Senior plc
Interim Report 2014





CONTENTS

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FINANCIAL HIGHLIGHTS

HALF-YEAR TO 30 JUNE 2014

12% increase in adjusted profit before tax at constant currency. Group CEO to retire.

£400.4m
Revenue +0%
% change (constant currency) +7%
(2013 – £399.3m)

13.6%
Adjusted operating margin(1) +0.3ppts
% change (constant currency) +0.4ppts
(2013 – 13.3%)

£45.1m
Profit before tax +22%
% change (constant currency) +31%
(2013 – £37.1m)

£50.1m
Adjusted profit before tax(1) +4%
% change (constant currency) +12%
(2013 – £48.3m)

8.66p
Basic earnings per share +8%
(2013 – 8.04p)

9.65p
Adjusted earnings per share(1) +4%
(2013 – 9.31p)

1.67p
Proposed interim dividend per share +10%
(2013 – 1.52p)

£32.7m
Free cash flow +16%(2)
(2013 – £28.1m)

£114.3m
Net debt(2) – June +£49m
(2013 – £65.5m)

(1) Adjusted figures are stated before a £3.1m charge for amortisation of intangible assets arising on acquisitions (2013 – £2.1m), acquisition costs of £0.4m (2013 – £0.1m), a goodwill impairment charge of £nil (2013 – £12.9m), reversal of contingent consideration payable of £nil (2013 – £3.9m) and a pension curtailment charge of £1.5m (2013 – £nil). Adjusted earnings per share takes account of the tax impact of these items.

(2) 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 \$1.67 (H1 2013 – \$1.55) and €1.22 (H1 2013 – €1.18), respectively. The US dollar and Euro rates applied to the Balance Sheet at 30 June 2014 were \$1.70 (June 2013 – \$1.52) and €1.25 (June 2013 – €1.17), respectively.

OVERVIEW

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SENIOR HAS PRODUCED A HEALTHY SET OF RESULTS FOR THE FIRST HALF OF 2014, MAINLY DUE TO CONTINUING STRONG GROWTH IN THE COMMERCIAL AEROSPACE SECTOR AND IMPROVING DEMAND FROM THE GROUP'S PRINCIPAL LAND VEHICLE MARKETS.

Group highlights

- Group revenue broadly unchanged at £400.4m (7% increase at constant currency)
- Adjusted profit before tax(1) increased by 4% to £50.1m (12% increase at constant currency)
- Adjusted earnings per share(1) up 4% to 9.65 pence
- Completed the acquisition of Upeca in April for £74.4m: an encouraging start with the Group
- Continued strong free cash flow resulted in net debt of £114.3m, after acquisition of Upeca
- Group outlook remains encouraging and interim dividend increased by 10% to 1.67 pence per share
- Group CEO to retire in the first half of 2015

The Group delivered a healthy set of results for the first half of 2014, with the commercial aerospace market continuing to see strong growth and demand improving in the Group's global vehicle markets.

Total Group revenue was broadly unchanged at £400.4m (H1 2013 – £399.3m). This includes an unfavourable exchange impact of £26.2m and a beneficial incremental impact from acquisitions of £16.0m. If the effect of acquisitions and the exchange impact are excluded, underlying Group revenue from organic operations increased by 3% on a constant currency basis.

Total Group reported operating profit increased by 18% to £49.6m (H1 2013 – £42.1m), mainly due to the absence of the goodwill impairment charge and contingent consideration provision reversal, together totalling £9.0m, which were incurred in the first half of 2013.

Adjusted operating profit increased by £1.3m (2%) to £54.6m (H1 2013 – £53.3m) with the Group achieving an adjusted operating margin of 13.6% (H1 2013 – 13.3%). Whilst unfavourable exchange rate movements reduced H1 2014 adjusted operating profit by £4.0m compared to H1 2013, this was more than offset by the profit benefit of increased organic revenue, improved operational performance and £1.8m of year-on-year acquisition benefits. If the effect of acquisitions and exchange movements are excluded, underlying adjusted operating profit from organic operations increased by 7% on a constant currency basis.

Adjusted profit before tax increased by £1.8m (4%) to £50.1m (H1 2013 – £48.3m). The increase was 12% on a constant currency basis.

The underlying tax rate remained unchanged, compared to the first half of 2013, at 20.0% and adjusted earnings per share consequently increased by 4% to 9.65 pence (H1 2013 – 9.31 pence). Basic earnings per share rose by 8% to 8.66 pence (H1 2013 – 8.04 pence).

The Group continues to be highly cash-generative and delivered free cash flow of £32.7m (H1 2013 – £28.1m) after net investment in capital expenditure of £11.9m (H1 2013 – £12.5m). The level of net debt at the end of June 2014 was £114.3m, higher than the £59.2m at the end of December 2013 primarily due to the £74.4m acquisition of Upeca (including cash and debt acquired) completed in April this year. The ratio of net debt to EBITDA at the end of June 2014 was 0.8x, within the Group's target range of 0.5x to 1.5x and comfortably below the Group's bank covenant level of 3.0x. The Group remains well placed to fund future organic and acquisitive growth.

As a result of the healthy underlying results and encouraging future prospects, the Board is recommending an interim dividend of 1.67 pence per share, an increase of 10% over the prior year (H1 2013 – 1.52 pence).

DELIVERY OF GROUP STRATEGY

The Group continued to make good progress during the first half of 2014 in delivering its strategy.

The acquisition of UPECA Technologies Sdn. Bhd. ("Upeca") in April strengthens Senior's presence for aerospace and energy products in the fast-growing Asian region, enabling the Group to better meet its customers' requirements for in-region suppliers and cost-competitive solutions. Upeca has two manufacturing facilities in Malaysia, one selling to the aerospace industry and the other to the energy market, and a third facility in China, located in Tianjin, which specialises in energy applications. The two businesses serving the energy markets are being managed by a single CEO, reporting to the Flexonics Divisional CEO. The aerospace business forms part of Senior's Aerospace Structures group of companies.

Organic investment in growing market share and winning new programmes is a key strategic focus and a number of significant programmes have been approved in recent months. In Asia, construction work is now beginning on the new 196,000 sq ft facility in Thailand which is expected to cost some £6m and to be operational in the middle of 2015. In North America, an additional 59,000 sq ft leased facility is being constructed for the Group's SSP operation in California to meet the future A320neo and CSeries production demands, with £4m anticipated to be required to be spent over the next three years on fitting out the facility and providing the necessary production equipment. More generally across the Group, investment in production equipment to meet the growing volumes in the commercial aerospace industry is increasing, with the next 12 months expected to see capital expenditure levels running at a significantly higher rate than recently.

Operating in successful end markets and being aligned with the right customers is important to Senior's future growth prospects. The Group's most important market is large commercial aircraft, now representing 39% of Group sales (H1 2013 – 34%), where Boeing and Airbus collectively delivered 645 aircraft in the first half of 2014, 7% more than the prior year. Their net orders of 789 aircraft were 22% above deliveries with their combined order book consequently increasing to 10,783 aircraft. This represents a very healthy eight years' production at current build rates, meaning good growth can be expected in the future. In July 2014, the Group announced that it is to set up a satellite factory adjacent to Boeing's rapidly growing facility in South Carolina, to assemble Boeing 787 structural parts.

