senior
Senior plc
Interim Report 2013

HOW WE HAVE PERFORMED
SENIOR DELIVERED HEALTHY RESULTS FOR THE FIRST HALF OF 2013, WITH REVENUE AND ADJUSTED PROFIT BEFORE TAX(1) INCREASING BY 6% AND NET DEBT DECLINING BY £5.4M. THE OUTLOOK REMAINS ENCOURAGING.
To find out more visit
www.seniorplc.com

Financial highlights

Half-year to 30 June 2013

£399.3m
Revenue[2]
(2012 – £377.2m)

13.3%
Adjusted operating margin[1]
(2012 – 13.5%)

£48.3m
Adjusted profit before tax[1]
(2012 – £45.5m)

£37.1m
Profit before tax[2]
(2012 – £43.2m)

9.31p
Adjusted earnings per share[1]
(2012 – 8.57p)

8.04p
Basic earnings per share
(2012 – 8.17p)

1.52p
Proposed interim dividend per share
(2012 – 1.38p)

26.6%
Return on capital employed
(June 2012 – 27.8%)

£28.1m
Free cash flow[3]
(2012 – £27.7m)

£65.5m
Net debt[3]
(December 2012 – £70.9m)

Group revenue	+6%
Adjusted operating margin	-0.2ppts
Adjusted profit before tax	+6%
Adjusted earnings per share	+9%
Proposed interim dividend per share	+10%
Free cash flow	+1%
Net debt	Improved £5m

(1) Adjusted figures include the results from discontinued operations (Senior Hargreaves) up to the date of disposal but are stated before a £2.1m charge for amortisation of intangible assets acquired on acquisitions (2012 – £2.0m), acquisition costs of £0.1m (2012 – £0.3m), a goodwill impairment charge of £12.9m (2012 – £nil) and reversal of contingent consideration payable of £3.9m (2012 – £nil). Adjusted earnings per share takes account of the tax impact of these items.

(2) The comparative accounts for 2012 include the results from discontinued operations (Senior Hargreaves) up to date of disposal.

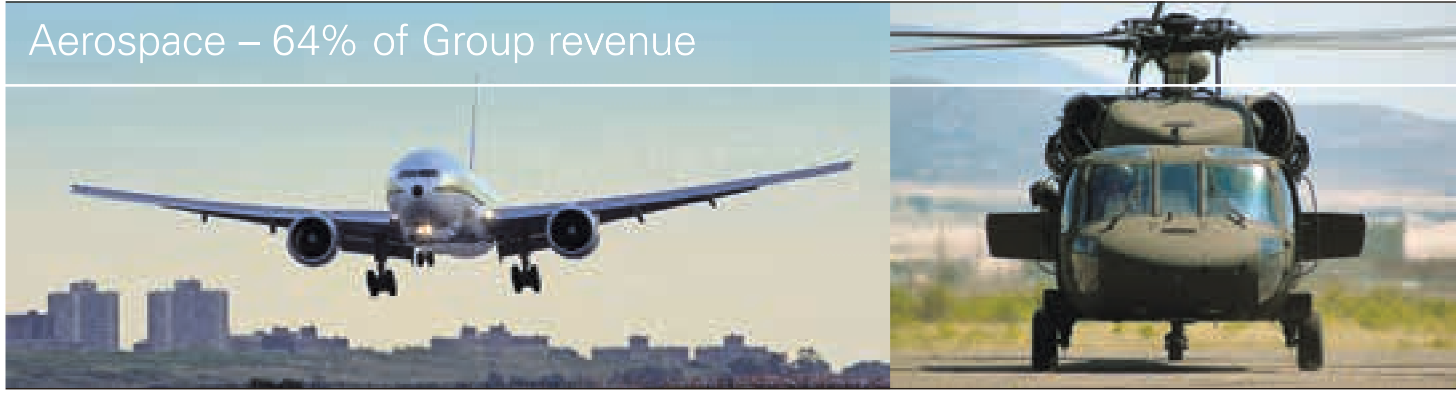
(3) See Notes 11(b) and 11(c) for derivation of free cash flow and of net debt, respectively.

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 \$1.55 (H1 2012 – \$1.58) and €1.18 (H1 2012 – €1.22), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2013 were \$1.52 (June 2012 – \$1.57) and €1.17 (June 2012 – €1.24), respectively.

Contents

1 Financial highlights
2 Overview
4 Interim management report
15 Directors' responsibility statement
16 Condensed consolidated income statement
17 Condensed consolidated statement of comprehensive income
18 Condensed consolidated balance sheet
19 Condensed consolidated statement of changes in equity
20 Condensed consolidated cash flow statement
22 Notes to the condensed consolidated interim financial statements
IBC Independent review report to Senior plc

Overview



GROUP HIGHLIGHTS

- Group revenue increased by 5.9% to £399.3m
- Adjusted profit before tax(1) increased by 6.2% to £48.3m
- Adjusted EPS increased by 8.6%, helped by a lower tax rate
- Goodwill impairment charge of £12.9m taken in respect of 2008 acquisition of Capo Industries, Inc.
- Continued strong free cash flow reduced net debt to £65.5m at period end
- Group outlook remains encouraging and interim dividend increased by 10.1%

The Group delivered healthy results for the first half of 2013. Adjusted profit before tax(1) increased by 6.2% to £48.3m on revenue up 5.9% to £399.3m. As anticipated, Group adjusted operating margins declined slightly to 13.3% (H1 2012 – 13.5%) following the acquisition of GAMFG Precision ("GA") in November 2012 and the increased costs incurred in the first half to deliver new aerospace programmes and relocate Weston's aerostructures business. Adjusted earnings per share increased by 8.6% to 9.31p (H1 2012 – 8.57p), assisted by a lower underlying tax rate of 20.0% (H1 2012 – 24.0%). The Group's continued strong cash generation meant that net debt fell by £5.4m, to £65.5m, in the six-month period despite the acquisition of Atlas Composites ("Atlas"), for £2.4m in February, and the adverse effect on reported net debt of the stronger US dollar.

On a constant currency basis, the Aerospace Division's revenue increased by 3.0% to £254.2m (H1 2012 – £246.7m), with sales to the large commercial aircraft market seeing a 10.1% (£12.6m) increase but military revenue down 6.1% (£3.8m) and non-aerospace sales (principally semi-conductor and power and energy) declining by 7.1% (£1.7m). Revenue derived from business jets was £1.2m higher, but £1.1m lower from regional jets. Boeing and Airbus delivered a combined 601 aircraft, 6% ahead of the first half of 2012 (566 aircraft), and recorded strong order intake such that their combined order book increased to 9,866 aircraft at the period end, 19% ahead of the 8,312 aircraft at the end of June 2012. As anticipated, the period saw a small decline, on a constant currency basis, in the Aerospace Division's operating profit to £36.8m (H1 2012 – £37.1m) mainly due to: the notable effect of the reduction in military and non-aerospace

revenue on two of the Group's operations; £0.6m of costs associated with moving the Weston aerostructures business into a new and larger facility; and £0.8m increased investment in engineering necessary to deliver a higher than usual level of new aircraft programmes at the Group's operation in Los Angeles.

The Flexonics Division reported a revenue increase of 17.6% to £145.6m (H1 2012 – £123.8m), on a constant currency basis, with the acquisition of GA contributing £18.4m of this growth. GA has been successfully integrated into the Group and has performed broadly in line with expectations with a number of new opportunities now in development. On an organic basis, Divisional revenue grew by 2.7% with declines in sales to the truck (£1.8m/4.8%) and passenger-vehicle (£1.2m/3.7%) markets being more than offset by an increase in sales to some industrial markets (£6.4m/11.9%), principally renewable energy. In total, Divisional operating profit increased by 16.4% to £20.6m (H1 2012 – £17.7m) on a constant currency basis with GA contributing £1.5m of the £2.9m increase. Underlying revenue growth, improved operational efficiencies and lower material costs were the main reasons for the remainder of the improved performance.

A goodwill impairment charge of £12.9m was taken in the period in respect to the January 2008 acquisition of Capo Industries, Inc., as the anticipated recovery in its key business and regional jet engine markets has not yet materialised and expectations for future operating margins are consequently lower. In addition, it is no longer considered likely that a contingent consideration payment will be made to the sellers of GA and the £3.9m deferred compensation amount was consequently released to profit in the period. Both the goodwill impairment charge and contingent consideration amounts are excluded from adjusted profit before tax.

Two of the Group's non-executive Directors, David Best and Ian Much, will have served on the Board for seven and eight years respectively by the end of 2013 and, given their tenure, both indicated their desire to step down from the Board around that time. Accordingly, a recruitment process was undertaken and the Board is pleased to announce the appointment of Giles Kerr and Celia Baxter as non-executive Directors with effect from 2 September 2013. Giles, who is planned to take over as Chair of the Audit Committee in April 2014 when David Best steps down from the Board, is currently the Director of Finance at Oxford University and was previously Group Finance Director of Amersham plc. It is intended that Celia, Director of Group HR at Bunzl plc, will become the Chair of the Remuneration Committee when Ian Much leaves the Board in December 2013. As previously announced, after five years as the Group's Finance Director, Simon Nicholls left Senior on 30 April 2013 to take up a similar role at Cobham plc, with Derek Harding appointed to join the Board as the Group's new Finance Director from 2 September 2013. Senior has made significant progress in recent years and the Board would like to extend its thanks to Ian, David and Simon for their strong contribution to the Group's success during this time.

