

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

2. Business and geographical segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

The Group's reportable segments have been determined in accordance with the activity of the Group, focusing on key market sectors. Principally, this splits the Group into two business areas, being:

- Aerospace, Defence & Energy ('ADE'); and
- Automotive & General Industrial ('AGI').

This initial split is determined following consideration of factors including the different customer sets, differing service requirements and different characteristics of business activity. A further split is then made for the geographical divisional split of the Group, being:

- Western Europe;
- North America; and
- Emerging Markets.

Group	Half year to 30 June 2012			
	ADE £m	AGI £m	Head Office and eliminations £m	Consol- idated £m
Revenue				
Total revenue	130.3	171.0	–	301.3
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	32.5	24.3	–	56.8
Share-based payments	(1.2)	(1.5)	(1.3)	(4.0)
Unallocated corporate expenses	–	–	(5.3)	(5.3)
Headline operating profit/(loss)	31.3	22.8	(6.6)	47.5
Amortisation of acquired intangible fixed assets	(0.4)	(0.3)	–	(0.7)
Acquisition costs	(0.8)	(0.4)	–	(1.2)
Segment result	30.1	22.1	(6.6)	45.6
Investment revenue				0.1
Finance costs				(1.9)
Profit before taxation				43.8
Taxation				(11.2)
Profit for the period				32.6

Inter-segment sales are not material.

The Group does not rely on any major customers.

Aerospace, Defence & Energy	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Revenue				
Total revenue	58.8	70.8	0.7	130.3
Result				
Headline operating profit prior to share-based payments	12.9	19.6	–	32.5
Share-based payments	(0.4)	(0.8)	–	(1.2)
Headline operating profit	12.5	18.8	–	31.3
Amortisation of acquired intangible fixed assets	(0.1)	(0.3)	–	(0.4)
Acquisition costs	–	(0.8)	–	(0.8)
Segment result	12.4	17.7	–	30.1

2. Business and geographical segments continued

	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	117.2	31.4	22.4	171.0
Result				
Headline operating profit prior to share-based payments	16.6	7.0	0.7	24.3
Share-based payments	(1.1)	(0.3)	(0.1)	(1.5)
Headline operating profit	15.5	6.7	0.6	22.8
Amortisation of acquired intangible fixed assets	(0.1)	(0.1)	(0.1)	(0.3)
Acquisition costs	–	(0.4)	–	(0.4)
Segment result	15.4	6.2	0.5	22.1

Group	Half year to 30 June 2011			
	ADE £m	AGI £m	Head Office and eliminations £m	Consolidated £m
Revenue				
Total revenue	115.9	172.3	–	288.2
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	26.2	25.0	–	51.2
Share-based payments	(1.0)	(2.1)	(1.2)	(4.3)
Unallocated corporate expenses	–	–	(3.7)	(3.7)
Headline operating profit/(loss)	25.2	22.9	(4.9)	43.2
Amortisation of acquired intangible fixed assets	(0.1)	(0.4)	–	(0.5)
Segment result	25.1	22.5	(4.9)	42.7
Investment revenue				0.1
Finance costs				(2.5)
Profit before taxation				40.3
Taxation				(10.5)
Profit for the period				29.8

	Half year to 30 June 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Revenue				
Total revenue	55.9	59.3	0.7	115.9
Result				
Headline operating profit prior to share-based payments	11.8	14.3	0.1	26.2
Share-based payments	(0.5)	(0.5)	–	(1.0)
Headline operating profit	11.3	13.8	0.1	25.2
Amortisation of acquired intangible fixed assets	(0.1)	–	–	(0.1)
Segment result	11.2	13.8	0.1	25.1

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2. Business and geographical segments continued

	Half year to 30 June 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	123.2	23.2	25.9	172.3
Result				
Headline operating profit prior to share-based payments	19.0	3.8	2.2	25.0
Share-based payments	(1.7)	(0.3)	(0.1)	(2.1)
Headline operating profit	17.3	3.5	2.1	22.9
Amortisation of acquired intangible fixed assets	–	–	(0.4)	(0.4)
Segment result	17.3	3.5	1.7	22.5