In the regional jet market (3% of Group revenue), the Bombardier CSeries and Mitsubishi Regional Jet programmes, on which Senior has significant content, continued to edge closer to their expected first customer deliveries in the second half of 2015 and 2017, respectively. The Group also made encouraging progress in the period towards winning meaningful content on Embraer's new E2 regional jet, which is due into service in 2018. Senior's large business jet market (5% of Group revenue) was broadly stable in the first half of 2014, with the Group seeing an increase in revenue mainly due to development activity on the new Learjet 85. Unsurprisingly, military and defence activity declined with products for these markets now representing 12% of Group sales in the first half of 2014 compared to 15% for the same period last year.

In Flexonics, solid progress was achieved during the first half of 2014, with the Group's growing presence in Mexico and Asia attracting early interest from customers wanting global or in-region supply. Aided by generally better economic conditions, total Group sales to truck and off-highway markets (13% of Group revenue) increased by 7% on a constant currency basis, and sales to passenger vehicle markets (7% of Group revenue) improved by 6% on the same measure as the Group's principal European market improved from the seventeen-year low seen in 2013. In the Group's industrial markets (14% of Group revenue) sales were down 3% on a constant currency basis, despite the inclusion of Upeca for the second quarter, against a strong comparator performance in the first half of 2013. However, enquiry levels have been encouraging in both North America and Brazil, with order bookings strong. This is expected to lead to an improved second half sales level as shipment of the previously announced large industrial expansion joint order, for a North American Catofin project, commences and product manufactured by our Brazilian operation, in the first half of the year, is shipped as payment has now been received for the products.

EMPLOYEES AND THE BOARD

The Board is delighted to welcome the employees of Upeca to the Group. Senior now employs over 7,400 people across the world with over 1,150 located in Asia, demonstrating the ever increasing global nature of the Group. As previously announced, after seven years on the Board, David Best stepped down as a non-executive Director and Chair of the Audit Committee at the end of April 2014 and the Board would like to thank him for his dedicated service and contribution to the Group's success throughout this time. As planned, Giles Kerr became Chairman of the Audit Committee upon David's retirement.

After 15 years on the Board and with the Group well positioned for the future, Mark Rollins, Group Chief Executive, has decided to retire from a full-time executive career during the first half of 2015. Recruitment for his successor has commenced.

OUTLOOK

The Group delivered a solid performance in the first half of 2014 with the large commercial aerospace market remaining strong and some early signs of an economic recovery taking place. Consequently, progress is expected to be made across the Group's operations during the remainder of the year, although the anticipated improved performance at Thermal Engineering is yet to be fully delivered and the successful industrialisation of new programmes, particularly at SSP, remains a challenge. In particular, the second half of the year is expected to benefit from six months' full ownership of Upeca, the consolidation benefits of relocating Capo into Ketema, which is progressing to plan and is expected to be completed in late summer, and the improved industrial volumes in North America and Brazil discussed above. The translation effect of foreign exchange continues to add a degree of uncertainty to the Group's reported outcome for the year.

Looking further ahead, the forecast delivery of the first A350 in Q4 2014, and its subsequent production ramp-up, together with Boeing's and Airbus's, plans to increase the build rates of their B787, B737 and A320 aircraft, mean the outlook for the large commercial aerospace sector, the Group's most important market, is both strong and visible. In particular, the Group can expect to benefit from the greater content it has on the new-engine versions of the high-volume narrow bodied aircraft, the A320neo and B737 MAX, which are scheduled to enter service in 2015 and 2017, respectively. Having world-class aerospace facilities in Asia is also expected to lead to increases in market share. Consequently, the Group was pleased to achieve recent small contract awards on the A350 and A320 at the newly acquired Upeca facility in Malaysia, and to be progressing as planned in bringing additional A350 and B787 work into production in Thailand during 2015. Against this growing backdrop, pricing pressure remains a challenge, but is being managed in line with expectations and is generally moderating as contract negotiations are completed.

Elsewhere in the Aerospace Division, the Group remains encouraged by the regional and business jet sector, with Bombardier's CSeries aircraft, on which the Group has healthy content, continuing its test programme and forecasting first deliveries in 2015. Senior has also increased its content on the Learjet L85 and the Embraer E2-Jet in recent months. The outlook for military and defence, representing 12% of Group sales in H1 2014, remains weaker, with increases in the build rates of new programmes, such as the A400M military transporter and the P-8 naval reconnaissance aircraft, not expected to entirely offset the impact of reduced defence spending by the USA and European Governments.

In Flexonics, the outlook for Senior's land vehicle operations is showing some early signs of improvement, with volumes of heavy-duty trucks and passenger vehicles gradually improving in most of the Group's main markets from the low levels seen in 2013. Activity in India and Brazil, however, remains weak. Whilst the future level of the Group's industrial activity is less visible, given its often one-off project nature, the Group's industrial end markets such as power generation, oil and gas, chemical processing, medical and semi-conductor are likely to grow broadly in line with global economic activity. In addition, environmental legislation continues to tighten across the globe, which can be expected to provide greater demand for the Group's products.

Staying focused on customer alignment, operational excellence and our people, all key elements of the Group's business model, will enable Senior to continue to grow organically. In addition, Senior's cash-generative nature and strengthening market and financial position provide a solid platform from which the Group can continue to pursue acquisitive growth opportunities on a targeted basis to complement its existing portfolio of businesses.

Overall, the Board anticipates the Group to perform in line with expectations for 2014 with Senior well positioned to make further progress in 2015 and beyond.

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.

INTERIM MANAGEMENT REPORT

AEROSPACE DIVISIONAL REVIEW

The Aerospace Division represents 66% (H1 2013 – 64%) of Group revenue and consists of 19 operations. These are located in North America (10), the United Kingdom (four), continental Europe (three), Thailand (one) and Malaysia (one).

The Aerospace Division's main products are airframe and other structural parts (30% of 2014 H1 divisional sales), engine structures and mounting systems (29%), metallic ducting systems (17%), composite ducting systems (6%), fluid control systems (6%) and helicopter machined parts (4%). The remaining 8% of divisional sales were to non-aerospace, but related technology markets, including the energy, semi-conductor and medical markets.

The Division's largest customers include Rolls-Royce (representing 17% of 2014 H1 divisional sales), Boeing (17%), Spirit AeroSystems (11%), United Technologies (8%), Bombardier (5%), Airbus (4%), Safran (3%), GKN (3%) and GE (2%).

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

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013[1] £m	Change
Revenue	**264.0**	239.8	+10.1%
Adjusted operating profit	**39.4**	34.9	+12.9%
Adjusted operating margin	**14.9%**	14.6%	+0.3ppts

[1] H1 2013 results translated using H1 2014 average exchange rates.