Senior continues to make good progress, delivering strong cash flows and a 6% increase in revenue and adjusted profit before tax

Looking ahead, it is expected that the large commercial aerospace industry (34% of the Group's revenue in the first half of 2013) will continue to be strong for a number of years, with Boeing and Airbus having record order books and planning to increase the build rates of many of their main platforms. Elsewhere in the Aerospace Division, the business and regional jet markets remain broadly stable with industry commentators expecting growth, from the current low base, to be seen in the medium term, whilst further declines are anticipated in the military sector during 2014 as Governments continue to cut back on defence spending. Growth can also be anticipated as new aircraft programmes, such as the Airbus A350 and Bombardier CSeries aircraft, go into production and the Group continues to increase its market share through the delivery of excellent customer service. However, against this encouraging backdrop, customer pricing pressure is expected to increase, putting pressure on the Group's future margins. In the Flexonics Division, North American medium- and heavy-duty truck volumes are at satisfactory levels, with customers anticipating volume increases as the economy improves, whilst European passenger-vehicle demand is at recent record lows with little improvement in sight. Significant advances in the operating life of the Group's exhaust gas recycling cooler for the truck market means Senior is now better positioned to win new customers for this product, although spares demand is consequently likely to decline. Activity in industrial markets is expected to remain mixed for the foreseeable future with weaker second half renewable energy sales, little sign of imminent improvement in general European markets but some hopeful signs for 2014 in the North American large expansion joint sector. Overall, the Group is well positioned to deliver future growth, with the Board's expectation for 2013 full-year adjusted profit before tax[1] remaining unchanged and the longer-term outlook for Senior continuing to be encouraging.

As a result of the Group's healthy first half performance and encouraging future prospects, the interim dividend is being increased by 10.1% to 1.52 pence per share (2012 interim dividend – 1.38 pence).

[1] Adjusted profit before tax is before: goodwill impairment, amortisation of intangible assets arising on acquisitions, acquisition costs and reversal of contingent consideration payments.

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 Group'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; strategy including key performance indicators; Divisional reviews; the results for the six months ended 30 June 2013; going concern; the outlook for the Group; and the future risks and uncertainties facing the Group during the second half of the 2013 financial year.

Operations and business model

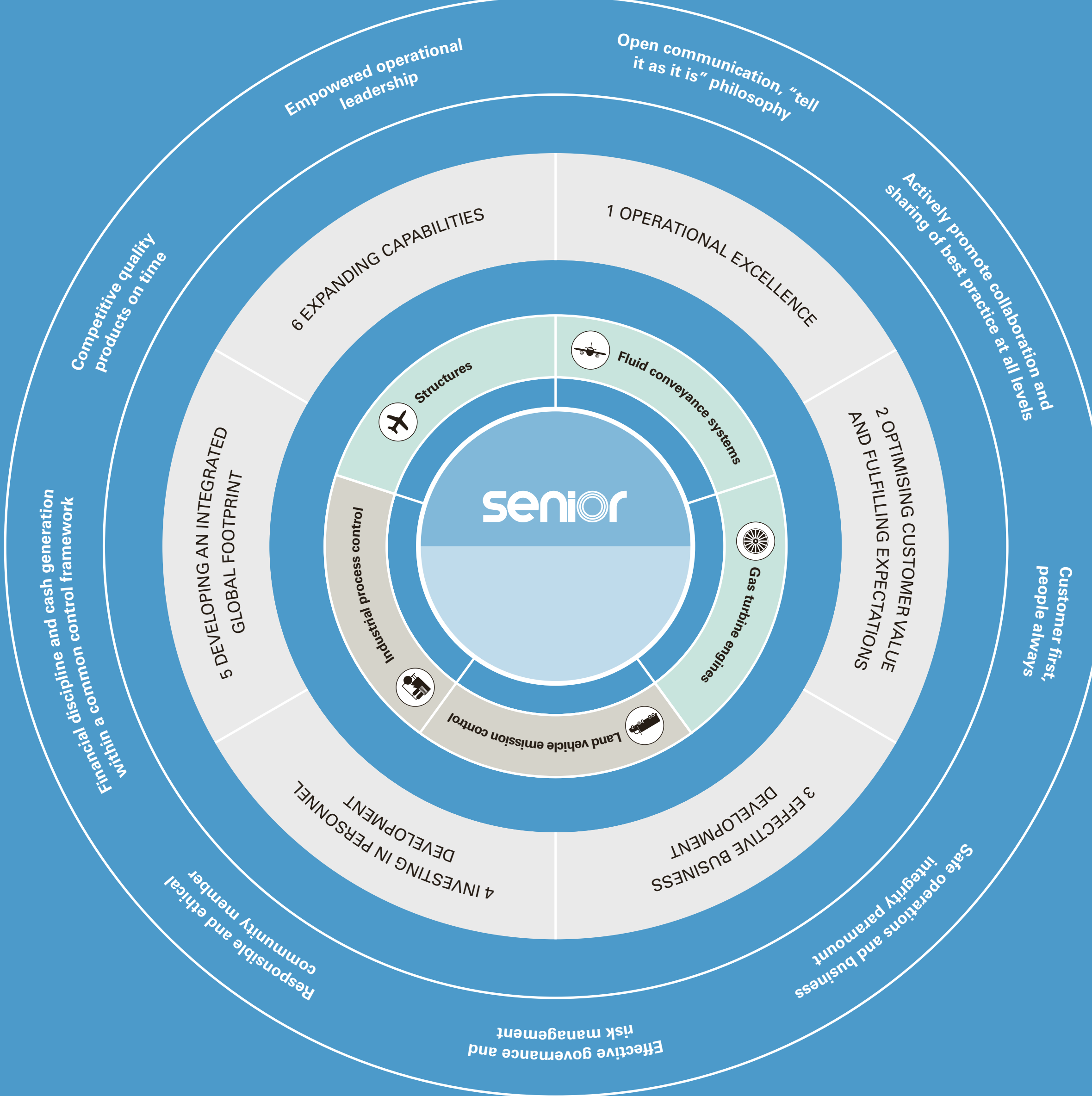
Senior is an international, market-leading engineering solutions provider with operations in 13 countries. Senior designs, manufactures and markets high-technology components and systems for the principal original equipment producers in the worldwide aerospace, defence, land vehicle and energy markets. The Group is split into two Divisions, Aerospace and Flexonics, servicing five strategic market sectors:

Sectors	Division	What we do
Fluid conveyance systems	Aerospace	• High pressure and low pressure engineered ducting systems (metal and composite) • Engineered control bellows, sensors and assemblies
Gas turbine engines	Aerospace	• Precision machined and fabricated engine components (rotating and structural) • Fluid systems ducting and control products
Structures	Aerospace	• Precision machined airframe and system components and assemblies
Land vehicle emission control	Flexonics	• Exhaust gas recycling coolers • Fuel mixing and distribution systems • Flexible couplings
Industrial process control	Flexonics	• Engineered expansion joints, dampers and diverters • Flexible hose assemblies and control bellows • Fuel cells and heat exchangers

Each strategic market sector offers healthy, and deliverable, growth opportunities. Senior's products are typically single sourced, highly engineered and require advanced manufacturing processes for their production.

BUSINESS MODEL

The Group's business model is designed to create long-term sustainable growth in shareholder value. It comprises six key elements and is supported by the Group's core values, culture and common control framework. The six key elements are:



1 OPERATIONAL EXCELLENCE

Senior's long-standing emphasis on operational excellence is based on the principles of Lean, striving at all times for continuous improvement and the elimination of non-value-added activities and processes. Success in this area is one of the principal reasons for the Group's significant improvement in financial performance over recent years.

2 OPTIMISING CUSTOMER VALUE AND FULFILLING EXPECTATIONS

The Group seeks to deliver competitive products utilising its engineering expertise to optimise customer value and fulfil their expectations whilst continuing to meet its performance objectives.

3 EFFECTIVE BUSINESS DEVELOPMENT

Provision of innovative, market-leading solutions for customers in the Group's chosen principal market sectors (each exhibiting fundamental macro long-term growth characteristics) is the key driver of effective business development. This consistently creates new opportunities for additional programme wins and market share gains, often for products or systems that assist the improvement of fuel efficiency in aircraft and land vehicle engines, or to help meet increasingly stringent global emission control regulations.

4 INVESTING IN PERSONNEL DEVELOPMENT

Continually developing the capabilities and competencies of its personnel, to support its primary performance objectives, is critical to Senior's future success. The Group has increased its investment in management development and training significantly in recent years, seeking to enhance underlying performance and in particular strengthen business development and operational management whilst also maintaining the strength of Senior's underlying entrepreneurial culture.

5 DEVELOPING AN INTEGRATED GLOBAL FOOTPRINT

Senior continues to develop an integrated global commercial and operational footprint to enable it to supply key programmes to its OEM customers cost-effectively and to meet growing domestic demand in emerging markets.

6 EXPANDING CAPABILITIES

The Group's strong level of free cash flow generation allows it to target a select number of complementary strategic acquisitions in growth markets to expand its capabilities, accelerate growth and enhance its asset portfolio.

STRATEGY

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

Optimising value

Optimising the value of the Group's existing operations portfolio by consistently meeting customer expectations through advanced process engineering and excellent operational execution, leading to market differentiation and continued growth in organic revenue, operating margins and cash flow delivery.

