senior

Interim Results for the half-year ended 30 June 2020

Robust cash performance in the period

FINANCIAL HIGHLIGHTS	Half-Year to 30 June		change	change (constant currency) [5]
	2020	2019 [1]		
REVENUE	**£409.0m**	£580.4m	**-30%**	-30%
OPERATING (LOSS)/PROFIT	**£(126.2)m**	£39.2m	**n/m**	n/m
ADJUSTED FOR:				
GOODWILL IMPAIRMENT	**£110.5m**	£nil		
OTHER ADJUSTING ITEMS	**£24.7m**	£7.0m		
ADJUSTED OPERATING PROFIT [2]	**£9.0m**	£46.2m	**-81%**	-81%
ADJUSTED OPERATING MARGIN [2]	**2.2%**	8.0%	**-580bps**	-580bps
(LOSS)/PROFIT BEFORE TAX	**£(136.3)m**	£26.5m	**n/m**	n/m
ADJUSTED PROFIT BEFORE TAX [2]	**£3.6m**	£40.7m	**-91%**	-91%
BASIC (LOSS)/EARNINGS PER SHARE	**(26.43)p**	5.24p	**n/m%**	
ADJUSTED EARNINGS PER SHARE [2]	**0.72p**	7.84p	**-91%**	
INTERIM DIVIDEND PER SHARE	**nil p**	2.28p	**-100%**	
FREE CASH FLOW [3]	**£16.0m**	£13.2m	**+21%**	
NET DEBT [3]	**£238.9m**	£268.3m	**£29m decrease**	Net debt / EBITDA 1.6x
ROCE [4]	**6.8%**	11.6%	**-480bps**	

Summary

- Results significantly impacted by Coronavirus (COVID-19) and 737 MAX
- All our manufacturing sites are operational with appropriate health and safety measures in place
- Robust free cash flow of £16.0m
- Net debt/EBITDA of 1.6x: headroom increased to £162m
- The FAA and Boeing completed 737 MAX certification flight tests
- First company worldwide in Aerospace & Defence sector to have emissions reduction targets approved by the Science Based Targets initiative (SBTi)

Commenting on the results, David Squires, Chief Executive of Senior plc, said:

"*Throughout this extraordinary period, our highest priority was, and remains, the health and welfare of our employees. They have worked tirelessly and skilfully in response to the changing environment, which, in turn, has allowed business continuity to be the very best it could be. These results reflect the Group's relentless and effective focus on cash preservation and liquidity.*

The Coronavirus pandemic has had a profound effect on our markets and customers, and we anticipate that the impact will be with us for some time to come. The restructuring programme, which we launched in November 2019, has progressed in line with plans. Whilst we are doing everything possible to sustain jobs, regrettably we have had to extend and broaden the scope of the restructuring in response to the impact of COVID-19 on our business.

We remain confident that, in the medium term, our differentiated offering in fluid conveyance and thermal management products; our investment in low carbon and advanced manufacturing technology; our global footprint; and our positioning in attractive and diverse end markets will help to ensure that we emerge strongly as the recovery starts to take shape".

Further information

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Notes

This announcement contains inside information. This Release, together with other information on Senior plc, can be found at: www.seniorplc.com

(1) The comparative figures for Half-year ended 30 June 2019 have been restated for an accounting policy change for deferred tax, following a change in accepted practice in 2019 (see Note 2 and 5).

(2) Adjusted operating profit and adjusted profit before tax are stated before £4.7m amortisation of intangible assets from acquisitions (H1 2019 - £7.0m), £110.5m goodwill impairment (H1 2019 - £nil, see Note 8 for further detail) and £20.0m restructuring (H1 2019 - £nil, see Note 4 for further detail). Adjusted profit before tax is also stated before disposal activities of £4.7m (H1 2019 - £7.2m, see Note 13 for further detail). Adjusted operating margin is the ratio of adjusted operating profit to revenue.

(3) See Note 12b and 12c for derivation of free cash flow and of net debt, respectively.

(4) Return on capital employed ("ROCE") is derived from annual adjusted operating profit (as defined in Note 4) divided by the average of the capital employed at the start and end of that twelve-month period, capital employed being total equity plus net debt (as derived in Note 12c). The effect of IFRS 16 on these figures prior to 2019 has been reflected by applying the transitional and annual impact that was disclosed in the Group's Annual Report & Accounts 2018.

(5) H1 2019 results translated using H1 2020 average exchange rates - constant currency.

The following measures are used for the purpose of assessing covenant compliance for the Group's borrowing facilities:

EBITDA is adjusted profit before tax (defined in Note 4) before interest (defined below), depreciation, amortisation and profit or loss on sale of property plant and equipment. It also excludes EBITDA from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).

Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16).

Interest is finance costs and investment income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average H1 2020 rates was $1.27 (H1 2019 - $1.29) and applied in the translation of balance sheet items at 30 June 2020 was $1.24 (30 June 2019 - $1.27).

Webcast

There will be a presentation on Monday 3 August 2020 at 11.00am BST accessible via a live webcast on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is an international manufacturing Group with operations in 13 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs, manufactures and markets high technology components and systems for the principal original equipment producers in the worldwide aerospace & defence, land vehicle and power & energy markets.

Cautionary Statement

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 are made by the Directors in good faith based on the information available to them at the time of their approval of this IMR and they should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

INTERIM MANAGEMENT REPORT 2020

Senior has delivered robust free cash flow generation in a period when the Coronavirus (COVID-19) pandemic has had a profound effect on our markets and customers and the business has continued to be impacted by the grounding of the Boeing 737 MAX fleet. Accordingly, sales, adjusted operating profit and adjusted earnings per share all declined in the period.

The Health and Safety of our employees is always the highest priority at Senior. All of our businesses are following best practice guidelines and national and local government instructions in the multiple jurisdictions in which we operate. We continue to pay special attention to those in our community who are most vulnerable.

The Coronavirus Oversight Committee, chaired by the Group Chief Executive Officer, continues to co-ordinate employee health and welfare and business continuity plans. The actions taken have proved to be effective and all of our operations are open.

In our Market Update on 24 April 2020, we reported that trading for the three months ended 31 March 2020 was slightly ahead of our expectations coming into the year, despite the tangible impact of COVID-19 during March. In our post close Market Update on 10 July 2020 we reported that the second quarter impact was more pronounced with aviation, land vehicle and power and energy markets severely affected and that activity had significantly slowed across both our Aerospace and Flexonics Divisions, as customers temporarily closed their facilities and lowered production rates.

In Aerospace, for the six months ended 30 June 2020, sales were 31.3% lower than H1 2019 on a constant currency basis, with sales from civil aerospace down 41.5%, partly offset by 5.3% growth in sales from military and defence. On a quarterly basis, Aerospace sales declined 22% in Q1 and 40% in Q2, year-on-year. As previously reported, our 2020 Aerospace revenues were expected to be significantly impacted by Boeing's temporary halt in 737 MAX production as well as our decision not to renew certain contracts which did not meet our returns criteria. In Q2 the impact of COVID-19 has led to further revenue reduction.

In Flexonics, sales in H1 2020 were 27.1% lower than for the same period in 2019 on a constant currency basis. On a quarterly basis, Flexonics sales declined 23% in Q1 and 33% in Q2, year-on-year. We had previously anticipated that as a result of weakness in our cyclical end markets Flexonics revenues would decline in 2020, before recovering in 2021. In Q2, land vehicle and oil and gas markets have deteriorated further as a result of COVID-19 pressures, with a consequential impact for our Flexonics businesses.

We measure Group performance on an adjusted basis, which excludes items that do not impact the underlying performance (see Note 4). References below therefore focus on these adjusted measures.

While restructuring actions outlined in our Full Year 2019 Results have delivered the expected benefits, the magnitude of the fall in sales experienced in both divisions in the period, has materially impacted the Group's adjusted operating margin which decreased by 580 basis points, to 2.2% for the half-year.

Adjusted profit before tax decreased to £3.6m (H1 2019 - £40.7m). Adjusted earnings per share decreased to 0.72 pence (H1 2019 – 7.84 pence).

Reported loss before tax was £136.3m (H1 2019 - £26.5m profit). Basic earnings per share was a loss of 26.43 pence (H1 2019 - 5.24 pence profit).

With a strong focus on cash preservation, the Group delivered free cash inflow of £16.0m (H1 2019 - £13.2m) through careful management of capital expenditure and working capital, especially inventory. Gross investment in capital expenditure was £14.8m (representing 0.7x depreciation, prior to the impact of IFRS 16) and the Group generated £1.7m cash inflow from working capital.

The Group generated net cash inflow of £3.3m in the six months to June 2020, as free cash inflow of £16.0m was partly offset by £12.7m cash outflows primarily from restructuring and disposal activities. Restructuring cash costs will increase in the second half of the year, while close control of capital expenditure and working capital will remain.

We have undertaken extensive scenario testing for 2020 and 2021, based on a variety of end market assumptions, while taking account of appropriate cost reduction and cash preservation mitigating actions. The Group's lenders, both banks and US private placement investors, are supportive and we have agreed appropriate covenant relaxations in relation to the June 2020, December 2020 and June 2021 testing periods as well as an additional September 2021 testing period to provide financial flexibility for the Group. Accordingly, against this set of assumptions including a severe but plausible downside scenario, our assessment shows that the Group has sufficient liquidity under its existing committed facilities and will comply with its covenants. For the testing period ended 30 June 2020, the Group's net debt to EBITDA was 1.6x and interest cover was 11.8x, both comfortably within the pre-relaxation covenant limits.

The financial position of the Group remains robust, with £161.7m of headroom on our committed borrowing facilities, an improvement of £2.6m from 31 December 2019. The level of net debt at the end of June 2020 was £238.9m (including capitalised leases of £83.7m), an increase of £9.3m from December 2019 after taking into account adverse currency movements of £11.8m and £0.8m lease movements. The adoption of IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP and, on this basis, the ratio of net debt to EBITDA at 30 June 2020 was 1.6x (30 June 2019 - 1.2x; 31 December 2019 – 1.1x).