Divisional revenue increased by £24.2m (10.1%) to £264.0m (H1 2013 – £239.8m at constant currency) and adjusted operating profit increased by £4.5m (12.9%) to £39.4m (H1 2013 – £34.9m at constant currency). Excluding the incremental contribution from the acquisitions of Atlas (revenue of £0.4m; operating profit of £0.1m), Thermal (revenue of £7.9m; operating profit of £0.5m) and Upeca Aerospace (revenue of £2.8m; operating profit of £0.5m), organic revenue for the Division increased by £13.1m (5.5%) and adjusted operating profit increased by £3.4m (9.7%) over the first half of 2013. The adjusted operating margin increased to 14.9% (H1 2013 – 14.6%), mainly due to general efficiency improvements, the cost-reduction actions taken at one of the Group's defence-focused operations last year and the absence of the costs incurred when the structures business of the Weston operation in the UK relocated in mid 2013.

In November 2013, the Group acquired Thermal Engineering Holding Limited ("Thermal"), a company which specialises in manufacturing hot- and cold-formed components, complex fabricated assemblies and thermal insulation heat shields and systems. The capabilities and markets are highly attractive and complementary to the Group, but the business has historically not met customers' expectations for quality and on-time delivery performance which is causing additional rework and inspection costs to be incurred as the situation is corrected. Following a recent change of management, the situation is improving and the longer-term future prospects for the business remain encouraging.

The merger of Capo into Ketema, announced at the end of 2013, has progressed to plan and budget and is now nearing completion, with the consolidation benefits expected to be seen from later this year. As part of the strategy to better align the Group with its customers, AMT, the Group's largest aerospace facility, has announced plans to open a satellite assembly facility in Charleston, South Carolina by the end of 2014. This new facility will support Boeing's 787 operations and, when fully operational, is expected to employ approximately 60 people.

Work is well under way to bring Upeca's aerospace operations into the Group's Aerospace Division. Upeca has strong relationships with a number of blue-chip customers and the early signs of the long-term opportunities presented as a result of Senior's ownership are encouraging. In the short term, the business continues to gain content on a number of key programmes, although it has been impacted by the customer moving the start-up of a new B787 programme out to 2015.

Large commercial aircraft represented 59% of divisional revenue for the first half of 2014. Senior grew its sales to this important sector by 20.2%, on a constant currency basis, during the six-month period to 30 June 2014, with organic growth, excluding acquisitions, being 13.2%. The Group benefited from build rate increases, particularly for B787 and B737, and continued to consolidate its position on a number of key aircraft programmes, winning additional content on the A350 and B787, as well as the A320neo and B737 MAX.

Revenue from the military and defence sector (19% of divisional revenue) (H1 2013 – 23%), declined by 8.8% during the period, on a constant currency basis, primarily due to the absence of significant development activity on the A400M and one-off catch-up volumes for the CH-47 (Chinook) helicopter, both experienced in the prior year. An increase in production of the A400M and the stabilisation of build rates for the Group's main defence programmes, such as the Black Hawk helicopter and C-130J military transport aircraft, are anticipated in the second half.

The production of regional and business jet aircraft showed signs of improvement in the period. Revenue derived from the business jet sector (8% of divisional revenue) increased by 5.4% due to increased activity on the Bombardier L85 and the inclusion of Thermal's business jet revenue. In the regional jet sector (4% of divisional revenue), Group revenue was 11.0% higher, on a constant currency basis, due to increased demand for Bombardier CRJ and Russian Regional Jet aircraft.

Around 10% 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, revenue derived from these markets was broadly unchanged from the level seen in the first half of 2013.

FLEXONICS DIVISIONAL REVIEW

The Flexonics Division represents 34% (H1 2013 – 36%) of Group revenue and consists of 13 operations which are located in North America (four), continental Europe (three), the United Kingdom, South Africa, India, Brazil, Malaysia and Tianjin, China. The Group also has a 49% equity stake in a land vehicle joint venture in Wuhan, China.

59% of the Flexonics Division's revenues in H1 2014 were from land vehicle components, 40% from industrial markets and 1% from aerospace markets.

The land vehicle sales comprise cooling and emission control components (25% of H1 2014 divisional sales), flexible connectors for vehicle exhaust systems (14%), diesel fuel distribution pipework (17%) and off-highway vehicle hydraulics (3%). The industrial product revenue is derived from the power and energy markets (17% of divisional sales), oil and gas and chemical processing industries (12%), HVAC and solar markets (3%) and a range of other markets (8%).

The Division's largest individual end users are land vehicle customers, including Cummins (representing 17% of H1 2014 divisional sales), Caterpillar (9%), Ford (5%), PSA (4%) and Renault (4%). 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 (3%) and Emerson (3%) were the largest industrial customers in the period. Woodward accounted for the majority of aerospace revenue within the Flexonics Division in H1 2014.

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

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013[1] £m	Change
Revenue	**136.6**	133.8	+2.1%
Adjusted operating profit	**20.1**	18.5	+8.6%
Adjusted operating margin	**14.7%**	13.8%	+0.9ppts

[1] H1 2013 results translated using H1 2014 average exchange rates.

Divisional revenue grew by £2.8m (2.1%) to £136.6m (H1 2013 – £133.8m at constant currency) and adjusted operating profit increased by £1.6m (8.6%) to £20.1m (H1 2013 – £18.5m at constant currency). Excluding the incremental contribution from the acquisition of Upeca Energy in April 2014 (revenue of £4.9m; operating profit of £0.7m), organic revenue for the Division declined by £2.1m (1.6%) whilst adjusted operating profit increased by £0.9m (4.9%) as margins improved. The adjusted operating margin increased to 14.7% (H1 2013 – 13.8%), principally due to operational improvements being made at the Division's largest business, as customer demand was more stable than the prior year, and a smaller loss being incurred in the Division's French operation.

Total Group sales to truck and off-highway markets (38% of divisional revenue) increased by 6.9% at constant currency. The increase was mostly due to improvements in the North American medium- and heavy-duty truck market and the continued addition of new programmes for the Group in Europe. Sales to passenger vehicle markets (21% of divisional revenue) increased by 5.5%, with modest improvements in the Division's main European market, off the back of historical lows, and increases in the recently entered Chinese market more than offsetting weak demand in Brazil and India.

In the Group's industrial markets (40% of divisional revenue) organic sales, excluding the benefit of Upeca Energy, were down £6.8m (12.0%) on a constant currency basis, against a strong comparator performance in the first half of 2013, when a large solar energy contract was shipped. In addition, the first half of 2014 saw lower sales of fuel-cell products and expansion joints being manufactured, but not shipped, at the Group's Brazilian operation, due to customer payment delays. Pleasingly, a large customer payment was received at the end of June 2014 which allows for product to be delivered over the coming months. This, along with the first shipments of the previously announced large industrial expansion joint order for a North American Catofin project towards the end of the year, is expected to lead to improved second half sales for the Group's industrial products.

The Upeca energy business has made a positive impact on the Flexonics Division since its acquisition in April and opportunities to work together with the Group's existing operations, such as GA in the USA, have been identified.

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 underlying performance of each Division is set out above in the Divisional Review.