Targeted investment

Targeted investment in new product development, technologies and geographic regions, for markets having higher than average growth potential, to further enhance organic growth opportunities.

1 2 3 4

Corporate culture

Creating an entrepreneurial culture within a strong control framework and continuously striving for improvements amongst its operating businesses, whilst operating in a legal, safe and socially responsible manner.

Portfolio enhancement

Portfolio enhancement through focused acquisitions and disposal of non-core assets, with decisions in both cases being subject to strict financial criteria, the operation's long-term outlook and the Group's anticipated funding position.

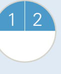
KEY PERFORMANCE INDICATORS

The above key principles are supported by five financial and two non-financial metrics to measure progress in implementing the Group's strategy. Further details on the application of the Group's four key principles in strategy formulation and implementation are set out on pages 10 to 13 of the Annual Report & Accounts 2012.

A summary of the movements in these Key Performance Indicators ("KPIs"), the main drivers of the changes and the respective link to the key strategic principles outlined above, are described below.

Organic revenue[1] (£m) +2.4%
The main drivers of organic revenue growth in Aerospace were increased build rates on large commercial aircraft programmes, offset partially by build rate reductions on key military platforms and weaker semi-conductor markets. In Flexonics, increases in organic revenue were achieved in industrial markets, principally renewables, offset partially by weaker land vehicle markets.

£379.3m
(H1 2012 – £370.3m)

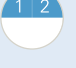


Adjusted earnings per share[2] (p) +8.6%
Increased revenue, the incremental contributions from the acquisitions of GA and Atlas and a reduced tax rate, arising principally due to changes in geographical profit mix, resulted in an increase in adjusted earnings per share of 8.6%.

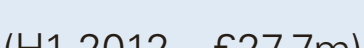
9.31p
(H1 2012 – 8.57p)

Return on revenue margin[3] (%) -0.2ppts
The Group's adjusted operating profit margin declined by 0.2ppts to 13.3%. The decrease was mainly attributable to absorbing one-off facility move costs at Weston, higher engineering activity to support future growth and the dilutive impact from the acquisition of GA whose margin is lower than the Group's average.

13.3%
(H1 2012 – 13.5%)



Free cash flow[4] (£m) +1.4%
The Group generated free cash flow of £28.1m in the six months to June 2013. Net cash generated from operating activities of £48.7m enabled the Group to fund capital expenditure of 1.1 times depreciation to invest in future growth.

£28.1m

(H1 2012 – £27.7m)

Return on capital employed[5] (%) -1.2ppts
Return on capital employed continued to exceed the target level of 15%. The reduction of 1.2ppts since June 2012 is attributed to an increase in average capital employed as a result of acquisitions, particularly of GA, and investments to support growth opportunities.

26.6%
(H1 2012 – 27.8%)

Energy intensity[6] 5.4% improvement
Through more efficient use of resources and improved asset utilisation, the Group continues to make good progress on its published five-year target of improving energy efficiency by 10% between 2011 and 2015.

212
Mwh/£m revenue
(H1 2012 – 224 Mwh/£m revenue)

Lost time injury frequency rate[7] Reduced by 0.28 incidents per 100 employees p.a.
The Group continues to take a proactive approach to the health and safety of all employees, as described more fully in the Corporate Social Responsibility report on pages 32 to 34 of the Annual Report & Accounts 2012. After an unsatisfactory outcome in 2012, the much improved performance in the first half of 2013 resumes progress towards the target of reducing the number of recordable injuries which incur lost time by 20% over five years to 2015.

0.55
incidents per
100 employees p.a.
(H1 2012 – 0.83 incidents per 100 employees p.a.)

4

[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, acquisition costs, impairment of goodwill and reversal of contingent consideration payable) 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 or illness cases involving days away from work per 100 employees.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division (64% of continuing Group revenue) consists of 18 operations. These are located in North America (eleven), the United Kingdom (three), continental Europe (three) and Thailand. Major customers include Boeing, Rolls-Royce, Spirit AeroSystems, United Technologies, Airbus, Bombardier, GKN and GE.

On 8 February 2013, the Group acquired Atlas Composites Limited ("Atlas"), a small UK-based developer and manufacturer of composite structural products, for £2.4m. Atlas brings new complementary capabilities into the Group and is managed through one of the Group's existing UK operations, Senior Aerospace BWT.

The Aerospace Division's operating results on a constant currency basis are summarised below:

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012[1] £m	Change
Revenue	**254.2**	246.7	+3.0%
Adjusted operating profit	**36.8**	37.1	-0.8%
Operating margin	**14.5%**	15.0%	-0.5ppts

[1] H1 2012 results translated using H1 2013 average exchange rates.

Divisional revenue increased by £7.5m (3.0%) to £254.2m (H1 2012 – £246.7m at constant currency) and adjusted operating profit decreased by £0.3m to £36.8m (H1 2012 – £37.1m at constant currency). Excluding the incremental contribution from the acquisition of Atlas (revenue of £1.6m; operating profit of £0.2m), organic revenue for the Division increased by £5.9m (2.4%) and adjusted operating profit decreased by £0.5m (1.3%). As anticipated, this decline in adjusted operating profit was mainly attributable to: the notable effect of the reduction in military and non-aerospace revenue on two of the Group's operations; £0.6m of costs associated with the Weston factory relocation; and £0.8m increased investment in engineering necessary to deliver a higher than usual level of new aircraft programmes at the Group's operation in Los Angeles. As a result, the operating margin declined by 0.5 percentage points to 14.5% (H1 2012 –15.0%).

54% of the Aerospace Division's revenue was derived from the large commercial aerospace market, comprising the aircraft manufactured by Airbus and Boeing and the engines that go on those aircraft. This market continued to grow with Boeing and Airbus collectively delivering 601 aircraft in the period, a 6% increase over the prior year (H1 2012 – 566 aircraft deliveries). Boeing and Airbus also recorded strong aircraft orders during the period which, at a combined net order intake of 1,412 aircraft (H1 2012 – 670 aircraft), was well ahead of aircraft deliveries. As a consequence, their combined order book grew to 9,866 aircraft at the end of June 2013, representing over eight years of deliveries at current production rates. Due to the strong markets, Senior grew its sales to the large commercial aircraft market by 10.1% during the six month period to 30 June 2013, with organic growth being 10.0%.

Senior won additional content in the period on the A350 and B787, two significant future programmes for the Group, with the Airbus A350, which flew for the first time in June, expected to commence customer deliveries late in 2014 and Boeing's B787 production rate projected to increase from the current seven per month to ten per month by the end of 2013. Whilst Boeing had temporarily stopped delivering the B787 to its customers earlier this year, manufacture of the aircraft continued at the planned production rate and consequently there has been no adverse effect on the Aerospace Division's financial performance in this respect.

Equally encouraging was the progress Senior made in increasing its content on the A320neo and B737MAX, the re-engined, more fuel-efficient versions of the two highest volume commercial aircraft platforms. These aircraft are scheduled to come into service in 2015 and 2017 respectively.

The Aerospace Division recorded a 6.1% decrease in revenue from the military and defence sector (23% of divisional revenue) during the period, with production volumes for the C-130J military transport aircraft and the Black Hawk helicopter, as well as spares demand for the latter, declining as anticipated. These declines were partially offset by growing volumes on newer platforms, such as the A400M transporter and P-8A reconnaissance aircraft.

Overall, the production of regional and business jet aircraft remained weak, but broadly stable, in the period. Revenue derived from the business jet sector (8% of divisional revenue) increased by 6.0% in the period due to increased activity on newer and larger business jet programmes. In the regional jet sector (4% of divisional revenue), Group revenue was 10.4% lower as a result of build rate reductions and an adverse year-on-year impact from lower revenue earned from invoiced development work on new programmes. Bombardier's largest ever passenger aircraft, the CSeries, is due to fly for the first time shortly and because the Group has a large content on this aircraft ($480k per aircraft), its future commercial success would be advantageous for the Group.

Around 11% of the Aerospace Division's revenue was derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor, where the Group manufactures products using very similar technology to that used for certain aerospace products. Overall, revenues in these markets were £2.9m lower on an organic basis due to weaker semi-conductor and power and energy markets.

Flexonics Division

The Flexonics Division (36% of continuing Group revenue) consists of 12 operations which are located in North America (four), continental Europe (three), the United Kingdom, South Africa, India, Brazil and a joint venture in China. 56% of the Flexonics Division's revenues were derived from demand for land-vehicle components, 42% from industrial markets and 2% from aerospace markets. The Division's largest individual end users are land-vehicle customers, including Cummins, Caterpillar, Ford, PSA and Renault. Individual industrial customers rarely account for more than 1% or 2% of divisional sales and, given the generally bespoke and project nature of the Group's industrial products, the customers vary significantly each year. Bloom Energy and Abengoa were the largest industrial customers in the period.

The Flexonics Division's operating results on a constant currency basis are summarised below:

Continuing operations	**Half-year ended 30 June 2013 £m**	Half-year ended 30 June 2012[1] £m	Change
Revenue	**145.6**	123.8	+17.6%
Adjusted operating profit	**20.6**	17.7	+16.4%
Operating margin	**14.1%**	14.3%	-0.2ppts

[1] H1 2012 results translated using H1 2013 average exchange rates.