Group	Year ended 31 December 2011			
	ADE £m	AGI £m	Head Office and eliminations £m	Consolidated £m
Revenue				
Total revenue	233.5	337.2	–	570.7
Result				
Headline operating profit prior to share-based payments and unallocated corporate expenses	53.2	47.8	–	101.0
Share-based payments	(2.1)	(3.1)	(2.0)	(7.2)
Unallocated corporate expenses	–	–	(8.3)	(8.3)
Headline operating profit/(loss)	51.1	44.7	(10.3)	85.5
Amortisation of acquired intangible fixed assets	(0.2)	(0.7)	–	(0.9)
Impairment charge	–	(4.2)	–	(4.2)
Segment result	50.9	39.8	(10.3)	80.4
Investment revenue				0.2
Finance costs				(4.8)
Profit before taxation				75.8
Taxation				(19.8)
Profit for the year				56.0

	Year ended 31 December 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Revenue				
Total revenue	111.9	120.1	1.5	233.5
Result				
Headline operating profit prior to share-based payments	23.6	29.4	0.2	53.2
Share-based payments	(1.0)	(1.1)	–	(2.1)
Headline operating profit	22.6	28.3	0.2	51.1
Amortisation of acquired intangible fixed assets	(0.2)	–	–	(0.2)
Segment result	22.4	28.3	0.2	50.9

2. Business and geographical segments continued

	Year ended 31 December 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Revenue				
Total revenue	239.6	47.4	50.2	337.2
Result				
Headline operating profit prior to share-based payments	36.0	8.3	3.5	47.8
Share-based payments	(2.5)	(0.5)	(0.1)	(3.1)
Headline operating profit	33.5	7.8	3.4	44.7
Amortisation of acquired intangible fixed assets	(0.1)	–	(0.6)	(0.7)
Impairment charge	–	–	(4.2)	(4.2)
Segment result	33.4	7.8	(1.4)	39.8

Other information

	Half year to 30 June 2012			
	ADE £m	AGI £m	Head Office and eliminations £m	Total Group £m
Group				
Capital additions	17.1	11.1	1.6	29.8
Depreciation and amortisation	9.6	15.8	0.8	26.2
Balance sheet				
Assets:				
Segment assets	327.5	409.9	21.0	758.4
Other investments	–	–	1.6	1.6
Consolidated total assets	327.5	409.9	22.6	760.0
Liabilities:				
Segment liabilities	(64.0)	(120.0)	(91.5)	(275.5)
	263.5	289.9	(68.9)	484.5
Allocation of head office net liabilities	(32.8)	(36.1)	68.9	–
Adjusted segment net assets	230.7	253.8	–	484.5

	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Capital additions	4.9	12.2	–	17.1
Depreciation and amortisation	5.1	4.4	0.1	9.6
Balance sheet				
Assets:				
Segment assets	154.6	168.9	4.0	327.5
Liabilities:				
Segment liabilities	(30.5)	(33.2)	(0.3)	(64.0)
Segment net assets	124.1	135.7	3.7	263.5

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2. Business and geographical segments continued

Other information continued

	Half year to 30 June 2012			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Capital additions	8.0	1.8	1.3	11.1
Depreciation and amortisation	11.5	2.0	2.3	15.8
Balance sheet				
Assets:				
Segment assets	282.0	68.5	59.4	409.9
Liabilities:				
Segment liabilities	(89.4)	(14.9)	(15.7)	(120.0)
Segment net assets	192.6	53.6	43.7	289.9

	Half year to 30 June 2011			
	ADE £m	AGI £m	Head Office and eliminations £m	Total Group £m
Group				
Capital additions	7.4	12.7	1.0	21.1
Depreciation and amortisation	9.3	15.3	0.6	25.2
Balance sheet				
Assets:				
Segment assets	312.8	443.5	28.3	784.6
Other investments	–	0.5	–	0.5
Consolidated total assets	312.8	444.0	28.3	785.1
Liabilities:				
Segment liabilities	(68.7)	(115.5)	(121.1)	(305.3)
	244.1	328.5	(92.8)	479.8
Allocation of head office net liabilities	(39.6)	(53.2)	92.8	–
Adjusted segment net assets	204.5	275.3	–	479.8

	Half year to 30 June 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Capital additions	2.2	5.2	–	7.4
Depreciation and amortisation	5.4	3.8	0.1	9.3
Balance sheet				
Assets:				
Segment assets	173.4	135.1	4.3	312.8
Liabilities:				
Segment liabilities	(34.0)	(34.4)	(0.3)	(68.7)
Segment net assets	139.4	100.7	4.0	244.1