Our Aerospace Structures business is one of three Cash Generating Units (CGU) in the Group and has the highest exposure to the Civil Aerospace sector. Given the significant impact of COVID-19 in that market in the short to medium term, an impairment loss of £110.5m has been recognised as an adjusting item in relation to the goodwill allocated to the Aerospace Structures CGU.

We recognise the importance of the dividend for our shareholders. However, in the current operating environment the Board believes it is not appropriate to pay an interim dividend.

Market Conditions

In civil aerospace, the impact of the pandemic led to a severe decline in global air traffic, reaching a low in April 2020, down 94% year-on-year. As a result, many airlines have cut capacity, retired older aircraft and looked to defer deliveries of new aircraft. This led civil aircraft and engine original equipment manufacturers (OEMs) to announce significant cuts to production rates, impacting programmes on which Senior has content.

Airbus announced cuts to its A320, A330 and A350 production rates and has indicated that reduced rates will remain through 2021. On the A320 programme production rates are expected to be 40 per month, instead of the previously anticipated ramp up to rate 63 per month in 2021. Deliveries of the A330neo have been reduced to 2 per month from a build rate of 3.5 at the start of the year and A350 deliveries are now expected to equate to a build rate of 5 per month, compared to between 9 and 10 per month that had been previously expected.

Boeing also announced production cuts to its programmes. On the 787 platform the production rate will be 10 per month for the remainder of 2020, down from 14 per month previously, and then gradually reducing to a rate of 6 per month in 2021. The 777/777X combined production rate will be gradually reduced to 2 per month in 2021, with the first delivery of the 777X targeted for 2022.

Further disruption in H1 2020 was caused by COVID-19 related temporary customer production closures and rebalancing of inventory throughout the supply chain; an activity that is continuing.

Production on Boeing's 737 MAX restarted in the period though at a low rate. News that the FAA and Boeing have completed the certification flight tests is encouraging, with a return to service now expected in Q4 2020. Boeing has said production will gradually increase to 31 per month by the beginning of 2022, with gradual increases to correspond with market demand. With an order backlog in excess of 3,500 aircraft, we expect this programme to be very successful in the medium to long term.

Overall, IATA anticipates demand for air travel in 2020 to fall 63% year-on-year as a result of COVID-19. Most industry commentators expect air traffic to return to 2019 levels by 2023 and production rates to recover to pre-COVID-19 levels by 2024/25. Beyond this, the drivers supporting air traffic growth over the long term c. 4% per annum remain in place. Senior has good content on all the newer aircraft so is well positioned to benefit from the expected medium-term market recovery.

In business jets, flight activity is showing signs of recovering from lows in April. Bombardier noted that business jet deliveries are forecast to be down approximately 30% year-on-year due to the pandemic. In June 2020, the Bombardier Global 7500, which had first deliveries in 2019, received business aviation's first-ever Environmental Product Declaration (EPD), a third-party verification of the aircraft's life cycle environmental footprint. Mitsubishi Aircraft have currently suspended development of the M100 (redesign of the stretched MRJ70) and first delivery of the rebranded Mitsubishi Aircraft SpaceJet M90 has been delayed to 2021.

Senior's sales to the defence sector now represent 19% of Group revenue. The US defence market remains robust and global military spend has not been significantly affected throughout the pandemic. Key growth programmes include F-35 as well as new aircraft such as the CH-53K King Stallion helicopter and the USAF T-7A Red Hawk. These growth programmes will be important franchises for decades to come and Senior is well placed with good content on each one. Mature programmes such as the C-130 transport aircraft and UH-60 Black Hawk helicopter continue in series production.

In Flexonics, the impact of the pandemic caused many of our customers to temporarily shut production facilities and reduce output once reopened. In the first half of 2020 North American truck production was down 52% year-on-year, with ACT Research now forecasting a decline of 51% for the full year 2020, with a return to growth in 2021. Increasing adoption of electrification for both land vehicle and stationary power applications continues. While the market is still relatively small, it is fast growing and represents a major opportunity in the medium and long term for Senior, particularly for its proprietary battery cooling technology.

The significant decline in air and land travel contributed to an excess of crude oil supply over demand and the mothballing of some upstream capacity. At the peak of travel restrictions, supply outstripped demand by 20m barrels per day although that oversupply has now reduced to approximately 8.5m barrels per day and there are further signs of improvement as activity levels pick up.

We are continuously reviewing the shape of the recovery in our end markets and are ensuring our businesses are aligned appropriately.

Delivery of Group Strategy

During the first half of 2020 the pandemic has meant that our priorities have been health and safety, liquidity and cash preservation, and business continuity. However, we have also continued to focus on strategy implementation, especially in the key areas that will help us to emerge strongly as the recovery takes shape.

Our investments in new technology and product development in the areas of fluid conveyance, thermal management and additive manufacturing are progressing well. In fluid conveyance, our bellows technology can be applied to a broad range of custom solutions across a diverse range of attractive end markets. For example, semiconductor equipment and medical equipment as well as aerospace. The recent investment in, and expansion of Senior Aerospace Metal Bellows, our IP-rich Fluid Systems business based in Massachusetts, USA, is enabling the Group to secure long term annuity business in existing and new end markets.

In thermal management our intellectual property can be used to prolong battery life, a key determinant of electric and hybrid vehicle economics. Having already commenced production of our 70kW battery cooler, our first electric vehicle application, we have numerous development projects with a variety of battery manufacturers and land vehicle OEMs. In addition to vehicle applications, we are also working with customers on future cooling solutions for stationary power storage.

Our Advanced Additive Manufacturing Centre ("AAMC") in Burbank, California, USA, works collaboratively across the Group and is focused on designing and manufacturing metallic additive products to reduce cost, weight, and overall cycle time. Elsewhere we are also designing and manufacturing parts using additive technology in other materials. For instance, Senior Aerospace BWT, based in Cheshire, UK, is 3D printing thermoplastic aircraft components using Fusion Deposition Modelling (FDM) Technology with over 700 components in production across three major aircraft programmes.

Development of our products using proprietary composite thermoplastic technology, RT2i™, continues to progress well with qualification expected to be completed later this year followed by series production for the launch aircraft programme.

A number of important new contracts have been signed, building on our current relationships and differentiated technology:

> In April the Aerospace Division secured a contract extension with MTU Aero Engines for the supply of Pratt & Whitney Geared Turbofan engines airfoils. The contract extension represents an additional ten years to the existing term and demonstrates the strong partnership Senior Aerospace has developed with MTU. This is a dual source arrangement from Senior Aerospace Thailand and Senior Aerospace Weston, UK which provides optimum risk mitigation for our customer.
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> In July the Flexonics Division in Germany was awarded a contract with a major European land vehicle manufacturer to manufacture and supply Exhaust Gas Recirculation Bellows and Exhaust Manifolds for their new Heavy-Duty Engine Platform.
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> Senior Flexonics Olomouc, based in the Czech Republic, secured new contracts with three major European passenger and commercial vehicle manufacturers for battery cooling pipes, drain tubes and turbo oil feed tubes that will start production in 2020, 2022 and 2023.

The Group continuously reviews its overall portfolio of operating businesses and evaluates them in terms of their strategic fit within the Group. Last year three more non-core businesses were disposed of as part of our Prune To Grow activity. As reported in our trading update in April 2020, Senior had previously confirmed that it was reviewing strategic options for its Aerostructures business, which included a potential divestment of the Division. Although we received strong interest for the business, the Group determined that it is in the best interests of Senior and its stakeholders for the Aerostructures business to remain within the Group. With its global footprint, this business is well positioned to benefit from the expected gradual recovery in commercial aerospace markets over the medium term and is winning new business in the defence and space sectors utilising available capacity.

Environmental Social and Governance (ESG)

From an environmental perspective, Senior is committed to supporting The Paris Agreement on climate change. In March, Senior announced that it has been awarded a Leadership rating of "A-" from the globally recognised CDP (formerly known as Carbon Disclosure Project): the only UK company in our sector to achieve a Leadership rating. In July 2020, Senior became the first company worldwide in the Aerospace & Defence sector to have its Scope 1, 2 and 3 greenhouse gas emissions (GHG) reduction targets independently verified and approved by the Science Based Targets initiative (SBTi). The SBTi is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World-Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting and independently assesses companies' targets. Our verified targets from our operations (scope 1 and 2) are consistent with reductions required to limit climate warming to 1.5°C, the most ambitious goal of The Paris Agreement.

The Health and Safety of our employees is always Senior's highest priority. To ensure new COVID-19 Health & Safety measures were fully effective, and our staff felt secure in the implementation of the new procedures, Senior introduced a Coronavirus module into our best in class Essential Behaviours safety programme. Working on the premise that behaviour is a common feature to both safe working and personal protection from COVID-19 transmission, this training facilitates quick dissemination of new working practices and creates a feedback loop for employees to generate improvements where pertinent.

Some of our manufacturing facilities have stepped up to the challenge of supporting healthcare organisations. For example, in the UK we are manufacturing and supplying tens of thousands of personal protective equipment (PPE) items to NHS trust hospitals, care homes and medical practices as well as small businesses in local communities.

Mindful that in times of crisis, corporate governance remains of critical importance, in H1 2020 we launched our 2020 Code of Conduct training via our online training platform. A key focus was cyber security: of particular importance given the greater proportion of employees who have been working from home in the period.

Senior continues to focus on Diversity and Inclusion and is an active participant in The Hampton Alexander Review and 30% Club, both of which focus on gender diversity on Boards and senior leadership teams. In the first half of 2020, women represented 38% of our Board membership and 33% of our Executive Committee. More recently, the 30% Club set a new 2023 target on ethnic diversity in senior teams, which our Board and Executive Committee already meet. To reinforce our focus on Diversity and Inclusion our Code of Conduct training includes a new module on unconscious bias.

Restructuring

In order to counter the anticipated decline in Group sales, a restructuring plan was initiated which was communicated in our November 2019 trading statement, including the alignment of headcount to anticipated demand; further efficiency improvements leading to overhead reductions; the closure of Senior Aerospace AMT's South Carolina facility; and the transfer of major work packages to our South East Asia operating businesses. These actions have all now been implemented and are delivering the expected benefits.

