities for the Group.

Senior continues to actively pursue market share gain opportunities in a number of areas as potential customers seek to rationalise their supply bases towards financially strong and operationally excellent suppliers with a global footprint. Accordingly, Senior's forthcoming joint venture presence in China, for the manufacture of emission legislation-driven parts for the medium- and heavy-duty truck engine market, as well as the recent acquisition of Weston's aerospace facility in Thailand, are expected to be beneficial. The decisions taken by Airbus and Boeing to re-engine their A320 and B737 aircraft, to improve fuel efficiency by over 10%, are presenting a number of opportunities for Senior to increase its content on these high-volume aircraft. In addition, the Group's improved profit performance and associated strong cash generation continue to place Senior in a good position to grow by acquisition, as well as organically, if suitable opportunities arise.

Whilst the macroeconomic outlook remains uncertain, Senior's presence in the visible and growing large commercial aerospace market combined with the fact that the Group is well placed, both operationally and financially, to gain market share means that the Board's expectation for 2012 full-year adjusted profit before tax remains unchanged and the overall outlook for Senior remains encouraging over the longer term.

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
20 July 2012

Simon Nicholls
Group Finance Director

Condensed consolidated income statement

For the half-year ended 30 June 2012

	Notes	**Half-year ended 30 June 2012 £m**	Half-year ended 30 June 2011 £m	Year ended 31 Dec 2011 £m
Continuing operations				
Revenue	3	**377.2**	315.6	640.7
Trading profit		**48.4**	40.6	83.3
Loss on sale of fixed assets		**–**	–	(0.3)
Operating profit[1]	3	**48.4**	40.6	83.0
Investment income		**0.1**	0.2	0.3
Finance costs		**(5.3)**	(5.2)	(10.6)
Profit before tax[2]		**43.2**	35.6	72.7
Tax	5	**(10.2)**	(8.9)	(17.7)
Profit for the period		**33.0**	26.7	55.0
Attributable to:				
Equity holders of the parent		**33.0**	26.7	55.0
Earnings per share				
Basic[3]	7	**8.17p**	6.65p	13.68p
Diluted	7	**7.89p**	6.42p	13.21p
[1]Adjusted operating profit	4	**50.7**	43.0	88.3
[2]Adjusted profit before tax	4	**45.5**	38.0	78.0
[3]Adjusted earnings per share	7	**8.57p**	7.00p	14.55p

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2012

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m	Year ended 31 Dec 2011 £m
Profit for the period	**33.0**	26.7	55.0
Other comprehensive income:			
Gains/(losses) on cash flow hedges during the period	**0.4**	0.4	(2.3)
Reclassification adjustments for losses/(gains) included in profit or loss	**0.5**	(0.4)	0.2
Gains/(losses) on cash flow hedges	**0.9**	–	(2.1)
Gains on revaluation of financial instruments	**–**	0.1	0.1
Exchange differences on translation of foreign operations	**(3.8)**	(1.5)	(1.4)
Actuarial (losses)/gains on defined benefit pension schemes	**(14.3)**	6.6	(1.8)
Other comprehensive income	**(17.2)**	5.2	(5.2)
Tax relating to components of other comprehensive income	**2.4**	–	8.8
Other comprehensive income for the period, net of tax	**(14.8)**	5.2	3.6
Total comprehensive income for the period	**18.2**	31.9	58.6
Attributable to:			
Equity holders of the parent	**18.2**	31.9	58.6