The table above is for continuing operations only and excludes the £11.7m of revenue and £0.4m of adjusted operating profit generated by Senior Hargreaves in H1 2012, prior to its sale in October 2012. On this basis, divisional revenue grew by £21.8m (17.6%) to £145.6m (H1 2012 – £123.8m at constant currency) and adjusted operating profit increased by £2.9m to £20.6m (H1 2012 – £17.7m at constant currency). Excluding the incremental contribution from the acquisition of GA in November 2012 (revenue of £18.4m; operating profit of £1.5m), organic revenue for the Division increased by £3.4m (2.7%) and adjusted operating profit increased by £1.4m (7.9%). Whilst the reported operating margin declined slightly to 14.1% (H1 2012 – 14.3%), this was principally due to margin dilution as a result of the inclusion of GA. Underlying margins in organic operations actually improved by 0.7 percentage points to 15.0% as a result of underlying revenue growth combined with improved operational efficiencies and favourable raw material pricing.

Total Group sales to truck and off-highway markets (35% of divisional revenue) increased by 36.0% as a result of the contribution from GA. On an organic basis sales decreased by 4.8%. This decrease was predominantly due to North American medium- and heavy-duty truck production decreasing by 13.0%, leading to organic Group sales in this market declining by 7.9%, offset partially by an increase in the Group's sales to European truck markets as new programmes ramped up.

Sales to passenger vehicle markets (21% of divisional revenue) declined by 3.7%, principally as a result of continuing weakness in European passenger vehicle markets, where new car registrations fell by 6.6% in the period. Group sales to this market fell by 6.4%. Outside of Europe, Group sales to passenger vehicle markets remained at similar levels to the prior year.

Despite generally weak land vehicle markets, tightening emission legislation, combined with the Group's operational excellence and product development skills, mean market share opportunities regularly arise. Significant advances in the operating life of the Group's exhaust gas recycling cooler for the truck market means Senior is now in a better position to win new customers for this product, although spares demand is consequently likely to decline. Further investment of £0.4m was made to the Group's joint venture in China where manufacture of heavy-duty diesel engine components is scheduled to commence at the end of this year.

Activity levels in the Group's industrial markets were positive overall with Group sales on an organic basis increasing by 11.9%. This growth was driven by increases in demand for products for concentrated solar power plants and fuel-cell bellows, offsetting weakness in demand for dampers in US power and energy markets. The Group also completed the remaining deliveries for a very large expansion joint project to China for the petrochemical industry in the first quarter of 2013.

FINANCIAL REVIEW

Financial Summary

A summary of the Group's operating results at reported currency is set out in the table below. Further detail on the performance of each Division is set out above in the Divisional Review.

	Revenue		Adjusted Operating Profit[1]		Margin	
	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m	**Half-year ended 30 June 2013 £m**	Half-year ended 30 June 2012 £m	**Half-year ended 30 June 2013 %**	Half-year ended 30 June 2012 %
Aerospace	**254.2**	242.5	**36.8**	36.5	**14.5**	15.1
Flexonics	**145.6**	123.2	**20.6**	17.9	**14.1**	14.5
Share of results of joint venture	**–**	–	**(0.1)**	–	**–**	–
Inter–segment sales	**(0.5)**	(0.2)	**–**	–	**–**	–
Central costs	**–**	–	**(4.0)**	(4.1)	**–**	–
Continuing operations	**399.3**	365.5	**53.3**	50.3	**13.3**	13.8
Discontinued	**–**	11.7	**–**	0.4	**–**	–
Group total	**399.3**	377.2	**53.3**	50.7	**13.3**	13.5

[1] Adjusted operating profit is the profit before interest and tax and before amortisation of intangible assets arising on acquisitions, acquisition costs, goodwill impairment charge and reversal of contingent consideration payable.

Adjusted operating profit may be reconciled to the operating profit that is shown in the Condensed Consolidated Income Statement as follows:

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m
Operating profit per Condensed Consolidated Income Statement	**42.1**	48.0
Profit for the period from discontinued operations	**–**	0.4
Amortisation of intangible assets from acquisitions	**2.1**	2.0
Acquisition costs	**0.1**	0.3
Impairment of goodwill	**12.9**	–
Reversal of contingent consideration payable	**(3.9)**	–
Adjusted operating profit	**53.3**	50.7

Revenue

Total Group revenue increased by £22.1m (5.9%) to £399.3m (H1 2012 – £377.2m). Excluding revenue in H1 2012 of £11.7m from Senior Hargreaves, which was sold in October 2012, Group revenue from continuing operations increased by £33.8m (9.2%) including an incremental £20.0m from the acquisitions of Atlas in February 2013 and GA in November 2012. Excluding these acquisitions, revenue from organic operations increased by 3.8%. On a constant currency basis, excluding a year-on-year favourable exchange impact of £4.8m, Group revenue from continuing operations increased by 7.8% and revenue from organic operations increased by 2.4%. In H1 2013, 66% of sales from continuing operations originated from North America, 14% from the UK, 13% from the Rest of Europe and 7% from the Rest of the World.

In aerospace markets, the Group benefited from increasing build rates in the large commercial aircraft sector and an increase in demand from the Group's main programmes in the business jet sector. As expected, revenue in the military sector decreased and regional jet market activity remained subdued. Non-aerospace sales were lower due to weaker semi-conductor and power and energy markets. In Flexonics, revenue from organic operations increased due to industrial market strength more than offsetting weaker land vehicle sales.

Operating profit

Adjusted operating profit increased by £2.6m (5.1%) to £53.3m (H1 2012 – £50.7m), including acquisition contributions of £1.6m in H1 2013. Adjusted operating profit includes £nil (H1 2012 – £0.4m) operating profit from Senior Hargreaves, and is stated before finance costs, acquisition costs of £0.1m (H1 2012 – £0.3m), amortisation of intangible assets arising on acquisitions of £2.1m (H1 2012 – £2.0m), goodwill impairment charge of £12.9m (H1 2012 – £nil) and reversal of contingent consideration payable of £3.9m (H1 2012 – £nil).

The Group benefited from favourable foreign currency movements of £0.4m on translation of comparative profits and, if these are excluded, together with the incremental profit contribution of £1.6m from acquisitions and the £0.4m prior period contribution from discontinued operations, underlying adjusted operating profit from organic operations increased by 2.0% (£1.0m) on a constant currency basis. The Group's adjusted operating margin in the first half of 2013 fell by 0.2 percentage points to 13.3% (H1 2012 – 13.5%), mainly as a result of the operating margin generated by GA, coupled with £0.6m of costs incurred to relocate Weston's UK aerostructures business into a new facility and increased investment in engineering of £0.8m to support new aircraft programmes at the Group's operation in Los Angeles. Excluding these impacts, the Group continued to benefit from operational efficiency improvements in organic operations, particularly in the Flexonics Division which also benefited from lower material costs.

Total Group reported operating profit from continuing operations decreased by 12.3% to £42.1m (H1 2012 – £48.0m), after charges for the amortisation of intangible assets from acquisitions, acquisition costs, and impairment of goodwill, net of reversal of contingent consideration payable, as described above. In the six month period to 30 June 2013, the Group recognised

a goodwill impairment of £12.9m relating to the January 2008 acquisition of Capo Industries, Inc., as the anticipated recovery in its key business and regional jet engine markets has not yet materialised and expectations for future operating margins are consequently lower. In addition, it is no longer considered likely that a contingent consideration payment will be made to the sellers of GA and the £3.9m deferred compensation amount was consequently released to profit in the six month period to 30 June 2013.

Finance costs

Total finance costs, net of investment income of £0.1m (H1 2012 – £0.1m), decreased to £5.0m (H1 2012 – £5.2m). Net interest costs on borrowings increased to £4.3m (H1 2012 – £3.9m) mainly due to the adverse impact of foreign exchange translation of interest on US dollar denominated borrowings. However, finance costs relating to retirement benefits decreased to £0.7m (H1 2012 – £1.3m), principally due to a mandated change in accounting policy whereby the interest cost and expected return on plan assets has been replaced with a net interest charge on the net defined benefit liability, as detailed in Note 2 of the Interim Financial Statements. Essentially, the expected rate of return on assets has been replaced by the discount rate and scheme running costs are now recognised within operating profit. Given that an increasing proportion of the Group's pension assets are invested in fixed income securities as part of the continuing implementation of liability-driven investment strategies in the Group's defined benefit pension plans, this new accounting requirement led to a net reduction in finance costs relating to retirement benefits.

Profit before tax

Adjusted profit before tax increased by 6.2% to £48.3m (H1 2012 – £45.5m). Reported profit before tax from continuing operations decreased by 13.3% to £37.1m (H1 2012 – £42.8m) mainly due to the goodwill impairment charge. The reconciling items between these two measures are shown in Note 4 of the Interim Financial Statements.

Tax charge

The total tax charge decreased to £3.8m (H1 2012 – £10.2m). If the net tax benefits of £5.9m (H1 2012 – £0.7m) arising from amortisation of intangible assets on acquisitions and impairment of goodwill are added back, the adjusted tax charge of £9.7m (H1 2012 – £10.9m) represents an underlying tax rate of 20.0% (H1 2012 – 24.0%) on adjusted profit before tax. The decrease in the underlying tax rate arose mainly due to a change in the Group's geographic profit mix. In addition, deferred tax assets continue to be recognised in the UK arising from the capitalisation of certain historical UK losses that are now anticipated to be available for use following the acquisition of Weston in 2011.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 414.4 million (H1 2012 – 403.9 million). The increase arose principally from the vesting of shares awarded under the Savings-Related Share Option Plan in July 2012 and under the Group's Long-term Incentive Plan. Adjusted earnings per share increased by 8.6% to 9.31 pence (H1 2012 – 8.57 pence). Basic earnings per share decreased by 1.6% to 8.04 pence (H1 2012 – 8.17 pence). See Note 7 of the Interim Financial Statements for details of the basis of these calculations.