In addition, as outlined above, the pandemic has led to a significant decline in some of the Group's end markets. Whilst we are doing everything possible to sustain jobs, all likely scenarios involve a prolonged contraction of some of our end markets which means that, regrettably, we have had to extend and broaden the scope of the restructuring activities to further reduce costs. Between June 2019 and June 2020 headcount has been reduced by 1,329 employees (17%) across the Group and we anticipate a further reduction of c. 620 employees (9%) in H2 2020. By division, Aerospace headcount reduced by 941 (17%) in the 12 months to June 2020 and we anticipate a further reduction of c. 570 (12%) in H2 2020; Flexonics headcount reduced by 388 (16%) in the 12 months to June 2020 and we anticipate a further reduction of c. 50 (3%) in H2 2020.

We have taken advantage of the period in which customers were closed to accelerate the planned transfer of work packages to South East Asia. In addition, where possible we are redeploying equipment to better utilise it within the Group, for example for use on our growing military aerospace work instead of civil aerospace.

Reflecting the additional actions which we are taking, we now expect the total restructuring charge to be around £35m, an increase from the £23m we had announced at our Full Year 2019 Results. Cumulative savings will now be around £35m in 2020, increasing from the estimated £20m announced at the time of our Full Year 2019 Results. The annualised run-rate of saving is expected to be around £45m.

The associated cash outflow is expected to be around £20m, an increase from £15m expected at the Full Year 2019 Results.

In the first half of 2020, the Group recognised an adjusted restructuring charge of £20.0m. This comprised £9.4m related to a reduction of 12% in the Group's headcount, of which there was a 9% reduction in Flexonics and 13% reduction in Aerospace; write-down of excess inventory with no alternate use of £7.4m and of fixed assets of £2.4m primarily relating to programmes with significant reductions in volumes or that have been cancelled or ended; and £0.8m for other associated costs. Total cash outflow in the period for these activities was £5.7m with £11m of savings delivered, mainly related to lower headcount.

Outlook

Civil aerospace OEMs significantly lowered their production rates in the second quarter, with recent announcements confirming reduced rates across the second half of 2020 and into 2021. While it is likely to take several years for air traffic to return to 2019 levels, the demand for air travel is expected to continue to grow in the medium and long term. The lower operating cost and better sustainability of new aircraft, on which Senior has significant content, will continue to be a necessity for the airline industry.

In Flexonics, we are not anticipating meaningful improvement in our end markets in the second half of 2020. The latest ACT forecast is for the North American heavy-duty market to decline 51% in 2020, with a return to growth in 2021. In power and energy, we expect lower demand to continue for the remainder of the year.

Whilst we expect that the structural long-term drivers of our end markets will remain in place, trading for the rest of 2020 continues to be uncertain because of the impact of COVID-19 on our markets and customers. As a result, guidance for 2020 remains suspended.

We remain confident that, in the medium term, our differentiated offering in fluid conveyance and thermal management products; our investment in low carbon and advanced manufacturing technology; our global footprint and our positioning in attractive and diverse end markets will help to ensure that we emerge strongly as the recovery starts to take shape.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 73% (H1 2019 - 74%) of Group revenue and consists of 18 operations. These are located in North America (nine), the United Kingdom (four), continental Europe (three), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby H1 2019 results have been translated using H1 2020 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions, goodwill impairment and restructuring. The Division's operating results on a constant currency basis are summarised below:

	H1 2020	H1 2019 [1]	Change
	£m	£m	
Revenue	**300.2**	436.8	-31.3%
Adjusted operating profit	**10.4**	39.4	-73.6%
Adjusted operating margin	**3.5%**	9.0%	-550bps

[1] H1 2019 results translated using H1 2020 average exchange rates - constant currency.

Divisional revenue decreased by £136.6m (31.3%) to £300.2m (H1 2019 - £436.8m) whilst adjusted operating profit decreased by £29.0m (73.6%) to £10.4m (H1 2019 - £39.4m).

Revenue Reconciliation	**£m**
H1 2019 revenue	436.8
Civil aerospace	(135.1)
Military	4.0
Other	(5.5)
H1 2020 revenue	300.2

Revenue in the Aerospace Division was significantly impacted by COVID-19 as civil aircraft and engine OEMs cut programme production rates significantly as many airlines cut capacity, retired older aircraft and looked to defer deliveries of new aircraft. Further disruption was caused by temporary customer production closures and rebalancing of inventory throughout the supply chain. As previously reported, our 2020 Aerospace revenues were expected to be significantly impacted by Boeing's temporary halt in 737 MAX production as well as our decision not to renew certain contracts which did not meet our returns criteria. In Q2 the impact of COVID-19 has led to further revenue reduction. Aerospace sales decreased 31.3% in the first half of 2020 compared to prior year. On a quarterly basis, Aerospace sales declined 22% in Q1 and 40% in Q2, year-on-year.

The civil aerospace sector was significantly impacted, with Senior's sales decreasing by 41.5% during the six-month period to 30 June 2020.

Total revenue from the military and defence sector increased by 5.3% during the period, primarily due to the ramp-up of the Joint Strike Fighter and higher demand for other defence products including the Black Hawk Helicopter.

Revenue derived from other markets such as space, non-military helicopters, power and energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, decreased by £5.5m as growth of £3.8m from the semi-conductor equipment market was offset by weaker sales to power and energy markets.

The significant reduction in revenue materially impacted the divisional adjusted operating margin, partially mitigated by savings from the restructuring programme in the current period. The net impact was a decrease of 550 basis points to 3.5% (H1 2019 – 9.0%).

Civil aerospace OEMs significantly lowered their production rates in the second quarter, with recent announcements confirming reduced rates across the second half of 2020 and into 2021. While it is likely to take several years for air traffic to return to 2019 levels, the demand for air travel is expected to continue to grow in the medium and long term. The lower operating cost and better sustainability of new aircraft, on which Senior has significant content, will continue to be a necessity for the airline industry. A shift towards greater utilisation of single aisle airframes over widebody is also anticipated. With more favourable economics, single aisle airframes are likely to experience a faster recovery than for widebody aircraft. Senior is well positioned to take advantage of this dynamic with product on both Boeing and Airbus single aisle programmes.

Senior also has the potential to add content on existing programmes in both civil aerospace, military & defence and space. Bid activity levels remain high and our customers recognise and appreciate the global footprint, financial strength and stability of Senior. Our businesses are well capitalised with equipment that can be utilised across civil, military and space sectors.

Flexonics Division

The Flexonics Division represents 27% (H1 2019 - 26%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, Malaysia and China where the Group also has a 49% equity stake in a land vehicle product joint venture. This Divisional review is on a constant currency basis, whereby H1 2019 results have been translated using H1 2020 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division's operating results on a constant currency basis are summarised below:

	H1 2020	H1 2019 [1]	Change
	£m	£m	
Revenue	**109.1**	149.7	-27.1%
Adjusted operating profit	**4.9**	14.6	-66.4%
Adjusted operating margin	**4.5%**	9.8%	-530bps

[1] H1 2019 results translated using H1 2020 average exchange rates - constant currency.

Divisional revenue decreased by £40.6m (27.1%) to £109.1m (H1 2019 - £149.7m) and adjusted operating profit decreased by £9.7m (66.4%) to £4.9m (H1 2019 - £14.6m).

Revenue Reconciliation	**£m**
H1 2019 revenue	149.7
Land vehicles	(29.1)
Power & energy	(11.5)
H1 2020 revenue	109.1

Economic forecasts at the time of our Full Year 2019 Results suggested that Flexonics' cyclical end markets would decline in 2020, before recovering in 2021, and Flexonics revenue was expected to be lower in 2020 compared to 2019. However, these declines were further exacerbated by the impact of COVID-19 on the land vehicle and the oil and gas markets with many of our customers temporarily shutting production facilities and reducing output once reopened. This resulted in Flexonics sales decreasing by 27.1% in the first half of 2020 compared to prior year. On a quarterly basis, Flexonics sales declined 23% in Q1 and 33% in Q2, year-on-year.

Group sales to land vehicle markets decreased by 41.1%. Senior's sales to the North American truck and off-highway market decreased by £15.6m (39.0%), as market production of heavy-duty diesel trucks declined by 52%. Sales to the rest of world truck and off-highway markets decreased by £4.7m (35.1%), due to significant declines in the truck and off-highway markets in Europe, India and China. Group sales to passenger vehicle markets decreased by £8.8m (50.6%) in the period, reflecting lower end market demand.

In the Group's power & energy markets, sales decreased by £11.5m (14.6%) in the period. Sales to oil and gas markets decreased by £2.8m (8.9%) as a result of weaker upstream demand. The significant decline in air and land travel contributed to an excess of crude oil supply over demand and the mothballing of some upstream capacity. At the peak of travel restrictions, supply outstripped demand by 20m barrels per day although that oversupply has now reduced to approximately 8.5m barrels per day and there are further signs of improvement as activity levels pick up. Sales to power generation markets decreased by £4.3m (19.1%) as large projects in the prior year did not repeat in the period.

The significant reduction in revenue materially impacted the divisional adjusted operating margin, partially mitigated by savings from the restructuring programme in the current period. The net impact was a decrease of 530 basis points to 4.5% (H1 2019 – 9.8%).

In Flexonics, we are not anticipating meaningful improvement in our end markets in the second half of 2020. The latest ACT forecast is for the North American heavy-duty market to decline 51% in 2020, with a return to growth in 2021. In power and energy, we expect lower demand to continue for the remainder of the year.

Looking further ahead, the truck, off-highway and passenger vehicle sectors continue to present growth opportunities for the Flexonics Division. Market penetration and growth of electric vehicles will depend on a number of factors such as vehicle type, customer acceptance and level of government support. Senior's technological solutions are applicable across a wide range of land vehicles as the transition to electric powertrains takes place. We are developing solutions for electric land vehicle applications as well as the next generation of more efficient internal combustion engines ("ICE").

Our fluid conveyance and thermal management expertise is being used to develop fluid and air handling products that extend battery life and increase engine as well as fuel cell efficiencies. These include coolant tubes for electric motors and batteries and exhaust bellows for hybrids, plug in hybrids and for ICEs where they are used as a range extender for battery powered electric vehicles and heat exchangers for fuel cells.