Condensed consolidated balance sheet

As at 30 June 2012

	Notes	**30 June 2012 £m**	30 June 2011 £m	31 Dec 2011 £m
Non-current assets				
Goodwill	8	**208.0**	178.1	209.9
Other intangible assets		**15.0**	5.0	16.9
Property, plant and equipment	9	**126.7**	115.6	126.4
Deferred tax assets		**9.0**	0.5	9.0
Trade and other receivables		**0.7**	0.6	0.7
Total non-current assets		**359.4**	299.8	362.9
Current assets				
Inventories		**90.8**	78.1	90.3
Construction contracts		**1.8**	1.7	1.0
Trade and other receivables		**111.1**	97.7	105.8
Cash and cash equivalents	11a)	**44.8**	54.4	29.3
Total current assets		**248.5**	231.9	226.4
Total assets		**607.9**	531.7	589.3
Current liabilities				
Trade and other payables		**131.7**	122.1	135.1
Tax liabilities		**11.2**	7.2	9.2
Obligations under finance leases		**0.5**	0.2	0.6
Bank overdrafts and loans		**0.2**	0.2	1.0
Provisions		**6.2**	–	5.5
Total current liabilities		**149.8**	129.7	151.4
Non-current liabilities				
Bank and other loans	11c)	**118.1**	116.2	119.7
Retirement benefit obligations	12	**46.3**	29.3	34.5
Deferred tax liabilities		**8.1**	3.9	6.0
Obligations under finance leases		**0.8**	0.7	1.0
Others		**0.4**	0.5	0.4
Total non-current liabilities		**173.7**	150.6	161.6
Total liabilities		**323.5**	280.3	313.0
Net assets		**284.4**	251.4	276.3
Equity				
Issued share capital	10	**40.5**	40.2	40.2
Share premium account		**12.3**	12.3	12.3
Equity reserve		**3.5**	2.0	2.7
Hedging and translation reserve		**1.6**	4.8	4.5
Retained earnings		**226.5**	192.1	216.6
Equity attributable to equity holders of the parent		**284.4**	251.4	276.3
Total equity		**284.4**	251.4	276.3

Condensed consolidated statement of changes in equity

For the half-year ended 30 June 2012

	All equity is attributable to equity holders of the parent					
	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2011	40.1	12.3	2.2	6.2	165.1	225.9
Profit for the period	–	–	–	–	55.0	55.0
Losses on cash flow hedges	–	–	–	(2.1)	–	(2.1)
Gains on revaluation of financial instruments	–	–	–	0.1	–	0.1
Exchange differences on translation of foreign operations	–	–	–	(1.4)	–	(1.4)
Actuarial losses on defined benefit pension schemes	–	–	–	–	(1.8)	(1.8)
Tax relating to components of other comprehensive income	–	–	–	1.7	7.1	8.8
Total comprehensive income for the period	–	–	–	(1.7)	60.3	58.6
Issue of share capital	0.1	–	(0.1)	–	–	–
Share-based payment charge	–	–	1.5	–	–	1.5
Tax relating to share-based payments	–	–	–	–	3.4	3.4
Transfer to retained earnings	–	–	(0.9)	–	0.9	–
Dividends paid	–	–	–	–	(13.1)	(13.1)
Balance at 31 December 2011	40.2	12.3	2.7	4.5	216.6	276.3
Profit for the period	–	–	–	–	33.0	33.0
Gains on cash flow hedges	–	–	–	0.9	–	0.9
Gains on revaluation of financial instruments	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	(3.8)	–	(3.8)
Actuarial losses on defined benefit pension schemes	–	–	–	–	(14.3)	(14.3)
Tax relating to components of other comprehensive income	–	–	–	–	2.4	2.4
Total comprehensive income for the period	–	–	–	(2.9)	21.1	18.2
Issue of share capital	0.3	–	(0.3)	–	–	–
Share-based payment charge	–	–	1.2	–	–	1.2
Tax relating to share-based payments	–	–	–	–	(0.6)	(0.6)
Transfer to retained earnings	–	–	(0.1)	–	0.1	–
Dividends paid	–	–	–	–	(10.7)	(10.7)
Balance at 30 June 2012	40.5	12.3	3.5	1.6	226.5	284.4
Balance at 1 January 2011	40.1	12.3	2.2	6.2	165.1	225.9
Profit for the period	–	–	–	–	26.7	26.7
Losses on cash flow hedges	–	–	–	–	–	–
Gains on revaluation of financial instruments	–	–	–	0.1	–	0.1
Exchange differences on translation of foreign operations	–	–	–	(1.5)	–	(1.5)
Actuarial gains on defined benefit pension schemes	–	–	–	–	6.6	6.6
Tax relating to components of other comprehensive income	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(1.4)	33.3	31.9
Issue of share capital	0.1	–	(0.1)	–	–	–
Share-based payment charge	–	–	0.8	–	–	0.8
Tax relating to share-based payments	–	–	–	–	1.3	1.3
Transfer to retained earnings	–	–	(0.9)	–	0.9	–
Dividends paid	–	–	–	–	(8.5)	(8.5)
Balance at 30 June 2011	40.2	12.3	2.0	4.8	192.1	251.4