	Revenue		Adjusted operating profit[1]		Margin	
	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m	**Half-year ended 30 June 2014 £m**	Half-year ended 30 June 2013 £m	**Half-year ended 30 June 2014 %**	Half-year ended 30 June 2013 %
Aerospace	**264.0**	254.2	**39.4**	36.8	**14.9**	14.5
Flexonics	**136.6**	145.6	**20.1**	20.6	**14.7**	14.1
Share of results of joint venture	**–**	–	**(0.2)**	(0.1)	**–**	–
Inter-segment sales	**(0.2)**	(0.5)	**–**	–	**–**	–
Central costs	**–**	–	**(4.7)**	(4.0)	**–**	–
Group total	**400.4**	399.3	**54.6**	53.3	**13.6**	13.3

[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, reversal of contingent consideration payable and exceptional pension charge.

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 2014 £m	Half-year ended 30 June 2013 £m
Operating profit per Condensed Consolidated Income Statement	**49.6**	42.1
Exceptional pension curtailment charge	**1.5**	–
Amortisation of intangible assets from acquisitions	**3.1**	2.1
Acquisition costs	**0.4**	0.1
Impairment of goodwill	**–**	12.9
Reversal of contingent consideration payable	**–**	(3.9)
Adjusted operating profit	**54.6**	53.3

FINANCIAL DETAIL

REVENUE

Total Group revenue marginally increased to £400.4m (H1 2013 – £399.3m). This included an unfavourable exchange impact of £26.2m and the beneficial incremental impact from three acquisitions of £16.0m: Atlas acquired in February 2013 (£0.4m); Thermal acquired in November 2013 (£7.9m); and Upeca acquired in April 2014 (£7.7m). If the effect of acquisitions and the year-on-year unfavourable exchange impact are excluded, underlying Group revenue from organic operations increased by 3.0% on a constant currency basis. In the first half of 2014, 63% of sales from continuing operations originated from North America, 16% from the UK, 13% from the Rest of Europe and 8% from the Rest of the World.

OPERATING PROFIT

Adjusted operating profit increased by £1.3m (2.4%) to £54.6m (H1 2013 – £53.3m) with the Group achieving an adjusted operating margin of 13.6% (H1 2013 – 13.3%). Whilst unfavourable exchange rate movements reduced H1 2014 adjusted operating profit by £4.0m compared to H1 2013, this was more than offset by the profit benefit of increased organic revenue, improved operational performance and the year-on-year acquisition contributions of £1.8m (Atlas £0.1m; Thermal £0.5m; Upeca £1.2m). If the effect of acquisitions and exchange movements are excluded, underlying adjusted operating profit from organic operations increased by 7.1% on a constant currency basis.

Adjusted operating profit is stated before finance costs (as detailed below), acquisition costs of £0.4m (H1 2013 – £0.1m), amortisation of intangible assets arising on acquisitions of £3.1m (H1 2013 – £2.1m), goodwill impairment charge of £nil (H1 2013 – £12.9m), reversal of contingent consideration payable of £nil (H1 2013 – £3.9m) and an exceptional pension charge of £1.5m (H1 2013 – £nil).

Total Group reported operating profit increased by 17.8% to £49.6m (H1 2013 – £42.1m), mainly due to the absence of the goodwill impairment charge and contingent consideration provision reversal, together totalling £9.0m, incurred in the first half of 2013.

FINANCE COSTS

Total finance costs, net of investment income of £0.1m (H1 2013 – £0.1m), decreased to £4.5m (H1 2013 – £5.0m). Net interest costs on borrowings decreased to £4.1m (H1 2013 – £4.3m), mainly due to the increased debt associated with the acquisition of Upeca being more than offset by the favourable impact of foreign exchange translation of US dollar denominated borrowings. The net IAS 19 pension finance cost decreased to £0.4m (H1 2013 – £0.7m) principally because of a reduction in the pension net deficit at 31 December 2013 compared to that at 31 December 2012.

PROFIT BEFORE TAX

Adjusted profit before tax increased by £1.8m (3.7%) to £50.1m (H1 2013 – £48.3m). On a constant currency basis, adjusted profit before tax increased by 11.8% (H1 2013 – £44.8m). Statutory profit before tax increased 21.6% to £45.1m (H1 2013 – £37.1m). The reconciling items between adjusted and statutory profit before tax are shown in Note 4 of the Interim Financial Statements.

TAX CHARGE

The total tax charge increased to £9.1m (H1 2013 – £3.8m). If the net tax benefits of £0.9m (H1 2013 – £5.9m) arising from amortisation of intangible assets on acquisitions, exceptional pension charge and impairment of goodwill are added back, the adjusted tax charge of £10.0m (H1 2013 – £9.7m) represents an unchanged underlying tax rate of 20.0% (H1 2013 – 20.0%) on adjusted profit before tax.

EARNINGS PER SHARE

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 415.7 million (H1 2013 – 414.4 million). The increase arose principally from the vesting of shares awarded under the Group's Long-term Incentive Plan. Adjusted earnings per share increased by 3.7% to 9.65 pence (H1 2013 – 9.31 pence). Basic earnings per share increased by 7.7% to 8.66 pence (H1 2013 – 8.04 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% to 1.67 pence per share (2013 interim dividend – 1.52 pence), reflecting the Group's solid first half performance and encouraging future prospects. It will be paid on 28 November 2014 to shareholders on the register at the close of business on 24 October 2014.

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 £32.7m (H1 2013 – £28.1m). The main driver of the cash performance was cash generated from operations of £55.1m (H1 2013 – £48.7m), which is stated after taking into account pension contributions in excess of service costs of £4.6m (H1 2013 – £3.3m) and a working capital outflow of £9.0m (H1 2013 – £14.1m). 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 2013 combined with customers paying to longer terms. In addition, the ramp-up of production with a number of our key aerospace programmes and the shipment delays in Brazil has resulted in higher inventory levels during the first half of the year. These increases were partially offset by an increase in creditors. As anticipated, the Group's level of working capital as a proportion of annualised sales in the six-month period increased to 12.0% (11.3% excluding acquisitions), remaining within the Group's target range.

Capital expenditure of £12.1m (H1 2013 – £12.5m) was equal to depreciation, with the majority of the spend related to investment in growth programmes. Capital expenditure of £7.9m was incurred in the Aerospace Division, £3.9m in the Flexonics Division and £0.3m at the Group's holding companies. Capital expenditure is expected to be significantly higher in the second half of the year than the first half, as major investments are being made to support future growth programmes.

NET DEBT

Net debt increased by £55.1m in the six-month period to £114.3m at 30 June 2014 (31 December 2013 – £59.2m). This increase was principally due to the £74.4m acquisition of Upeca (cash consideration of £59.1m plus overdraft and debt acquired of £15.3m). Other movements included £15.0m of dividend payments, £0.6m purchase of own shares net of shares issued, £2.2m of favourable currency movements and a free cash inflow of £32.7m.

The ratio of net debt to EBITDA at the end of June 2014 was 0.8x, within the Group's target range of 0.5x to 1.5x and comfortably below the Group's bank covenant level of 3.0x.