Our Battery Heat Exchanger technology has now entered series production to be used in commercial vehicle applications and we are currently in discussion with a number of customers to develop similar solutions for off-highway, passenger vehicle and stationary power applications. We have also developed industry leading Electronic Equipment Heat Exchangers: such as liquid cooled copper and aluminium chill plates for use in hybrid/pure electric vehicles, and electric power charging stations. Our tubing IP has been used to develop systems for customers in passenger, truck, power generation, and off-road vehicles that enhance engine efficiency on gasoline, diesel, natural gas, hybrid and electric powertrains.

Our newly developed Radial Fin exhaust gas recirculation cooler product provides industry leading efficiency helping commercial vehicle manufacturers achieve ever decreasing requirements for NOx and CO_2 while also providing improved durability. We are also working with multiple OEMs for clean natural gas engine applications which positions us well for the future as powertrains and fuel types become more diverse. We expect to launch the first production for this product in 2024.

We will continue to focus our development efforts on differentiated technology and products, applicable across a diverse range of attractive industrial markets.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £409.0m (H1 2019 - £580.4m). Excluding the favourable exchange rate impact of £5.7m, Group revenue decreased by £177.1m (30.2%), with revenue lower in both Aerospace and Flexonics year-on-year.

Operating profit

Adjusted operating profit decreased by £37.2m to £9.0m (H1 2019 - £46.2m). Excluding the favourable exchange rate impact of £0.7m, adjusted operating profit decreased by 80.8% on a constant currency basis. After accounting for £4.7m amortisation of intangible assets from acquisitions (H1 2019 - £7.0m), £110.5m goodwill impairment (H1 2019 - £nil) and £20.0m restructuring (H1 2019 - £nil), reported operating loss was £126.2m (H1 2019 - £39.2m profit).

Finance costs and investment income

Total finance costs, net of investment income decreased to £5.4m (H1 2019 - £5.5m) and comprise IFRS 16 interest charge on lease liabilities of £1.5m (H1 2019: £1.8m), net finance income on retirement benefits of £0.4m (H1 2019: £0.4m) and net interest charge of £4.3m (H1 2019: £4.1m).

In March 2020, as the coronavirus (COVID-19) was declared a global pandemic we took the prudent decision to drawdown most of our revolving credit facility to ensure Group liquidity was maximised in the face of significant uncertainty. However, based on our robust current cash performance we repaid a portion of this drawdown in June 2020.

Tax charge

The adjusted tax rate for the period was 16.7% (H1 2019 - 19.9%), being a tax charge of £0.6m (H1 2019 - £8.1m) on adjusted profit before tax of £3.6m (H1 2019 - £40.7m). The reduction in rate is attributed to the recognition of prior year adjustments in the US arising from the US CARES Act (Coronavirus Aid, Relief and Economic Security Act). The reported tax rate was 19.6%, being a tax credit of £26.7m on reported loss before tax of £136.3m. This included the tax credit of items excluded from adjusted profit before tax of £27.3m.

As noted in Note 2, a change in accepted practice in 2019 in terms of the tax treatment related to restricted interest deductions in the US led to the comparative figures for 2019 being restated to reflect the recognition of a non-cash deferred tax asset of £3.4m. For H1 2019, an exceptional non-cash tax credit of £1.8m was recognised in respect of this. The reported tax charge for H1 2019 has therefore reduced from the originally stated £6.5m to £4.7m. The H1 2019 restated reported tax rate was 17.7%, being a tax charge of £4.7m on reported profit before tax of £26.5m. This included the tax credit of items excluded from adjusted profit before tax of £1.6m and an exceptional non-cash deferred tax credit, as noted above, of £1.8m.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 414.7 million (H1 2019 - 415.8 million). The decrease arose principally from shares purchased by the employee benefit trust in H1 2019. Adjusted earnings per share decreased by 90.8% to 0.72 pence (H1 2019 – 7.84 pence). Basic earnings per share decreased from 5.24 pence in H1 2019 (restated) to loss per share of 26.43 pence in H1 2020. See Note 7 for details of the basis of these calculations.

Return on capital employed (ROCE)

ROCE decreased by 480 basis points to 6.8% (H1 2019 - 11.6%, on a post IFRS 16 basis) and was below the Group's cost of capital. The decrease in ROCE was a result of the reduction in adjusted operating profit compared to prior year, partly offset by lower average capital employed due to the partial impairment of goodwill.

Cash flow

The Group generated robust free cash flow of £16.0m in H1 2020 (H1 2019 - £13.2m) as set out in the table below:

	H1 2020	H1 2019
	£m	£m
Operating (loss)/profit	**(126.2)**	39.2
Amortisation of intangible assets from acquisitions	**4.7**	7.0
Goodwill impairment	**110.5**	-
Restructuring	**20.0**	-
Adjusted operating profit	**9.0**	46.2
Depreciation (including amortisation of software)	**27.3**	26.5
Working capital and provisions movement, net of restructuring items	**1.7**	(10.3)
Pension payments above service cost	**(2.8)**	(5.0)
Other items [1]	**3.0**	1.9
Interest paid, net	**(5.4)**	(5.6)
Income tax paid, net	**(2.2)**	(5.7)
Capital expenditure	**(14.8)**	(35.0)
Sale of plant, property and equipment	**0.2**	0.2
Free cash flow	**16.0**	13.2
Dividends paid	**-**	(21.7)
Disposal costs and net debt left in the businesses in excess of proceeds	**(4.5)**	(2.4)
Purchase of shares held by employee benefit trust	**-**	(6.3)
Restructuring cash paid	**(5.7)**	-
US Class action lawsuits	**(2.5)**	-
Net cash flow	**3.3**	(17.2)
Effect of foreign exchange rate changes	**(11.8)**	(1.1)
IFRS 16 non-cash additions and modifications before disposals	**(0.8)**	(0.9)
Opening net debt	**(229.6)**	(249.1)
Closing net debt	**(238.9)**	(268.3)

[1] Other items comprises £1.5m share-based payment charges (H1 2019 - £2.2m), £(0.1)m share of joint venture (H1 2019 - £(0.2)m), £1.6m working capital and provision currency movements (H1 2019 – £(0.1)m).

We currently anticipate a net cash outflow in H2 2020, primarily as a result of the restructuring cash outflow being second half weighted.

Capital expenditure

Capital expenditure of £14.8m (H1 2019 - £35.0m) was 0.7 times depreciation (excluding impact of IFRS 16) (H1 2019 - 1.6 times). As previously advised, following several years of high capital investment to support growth we are now past the peak investment phase and can expect future capital investment to be at more normal levels. In the near term we are focusing on conserving cash including carefully managing capital expenditure. Where possible we are redeploying equipment to better utilise it in the Group, for example for use on our growing military aerospace work instead of civil aerospace. We are prioritising new investment on health and safety related items; important replacement equipment for current production; and growth projects where contracts have been secured.

Working capital

Working capital decreased by £1.2m in the first half of the year to £146.2m (31 December 2019 - £147.4m). Excluding the impact of exchange and other non-cash movements, the Group achieved an underlying reduction in working capital of £0.8m.

Goodwill

The change in goodwill from £297.1m at 31 December 2019 to £197.4m at 30 June 2020 reflects an increase of £10.8m due to foreign exchange differences and a decrease of £110.5m relating to impairment of the goodwill allocated to the Aerostructures cash generating unit group. This reflects the significant impact of COVID-19 on the short to medium term outlook for the civil aerospace sector. The pandemic has led to a severe decline in global air traffic and as a result many airlines have cut capacity, retired older aircraft and deferred deliveries of new aircraft. Accordingly, civil aircraft and engine OEMs have announced significant cuts to programme production rates.

Net debt

Net debt which includes IFRS 16 lease liabilities increased by £9.3m to £238.9m at 30 June 2020 (31 December 2019 - £229.6m). As noted in the cash flow above, the Group generated net cash inflow of £3.3m, which was offset by adverse foreign currency movements of £11.8m and £0.8m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £83.7m (31 December 2019 - £83.7m) was £155.2m (31 December 2019 - £145.9m).

Funding and Liquidity

At 30 June 2020, the Group held committed borrowing facilities of £316.9m and the Group had headroom of £161.7m under these committed facilities. In July 2020, the Group refinanced its US revolving credit facility of $50.0m (£40.3m) and extended the maturity to June 2022. Accordingly, the weighted average maturity of the Group's committed facilities is now 4.1 years. Net debt (defined in Note 12c) was £238.9m, including £83.7m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants. At the beginning of June 2020, the Group was confirmed as an eligible issuer under the Bank of England's Covid Corporate Financing Facility (CCFF), under which the Group can draw up to £300m. Access to the CCFF provides financial flexibility should it be needed and currently this facility remains undrawn.

The Group has two existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Highlights) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest (defined in the Notes to the Financial Highlights) must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, have been supportive and we agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020 and June 2021 testing periods and agreed an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period. For the testing period ended 30 June 2020, the Group's net debt to EBITDA was 1.6x and interest cover was 11.8x, both comfortably within the Existing Covenants limits. The Group's liquidity headroom was also comfortably within covenant limits.

UK withdrawal from the European Union

While we do not anticipate a significant direct impact from Brexit on the Group's activities, we remain alert to the impact any final post transition period deal will have on macroeconomic conditions. Our assessment is that any direct or indirect impact from Brexit will be limited given the Group's global positioning.

Going concern basis

The Directors have, at the time of approving these Condensed Consolidated Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Condensed Consolidated Interim Financial Statements, having undertaken a rigorous assessment of the financial forecasts.

Base case projections and severe but plausible downsides based on the experiences over recent years were considered. The potential impact on the Group due to COVID-19, both in the short and medium term, has been factored into the forecasts considered. These projections are borne out of extensive scenario testing for 2020 and 2021, based on a variety of end market assumptions, while taking account of appropriate cost reduction and cash preservation mitigating actions.

Taking into account the level of cash and available facilities outlined above and the covenants for the testing periods out to December 2021, the Directors are confident that the Group has sufficient funds, and is forecast to be in compliance with debt covenants at all measurement dates to allow it to operate for the foreseeable future, even in a severe but plausible downside scenario.