Dividend

The interim dividend is being increased by 10.1% to 1.52 pence per share (2012 interim dividend – 1.38 pence), reflecting the Group's healthy first half performance and encouraging future prospects. It will be paid on 29 November 2013 to shareholders on the register at the close of business on 25 October 2013.

Cash flow

The Group's free cash flow, the derivation of which is set out in Note 11(b) of the Interim Financial Statements, remained strong at £28.1m (H1 2012 – £27.7m). The main driver of the cash performance was cash generated from operations of £48.7m (H1 2012 – £48.9m), which is stated after taking into account pension contributions in excess of service costs of £3.3m (H1 2012 – £3.5m) and a working capital outflow of £14.1m (H1 2012 – £9.9m). The working capital outflow was mainly due to an increase in receivables that arose due to increased underlying activity in the period relative to that of Q4 2012. The Group's level of working capital as a proportion of annualised sales in the six-month period increased to 11.1%, remaining within the Group's target range.

Capital expenditure of £12.5m (H1 2012 – £12.8m) was 1.1 times depreciation, with the majority of the spend related to investment in growth programmes. Capital expenditure of £9.1m was incurred in the Aerospace Division and £3.3m in the Flexonics Division. Capital expenditure is expected to be higher in the second half of the year than the first half, as significant investments are due to be made to support future growth programmes.

Net assets

Net assets increased by 12.3% to £351.3m in the six-month period (31 December 2012 – £312.9m). The main movements were: an increase in property, plant and equipment of £8.7m, including foreign currency increases of £7.7m; an increase in working capital of £20.4m, principally receivables; a reduction of £6.8m in the Group's retirement benefit obligations, as explained below; and a £5.4m decrease in net debt.

Net debt

Net debt decreased by £5.4m in the six-month period to £65.5m (31 December 2012 – £70.9m). This movement included adverse foreign currency movements of £5.7m, largely due to a strengthening in the value of the US dollar against the Pound Sterling over the period from £1:$1.63 at the start of the year to £1:$1.52 at the end of June 2013. The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 0.5x at 30 June 2013 (31 December 2012 – 0.6x). 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 2013 were £30.3m in excess of the value of pension assets, representing a decrease in the deficit of £6.8m from 31 December 2012. The net liability in respect of the Group's UK defined benefit pension plan decreased by £6.4m to £16.9m (31 December 2012 – £23.3m). Net pension liabilities in North America and other territories decreased by £0.4m. The £6.4m decrease in the UK net liability over the first six months of 2013 is principally due to the favourable impact of an increase in bond yields, that determine the discount rate used in calculating the plan's total benefit obligations, and the deficit reduction contributions made by the Group.

Changes in accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Report & Accounts 2012, 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 Group's results.

Related party transactions

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

GOING CONCERN BASIS

As noted in the Annual Report & Accounts 2012, 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, and short-term overdraft borrowings. At 30 June 2013, 99% of the Group's gross debt was financed via revolving credit and private placement facilities, with an average maturity of 3.5 years. Furthermore, and as discussed above, during the first half of 2013 the Group remained strongly cash generative with free cash flow of £28.1m achieved. The Group's ratio of net debt to EBITDA, its principal bank covenant, improved to 0.5x at 30 June 2013 (31 December 2012 – 0.6x). Under the Group's committed borrowing facilities, this ratio is required to be less than 3.0x. At 30 June 2013, the Group had funding headroom of £146m under its committed borrowing facilities, and has no major borrowing facility renewal before October 2014.

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 on an ongoing basis 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 aerospace industry (34% of Group revenue) is expected to remain strong for a number of years, with Boeing and Airbus increasing the build rates of their main aircraft platforms to fulfil their record order books (over eight years at current rates of production). As an example, Boeing's 787 aircraft, where Senior currently has around $800k content per plane, is projected to increase from the current seven per month to ten per month by the end of 2013 and then twelve per month in 2016. Furthermore, the Airbus A350, on which the Group has nearly $400k content per aircraft, flew for the first time in June and is expected to be delivered to customers starting in late 2014. In addition, the decisions taken by Airbus and Boeing to re-engine their A320 and B737 aircraft, to improve their fuel efficiency by over 10%, has presented an opportunity for Senior to increase its content on these high-volume aircraft. Senior continues to be successful in achieving this goal, with the shipset content on both programmes now expected to be meaningfully higher than on the current platforms, which should help the Group deliver growth when these aircraft go into production in 2015 and 2017, respectively. However, against this encouraging backdrop, customer pricing pressure is expected to increase, driven by the expectation of airlines and Governments of purchasing more competitively priced aircraft in the future. This can be expected to put increasing pressure on the Group's future margins. Given the growing industry, the increasing importance of Asia and the increasing price pressures, it is expected that the Group's Aerospace facility in Thailand will have a more important part to play in the future. Accordingly, the Group has purchased additional land adjacent to its current Thai operation and is in the process of adding capacity and capability to support its customers, with a recent short-term award of structural work for the B787 an encouraging development.

Elsewhere in the Aerospace Division, the business and regional jet markets (7% of Group revenue) remain broadly stable with industry commentators expecting growth, from the current low base, to be seen in the near term whilst further declines are anticipated in the military sector (15% of Group revenue) during 2014 as Governments cut back on defence spending. Two important future programmes for Senior in these sectors, the Bombardier CSeries passenger aircraft ($480k content) and the Airbus A400M military transporter ($655k content) offer particularly good growth prospects. The CSeries is scheduled to fly for the first time shortly whilst the A400M is coming to the end of its testing programme with production deliveries now commencing.

In the Flexonics Division, truck and off-highway volumes (13% of Group revenue) are at satisfactory levels, with North American customers (the Group's most important market in this sector) anticipating volume increases as the economy improves. In addition, the significant recent technological driven advance in the operating life of the Group's exhaust gas recycling cooler for the truck market means Senior is now in a better position to win new customers for this product, although spares demand is consequently likely to decline. However, European passenger-vehicle demand is at recent record lows with little improvement in sight such that the outlook for the passenger-vehicle sector (8% of Group revenue) remains challenging, although the progress now being made in China and Mexico provides some encouragement. Activity in industrial markets (15% of Group revenue) is expected to remain mixed for some time with weaker second half renewable energy sales, little sign of imminent improvement in general European markets but hopeful signs for 2014 in the North American large expansion joint sector, driven by early signs of increasing project activity in the petrochemical industry.

Staying focused on serving customers through operational excellence, technology solutions and having a global footprint can also be expected to help increase market share for products in both Divisions, as emission legislation tightens across the world and the commercial aerospace industry continues to grow.

Overall, the Group is well positioned to deliver future growth, with the Board's expectation for 2013 full-year adjusted profit before tax remaining unchanged and the longer-term outlook for Senior continuing to be encouraging.

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. The Directors consider that the principal potential risks and uncertainties remain largely unchanged from that set out in the Annual Report & Accounts 2012. These risks, and the steps that the Group is taking to manage them, were discussed in some depth on pages 29 to 31 of the Annual Report & Accounts 2012 which is available at www.seniorplc.com.

The Group actively manages its strategic, commercial and day-to-day operational risks through its Executive Committee. There has been no significant change to the Group's risk profile in the first half of 2013 and 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 2013. The principal potential risks and uncertainties which could have a material impact on the Group's future performance are summarised below.

STRATEGY	The Group has a significant breadth of potential growth opportunities in its chosen market sectors. It is therefore essential that an appropriately focused strategy is formulated, communicated and effectively executed to avoid the risk of inappropriate allocation of resources and failure to deliver on long-term performance goals. The Group's strategic planning process includes regular strategy sessions at operational, Executive Committee and Board level.
GLOBAL CYCLICAL DOWNTURN	The potential adverse impact on the Group of significant demand declines in key markets, arising from the consequences of sovereign debt issues, government austerity measures and/or political instability in the Middle East, remains potentially significant. Through diversity of its end-market exposures and a robust financing position, the Group remains well placed to be able to withstand potential negative consequences that may arise from future global cyclical downturns.
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. The Group continues to place appropriate focus to ensure continued profitable participation in existing and future development programmes, winning market share through operational excellence and cost competitiveness. In a number of market sectors customer pricing pressure is increasing and the Group is working to protect its operating margins through volume increases, additional efficiency improvements and engineered cost reductions.
ACQUISITIONS	Consistently strong free cash flow generation has given the Group capacity to continue to execute a targeted acquisition programme. Failure to execute this programme effectively would have a significant 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.
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 customers, enabling programme development and launch timing of new aircraft platforms to be effectively monitored.
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. As noted in the Business Model discussed earlier, the Group has increased its investment in personnel development significantly in recent years.
IMPORTANCE OF EMERGING MARKETS	Customers' desire to move manufacture of components to emerging economies 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 has an increasing presence in emerging markets via its facilities in Mexico, Thailand, Czech Republic, South Africa, Brazil, India and China. Each of these operations, individually and in combination, has a healthy number of viable opportunities for further expansion either to supply domestic markets or to support customers' increasing global needs.
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 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.

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 Conduct 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 Conduct Authority.