RETIREMENT BENEFIT OBLIGATIONS

Aggregate post-retirement benefit liabilities at 30 June 2014 were £24.8m in excess of the value of pension assets, representing a decrease in the deficit of £0.8m from 31 December 2013. The net liability in respect of the Group's UK defined benefit pension plan increased by £0.5m to £16.1m (31 December 2013 – £15.6m). Net pension liabilities in North America and other territories decreased by £1.3m. The £0.8m net decrease over the first six months of 2014 is principally due to improved asset returns and the deficit reduction contributions made by the Group, offset partially by an increase in liabilities due to lower bond yields, that determine the discount rate in calculating the plans' liabilities, and a £1.5m curtailment charge following closure of the Group's UK pension plan to future accrual in April 2014.

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 2013, 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

The Group's business activities, performance and position are set out above and in the Divisional Reviews. These include a description of the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, a review of the principal risks and uncertainties that are likely to affect the Group's future development is set out below. A summary of the Group's policies and processes in respect of capital and financial risk management, including foreign exchange and liquidity risks, is included in Note 21 on page 86 of the Annual Report & Accounts 2013.

The Group meets its day-to-day working capital and other funding requirements through a combination of long-term funding, in the form of revolving credit and private placement facilities, and short-term overdraft borrowing. At 30 June 2014, 93% of the Group's gross debt was financed via revolving credit and private placement facilities, with an average maturity of 2.7 years. The Group is profitable, cash-generative and well funded with net debt of £114.3m compared to £178.9m of committed borrowing facilities. The Group will be required to repay $35m (£20.6m) of private placement loans in October 2014. The Group has sufficient undrawn committed debt capacity to satisfy this maturity.

Economic conditions are, however, liable to change, thereby potentially creating uncertainty in a number of areas such as the level of demand for the Group's products, cost inflation, interest and exchange rates, where the rate between Pound Sterling and the US dollar is particularly important to the Group's financial performance. This is because around 69% of the Group's profits in H1 2014 were earned in North America and 84% of its gross borrowings at 30 June 2014 were denominated in US dollars. For these reasons, a sensitivity analysis has been performed on the Group's forecasts and projections, to take account of reasonably possible changes in trading performance, together with foreign exchange fluctuations under the hedging policies that are in place. This analysis shows that the Group will be able to operate well within the level of its current committed borrowing facilities and banking covenants under all reasonably foreseeable scenarios. As a consequence, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and the Board has continued to adopt the going concern basis in preparing the Group's Condensed Consolidated Interim Financial Statements.

RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties, which are likely to 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, have not changed from those set out in detail on pages 13 to 15 of the Annual Report & Accounts 2013, which is available at www.seniorplc.com.

These can be summarised as:

- Strategy
- Acquisitions
- Employee retention
- Programme participation
- Price down pressures
- New aircraft platform delays
- Importance of emerging markets
- Global cyclical downturn
- Corporate governance breach
- Financing and liquidity

Overall, the Board does not anticipate any significant change in the likely impact of these risks.

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 a 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

MARK ROLLINS	**DEREK HARDING**
Group Chief Executive	Group Finance Director
1 August 2014	1 August 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Notes	**Half-year ended 30 June 2014 £m**	Half-year ended 30 June 2013 £m	Year ended 31 Dec 2013 £m
Continuing operations				
Revenue	3	**400.4**	399.3	775.1
Trading profit before one-off items		**49.8**	51.2	104.4
Goodwill impairment		**–**	(12.9)	(12.7)
Reversal of contingent consideration payable		**–**	3.9	3.8
Restructuring costs		**–**	–	(1.9)
Trading profit		**49.8**	42.2	93.6
Share of joint venture loss	3	**(0.2)**	(0.1)	(0.3)
Operating profit[1]		**49.6**	42.1	93.3
Investment income		**0.1**	0.1	0.2
Finance costs		**(4.6)**	(5.1)	(9.7)
Profit before tax[2]		**45.1**	37.1	83.8
Tax	5	**(9.1)**	(3.8)	(12.4)
Profit for the period		**36.0**	33.3	71.4
Attributable to:				
Equity holders of the parent		**36.0**	33.3	71.4
Earnings per share				
Basic[3]	7	**8.66p**	8.04p	17.22p
Diluted[4]	7	**8.55p**	7.93p	17.00p
[1] Adjusted operating profit	4	**54.6**	53.3	107.6
[2] Adjusted profit before tax	4	**50.1**	48.3	98.1
[3] Adjusted earnings per share	7	**9.65p**	9.31p	19.00p
[4] Adjusted and diluted earnings per share	7	**9.52p**	9.20p	18.76p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m	Year ended 31 Dec 2013 £m
Profit for the period	**36.0**	33.3	71.4
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges during the period	**0.5**	(2.8)	(2.4)
Reclassification adjustments for losses included in profit or loss	**–**	1.1	1.5
Gains/(losses) on cash flow hedges	**0.5**	(1.7)	(0.9)
Exchange differences on translation of foreign operations	**(5.9)**	15.0	(7.8)
Tax relating to items that may be reclassified	**–**	–	(0.3)
	(5.4)	13.3	(9.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension schemes	**(2.2)**	5.1	4.3
Tax relating to items that will not be reclassified	**0.1**	(1.2)	(2.1)
	(2.1)	3.9	2.2
Other comprehensive income for the period, net of tax	**(7.5)**	17.2	(6.8)
Total comprehensive income for the period	**28.5**	50.5	64.6
Attributable to:			
Equity holders of the parent	**28.5**	50.5	64.6

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Notes	**30 June 2014 £m**	30 June 2013 £m	31 Dec 2013 £m
Non-current assets				
Goodwill	8	**258.3**	219.9	225.9
Other intangible assets		**31.2**	17.2	16.6
Investment in joint venture		**0.8**	1.1	1.0
Property, plant and equipment	9	**154.7**	143.5	142.6
Deferred tax assets		**6.7**	11.5	7.0
Trade and other receivables		**0.4**	0.4	0.5
Total non-current assets		**452.1**	393.6	393.6
Current assets				
Inventories		**111.2**	98.1	99.4
Trade and other receivables		**133.5**	124.3	114.3
Cash and cash equivalents	11a)	**31.8**	57.4	53.1
Total current assets		**276.5**	279.8	266.8
Total assets		**728.6**	673.4	660.4
Current liabilities				
Trade and other payables		**145.6**	132.2	127.4
Current tax liabilities		**16.1**	13.9	15.1
Obligations under finance leases	11c)	**0.4**	0.4	0.4
Bank overdrafts and loans	11c)	**29.2**	0.2	21.2
Provisions		**1.2**	6.1	1.6
Total current liabilities		**192.5**	152.8	165.7
Non-current liabilities				
Bank and other loans	11c)	**115.7**	121.9	90.4
Retirement benefit obligations	12	**24.8**	30.3	25.6
Deferred tax liabilities		**18.8**	16.4	16.5
Obligations under finance leases	11c)	**0.8**	0.4	0.3
Others		**0.2**	0.3	0.4
Total non-current liabilities		**160.3**	169.3	133.2
Total liabilities		**352.8**	322.1	298.9
Net assets		**375.8**	351.3	361.5
Equity				
Issued share capital	10	**41.7**	41.6	41.6
Share premium account		**13.9**	13.8	13.8
Equity reserve		**5.5**	3.7	5.2
Hedging and translation reserve		**(19.0)**	8.7	(13.6)
Retained earnings		**336.3**	285.2	316.4
Own shares		**(2.6)**	(1.7)	(1.9)
Equity attributable to equity holders of the parent		**375.8**	351.3	361.5
Total equity		**375.8**	351.3	361.5