Further details are provided in Note 2.

Risks and uncertainties

During the first half of 2020 the principal risks and uncertainties faced by the Group have been reviewed. COVID-19 has significantly impacted our business and end markets. This has caused some changes in the Group's principal risks. One risk, whilst still important, is no longer considered to be a principal risk. This is:

> Key Skills – the risk has changed from the risk of being able to source key skills to retaining key skills and will be monitored.

The title of three of the Group's principal risks and uncertainties have been amended, the remainder remain unchanged from those set out in detail on pages 24 to 29 of the Annual Report & Accounts 2019 (available at www.seniorplc.com). The Group's principal risks and uncertainties as at 30 June 2020 and for the remaining six months of the financial year are summarised as:

Risks and Uncertainties	Descriptions
Pandemic	The pandemic risk, identified in our 2019 Annual Report and Accounts has occurred, causing significant impacts on the Group's employees, ability to travel, movement of goods and end markets. The Group's priority has been to protect our employees. The Group's Coronavirus Oversight Committee, chaired by the Group CEO, meets several times per week. All our manufacturing sites are operational with appropriate health and safety measures in place. The Group remains alert to the risk of a second wave of COVID-19.
Programme and Supplier management	The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives. There is a risk that the Group is unable to respond quickly enough to changes in demand potentially resulting in excess inventory and/or an inability to meet schedule, quality and cost requirements resulting in delay, cost over-runs or asset write-downs. Suppliers may be unable or unwilling to respond to increases or decreases in demand impacting on our ability to supply our customers and/or our ability to optimise inventory holdings. Given the potential impact of COVID-19 on our supply chain additional monitoring has been implemented.
Customer Demand and Price-down Pressures	Customer demand is impacted by market conditions. In addition to the halt in 737 MAX production, COVID-19 has led to severe end market disruption. Given the unprecedented and sudden drop in demand from many of our customers, our ability to implement appropriate restructuring, cost down and working capital management programmes is of upmost importance, whilst ensuring that we are able to scale up our operating businesses as demand returns. Pricing pressure is likely to be an ongoing challenge in certain parts of the business. This may put some pressure on the Group's future operating margins.
Strategy and Portfolio Management	An inability to implement the Group's strategy and/or effectively manage the Group's portfolio could have a significant impact on the Group's ability to generate long-term value for shareholders.
Corporate Governance risk	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.

Risks and Uncertainties	Descriptions
Financing and liquidity	The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due or insufficient liquidity to meet financing covenants. During H1 2020 the Group has negotiated increased financial flexibility with appropriate covenant relaxations. Foreign exchange movements could have a significant impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk)
Economic and Geopolitical impact	The risk that there will be a global economic downturn impacting on some or all of the sectors within which the Group operates has significantly increased due to the COVID-19 pandemic. Trade relations, for example imposing of tariffs in the US, the UK decision to leave the EU and other likely geo-political events have created uncertainty over the future impact on international trade and the ability to retain and recruit foreign nationals.
Cyber/Information security	The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in financial loss.
Innovation and technological change	In order to continue to win new business and achieve profitable growth the Group must innovate. There is a risk that the Group does not continue to innovate and implement technological change, at a fast enough pace, resulting in its technology becoming uncompetitive or obsolete.
Boeing 737 MAX	In April 2019, following two fatal accidents the 737 MAX was grounded. 737 MAX is a significant programme with 13 operating businesses supplying to multiple 737 MAX customers. 737 MAX remains grounded. The FAA and Boeing have completed 737 MAX certification tests.
Climate change	There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact on our ability, or that of a supplier, to meet our customers' requirements. Our customers' products may evolve requiring new technology, for example electrification. This also presents an opportunity for the Group to be involved in replacement technologies. Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.

In response to the risks and uncertainties, the Board has established a range of mitigating actions that are set out in detail on pages 24 to 29 of the Annual Report & Accounts 2019 (available at www.seniorplc.com). These are reviewed and updated regularly, for example in response to the pandemic risk, we established the Coronavirus Oversight Committee, chaired by the Group Chief Executive Officer.

Responsibility statement of the Directors in respect of the half-year financial report

We confirm that to the best of our knowledge:

1. the condensed set of 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 information required by:
   a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
   b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

David Squires
Group Chief Executive

31 July 2020

Bindi Foyle
Group Finance Director

31 July 2020

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 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 the related explanatory notes.

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 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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 UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 DTR of the UK FCA.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

Robert Brent
For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
31 July 2020

Condensed Consolidated Income Statement

For the half-year ended 30 June 2020

	Notes	Half-year ended 30 June 2020	Half-year ended 30 June 2019	Year ended 31 Dec 2019
		£m	£m	£m
			(restated)	
Revenue	3	409.0	580.4	1,110.7
Trading (loss)/profit	3	(126.3)	39.0	61.2
Share of joint venture profit	9	0.1	0.2	0.4
Operating (loss)/profit [1]	3	(126.2)	39.2	61.6
Investment income		0.5	0.5	0.9
Finance costs		(5.9)	(6.0)	(11.8)
Disposal activities	13	(4.7)	(7.2)	(22.0)
(Loss)/profit before tax [2]		(136.3)	26.5	28.7
Tax credit/(charge)	5	26.7	(4.7)	0.5
(Loss)/profit for the period		(109.6)	21.8	29.2
Attributable to:				
Equity holders of the parent		(109.6)	21.8	29.2
(Loss)/earnings per share				
Basic [3]	7	(26.43)p	5.24p	7.04p
Diluted [4]	7	(26.32)p	5.16p	7.01p

Alternative Performance Measures*:				
Operating (loss)/profit		(126.2)	39.2	61.6
Adjusted for				
Amortisation of intangible assets from acquisitions	4	4.7	7.0	13.1
Goodwill impairment	8	110.5	-	-
Restructuring	4	20.0	-	12.1
US class action lawsuits	4	-	-	2.6
[1] Adjusted operating profit	4	9.0	46.2	89.4
[2] Adjusted profit before tax	4	3.6	40.7	78.5
[3] Adjusted earnings per share	7	0.72p	7.84p	16.17p
[4] Adjusted and diluted earnings per share	7	0.72p	7.71p	16.10p

*See Note 4 for further details of alternative performance measures.

The comparative figures for half-year ended 30 June 2019 have been restated for an accounting policy change for deferred tax, following a change in accepted practice in 2019 – see Note 2 and 5.

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2020

	Half-year ended 30 June 2020	Half-year ended 30 June 2019	Year ended 31 Dec 2019
	£m	£m	£m
		(restated)	
(Loss)/profit for the period	(109.6)	21.8	29.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on foreign exchange contracts- cash flow hedges during the period	(9.3)	1.2	7.2
Reclassification adjustments for losses/(profits) included in profit	1.5	(0.9)	(1.0)
(Losses)/gains on foreign exchange contracts- cash flow hedges	(7.8)	0.3	6.2
Foreign exchange gain recycled to the Income Statement on disposal of businesses	-	(1.5)	(3.0)
Exchange differences on translation of overseas operations	20.9	6.2	(11.5)
Tax relating to items that may be reclassified	1.8	(0.2)	(1.2)
	14.9	4.8	(9.5)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension schemes	(5.1)	(5.0)	11.1
Tax relating to items that will not be reclassified	0.9	0.6	(2.1)
	(4.2)	(4.4)	9.0
Other comprehensive income/(expense) for the period, net of tax	10.7	0.4	(0.5)
Total comprehensive (expense)/income for the period	(98.9)	22.2	28.7
Attributable to:			
Equity holders of the parent	(98.9)	22.2	28.7

The comparative figures for half-year ended 30 June 2019 have been restated for an accounting policy change for deferred tax, following a change in accepted practice in 2019 – see Note 2 and 5.

Condensed Consolidated Balance Sheet

As at 30 June 2020	Notes	30 June 2020	30 June 2019	31 Dec 2019
		£m	£m (restated)	£m
Non-current assets				
Goodwill	8	197.4	314.5	297.1
Other intangible assets		8.8	19.5	12.9
Investment in joint venture	9	3.5	3.2	3.3
Property, plant and equipment	10	373.2	390.1	369.3
Deferred tax assets		2.9	2.4	1.7
Retirement benefits	11	51.7	30.0	48.9
Trade and other receivables		0.3	0.2	0.5
Total non-current assets		637.8	759.9	733.7
Current assets				
Inventories		174.9	182.7	169.3
Current tax receivables		5.9	1.8	3.5
Trade and other receivables		112.6	178.5	133.6
Cash and bank balances	12c)	77.4	24.0	15.8
Total current assets		370.8	387.0	322.2
Total assets		1,008.6	1,146.9	1,055.9
Current liabilities				
Trade and other payables		152.3	200.0	157.3
Current tax liabilities		25.4	23.2	26.6
Lease liabilities	12c)	0.7	0.3	0.2
Bank overdrafts and loans	12c)	28.3	2.8	15.7
Provisions	14	24.2	13.9	19.9
Total current liabilities		230.9	240.2	219.7
Non-current liabilities				
Bank and other loans	12c)	204.3	195.3	146.0
Retirement benefits	11	13.1	9.4	7.8
Deferred tax liabilities		8.5	39.6	32.8
Lease liabilities	12c)	83.0	93.9	83.5
Provisions	14	2.0	0.4	1.6
Others		4.6	4.7	4.9
Total non-current liabilities		315.5	343.3	276.6
Total liabilities		546.4	583.5	496.3
Net assets		462.2	563.4	559.6
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		4.5	6.9	5.5
Hedging and translation reserve		53.8	53.2	38.9
Retained earnings		359.0	460.6	472.5
Own Shares		(11.8)	(14.0)	(14.0)
Equity attributable to equity holders of the parent		462.2	563.4	559.6
Total equity		462.2	563.4	559.6

The comparative figures for half-year ended 30 June 2019 have been restated for an accounting policy change for deferred tax, following a change in accepted practice in 2019 – see Note 2 and 5.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2020