2. Business and geographical segments continued

Other information continued

	Half year to 30 June 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Capital additions	9.0	1.0	2.7	12.7
Depreciation and amortisation	11.2	1.5	2.6	15.3
Balance sheet				
Assets:				
Segment assets	312.6	53.7	77.2	443.5
Other investments	0.5	–	–	0.5
Consolidated total assets	313.1	53.7	77.2	444.0
Liabilities:				
Segment liabilities	(83.2)	(13.4)	(18.9)	(115.5)
Segment net assets	229.9	40.3	58.3	328.5

Group	Year ended 31 December 2011			
	ADE £m	AGI £m	Head Office and eliminations £m	Total Group £m
Capital additions	16.1	27.7	2.2	46.0
Depreciation and amortisation	18.5	30.8	1.8	51.1
Impairment losses recognised in income	–	4.2	–	4.2
Balance sheet				
Assets:				
Segment assets	314.0	411.7	32.2	757.9
Other investments	–	–	0.8	0.8
Consolidated total assets	314.0	411.7	33.0	758.7
Liabilities:				
Segment liabilities	(67.3)	(128.0)	(80.8)	(276.1)
	246.7	283.7	(47.8)	482.6
Allocation of head office net liabilities	(22.2)	(25.6)	47.8	–
Adjusted segment net assets	224.5	258.1	–	482.6

	Year ended 31 December 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total ADE £m
Aerospace, Defence & Energy				
Capital additions	5.0	11.1	–	16.1
Depreciation and amortisation	10.5	7.8	0.2	18.5
Balance sheet				
Assets:				
Segment assets	171.8	140.1	2.1	314.0
Liabilities:				
Segment liabilities	(33.6)	(33.4)	(0.3)	(67.3)
Segment net assets	138.2	106.7	1.8	246.7

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2. Business and geographical segments continued

Other information continued

	Year ended 31 December 2011			
	Western Europe £m	North America £m	Emerging markets £m	Total AGI £m
Automotive & General Industrial				
Capital additions	17.7	3.9	6.1	27.7
Depreciation and amortisation	22.4	3.3	5.1	30.8
Impairment losses recognised in income	–	–	4.2	4.2
Balance sheet				
Assets:				
Segment assets	292.9	56.0	62.8	411.7
Liabilities:				
Segment liabilities	(96.3)	(15.3)	(16.4)	(128.0)
Segment net assets	196.6	40.7	46.4	283.7

3. Provisions

	Restructuring £m	Restructuring Environmental £m	Environmental £m	Total £m
1 January 2012	6.2	9.3	6.5	22.0
Increase in provision	–	–	0.2	0.2
Release of provision	(0.3)	(0.1)	–	(0.4)
Utilisation of provision	(1.4)	(0.6)	(0.3)	(2.3)
Exchange difference	(0.2)	(0.2)	(0.2)	(0.6)
30 June 2012	4.3	8.4	6.2	18.9
Included in current liabilities				8.0
Included in non-current liabilities				10.9
				18.9

The restructuring provision relates to the remaining costs associated with the closure of various Heat Treatment sites.

The Group provides for the costs of environmental remediation that have been identified, either as part of acquisition due diligence, or in other circumstances where remediation by the Group is required. This provision is reviewed semi-annually. The environmental provision has been separated into Restructuring Environmental and Environmental, to separately identify environmental provisions relating to the restructuring programme from those arising in the ordinary course of business.

Cash outflows in respect of these liabilities are expected to occur within 5 years.

4. Taxation

Year ended 31 Dec 2011 £m		Half year to 30 June 2012 £m	Half year to 30 June 2011 £m
	Current tax:		
18.0	Current tax – charge for the period	13.3	8.5
(4.7)	Current tax – adjustments in respect of prior periods	–	0.4
13.3	Total current tax	13.3	8.9
6.5	Deferred tax	(2.1)	1.6
19.8	Total	11.2	10.5

The rate of tax for the interim period is 25.3% (2011: 26.0%) of the profit before tax. The rate of tax is reflective of the impact of blending profits and losses from different countries and the different tax rates associated with those countries. The tax rate includes the impact of the reduction in the UK's corporation tax rate from 26% to 24% with effect from 1 April 2012.