Condensed consolidated cash flow statement

For the half-year ended 30 June 2012

	Notes	**Half-year ended 30 June 2012 £m**	Half-year ended 30 June 2011 £m	Year ended 31 Dec 2011 £m
Net cash from operating activities	11a)	**40.3**	31.7	77.1
Investing activities				
Interest received		**0.2**	0.2	0.3
Proceeds on disposal of property, plant and equipment		**–**	0.4	0.3
Purchases of property, plant and equipment		**(12.4)**	(8.8)	(21.1)
Purchases of intangible assets		**(0.4)**	(0.3)	(1.0)
Acquisition of Damar		**–**	(15.3)	(15.6)
Acquisition of Weston		**–**	–	(53.0)
Net cash used in investing activities		**(12.6)**	(23.8)	(90.1)
Financing activities				
Dividends paid		**(10.7)**	(8.5)	(13.1)
Repayment of borrowings		**–**	–	(0.2)
Repayments of obligations under finance leases		**(0.3)**	(0.2)	(0.4)
Share issues		**–**	–	–
Net cash inflow on forward contracts		**–**	0.1	0.2
Net cash used in financing activities		**(11.0)**	(8.6)	(13.5)
Net increase/(decrease) in cash and cash equivalents		**16.7**	(0.7)	(26.5)
Cash and cash equivalents at beginning of period		**28.5**	55.9	55.9
Effect of foreign exchange rate changes		**(0.4)**	(0.8)	(0.9)
Cash and cash equivalents at end of period	11a)	**44.8**	54.4	28.5

Notes to the condensed consolidated interim financial statements

1. General information

The information for the year ended 31 December 2011 does not constitute the Group's statutory accounts for 2011 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2011 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 20 July 2012, have been reviewed by the Auditors, and their review opinion is set out at the end of this Report.

2. Accounting policies

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

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

The accounting policies, presentation and methods of computation adopted are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2011, except for as described below.

In the current financial year, the Group has adopted IFRS 7 (Amendment) "Disclosures – Transfers of Financial Assets". IFRS 7 (Amendment) requires enhanced disclosures for transactions involving transfers of financial assets. This amendment does not currently affect the Group's disclosures on Financial Instruments.

The following amendments to Standards, although effective from the current financial year have not yet been endorsed by the European Union and therefore have not been adopted by the Group: IFRS 1 (Amendments) "Removal of Fixed Dates for First-Time Adopters" and "Severe Hyperinflation" and IAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets". These amendments, when endorsed by the EU will not impact the Group's Financial Statements.