By Order of the Board

Charles Berry
Chairman
26 July 2013

Mark Rollins
Group Chief Executive
26 July 2013

Condensed consolidated income statement

For the half-year ended 30 June 2013

	Notes	**Half-year ended 30 June 2013 £m**	Half-year ended 30 June 2012 £m	Year ended 31 Dec 2012 £m
Continuing operations				
Revenue	3	**399.3**	365.5	712.0
Trading profit before one-off items		**51.2**	48.0	93.9
Goodwill impairment	8	**(12.9)**	–	–
Reversal of contingent consideration payable	13	**3.9**	–	–
Trading profit		**42.2**	48.0	93.9
Loss on sale of fixed assets		**–**	–	(0.1)
Share of joint venture loss	3	**(0.1)**	–	(0.1)
Operating profit[1]		**42.1**	48.0	93.7
Investment income		**0.1**	0.1	0.3
Finance costs		**(5.1)**	(5.3)	(10.6)
Profit before tax[2]		**37.1**	42.8	83.4
Tax	5	**(3.8)**	(10.2)	(16.8)
Profit for the period from continuing operations		**33.3**	32.6	66.6
Discontinued operations				
Operating profit		**–**	0.4	0.8
Profit on disposal		**–**	–	2.5
Profit for the period from discontinued operations		**–**	0.4	3.3
Profit for the period		**33.3**	33.0	69.9
Attributable to:				
Equity holders of the parent		**33.3**	33.0	69.9
Earnings per share				
From continuing and discontinued operations				
Basic[3]	7	**8.04p**	8.17p	17.11p
Diluted[4]	7	**7.93p**	7.89p	16.69p
From continuing operations				
Basic	7	**8.04p**	8.07p	16.30p
Diluted	7	**7.93p**	7.80p	15.90p
[1] Adjusted operating profit	4	**53.3**	50.7	101.4
[2] Adjusted profit before tax	4	**48.3**	45.5	91.1
[3] Adjusted earnings per share	7	**9.31p**	8.57p	17.75p
[4] Adjusted and diluted earnings per share	7	**9.20p**	8.28p	17.31p

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2013

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m	Year ended 31 Dec 2012 £m
Profit for the period	**33.3**	33.0	69.9
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on cash flow hedges during the period	**(2.8)**	0.4	1.2
Reclassification adjustments for losses included in profit or loss	**1.1**	0.5	0.8
(Losses)/gains on cash flow hedges	**(1.7)**	0.9	2.0
Exchange differences on translation of foreign operations	**15.0**	(3.8)	(11.1)
Tax relating to items that may be reclassified	**–**	(0.2)	(0.5)
	13.3	(3.1)	(9.6)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	**5.1**	(14.3)	(12.3)
Tax relating to items that will not be reclassified	**(1.2)**	2.6	3.1
	3.9	(11.7)	(9.2)
Other comprehensive income for the period, net of tax	**17.2**	(14.8)	(18.8)
Total comprehensive income for the period	**50.5**	18.2	51.1
Attributable to:			
Equity holders of the parent	**50.5**	18.2	51.1

Condensed consolidated balance sheet

As at 30 June 2013

	Notes	**30 June 2013 £m**	30 June 2012 £m	31 Dec 2012 £m
Non-current assets				
Goodwill	8	**219.9**	208.0	220.1
Other intangible assets		**17.2**	15.0	18.7
Investment in joint venture		**1.1**	–	0.8
Property, plant and equipment	9	**143.5**	126.7	134.8
Deferred tax assets		**11.5**	9.0	12.5
Trade and other receivables		**0.4**	0.7	0.5
Total non-current assets		**393.6**	359.4	387.4
Current assets				
Inventories		**98.1**	90.8	91.2
Construction contracts		**–**	1.8	–
Trade and other receivables		**124.3**	111.1	101.2
Cash and cash equivalents	11a)	**57.4**	44.8	44.5
Total current assets		**279.8**	248.5	236.9
Total assets		**673.4**	607.9	624.3
Current liabilities				
Trade and other payables		**132.2**	131.7	122.4
Current tax liabilities		**13.9**	11.2	12.3
Obligations under finance leases		**0.4**	0.5	0.5
Bank overdrafts and loans		**0.2**	0.2	0.8
Provisions		**6.1**	6.2	6.1
Total current liabilities		**152.8**	149.8	142.1
Non-current liabilities				
Bank and other loans	11c)	**121.9**	118.1	113.6
Retirement benefit obligations	12	**30.3**	46.3	37.1
Deferred tax liabilities		**16.4**	8.1	17.6
Obligations under finance leases		**0.4**	0.8	0.5
Others		**0.3**	0.4	0.5
Total non-current liabilities		**169.3**	173.7	169.3
Total liabilities		**322.1**	323.5	311.4
Net assets		**351.3**	284.4	312.9
Equity				
Issued share capital	10	**41.6**	40.5	41.4
Share premium account		**13.8**	12.3	13.7
Equity reserve		**3.7**	3.5	3.8
Hedging and translation reserve		**8.7**	1.6	(4.6)
Retained earnings		**285.2**	226.5	259.6
Own shares		**(1.7)**	–	(1.0)
Equity attributable to equity holders of the parent		**351.3**	284.4	312.9
Total equity		**351.3**	284.4	312.9

Condensed consolidated statement of changes in equity

For the half-year ended 30 June 2013

	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	Own shares £m	Total equity £m
Balance at 1 January 2012	40.2	12.3	2.7	4.5	216.6	–	276.3
Profit for the period	–	–	–	–	69.9	–	69.9
Gains on cash flow hedges	–	–	–	2.0	–	–	2.0
Exchange differences on translation of foreign operations	–	–	–	(11.1)	–	–	(11.1)
Actuarial losses on defined benefit pension schemes	–	–	–	–	(12.3)	–	(12.3)
Tax relating to components of other comprehensive income	–	–	–	–	2.6	–	2.6
Total comprehensive income for the period	–	–	–	(9.1)	60.2	–	51.1
Issue of share capital	1.2	1.4	(0.3)	–	–	–	2.3
Share-based payment charge	–	–	2.0	–	–	–	2.0
Tax relating to share-based payments	–	–	–	–	(1.4)	–	(1.4)
Purchase of shares held by employee benefit trust	–	–	–	–	–	(1.0)	(1.0)
Transfer to retained earnings	–	–	(0.6)	–	0.6	–	–
Dividends paid	–	–	–	–	(16.4)	–	(16.4)
Balance at 31 December 2012	41.4	13.7	3.8	(4.6)	259.6	(1.0)	312.9
Profit for the period	–	–	–	–	33.3	–	33.3
Losses on cash flow hedges	–	–	–	(1.7)	–	–	(1.7)
Exchange differences on translation of foreign operations	–	–	–	15.0	–	–	15.0
Actuarial gains on defined benefit pension schemes	–	–	–	–	5.1	–	5.1
Tax relating to components of other comprehensive income	–	–	–	–	(1.2)	–	(1.2)
Total comprehensive income for the period	–	–	–	13.3	37.2	–	50.5
Issue of share capital	0.2	0.1	(0.2)	–	–	–	0.1
Share-based payment charge	–	–	1.4	–	–	–	1.4
Tax relating to share-based payments	–	–	–	–	0.7	–	0.7
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.7)	(0.7)
Transfer to retained earnings	–	–	(1.3)	–	1.3	–	–
Dividends paid	–	–	–	–	(13.6)	–	(13.6)
Balance at 30 June 2013	**41.6**	**13.8**	**3.7**	**8.7**	**285.2**	**(1.7)**	**351.3**

	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	Own shares £m	Total equity £m
Balance at 1 January 2012	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
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

Condensed consolidated cash flow statement

For the half-year ended 30 June 2013

	Notes	**Half-year ended 30 June 2013 £m**	Half-year ended 30 June 2012 £m	Year ended 31 Dec 2012 £m
Net cash from operating activities	11a)	**40.3**	40.3	83.3
Investing activities				
Interest received		**0.1**	0.2	0.3
Proceeds on disposal of property, plant and equipment		**0.2**	–	0.1
Purchases of property, plant and equipment		**(12.1)**	(12.4)	(25.3)
Purchases of intangible assets		**(0.4)**	(0.4)	(0.8)
Proceeds on disposal of subsidiary		**–**	–	4.5
Investment in joint venture		**(0.4)**	–	(0.9)
Acquisition of Atlas	13	**(2.4)**	–	–
Acquisition of GA		**–**	–	(28.1)
Net cash used in investing activities		**(15.0)**	(12.6)	(50.2)
Financing activities				
Dividends paid		**(13.6)**	(10.7)	(16.4)
Repayment of borrowings		**–**	–	(0.2)
Repayments of obligations under finance leases		**(0.2)**	(0.3)	(0.6)
Share issues		**0.1**	–	2.3
Purchase of shares held by employee benefit trust		**(0.7)**	–	(1.0)
Net cash used in financing activities		**(14.4)**	(11.0)	(15.9)
Net increase in cash and cash equivalents		**10.9**	16.7	17.2
Cash and cash equivalents at beginning of period		**43.9**	28.5	28.5
Effect of foreign exchange rate changes		**2.6**	(0.4)	(1.8)
Cash and cash equivalents at end of period	11a)	**57.4**	44.8	43.9

Notes to the condensed consolidated interim financial statements

1. General information
The information for the year ended 31 December 2012 does not constitute the Group's statutory accounts for 2012 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2012 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 26 July 2013, 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 Conduct 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, a period of not less than 12 months from this reporting date. Accordingly, 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 2012, except for as described below.