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	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 2013	41.4	13.7	3.8	(4.6)	259.6	(1.0)	312.9
Profit for the period	–	–	–	–	71.4	–	71.4
Losses on cash flow hedges	–	–	–	(0.9)	–	–	(0.9)
Exchange differences on translation of foreign operations	–	–	–	(7.8)	–	–	(7.8)
Actuarial gains on defined benefit pension schemes	–	–	–	–	4.3	–	4.3
Tax relating to components of other comprehensive income	–	–	–	(0.3)	(2.1)	–	(2.4)
Total comprehensive income for the period	–	–	–	(9.0)	73.6	–	64.6
Issue of share capital	0.2	0.1	(0.2)	–	–	–	0.1
Share-based payment charge	–	–	3.0	–	–	–	3.0
Tax relating to share-based payments	–	–	–	–	1.7	–	1.7
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.9)	(0.9)
Transfer to retained earnings	–	–	(1.4)	–	1.4	–	–
Dividends paid	–	–	–	–	(19.9)	–	(19.9)
Balance at 31 December 2013	41.6	13.8	5.2	(13.6)	316.4	(1.9)	361.5
Profit for the period	–	–	–	–	36.0	–	36.0
Gains on cash flow hedges	–	–	–	0.5	–	–	0.5
Exchange differences on translation of foreign operations	–	–	–	(5.9)	–	–	(5.9)
Actuarial losses on defined benefit pension schemes	–	–	–	–	(2.2)	–	(2.2)
Tax relating to components of other comprehensive income	–	–	–	–	0.1	–	0.1
Total comprehensive income for the period	–	–	–	(5.4)	33.9	–	28.5
Issue of share capital	0.1	0.1	(0.1)	–	–	–	0.1
Share-based payment charge	–	–	1.6	–	–	–	1.6
Tax relating to share-based payments	–	–	–	–	(0.2)	–	(0.2)
Purchase of shares held by employee benefit trust	–	–	–	–	–	(0.7)	(0.7)
Transfer to retained earnings	–	–	(1.2)	–	1.2	–	–
Dividends paid	–	–	–	–	(15.0)	–	(15.0)
Balance at 30 June 2014	41.7	13.9	5.5	(19.0)	336.3	(2.6)	375.8

	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 2013	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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Notes	**Half-year ended 30 June 2014 £m**	Half-year ended 30 June 2013 £m	Year ended 31 Dec 2013 £m
Net cash from operating activities	11a)	**44.5**	40.3	92.4
Investing activities				
Interest received		**0.1**	0.1	0.2
Proceeds on disposal of property, plant and equipment		**0.2**	0.2	0.9
Purchases of property, plant and equipment		**(11.6)**	(12.1)	(28.7)
Purchases of intangible assets		**(0.5)**	(0.4)	(1.0)
Investment in joint venture		**–**	(0.4)	(0.5)
Acquisition of Upeca	13	**(60.1)**	–	–
Acquisition of Thermal		**–**	–	(28.1)
Acquisition of Atlas		**–**	(2.4)	(2.4)
Net cash used in investing activities		**(71.9)**	(15.0)	(59.6)
Financing activities				
Dividends paid		**(15.0)**	(13.6)	(19.9)
New loans		**27.8**	–	–
Repayment of borrowings		**(4.5)**	–	(0.2)
Repayments of obligations under finance leases		**(0.9)**	(0.2)	(0.5)
Share issues		**0.1**	0.1	0.1
Purchase of shares held by employee benefit trust		**(0.7)**	(0.7)	(0.9)
Net cash from/(used in) financing activities		**6.8**	(14.4)	(21.4)
Net (decrease)/increase in cash and cash equivalents		**(20.6)**	10.9	11.4
Cash and cash equivalents at beginning of period		**53.1**	43.9	43.9
Effect of foreign exchange rate changes		**(0.7)**	2.6	(2.2)
Cash and cash equivalents at end of period	11a)	**31.8**	57.4	53.1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION
The information for the year ended 31 December 2013 does not constitute the Group's statutory accounts for 2013 as defined in Section 434 of the Companies Act 2006. Statutory accounts for 2013 have been delivered to the Registrar of Companies. The auditor's 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 1 August 2014, have been reviewed by the auditor, whose 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 2013, except for as described below.

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

IFRS 10 establishes a single basis to determine whether an entity should be included in the consolidated financial statements. This standard does not change the Group's conclusion on control and therefore does not represent a material impact on the Group's Financial Statements.

IFRS 11 introduces an amended approach to joint arrangements and provides guidance on how to account for joint operations and joint ventures. This standard does not change the Group's conclusion on its joint venture and therefore does not represent a material impact on the Group's Financial Statements.

IFRS 12 provides disclosure requirements for all forms of interest in other entities. The required enhanced disclosures will be presented in the Group's Annual Financial Statements for the year ending 31 December 2014.

IAS 27 contains the accounting and disclosure requirements for investments in subsidiaries, joint arrangements and associates when preparing separate financial statements. This standard has no material impact on the Group's Financial Statements.

IAS 28 prescribes the accounting for associates and joint ventures. This standard does not represent a material impact on the Group's Financial Statements.

IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance provides additional relief by limiting the requirements to provide comparative information to only the proceeding comparative period. This guidance does not represent a material impact on the Group's Financial Statements.

The following amendments to Standards and Interpretations are also effective from the current financial year, but currently do not impact the Group's operations: IFRS 10, IFRS 12 and IAS 27 (Amendments) Investment Entities, IAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting and IFRIC 21 Levies.

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 Half-year ended 30 June 2014 £m	**Flexonics Half-year ended 30 June 2014 £m**	**Eliminations/ central costs Half-year ended 30 June 2014 £m**	**Total Half-year ended 30 June 2014 £m**	Aerospace Half-year ended 30 June 2013 £m	Flexonics Half-year ended 30 June 2013 £m	Eliminations/ central costs Half-year ended 30 June 2013 £m	Total Half-year ended 30 June 2013 £m
Continuing operations								
External revenue	**263.9**	**136.5**	**–**	**400.4**	253.9	145.4	–	399.3
Inter-segment revenue	**0.1**	**0.1**	**(0.2)**	**–**	0.3	0.2	(0.5)	–
Total revenue	**264.0**	**136.6**	**(0.2)**	**400.4**	254.2	145.6	(0.5)	399.3
Continuing adjusted trading profit	**39.4**	**20.1**	**(4.7)**	**54.8**	36.8	20.6	(4.0)	53.4
Share of joint venture loss	**–**	**(0.2)**	**–**	**(0.2)**	–	(0.1)	–	(0.1)
Continuing adjusted operating profit	**39.4**	**19.9**	**(4.7)**	**54.6**	36.8	20.5	(4.0)	53.3
Exceptional pension charge	**–**	**–**	**(1.5)**	**(1.5)**	–	–	–	–
Reversal of contingent consideration payable	**–**	**–**	**–**	**–**	–	3.9	–	3.9
Amortisation of intangible assets from acquisitions	**(2.1)**	**(1.0)**	**–**	**(3.1)**	(1.5)	(0.6)	–	(2.1)
Impairment of goodwill	**–**	**–**	**–**	**–**	(12.9)	–	–	(12.9)
Acquisition costs	**(0.2)**	**(0.2)**	**–**	**(0.4)**	(0.1)	–	–	(0.1)
Operating profit	**37.1**	**18.7**	**(6.2)**	**49.6**	22.3	23.8	(4.0)	42.1
Investment income				**0.1**				0.1
Finance costs				**(4.6)**				(5.1)
Profit before tax				**45.1**				37.1
Tax				**(9.1)**				(3.8)
Profit after tax				**36.0**				33.3