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 2011 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 2012 £m	Flexonics Half-year ended 30 June 2012 £m	Eliminations/ central costs Half-year ended 30 June 2012 £m	Total Half-year ended 30 June 2012 £m	Aerospace Half-year ended 30 June 2011 £m	Flexonics Half-year ended 30 June 2011 £m	Eliminations/ central costs Half-year ended 30 June 2011 £m	Total Half-year ended 30 June 2011 £m
External revenue	**242.4**	**134.8**	**–**	**377.2**	187.9	127.7	–	315.6
Inter-segment revenue	**0.1**	**0.1**	**(0.2)**	**–**	–	0.1	(0.1)	–
Total revenue	**242.5**	**134.9**	**(0.2)**	**377.2**	187.9	127.8	(0.1)	315.6
Adjusted operating profit (see Note 4)	**36.5**	**18.3**	**(4.1)**	**50.7**	29.6	17.0	(3.6)	43.0
Amortisation of intangible assets from acquisitions	**(2.0)**	**–**	**–**	**(2.0)**	(2.3)	–	–	(2.3)
Acquisition costs	**–**	**(0.3)**	**–**	**(0.3)**	(0.1)	–	–	(0.1)
Operating profit	**34.5**	**18.0**	**(4.1)**	**48.4**	27.2	17.0	(3.6)	40.6
Investment income				**0.1**				0.2
Finance costs				**(5.3)**				(5.2)
Profit before tax				**43.2**				35.6
Tax				**(10.2)**				(8.9)
Profit after tax				**33.0**				26.7

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

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m	Year ended 31 Dec 2011 £m
Aerospace	**227.5**	185.3	221.1
Flexonics	**102.6**	107.8	103.0
Corporate	**1.6**	1.2	1.3
Segment assets for reportable segments	**331.7**	294.3	325.4
Unallocated			
Goodwill	**208.0**	178.1	209.9
Intangible customer relationships	**12.9**	3.4	14.9
Cash	**44.8**	54.4	29.3
Deferred and current tax	**9.5**	0.8	9.2
Others	**1.0**	0.7	0.6
Total assets per balance sheet	**607.9**	531.7	589.3

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, amortisation of intangible assets acquired on acquisitions and acquisition costs.

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m	Year ended 31 Dec 2011 £m
Operating profit	**48.4**	40.6	83.0
Loss on sale of fixed assets	**–**	–	0.3
Amortisation of intangible assets from acquisitions	**2.0**	2.3	4.4
Acquisition costs	**0.3**	0.1	0.6
Adjustments to operating profit	**2.3**	2.4	5.3
Adjusted operating profit	**50.7**	43.0	88.3
Profit before tax	**43.2**	35.6	72.7
Adjustments to profit as above before tax	**2.3**	2.4	5.3
Adjusted profit before tax	**45.5**	38.0	78.0

Notes to the condensed consolidated interim financial statements continued

5. Tax charge

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m
Current tax:		
UK corporation tax	**–**	–
Foreign tax	**7.2**	5.1
	7.2	5.1
Deferred tax:		
Current year	**3.0**	3.8
	10.2	8.9

Corporation tax for the interim period is charged at 23.7% (2011 – 25.0%) on profit before tax. On adjusted profit before tax, an underlying tax rate of 24.0% (2011 – 26.0%) is charged, 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 2012 £m	Half-year ended 30 June 2011 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2011 of 2.65p (2010 – 2.12p) per share	**10.7**	8.5
Proposed interim dividend for the year ended 31 December 2012 of 1.38p (2011 – 1.15p) per share	**5.7**	4.6

The proposed interim dividend was approved by the Board of Directors on 20 July 2012 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 2012 Million**	Half-year ended 30 June 2011 Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**403.9**	401.7
Effect of dilutive potential ordinary shares:		
Share options	**14.2**	14.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**418.1**	416.0

	Half-year ended 30 June 2012		Half-year ended 30 June 2011	
Earnings and earnings per share	**Earnings £m**	**EPS Pence**	Earnings £m	EPS Pence
Profit for the period	**33.0**	**8.17**	26.7	6.65
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.7m (2011 – £0.9m)	**1.3**	**0.33**	1.4	0.35
Acquisition costs net of tax of £nil (2011 – £nil)	**0.3**	**0.07**	–	–
Adjusted earnings after tax	**34.6**	**8.57**	28.1	7.00
Earnings per share				
– basic		**8.17p**		6.65p
– diluted		**7.89p**		6.42p
– adjusted		**8.57p**		7.00p
– adjusted and diluted		**8.28p**		6.75p

The earnings figures used to calculate both the basic earnings per share and the diluted earnings per share are the same.