In the current financial year, the Group has adopted the following standards and amendments:

IFRS 7 (Amendments) improves disclosure in netting arrangements associated with financial assets and financial liabilities. This amendment does not represent a material impact on the Group's Financial Statements.

IFRS 13 defines fair value and replaces the requirements contained in individual accounting standards. The standard does not change the requirements regarding which items should be measured or disclosed at fair value and as such has no material impact on the Group's Financial Statements.

IAS 1 (Amendments) improves how items of other income should be presented in the statement of other comprehensive income (OCI). Other than having to separate items of OCI into items that may be reclassified subsequently to the profit or loss account and those that will not be reclassified to the profit or loss account, these amendments will not materially impact the Group's Financial Statements.

IAS 19 (Amendments) changes the accounting and valuation of defined benefit plans and termination benefits. The interest cost and expected return on plan assets has been replaced with a net interest charge on the net defined benefit liability. The amendments also enhance the disclosure requirements of defined benefit plans. The impact of retrospectively applying the accounting changes is not considered to have a material impact on the Group's Financial Statements and so the prior year results have not been restated. If the changes were applied retrospectively as at 31 December 2012, the Group's profit before tax for 2012 would have increased by £0.7m. The required enhanced disclosures will be presented in the Group's Annual Financial Statements for the year ending 31 December 2013.

IAS 32 (Amendments) addresses inconsistencies relating to the offsetting of financial assets and financial liabilities criteria. This amendment does not represent a material impact on the Group's Financial Statements.

The Annual Improvements to IFRSs 2009 – 2011 Cycle incorporated necessary, but non-urgent, amendments to five International Financial Reporting Standards. The amendments most relevant to the Group are:

IAS 1 "Presentation of Financial Statements" amendments clarify the requirement for additional comparative information and do not represent a material impact on the Group's Financial Statements.

IAS 34 "Interim Financial Reporting" amendments clarify the disclosure requirements for segment information and fair value of Financial Instruments. These Interim Financial Statements as at 30 June 2013 reflect the amended disclosure requirements, where applicable.

The remaining three amendments in the Improvements to IFRSs 2009 – 2011 Cycle do not currently impact the Group's Financial Statements.

The following Standards and Interpretations are also effective from the current financial year, but are currently not relevant to the Group's operations. IFRS 1 (Amendments) "Government Loans" and IFRIC 20: "Stripping Costs in the Production of a Surface Mine".

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.

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.

Segment liabilities include directly attributable trade payables and accruals. Debt, finance lease obligations, deferred and current tax and retirement benefit obligations 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	**Flexonics**	**Eliminations/ central costs**	**Total**	Aerospace	Flexonics	Eliminations/ central costs	Total
	Half-year ended 30 June 2013 £m	**Half-year ended 30 June 2013 £m**	**Half-year ended 30 June 2013 £m**	**Half-year ended 30 June 2013 £m**	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2012 £m	Half-year ended 30 June 2012 £m
Continuing operations								
External revenue	**253.9**	**145.4**	**–**	**399.3**	242.4	123.1	–	365.5
Inter-segment revenue	**0.3**	**0.2**	**(0.5)**	**–**	0.1	0.1	(0.2)	–
Total revenue	**254.2**	**145.6**	**(0.5)**	**399.3**	242.5	123.2	(0.2)	365.5
Continuing adjusted trading profit	**36.8**	**20.6**	**(4.0)**	**53.4**	36.5	17.9	(4.1)	50.3
Share of joint venture loss	**–**	**(0.1)**	**–**	**(0.1)**	–	–	–	–
Continuing adjusted operating profit	**36.8**	**20.5**	**(4.0)**	**53.3**	36.5	17.9	(4.1)	50.3
Reversal of contingent consideration payable	**–**	**3.9**	**–**	**3.9**	–	–	–	–
Amortisation of intangible assets from acquisitions	**(1.5)**	**(0.6)**	**–**	**(2.1)**	(2.0)	–	–	(2.0)
Impairment of goodwill	**(12.9)**	**–**	**–**	**(12.9)**	–	–	–	–
Acquisition costs	**(0.1)**	**–**	**–**	**(0.1)**	–	(0.3)	–	(0.3)
Operating profit	**22.3**	**23.8**	**(4.0)**	**42.1**	34.5	17.6	(4.1)	48.0
Investment income				**0.1**				0.1
Finance costs				**(5.1)**				(5.3)
Profit before tax				**37.1**				42.8
Tax				**(3.8)**				(10.2)
Profit for the period from continuing operations				**33.3**				32.6
Profit for the period from discontinued operations				**–**				0.4
Profit after tax and discontinued operations				**33.3**				33.0
Continuing operations adjusted operating profit				**53.3**				50.3
Discontinued operations adjusted operating profit				**–**				0.4
Adjusted operating profit				**53.3**				50.7

Revenue from discontinued operations for the six months ended 30 June 2012 was £11.7m.

3. Segmental analysis continued

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

Assets	**30 June 2013 £m**	30 June 2012 £m	31 Dec 2012 £m
Aerospace	**250.4**	227.5	219.5
Flexonics	**115.2**	97.7	107.4
Corporate	**2.0**	1.6	1.8
Segment assets for reportable segments	**367.6**	326.8	328.7
Unallocated			
Goodwill	**219.9**	208.0	220.1
Intangible customer relationships	**15.1**	12.9	16.7
Cash	**57.4**	44.8	44.5
Deferred and current tax	**11.6**	9.5	12.8
Assets relating to discontinued operations	**–**	4.9	–
Others	**1.8**	1.0	1.5
Total assets per balance sheet	**673.4**	607.9	624.3

Liabilities	**30 June 2013 £m**	30 June 2012 £m	31 Dec 2012 £m
Aerospace	**75.2**	72.4	63.3
Flexonics	**46.7**	43.9	41.8
Corporate	**14.6**	16.7	21.1
Segment liabilities for reportable segments	**136.5**	133.0	126.2
Unallocated			
Debt	**122.1**	118.3	114.4
Finance leases	**0.8**	1.3	1.0
Deferred and current tax	**30.3**	19.3	29.9
Retirement benefit obligations	**30.3**	46.3	37.1
Liabilities relating to discontinued operations	**–**	3.1	–
Others	**2.1**	2.2	2.8
Total liabilities per balance sheet	**322.1**	323.5	311.4

Notes to the condensed consolidated interim financial statements continued

4. Adjusted operating profit and adjusted profit before tax

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

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m	Year ended 31 Dec 2012 £m
Operating profit from continuing operations	**42.1**	48.0	93.7
Operating profit from discontinued operations	**–**	0.4	0.8
Operating profit	**42.1**	48.4	94.5
Loss on sale of fixed assets	**–**	–	0.1
Exceptional pension charge	**–**	–	1.9
Reversal of contingent consideration payable	**(3.9)**	–	–
Amortisation of intangible assets from acquisitions	**2.1**	2.0	4.3
Impairment of goodwill	**12.9**	–	–
Acquisition costs	**0.1**	0.3	0.6
Adjustments to operating profit	**11.2**	2.3	6.9
Adjusted operating profit	**53.3**	50.7	101.4
Profit before tax from continuing operations	**37.1**	42.8	83.4
Profit before tax from discontinued operations	**–**	0.4	3.3
Profit before tax	**37.1**	43.2	86.7
Adjustments to profit before tax as above	**11.2**	2.3	6.9
Profit on disposal of discontinued operation	**–**	–	(2.5)
Adjustments to profit before tax	**11.2**	2.3	4.4
Adjusted profit before tax	**48.3**	45.5	91.1

5. Tax charge

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m
Current tax:		
Current year	**6.3**	7.2
	6.3	7.2
Deferred tax:		
Current year	**(2.5)**	3.0
	3.8	10.2

Corporation tax for the interim period is charged at 10.3% (2012 – 23.7%) on profit before tax. On adjusted profit before tax, an underlying tax rate of 20.0% (2012 – 24.0%) 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 2013 £m	Half-year ended 30 June 2012 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 3.27p (2011 – 2.65p) per share	13.6	10.7
Proposed interim dividend for the year ended 31 December 2013 of 1.52p (2012 – 1.38p) per share	6.3	5.7

The proposed interim dividend was approved by the Board of Directors on 26 July 2013 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 2013 million**	Half-year ended 30 June 2012 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**414.4**	403.9
Effect of dilutive potential ordinary shares:		
Share options	**5.3**	14.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**419.7**	418.1

Earnings and earnings per share	**Half-year ended 30 June 2013 Earnings £m**	**Half-year ended 30 June 2013 EPS pence**	Half-year ended 30 June 2012 Earnings £m	Half-year ended 30 June 2012 EPS pence
Profit for the period from continuing operations	**33.3**	**8.04**	32.6	8.07
Profit for the period from discontinued operations	**–**	**–**	0.4	0.10
Profit for the period from continuing and discontinued operations	**33.3**	**8.04**	33.0	8.17
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.7m (2012 – £0.7m)	**1.4**	**0.34**	1.3	0.33
Reversal of contingent consideration payable net of tax of £nil (2012 – £nil)	**(3.9)**	**(0.95)**	–	–
Impairment charge net of tax of £5.2m (2012 – £nil)	**7.7**	**1.86**	–	–
Acquisition costs net of tax of £nil (2012 – £ nil)	**0.1**	**0.02**	0.3	0.07
Adjusted earnings after tax	**38.6**	**9.31**	34.6	8.57
Earnings per share				
– basic from continuing operations		**8.04p**		8.07p
– basic from continuing and discontinued operations		**8.04p**		8.17p
– diluted from continuing operations		**7.93p**		7.80p
– diluted from continuing and discontinued operations		**7.93p**		7.89p
– adjusted		**9.31p**		8.57p
– adjusted and diluted		**9.20p**		8.28p

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:

– amortisation of intangible assets acquired on acquisitions;

– reversal of contingent consideration payable;

– impairment charges; and

– acquisition costs.