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 2014 £m**	30 June 2013 £m	31 Dec 2013 £m
Aerospace	**269.3**	250.4	251.5
Flexonics	**127.3**	115.2	103.7
Corporate	**3.7**	2.0	2.3
Segment assets for reportable segments	**400.3**	367.6	357.5
Unallocated			
Goodwill	**258.3**	219.9	225.9
Intangible customer relationships	**28.8**	15.1	14.3
Cash	**31.8**	57.4	53.1
Deferred and current tax	**7.1**	11.6	7.6
Others	**2.3**	1.8	2.0
Total assets per Balance Sheet	**728.6**	673.4	660.4

Liabilities	**30 June 2014 £m**	30 June 2013 £m	31 Dec 2013 £m
Aerospace	**82.8**	75.2	74.6
Flexonics	**50.4**	46.7	37.3
Corporate	**10.8**	14.6	14.1
Segment liabilities for reportable segments	**144.0**	136.5	126.0
Unallocated			
Debt	**144.9**	122.1	111.6
Finance leases	**1.2**	0.8	0.7
Deferred and current tax	**34.9**	30.3	31.6
Retirement benefit obligations	**24.8**	30.3	25.6
Others	**3.0**	2.1	3.4
Total liabilities per Balance Sheet	**352.8**	322.1	298.9

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 exceptional pension charges, amortisation of intangible assets acquired on acquisitions, impairment charges, reversal of contingent consideration payable, restructuring costs and acquisition costs.

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m	Year ended 31 Dec 2013 £m
Operating profit	**49.6**	42.1	93.3
Exceptional pension charge/(credit)	**1.5**	–	(1.1)
Reversal of contingent consideration payable	**–**	(3.9)	(3.8)
Amortisation of intangible assets from acquisitions	**3.1**	2.1	4.2
Impairment of goodwill	**–**	12.9	12.7
Restructuring costs	**–**	–	1.9
Acquisition costs	**0.4**	0.1	0.4
Adjustments to operating profit	**5.0**	11.2	14.3
Adjusted operating profit	**54.6**	53.3	107.6
Profit before tax	**45.1**	37.1	83.8
Adjustments to profit before tax as above	**5.0**	11.2	14.3
Adjusted profit before tax	**50.1**	48.3	98.1

5. TAX CHARGE

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m
Current tax:		
Current year	**8.1**	6.3
	8.1	6.3
Deferred tax:		
Current year	**1.0**	(2.5)
	9.1	3.8

Corporation tax for the interim period is charged at 20.2% (2013 – 10.3%) on profit before tax. On adjusted profit before tax, an underlying tax rate of 20.0% (2013 – 20.0%) 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 2014 £m	Half-year ended 30 June 2013 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2013 of 3.60p (2012 – 3.27p) per share	**15.0**	13.6
Proposed interim dividend for the year ended 31 December 2014 of 1.67p (2013 – 1.52p) per share	**7.0**	6.3

The proposed interim dividend was approved by the Board of Directors on 1 August 2014 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 2014 million**	Half-year ended 30 June 2013 million
Weighted average number of ordinary shares for the purposes of basic earnings per share	**415.7**	414.4
Effect of dilutive potential ordinary shares:		
Share options	**5.4**	5.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**421.1**	419.7

7. EARNINGS PER SHARE CONTINUED

Earnings and earnings per share	Half-year ended 30 June 2014 Earnings £m	Half-year ended 30 June 2014 EPS pence	Half-year ended 30 June 2013 Earnings £m	Half-year ended 30 June 2013 EPS pence
Profit for the period	**36.0**	**8.66**	33.3	8.04
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £0.6m (2013 – £0.7m)	**2.5**	**0.60**	1.4	0.34
Reversal of contingent consideration payable net of tax of £nil (2013 – £nil)	**–**	**–**	(3.9)	(0.95)
Impairment charge net of tax of £nil (2013 – £5.2m)	**–**	**–**	7.7	1.86
Acquisition costs net of tax of £nil (2013 – £nil)	**0.4**	**0.10**	0.1	0.02
Exceptional pension charge net of tax of £0.3m (2013 – £nil)	**1.2**	**0.29**	–	–
Adjusted earnings after tax	**40.1**	**9.65**	38.6	9.31
Earnings per share				
– basic		**8.66p**		8.04p
– diluted		**8.55p**		7.93p
– adjusted		**9.65p**		9.31p
– adjusted and diluted		**9.52p**		9.20p

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;

– acquisition costs; and

– exceptional pension charges.

8. GOODWILL

The change in goodwill from £225.9m at 31 December 2013 to £258.3m at 30 June 2014 reflects foreign exchange differences of £3.6m, a £34.7m increase in goodwill recognised on the acquisition of Upeca, and a £1.3m increase in goodwill related to the acquisition of Thermal on 29 November 2013 (see Note 13).

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent £11.6m (2013 – £12.1m) on the acquisition of property, plant and equipment. The Group also disposed of machinery with a carrying value of £0.2m (2013 – £0.2m) for proceeds of £0.2m (2013 – £0.2m).

10. SHARE CAPITAL

Share capital as at 30 June 2014 amounted to £41.7m. During the period, the Group issued 50,467 shares at an average price of 170.5p per share under share option plans, raising £0.09m. A further 1,358,809 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 2014 £m	Half-year ended 30 June 2013 £m
Operating profit from continuing operations	**49.6**	42.1
Adjustments for:		
Depreciation of property, plant and equipment	**11.8**	10.9
Amortisation of intangible assets from acquisitions	**3.1**	2.1
Amortisation of other intangible assets	**0.3**	0.4
Impairment of goodwill	**–**	12.9
Share of joint venture	**0.2**	0.1
Reversal of contingent consideration payable	**–**	(3.9)
Share-based payment charges	**1.7**	1.7
Pension payments in excess of service cost	**(4.6)**	(3.3)
Exceptional pension charge	**1.5**	–
Operating cash flows before movements in working capital	**63.6**	63.0
Increase in inventories	**(8.7)**	(1.7)
Increase in receivables	**(14.3)**	(17.5)
Increase in payables	**14.0**	5.1
Working capital currency movements	**0.5**	(0.2)
Cash generated by operations	**55.1**	48.7
Income taxes paid	**(6.5)**	(4.3)
Interest paid	**(4.1)**	(4.1)
Net cash from operating activities	**44.5**	40.3
Cash and cash equivalents comprise:		
Cash	**31.8**	57.4
Total	**31.8**	57.4