	All equity is attributable to equity holders of the parent						
	Issued share capital	Share premium account	Equity reserve	Hedging and translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m
				(restated)	(restated)		(restated)
Balance at 1 January 2019	41.9	14.8	5.7	48.4	469.0	(8.0)	571.8
Profit for the period	-	-	-	-	29.2	-	29.2
Gains on foreign exchange contracts- cash flow hedges	-	-	-	6.2	-	-	6.2
Foreign exchange gain recycled to the Income Statement on disposal of businesses	-	-	-	(3.0)	-	-	(3.0)
Exchange differences on translation of overseas operations	-	-	-	(11.5)	-	-	(11.5)
Actuarial gains on defined benefit pension schemes	-	-	-	-	11.1	-	11.1
Tax relating to components of other comprehensive income	-	-	-	(1.2)	(2.1)	-	(3.3)
Total comprehensive (loss)/income for the period	-	-	-	(9.5)	38.2	-	28.7
IFRIC 23 opening balance adjustment	-	-	-	-	(4.8)	-	(4.8)
Share-based payment charge	-	-	1.8	-	-	-	1.8
Tax relating to share-based payments	-	-	-	-	(0.4)	-	(0.4)
Purchase of shares held by employee benefit trust	-	-	-	-	-	(6.3)	(6.3)
Use of shares held by employee benefit trust	-	-	-	-	(0.3)	0.3	-
Transfer to retained earnings	-	-	(2.0)	-	2.0	-	-
Dividends paid	-	-	-	-	(31.2)	-	(31.2)
Balance at 31 December 2019	41.9	14.8	5.5	38.9	472.5	(14.0)	559.6
Loss for the period	-	-	-	-	(109.6)	-	(109.6)
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(7.8)	-	-	(7.8)
Exchange differences on translation of overseas operations	-	-	-	20.9	-	-	20.9
Actuarial losses on defined benefit pension schemes	-	-	-	-	(5.1)	-	(5.1)
Tax relating to components of other comprehensive income	-	-	-	1.8	0.9	-	2.7
Total comprehensive income/(loss) for the period	-	-	-	14.9	(113.8)	-	(98.9)
Share-based payment charge	-	-	1.5	-	-	-	1.5
Use of shares held by employee benefit trust	-	-	-	-	(2.2)	2.2	-
Transfer to retained earnings	-	-	(2.5)	-	2.5	-	-
Dividends paid	-	-	-	-	-	-	-
Balance at 30 June 2020	41.9	14.8	4.5	53.8	359.0	(11.8)	462.2

Condensed Consolidated Statement of Changes in Equity (continued)

All equity is attributable to equity holders of the parent

	Issued share capital	Share premium account	Equity reserve	Hedging and translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m
				(restated)	(restated)		(restated)
Balance at 1 January 2019	41.9	14.8	5.7	48.4	469.0	(8.0)	571.8
Profit for the period	-	-	-	-	20.0	-	20.0
Gains on foreign exchange contracts- cash flow hedges	-	-	-	0.3	-	-	0.3
Foreign exchange gain recycled to the Income Statement on disposal of businesses	-	-	-	(1.5)	-	-	(1.5)
Exchange differences on translation of overseas operations	-	-	-	6.2	-	-	6.2
Actuarial losses on defined benefit pension schemes	-	-	-	-	(5.0)	-	(5.0)
Tax relating to components of other comprehensive income	-	-	-	(0.2)	0.6	-	0.4
Prior year restatement for deferred tax	-	-	-	-	1.8	-	1.8
Total comprehensive income for the period	-	-	-	4.8	17.4	-	22.2
IFRIC 23 Opening balance adjustments	-	-	-	-	(4.8)	-	(4.8)
Share-based payment charge	-	-	2.2	-	-	-	2.2
Purchase of shares held by employee benefit trust	-	-	-	-	-	(6.3)	(6.3)
Use of shares held by employee benefit trust	-	-	-	-	(0.3)	0.3	-
Transfer to retained earnings	-	-	(1.0)	-	1.0	-	-
Dividends paid	-	-	-	-	(21.7)	-	(21.7)
Balance at 30 June 2019	41.9	14.8	6.9	53.2	460.6	(14.0)	563.4

The comparative figures for 2019 in the Condensed Consolidated Statement of Changes in Equity have been restated for an accounting policy change for deferred tax, following a change in accepted practice in 2019 – see Note 2 and 5.

Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2020

	Notes	Half-year ended 30 June 2020	Half-year ended 30 June 2019	Year ended 31 Dec 2019
		£m	£m	£m
Net cash from operating activities	12a)	17.6	46.2	115.9
Investing activities				
Interest received		0.1	0.1	0.2
Proceeds on disposal of property, plant and equipment		0.2	0.2	0.7
Purchases of property, plant and equipment		(14.2)	(34.4)	(63.0)
Purchases of intangible assets		(0.6)	(0.6)	(1.8)
Proceeds on disposal of businesses net of cash balances	13	0.2	(0.7)	(4.8)
Net cash used in investing activities		(14.3)	(35.4)	(68.7)
Financing activities				
Dividends paid		-	(21.7)	(31.2)
New loans		120.3	43.2	62.4
Repayment of borrowings		(59.0)	(18.5)	(65.6)
Repayment of lease liabilities		(4.0)	(3.7)	(7.8)
Purchase of shares held by employee benefit trust		-	(6.3)	(6.3)
Net cash generated/(used) in financing activities		57.3	(7.0)	(48.5)
Net increase/(decrease) in cash and cash equivalents		60.6	3.8	(1.3)
Cash and cash equivalents at beginning of period		15.1	17.0	17.0
Effect of foreign exchange rate changes		1.6	0.4	(0.6)
Cash and cash equivalents at end of period	12c)	77.3	21.2	15.1

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

These Condensed Consolidated Interim Financial Statements of Senior plc ("the Group"), which were approved by the Board of Directors on 31 July 2020, have been reviewed by KPMG LLP, the Group's auditor, whose report is set out after the Directors' Responsibility Statement.

The comparative figures for the year ended 31 December 2019 do not constitute the Group's statutory accounts for 2019 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2019 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.

2. Accounting policies

Basis of preparation

These Condensed Consolidated 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.

These Condensed Consolidated Interim Financial Statements do not include all the information required for full annual financial statements and should be read in conjunction with the Annual Financial Statements of the Group as at and for the year ended 31 December 2019.

Going Concern

The Directors have, at the time of approving these Condensed Consolidated Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from this reporting date. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Condensed Consolidated Interim Financial Statements, having undertaken a rigorous assessment of the financial forecasts.

The Board has considered both base case projections and severe but plausible downsides, covering a period of 17 months from the date of this report, based on the experiences over recent years. The broader political and economic uncertainty coupled with the potential impact on the Group due to COVID-19, both in the short and medium term, has also been factored into the forecasts considered.

These projections are borne out of extensive scenario testing, based on a variety of end market assumptions, while taking account of appropriate cost reduction and cash preservation mitigating actions.

The global response to COVID-19 has resulted in an unprecedented decline in air travel which has had a major impact on the Group's largest market, which is civil aerospace. Civil aerospace OEMs significantly lowered their production rates in the second quarter, with recent announcements confirming reduced rates across the second half of 2020 and into 2021. While it is likely to take several years for air traffic to return to 2019 levels, the demand for air travel is expected to continue to grow in the medium and long term. The lower operating cost and better sustainability of new aircraft, on which Senior has significant content, will continue to be a necessity for the airline industry.

In determining a severe but plausible downside scenario, the Board has assessed the build rates announced by the OEMs, on all major programmes where Senior has significant content, and applied an additional downside to reflect the current uncertainties.

In Flexonics markets, no meaningful improvement is anticipated in the second half of 2020. The latest ACT forecast is for the North American heavy-duty market to decline 51% in 2020, with a return to growth in 2021. In power and energy, we expect lower demand to continue for the remainder of the year.

Based on the Group's analysis of economic and industry expert forecasts, and customers response to those, difficult conditions are expected to remain for many months to come. Therefore, the Group has extended and broadened the scope of restructuring activities to reduce costs accordingly and will continue to focus on conserving cash through careful management of capital expenditure and working capital.

In addition to the trading downsides, the Board has also considered how, under a severe but plausible downside scenario, the broader economic uncertainty may translate to increased credit losses and unfavourable working capital positions. Against these downsides, the Board has assessed the mitigations that are within the direct control of the Group, which include further restructuring and non-critical discretionary spend.

2. Accounting Policies (continued)

Going Concern (continued)

Modelling these scenarios indicate that the Group is in compliance with the debt covenants at all measurement dates out to 31 December 2021, as set out below.

At 30 June 2020, the Group held committed borrowing facilities of £316.9m and the Group had headroom of £161.7m under these committed facilities. In July 2020, the Group refinanced its US revolving credit facility of $50.0m (£40.3m) and extended the maturity to June 2022. Accordingly, the weighted average maturity of the Group's committed facilities is now 4.1 years. Net debt (defined in Note 12c) was £238.9m, including £83.7m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants. In addition, at the beginning of June 2020, the Group was confirmed as an eligible issuer under the Bank of England's Covid Corporate Financing Facility (CCFF), under which the Group can draw up to £300m. The Group has not needed to draw on this CCFF facility and assumes that this facility continues to remain undrawn throughout this review period.

Taking into account the level of cash and available facilities outlined above, the Directors are confident that the Group has sufficient funds to allow it to operate for the foreseeable future, a period of at least 12 months from this reporting date, even in a severe but plausible downside scenario.

The Group has two Existing Covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Highlights) and interest cover, the ratio of EBITDA to interest (defined in the Notes to the Financial Highlights). The Group's lenders, both banks and US private placement investors, have been supportive and agreed New Covenants in relation to the June 2020, December 2020 and June 2021 testing periods and an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period.

Notwithstanding these covenant relaxations, for the testing period ended 30 June 2020, the Group's net debt to EBITDA and interest cover have remained comfortably within the Existing Covenants limits. The Group's liquidity headroom was also comfortably within covenant limits. For the testing periods ending December 2020, June 2021 and September 2021, the Directors are confident that the Group has sufficient headroom to stay within the New Covenants even in its severe but plausible downside scenario. In assessing the going concern forecasts, on a base case and a severe but plausible downside scenario, the Board has looked out to 31 December 2021. At this date, on a severe but plausible downside scenario, with the mitigations available, the Group is forecast to be in compliance with the Existing Covenants.