8. Goodwill

The change in goodwill from £220.1m at 31 December 2012 to £219.9m at 30 June 2013 reflects foreign exchange differences of £10.7m, impairment charges of £12.9m, a £1.7m increase in goodwill recognised on the acquisition of Atlas (see Note 13), and an increase of £0.3m in goodwill previously recognised on the acquisition of GA in 2012.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As noted for the year ended 31 December 2012, Capo Industries has been impacted by the subdued business jet market since 2008, and taking into account that the anticipated recovery in this, and the regional jet engine markets, has not yet materialised and expectations for future operating margins are consequently lower, an impairment review has been performed on this Cash Generating Unit ("CGU").

The recoverable amount was determined from a value in use calculation. The calculation uses cash flow forecasts derived from the most recent forecasts, as approved by management for the next five years, and cash flows thereafter which have been extrapolated based on estimated growth rates that do not exceed independently sourced estimated long-term average growth rates for the aerospace industry. Different probability weighted scenarios, where the compound annual sales growth over the initial five-year period ranges from management's base case of 18% to 4% have been considered. Beyond this combined five-year period, cash flows have been projected to grow at a compound annual growth rate of 3.6% from 2019 to 2031, with reference to Boeing and Bombardier 20-year market projections, and 2.5% per annum thereafter. The pre-tax rate used to discount the forecast cash flows was 10.8% (2012 – 10.8%). This is based on the Group's weighted average pre-tax cost of capital and is the measurement used by management in assessing investment appraisals.

As at 30 June 2013, before impairment testing, goodwill of £29.9m was allocated to Capo Industries within Aerospace. As a result of the impairment test noted above, an impairment loss of £12.9m has been recognised against Capo Industries, Inc.'s goodwill, leaving a balance of £16.7m at 30 June 2013 after taking account of foreign exchange movements. This impairment loss has been included within trading profit in the Condensed Consolidated Income Statement. No impairment charges were recognised in 2012.

9. Property, plant and equipment

During the period, the Group spent £12.1m (2012 – £12.4m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.2m (2012 – £nil) for proceeds of £0.2m (2012 – £nil).

10. Share capital

Share capital as at 30 June 2013 amounted to £41.6m. During the period, the Group issued 42,230 shares at an average price of 144.4p per share under share option plans, raising £0.06m. A further 2,039,740 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 2013 £m	Half-year ended 30 June 2012 £m
Operating profit from continuing operations	**42.1**	48.0
Operating profit from discontinued operations	**–**	0.4
Operating profit	**42.1**	48.4
Adjustments for:		
Depreciation of property, plant and equipment	**10.9**	10.0
Amortisation of intangible assets from acquisitions	**2.1**	2.0
Amortisation of other intangible assets	**0.4**	0.3
Impairment of goodwill	**12.9**	–
Share of Joint Venture	**0.1**	–
Reversal of contingent consideration payable	**(3.9)**	–
Share-based payment charges	**1.7**	1.5
Pension payments in excess of service cost	**(3.3)**	(3.5)
Operating cash flows before movements in working capital	**63.0**	58.7
Increase in inventories	**(1.7)**	(2.0)
Increase in receivables	**(17.5)**	(7.4)
Increase/(decrease) in payables	**5.1**	(0.5)
Working capital currency movements	**(0.2)**	0.1
Cash generated by operations	**48.7**	48.9
Income taxes paid	**(4.3)**	(4.5)
Interest paid	**(4.1)**	(4.1)
Net cash from operating activities	**40.3**	40.3
Cash and cash equivalents comprise:		
Cash	**57.4**	44.8
Bank overdrafts	**–**	–
Total	**57.4**	44.8

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

11. Notes to the cash flow statement continued

b) Free cash flow

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

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m
Net cash from operating activities	**40.3**	40.3
Interest received	**0.1**	0.2
Proceeds on disposal of property, plant and equipment	**0.2**	–
Purchases of property, plant and equipment – cash	**(12.1)**	(12.4)
Purchase of intangible assets	**(0.4)**	(0.4)
Free cash flow	**28.1**	27.7

c) Analysis of net debt

	At 1 January 2013 £m	Cash flow £m	Exchange movement £m	**At 30 June 2013 £m**
Cash	44.5	10.3	2.6	**57.4**
Overdrafts	(0.6)	0.6	–	**–**
Cash and cash equivalents	43.9	10.9	2.6	**57.4**
Debt due within one year	(0.2)	–	–	**(0.2)**
Debt due after one year	(113.6)	–	(8.3)	**(121.9)**
Finance leases	(1.0)	0.2	–	**(0.8)**
Total	(70.9)	11.1	(5.7)	**(65.5)**

12. Retirement benefit schemes

Aggregate post-retirement benefit obligations are £30.3m (30 June 2012 – £46.3m; 31 December 2012 – £37.1m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £16.9m (30 June 2012 – £33.8m; 31 December 2012 – £23.3m) and £7.8m (30 June 2012 – £7.7m; 31 December 2012 – £8.4m) respectively, and a liability on unfunded schemes of £5.6m (30 June 2012 – £4.8m; 31 December 2012 – £5.4m). These values have been assessed by independent actuaries using current market values and discount rates. The decrease in the liability from £37.1m at 31 December 2012 to £30.3m at 30 June 2013 reflects a decrease in the present value of benefit obligations, due to an increase in the UK and US plan discount rate assumption to 4.7% and 4.6% (31 December 2012 – 4.4% and 3.9%) respectively, and by the positive effect of total cash contributions in excess of service cost of £3.3m. The change in the discount rate assumption since 31 December 2012 is in line with movements in market yields of high-quality corporate bonds which are used to determine the net interest cost.

13. Acquisitions

The contingent consideration of £3.9m is no longer considered likely to be payable to the sellers of GA and consequently this amount has been taken back to the income statement in the period.

On 8 February 2013, the Group acquired 100% of the issued share capital of Atlas Composites Limited and its parent company Castlegate 408 Limited (collectively "Atlas"). Atlas, based in Ilkeston, Derbyshire, UK, designs and manufactures composite structures, components and tooling for aerospace, motorsport, defence and communications markets. The cash consideration, net of cash acquired of £0.1m, was £2.4m and the acquisition was funded from the Group's existing debt facilities. Goodwill of £1.7m has been recognised on acquisition and represents the premium paid in anticipation of future profitability from assets that are not capable of being separately identified and separately recognised such as the assembled workforce as well as the Group's ability to generate future value from expanding Atlas' aerospace activities through utilisation of the Group's existing relationships and experience in the aerospace industry.

Atlas contributed £1.6m of external revenue and £0.2m to the Group's operating profit from the date of acquisition to 30 June 2013. If the acquisition had been completed on 1 January 2013, Group revenue for the six months ended 30 June 2013 would have been £399.7m and Group operating profit would have remained unchanged at £42.1m

14. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m
Carrying value of financial assets:		
Cash and cash equivalents	**57.4**	44.8
Trade receivables	**116.2**	102.7
Other receivables	**1.6**	1.3
Loans and receivables at amortised cost	**175.2**	148.8
Currency derivatives used for hedging	**0.3**	0.4
Total financial assets	**175.5**	149.2
Carrying value of financial liabilities:		
Bank overdrafts and loans	**122.1**	118.3
Obligations under finance leases	**0.8**	1.3
Trade payables	**66.6**	62.3
Other payables	**56.3**	60.5
Other financial liabilities at amortised cost	**245.8**	242.4
Currency derivatives used for hedging	**2.0**	1.3
Total financial liabilities	**247.8**	243.7
Undiscounted contractual maturity of other financial liabilities:		
Amounts payable:		
On demand or within one year	**131.4**	131.1
In the second to fifth years inclusive	**82.1**	83.5
After five years	**66.5**	68.5
	280.0	283.1
Less: future finance charges	**(34.2)**	(40.7)
Other financial liabilities at amortised cost	**245.8**	242.4

Any amounts drawn under the committed syndicated multi-currency facility, which matures in 2016, are drawn on a short-term basis and are therefore shown as payable within one year in the above contractual maturity analysis. The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities noted above except for bank overdrafts and loans, where the Directors estimate the fair value to be £142.9m (2012 – £140.1m). The fair value has been determined by applying a make-whole calculation using prevailing treasury bill yields plus the applicable credit spread for the Group.

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All financial instruments are measured at level 2 i.e. those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements.

	Half-year ended 30 June 2013 £m	Half-year ended 30 June 2012 £m
Assets		
Foreign exchange contracts – cash flow hedges	**0.3**	0.4
Total assets	**0.3**	0.4
Liabilities		
Foreign exchange contracts – cash flow hedges	**2.0**	1.3
Total liabilities	**2.0**	1.3

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 2013 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 14. 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 Conduct 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 2013 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 Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
26 July 2013

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