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:

– profit or loss on sale of fixed assets,

– amortisation of intangible assets acquired on acquisitions; and

– acquisition costs.

8. Goodwill

The change in goodwill from £209.9m at 31 December 2011 to £208.0m at 30 June 2012 reflects foreign exchange differences of £2.0m, and £0.1m increase in goodwill recognised on acquisition of Weston EU Limited following finalisation of the fair value of net assets acquired.

9. Property, plant and equipment

During the period, the Group spent £12.4m (2011 – £8.8m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £nil (2011 – £0.4m) for proceeds of £nil (2011 – £0.4m).

10. Share capital

Share capital as at 30 June 2012 amounted to £40.5m. During the period, the Group issued 154,339 shares at an average price of 25.6p per share under share option plans, raising £0.04m. A further 2,679,044 shares were issued during the period under the Group's long-term incentive plan.

11. Notes to the cash flow statement

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

	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2011 £m
Operating profit from continuing operations	**48.4**	40.6
Adjustments for:		
Depreciation of property, plant and equipment	**10.0**	8.9
Amortisation of intangible assets from acquisitions	**2.0**	2.3
Amortisation of other intangible assets	**0.3**	0.3
Share-based payment charges	**1.5**	1.5
Pension payments in excess of service cost	**(3.5)**	(3.5)
Operating cash flows before movements in working capital	**58.7**	50.1
Increase in inventories	**(2.0)**	(1.5)
Increase in receivables	**(7.4)**	(17.6)
(Decrease)/increase in payables	**(0.5)**	10.2
Working capital currency movements	**0.1**	(0.2)
Cash generated by operations	**48.9**	41.0
Income taxes paid	**(4.5)**	(5.3)
Interest paid	**(4.1)**	(4.0)
Net cash from operating activities	**40.3**	31.7
Cash and cash equivalents comprise:		
Cash	**44.8**	54.4
Bank overdrafts	**–**	–
Total	**44.8**	54.4

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 2012 £m	Half-year ended 30 June 2011 £m
Net cash from operating activities	**40.3**	31.7
Interest received	**0.2**	0.2
Proceeds on disposal of property, plant and equipment	**–**	0.4
Purchases of property, plant and equipment – cash	**(12.4)**	(8.8)
Purchase of intangible assets	**(0.4)**	(0.3)
Free cash flow	**27.7**	23.2

Notes to the condensed consolidated interim financial statements continued

11. Notes to the cash flow statement continued

c) Analysis of net debt

	At 1 January 2012 £m	Cash flow £m	Exchange movement £m	**At 30 June 2012 £m**
Cash	29.3	15.9	(0.4)	**44.8**
Overdrafts	(0.8)	0.8	–	**–**
Cash and cash equivalents	28.5	16.7	(0.4)	**44.8**
Debt due within one year	(0.2)	–	–	**(0.2)**
Debt due after one year	(119.7)	–	1.6	**(118.1)**
Finance leases	(1.6)	0.3	–	**(1.3)**
Total	(93.0)	17.0	1.2	**(74.8)**

12. Retirement benefit schemes

Defined benefit schemes

Aggregate post-retirement benefit obligations are £46.3m (30 June 2011 – £29.3m; 31 December 2011 – £34.5m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £33.8m (30 June 2011 – £20.8m; 31 December 2011 – £25.3m) and £7.7m (30 June 2011 – £3.2m; 31 December 2011 – £4.2m) respectively, and a liability on unfunded schemes of £4.8m (30 June 2011 – £5.3m; 31 December 2011 – £5.0m). These values have been assessed by independent actuaries using current market values and discount rates. The increase in the liability from £34.5m at 31 December 2011 to £46.3m at 30 June 2012 reflects an increase in the present value of benefit obligations, due to a decrease in the UK plan discount rate assumption to 4.4% (31 December 2011 – 4.8%), offset partially by the positive effect of total cash contributions in excess of service cost of £3.5m. The change in the discount rate assumption since 31 December 2011 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 2012 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 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "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 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
20 July 2012

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