New policies and standards

The accounting policies, presentation and methods of computation adopted in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In 2019, the Board adopted a new accounting policy related to deferred tax asset ("DTA") recognition. Full details of the change in accounting policy are set out in Note 2 of the Group's Annual Financial Statements for the year ended 31 December 2019. The new policy has been applied to the 2019 comparative, with the figure restated. The impact is a credit of £1.8m in the half-year ended 30 June 2019 in respect of the DTA recognised. The 2019 opening Equity has been restated accordingly with a deferred tax credit of £3.4m in retained earnings, a foreign exchange gain of £0.2m in hedging and translation reserve with a consequential decrease in the net deferred tax liability held at 31 December 2018**.** The impact in 2019 has been excluded from adjusted earnings after tax due to the comparable size to the overall tax charge in 2019. As the impact is related to an accounting policy change, and there is no change to the expected tax cash benefit, the credit has been excluded in the adjusted earnings per share calculation (See Note 7).

At the date of authorisation of these Condensed Consolidated Interim Financial Statements, a number of new standards and amendments to existing standards have been issued, all of which are effective. None of these standards and amendments have a material impact on the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group's latest Annual Financial Statements for the year ended 31 December 2019, which are available via Senior's website www.seniorplc.com, set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those Financial Statements. In light of COVID-19, the Directors have considered additional areas of judgement and estimation, including goodwill impairment (see Note 8) and going concern (see above).

3. Segmental analysis

The Group reports its segment information as two operating divisions according to the market segments they serve, Aerospace and Flexonics, which is consistent with the oversight employed by the Executive Committee. The chief operating decision maker, as defined by IFRS 8, is the Executive Committee. For management purposes, the Aerospace Division is managed as two sub-divisions, Aerostructures and Fluid Systems; however, these are aggregated as one reporting segment in accordance with IFRS 8 as they serve similar markets and customers. The Flexonics Division is managed as a single division.

Business Segments

Segment information for revenue and operating (loss)/profit and a reconciliation to the Group (loss)/profit after tax is presented below:

	Aerospace	Flexonics	Eliminations / central costs	**Total**	Aerospace	Flexonics	Eliminations / central costs	**Total**
	Half-year ended 30 June 2020	Half-year ended 30 June 2020	Half-year ended 30 June 2020	**Half-year ended 30 June 2020**	Half-year ended 30 June 2019	Half-year ended 30 June 2019	Half-year ended 30 June 2019	**Half-year ended 30 June 2019**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
								(restated)
External revenue	300.0	109.0	-	**409.0**	431.0	149.4	-	**580.4**
Inter-segment revenue	0.2	0.1	(0.3)	**-**	0.2	0.2	(0.4)	**-**
Total revenue	300.2	109.1	(0.3)	**409.0**	431.2	149.6	(0.4)	**580.4**
Adjusted trading profit	10.4	4.9	(6.4)	**8.9**	38.9	14.4	(7.3)	**46.0**
Share of joint venture profit	-	0.1	-	**0.1**	-	0.2	-	**0.2**
Adjusted operating profit	10.4	5.0	(6.4)	**9.0**	38.9	14.6	(7.3)	**46.2**
Amortisation of intangible assets from acquisitions	(3.3)	(1.4)	-	**(4.7)**	(3.8)	(3.2)	-	**(7.0)**
Goodwill impairment	(110.5)	-	-	**(110.5)**	-	-	-	**-**
Restructuring	(17.8)	(2.2)	-	**(20.0)**	-	-	-	**-**
Operating (loss)/profit	(121.2)	1.4	(6.4)	**(126.2)**	35.1	11.4	(7.3)	**39.2**
Investment income				**0.5**				**0.5**
Finance costs				**(5.9)**				**(6.0)**
Disposal activities				**(4.7)**				**(7.2)**
(Loss)/profit before tax				**(136.3)**				**26.5**
Tax credit/(charge)				**26.7**				**(4.7)**
(Loss)/profit after tax				**(109.6)**				**21.8**

Trading (loss)/profit and adjusted trading profit is operating (loss)/profit and adjusted operating profit respectively before share of joint venture profit. See Note 4 for the derivation of adjusted operating profit.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Segment information for assets and liabilities is presented below.

Assets	30 June 2020 £m	30 June 2019 £m	31 Dec 2019 £m
Aerospace	649.7	838.8	764.3
Flexonics	214.9	243.1	215.3
Segment assets for reportable segments	864.6	1,081.9	979.6
Unallocated			
Central	5.4	6.6	5.7
Cash	77.4	24.0	15.8
Deferred and current tax	8.8	4.2	5.2
Retirement benefits	51.7	30.0	48.9
Others	0.7	0.2	0.7
Total assets per Consolidated Balance Sheet	1,008.6	1,146.9	1,055.9

Liabilities	30 June 2020 £m	30 June 2019 £m (restated)	31 Dec 2019 £m
Aerospace	180.0	223.9	185.8
Flexonics	58.4	65.5	56.1
Segment liabilities for reportable segments	238.4	289.4	241.9
Unallocated			
Central	19.0	15.2	16.2
Debt	232.6	198.1	161.7
Deferred and current tax	33.9	62.8	59.4
Retirement benefits	13.1	9.4	7.8
Others	9.4	8.6	9.3
Total liabilities per Consolidated Balance Sheet	546.4	583.5	496.3

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Total revenue is disaggregated by market sectors as follows:

	Half-year ended 30 June 2020	Half-year ended 30 June 2019	Year ended 31 Dec 2019
	£m	£m	£m
Civil Aerospace	190.2	321.3	618.0
Military Aerospace	79.5	74.4	149.7
Other	30.5	35.5	67.7
Aerospace	300.2	431.2	835.4
Land Vehicles	41.7	71.1	123.4
Power & Energy	67.4	78.5	152.4
Flexonics	109.1	149.6	275.8
Eliminations	(0.3)	(0.4)	(0.5)
Total revenue	409.0	580.4	1,110.7

Other Aerospace comprises Space and Non-Military Helicopters and other markets, principally including semiconductor, medical and industrial applications.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment, restructuring, the costs associated with the US class action lawsuits and disposal activities. The adjustments are made on a consistent basis and also reflect how the business is managed on a day-to-day basis.

The amortisation charge relates to prior years' acquisitions. It is charged on a straight-line basis and reflects a non-cash item for the reported period. The Group implemented a restructuring programme in 2019 which was expanded further in 2020 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. The US class action lawsuits relate to historic legal matters. Goodwill impairment relates to the Aerostructures group of cash generating units (CGU group), reflecting the significant impact of COVID-19 on the civil aerospace sector. None of these charges, including disposal activities are reflective of in-year performance. Therefore, they are excluded by the Board and Executive Committee when measuring the operating performance of the businesses.

	Half-year ended 30 June 2020	Half-year ended 30 June 2019	Year ended 31 Dec 2019
	£m	£m	£m
Operating (loss)/profit	(126.2)	39.2	61.6
Amortisation of intangible assets from acquisitions	4.7	7.0	13.1
Goodwill impairment (Note 8)	110.5	-	-
Restructuring	20.0	-	12.1
US class action lawsuits	-	-	2.6
Adjusted operating profit	9.0	46.2	89.4
(Loss)/profit before tax	(136.3)	26.5	28.7
Adjustments to profit before tax as above	135.2	7.0	27.8
Disposal activities (Note 13)	4.7	7.2	22.0
Adjusted profit before tax	3.6	40.7	78.5

Goodwill impairment

An impairment loss of £110.5m has been recognised in relation to the goodwill allocated to the Aerostructures CGU group. This reflects the significant impact of COVID-19 on the short to medium term outlook for this CGU group, given the end market, which is focused on the civil aerospace sector (see Note 8).

Restructuring

The Group continues to focus on taking actions to conserve cash to manage through the crisis, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. At 30 June 2020, 19% of the Group's employees were on furlough. The Group received £4.9m COVID-19 grant income in the six months ended 30 June 2020 (H1 2019: £nil). The restructuring activities, which commenced in the second half of 2019, have been further adapted to the changing end market conditions in some of the Flexonics and Aerospace markets and to further manage the business through the pandemic. In addition, in response to the lowering of future orders and build rates, the Group has continued to review inventory levels and any exposures to programmes that have been reduced, cancelled or where Senior will no longer participate.

4. Adjusted operating profit and adjusted profit before tax (continued)

Restructuring (continued)

The restructuring, which involves headcount reductions and other efficiency improvements, has resulted in a charge of £20.0m for the first half of 2020 (FY 2019: £12.1m; H1 2019: £nil) in the Condensed Consolidated Income Statement and presented as an adjusted item given the size and nature of the costs incurred. The total charge in the first half of 2020 comprises £9.4m (H1 2019 £nil) headcount reduction and £0.8m (H1 2019 £nil) consultancy and other costs. For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified further inventory and property, plant and equipment that have been impaired in the first-half of 2020 with a total charge of £7.4m and £2.4m respectively (H1 2019 £nil and £nil). These relate to programmes where there are no alternative uses for the inventory or assets and is in part due to the impact COVID-19 has had on the Group's end markets, with customers choosing to cancel and/or significantly reduce future build rates. Senior has responded by extending and broadening the scope of the restructuring plans, and with provisions recorded to cover the risks arising. Total cash outflow related to restructuring activities in the six months ended 30 June 2020 is £5.7m (H1 2019 £nil); see Note 12b. At 30 June 2020, a restructuring provision of £7.5m (30 June 2019 £nil; 31 December 2019 £2.9m) is held on the Condensed Consolidated Balance Sheet in current liabilities.

US class action lawsuits

As previously reported, in February 2020 the Company agreed settlement and related costs as co-defendant in a putative class action lawsuit and a related lawsuit alleging property damage filed against Ametek, Inc, in the USA, resulting in a £2.6m charge to the Consolidated Income Statement in 2019. The charge was reported as an adjusted item in 2019 given its nature and materiality and the fact that it is related to prior years and not reflective of 2019 performance. At 30 June 2020, the carrying amount is a provision of £2.7m, including an adverse exchange effect of £0.2m (31 December 2019 £2.5m, including a £0.1m favourable exchange effect). Court approval of the settlements has been delayed due to the COVID-19 pandemic and a final court approval date is expected in the second half of 2020.