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

B) FREE CASH FLOW

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

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m
Net cash from operating activities	**44.5**	40.3
Interest received	**0.1**	0.1
Proceeds on disposal of property, plant and equipment	**0.2**	0.2
Purchases of property, plant and equipment – cash	**(11.6)**	(12.1)
Purchase of intangible assets	**(0.5)**	(0.4)
Free cash flow	**32.7**	28.1

C) ANALYSIS OF NET DEBT

	At 1 January 2014 £m	Cash flow £m	Assumed on acquisition £m	Exchange movement £m	**At 30 June 2014 £m**
Cash and cash equivalents	53.1	(20.6)	–	(0.7)	**31.8**
Debt due within one year	(21.2)	4.5	(12.9)	0.4	**(29.2)**
Debt due after one year	(90.4)	(27.8)	–	2.5	**(115.7)**
Finance leases	(0.7)	0.9	(1.4)	–	**(1.2)**
Total	(59.2)	(43.0)	(14.3)	2.2	**(114.3)**

12. RETIREMENT BENEFIT SCHEMES

Aggregate post-retirement benefit obligations are £24.8m (30 June 2013 – £30.3m; 31 December 2013 – £25.6m). This liability is made up of net deficits in the Group's UK and US defined benefit pension schemes, with deficits of £16.1m (30 June 2013 – £16.9m; 31 December 2013 – £15.6m) and £3.7m (30 June 2013 – £7.8m; 31 December 2013 – £4.3m) respectively, and a liability on unfunded schemes of £5.0m (30 June 2013 – £5.6m; 31 December 2013 – £5.7m). These values have been assessed by independent actuaries using current market values and discount rates. The decrease in the liability from £25.6m at 31 December 2013 to £24.8m at 30 June 2014 is due to the positive effect of total cash contributions in excess of service costs of £4.6m, returns on pension assets in excess of the discount rate and a fall in inflation expectations in the period, offset by a reduction in the UK and US plan discount rate assumptions to 4.2% (31 December 2013 – 4.5% and 4.8%, respectively), and a £1.5m curtailment charge to the Condensed Consolidated Income Statement in the period following the closure of the Group's UK pension scheme to future accrual at the end of 6 April 2014. The change in the discount rate assumption since 31 December 2013 is in line with movements in market yields of high-quality corporate bonds which are used to determine the net interest cost.

13. ACQUISITIONS

THERMAL ENGINEERING LIMITED

As noted in the Annual Report & Accounts 2013, on 29 November 2013 the Group acquired 100% of the issued share capital of Thermal Engineering Ltd and its parent company Thermal Engineering Holding Ltd (collectively "Thermal"). On reviewing the financial exposures, the fair value of financial liabilities increased by £1.3m resulting in a corresponding increase in goodwill of £1.3m.

UPECA TECHNOLOGIES SDN. BHD.

On 8 April 2014, the Group acquired 100% of the issued share capital of UPECA Technologies Sdn. Bhd., and its 100%-owned subsidiaries UPECA Flowtech Sdn. Bhd., UPECA Engineering (Tianjin) Co. Ltd, UPECA Valve Automation Sdn. Bhd. and UPECA Engineering Sdn. Bhd., together with its 75%-owned subsidiary UPECA Aerotech Sdn. Bhd. (collectively "Upeca"). The Group also subsequently acquired the remaining 25% minority interest in UPECA Aerotech Sdn. Bhd. Upeca is located in Selangor, Malaysia and Tianjin, China and manufactures high-precision engineered components serving the aerospace and energy sectors. Upeca's capabilities are highly complementary to Senior's existing portfolio, strengthening the Group's aerospace and energy market presence in the increasingly important South-East Asian region. The consideration was £59.1m plus the assumption of £15.3m of net debt and the acquisition was funded by the Group's existing debt facilities.

Set out below is a provisional summary of the net assets acquired:

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Identifiable intangible assets	17.8
Property, plant and equipment	15.9
Inventories	5.3
Financial assets, excluding cash and cash equivalents	7.6
Cash and cash equivalents	4.9
Financial liabilities excluding bank overdraft and other borrowings	(5.5)
Bank overdraft and other borrowings	(20.2)
Deferred tax liability	(1.4)
Net assets acquired	24.4
Goodwill	34.7
Total consideration	59.1
Consideration satisfied by:	
Cash paid	59.1
Net cash outflow arising on acquisition:	
Cash consideration	59.1
Add: overdraft net of cash and cash equivalents acquired	1.0
Net cash outflow arising on acquisition	60.1

The goodwill of £34.7m 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 expectation that the Group will be able to leverage its wider market access and strong financial position to generate sustainable financial growth beyond what Upeca would have potentially achieved as a stand-alone company. None of the goodwill is expected to be deductible for tax purposes.

The intangible assets acquired as part of the acquisition relate mainly to customer contracts and relationships, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over five years.

The financial assets acquired include trade receivables with a provisional fair value of £6.9m and a gross contractual value of £6.9m, all of which is currently expected to be collectible.

Acquisition-related costs of £0.4m are included in administrative expenses within trading profit in the Group's Condensed Consolidated Income Statement for the half-year ended 30 June 2014.

The fair value of the acquired identifiable assets and liabilities is provisional pending finalisation of the fair value exercise.

Upeca contributed £7.7m of external revenue and £1.2m to the Group's operating profit from the date of acquisition to 30 June 2014. If the acquisition had been completed on 1 January 2014, continuing Group revenue for the six months ended 30 June 2014 would have been £408.3m and continuing Group operating profit would have been £50.9m.

14. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	Half-year ended 30 June 2014 £m	Half-year ended 30 June 2013 £m
Carrying value of financial assets:		
Cash and cash equivalents	**31.8**	57.4
Trade receivables	**121.4**	116.2
Other receivables	**2.0**	1.6
Loans and receivables at amortised cost	**155.2**	175.2
Currency derivatives used for hedging	**1.9**	0.3
Total financial assets	**157.1**	175.5
Carrying value of financial liabilities:		
Bank overdrafts and loans	**144.9**	122.1
Obligations under finance leases	**1.2**	0.8
Trade payables	**81.1**	66.6
Other payables	**57.2**	56.3
Other financial liabilities at amortised cost	**284.4**	245.8
Currency derivatives used for hedging	**1.3**	2.0
Fair value of interest rate swaps	**0.1**	–
Total financial liabilities	**285.8**	247.8
Undiscounted contractual maturity of other financial liabilities:		
Amounts payable:		
On demand or within one year	**202.0**	131.4
In the second to fifth years inclusive	**93.1**	82.1
After five years	**13.0**	66.5
	308.1	280.0
Less: future finance charges	**(23.7)**	(34.2)
Other financial liabilities at amortised cost	**284.4**	245.8

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 £157.4m (2013 – £142.9m). 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 2014 £m	Half-year ended 30 June 2013 £m
Assets		
Foreign exchange contracts – cash flow hedges	**1.9**	0.3
Total assets	**1.9**	0.3
Liabilities		
Foreign exchange contracts – cash flow hedges	**1.3**	2.0
Interest rate swap	**0.1**	–
Total liabilities	**1.4**	2.0

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 2014 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 2014 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
1 August 2014

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