Disposal activities

In the half-year ended 30 June 2020, costs associated with the potential divestment of the Aerostructures business were £4.7m (FY 2019 and H1 2019 loss on disposal were £22.0m and £7.2m respectively).

5. Tax charge

	Half-year ended 30 June 2020 £m	Half-year ended 30 June 2019 £m (restated)
Current tax:		
Current year (credit)/charge	(0.9)	3.7
Irrecoverable withholding tax	0.2	0.1
Prior year items	(1.9)	-
	(2.6)	3.8
Deferred tax:		
Current year (credit)/charge	(25.8)	0.9
Prior year items	1.7	-
	(24.1)	0.9
Total tax (credit)/charge	(26.7)	4.7

Tax for the half-year ended 30 June 2020 is calculated at 19.6% (H1 2019 restated: 17.7%) on the loss before tax, representing the half-year allocation of the estimated weighted average annual tax rate expected for the full financial year. The comparative figures for 2019 have been restated to reflect the recognition of a deferred tax credit of £1.8m, which has had the effect of reducing the total tax charge from £6.5m as originally stated to £4.7m. See Note 2.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. Dividends

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2019 of £nil (2018: 5.23p) per share	-	21.7
Interim dividend for the year ending 31 December 2020 of £nil (2019: 2.28p) per share	-	9.5

7. Earnings per share

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

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	414.7	415.8
Effect of dilutive potential ordinary shares:		
Share options	1.7	6.9
Weighted average number of ordinary shares for the purposes of diluted earnings per share	416.4	422.7

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Earnings per share (continued)

Earnings and earnings per share ("EPS")	Half-year ended 30 June 2020 Earnings £m	Half-year ended 30 June 2020 EPS Pence	Half-year ended 30 June 2019 Earnings £m (restated)	Half-year ended 30 June 2019 EPS Pence (restated)
(Loss)/profit for the period	(109.6)	(26.43)	21.8	5.24
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £1.1m (H1 2019: £1.5m)	3.6	0.87	5.5	1.32
Goodwill impairment net of tax of £21.7m (H1 2019: £nil)	88.8	21.41	-	-
Restructuring net of tax of £3.7m (H1 2019: £nil)	16.3	3.93	-	-
Disposal activities net of tax of £0.8m (H1 2019: £0.1m)	3.9	0.94	7.1	1.71
Non-cash deferred tax credit of £nil (H1 2019 restated: £1.8m)	-	-	(1.8)	(0.43)
Adjusted earnings after tax	3.0	0.72	32.6	7.84
(Loss)/earnings per share				
- basic		(26.43)p		5.24p
- diluted		(26.32)p		5.16p
- adjusted		0.72p		7.84p
- adjusted and diluted		0.72p		7.71p

The comparative figures for 2019 have been restated for an accounting policy change for deferred tax. Before the restatement, basic, diluted, adjusted and adjusted and diluted earnings per share was 4.81p, 4.73p, 7.84p and 7.71p respectively. See Note 2 and 5.

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2019: £nil).

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

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment, restructuring, disposal activities and non-cash deferred tax credit. See Note 4 for further details.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Goodwill

Goodwill is allocated to the CGU groups within the two Aerospace sub-divisions (Aerostructures and Fluid Systems) and Flexonics, reflecting the lowest level at which management exercises oversight and monitors the Group's performance. The table below highlights the carrying amount of goodwill allocated to these CGU groups, all of which are considered significant in comparison with the total carrying amount of goodwill.

Carrying amount	Aerostructures	Fluid Systems	Flexonics	Total
	£m	£m	£m	£m
At 1 January 2020	149.9	72.4	74.8	297.1
Exchange differences	5.9	1.9	3.0	10.8
Impairment	(110.5)	-	-	(110.5)
At 30 June 2020	45.3	74.3	77.8	197.4

The change in goodwill from £297.1m at 31 December 2019 (30 June 2019: £314.5m) to £197.4m at 30 June 2020 reflects an increase of £10.8m due to foreign exchange differences and a decrease of £110.5m relating to impairment of the goodwill allocated to the Aerostructures CGU group.

The COVID-19 pandemic has had a direct impact on the Group's end markets and the Board concluded therefore that there was a triggering event during the first half of 2020 and have assessed goodwill for impairment as at the reporting date of 30 June 2020. Such triggers were not present at 31 December 2019.

Management have determined that due to the ongoing Group-wide restructuring plan, it is appropriate to apply the fair value less cost of disposal (FVLCD) methodology to assess impairment, as this generates the higher recoverable amount. In determining fair value, the key assumptions relate to:

The forecast revenue and EBITDA over the next eighteen months; and

The EBITDA multiple that reflect current market conditions.

EBITDA is defined for the purposes of this valuation methodology as adjusted operating profit (see Note 4) before depreciation and amortisation only.

The assessment by the Board determined that the recoverable amount of the Fluids Systems CGU group and the Flexonics CGU group exceeded their carrying value by approximately £454m and £117m respectively, with no impairment required.

The impact on the Aerostructures CGU group end market has been more severe due to the dependencies related to commercial aircraft. Since the pandemic, the major customers in the civil aerospace sector have been adversely impacted and as a result have responded by significantly lowering forward build rates across all major commercial aircraft programmes. This has had a significant impact on the forecast revenue and EBITDA of Aerostructures. Major customers publish forward build rates on the major aircraft programmes and management have used this external data together with internal assessments to assess the medium-term outlook. The key sensitivity is the EBITDA multiple to apply where management reviewed the forward market multiples and historical internal implied multiples in the last three years, which range from 10 times to 17 times.

Given the current uncertainties associated with the COVID-19 pandemic, the Board applied appropriate caution in selecting the multiple to apply, noting that a further reduction in the multiple by 5% would result in an additional impairment of £15.6m. As a result of this rigorous assessment, the Board concluded that for the Aerostructures CGU group the FVLCD fell below the carrying value by £110.5m, and this impairment has been recorded as at 30 June 2020.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £3.5m (30 June 2019: £3.2m; 31 December 2019: £3.3m) represents the Group's share of the joint venture's net assets as at 30 June 2020.

10. Property, plant and equipment

During the period, the Group invested £14.2m (H1 2019: £34.4m) on the acquisition of property, plant and equipment (excluding right-of-use assets). The Group also disposed of machinery with a carrying value of £0.2m (H1 2019: £0.2m) for proceeds of £0.2m (H1 2019: £0.2m).

At 30 June 2020, right-of-use assets were £81.1m (30 June 2019: £93.8m; 31 December 2019: £82.3m). Right-of-use asset depreciation was £5.1m for the six months ending 30 June 2020 (H1 2019: £4.8m).

11. Retirement benefit schemes

Aggregate retirement benefit liabilities of £13.1m (30 June 2019: £9.4m; 31 December 2019: £7.8m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £6.9m (30 June 2019: £3.8m; 31 December 2019: £2.0m) and other unfunded schemes, with a deficit of £6.2m (30 June 2019: £5.6m; 31 December 2019: £5.8m).

The retirement benefit surplus of £51.7m (30 June 2019: £30.0m; 31 December 2019: £48.9m) comprises the Group's UK defined benefit pension funded scheme. The liability and asset values of the funded schemes have been assessed by independent actuaries using current market values and discount rates.

12. Notes to the Cash Flow Statement

a) Reconciliation of operating (loss)/profit to net cash from operating activities

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
	£m	£m
Operating (loss)/profit	(126.2)	39.2
Adjustments for:		
Depreciation of property, plant and equipment	26.4	25.5
Amortisation of intangible assets	5.6	8.0
Share of joint venture	(0.1)	(0.2)
Share-based payment charges	1.5	2.2
Pension payments in excess of service cost	(2.8)	(5.0)
Costs on disposal activities	(4.7)	(1.7)
Decrease/(Increase) in inventories	3.5	(5.5)
Decrease/(Increase) in receivables	24.6	(15.5)
(Decrease)/Increase in payables and provisions	(14.5)	10.7
Goodwill impairment	110.5	-
US Class action lawsuits [(1)]	(2.5)	-
Restructuring impairment of property, plant and equipment	2.4	-
Working capital and provisions currency movements	1.6	(0.1)
Cash generated by operations	25.3	57.6
Income taxes paid	(2.2)	(5.7)
Interest paid	(5.5)	(5.7)
Net cash from operating activities	17.6	46.2

[(1)] In the six months ended 30 June 2020, the Group paid £2.5m (H1 2019: £nil) relating to the settlement of the Senior Aerospace SSP wage and hour class action lawsuit in California, USA.

12. Notes to the Cash Flow Statement (continued)

b) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, disposals, restructuring cash outflows, payments related to previously reported US class action lawsuits, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
	£m	£m
Net cash from operating activities	17.6	46.2
Costs on disposal activities	4.7	1.7
Restructuring cash paid	5.7	-
US Class action lawsuits	2.5	-
Interest received	0.1	0.1
Proceeds on disposal of property, plant and equipment	0.2	0.2
Purchases of property, plant and equipment	(14.2)	(34.4)
Purchase of intangible assets	(0.6)	(0.6)
Free cash flow	16.0	13.2

c) Analysis of net debt

	At 1 January 2020	Cash flow	Exchange movement	Other Lease Movements	At 30 June 2020
	£m	£m	£m	£m	£m
Cash and bank balances	15.8	60.0	1.6	-	77.4
Overdrafts	(0.7)	0.6	-	-	(0.1)
Cash and cash equivalents	15.1	60.6	1.6	-	77.3
Debt due within one year	(15.0)	(11.8)	(1.4)	-	(28.2)
Debt due after one year	(146.0)	(49.5)	(8.8)	-	(204.3)
Lease liabilities [2]	(83.7)	4.0	(3.2)	(0.8)	(83.7)
Total	(229.6)	3.3	(11.8)	(0.8)	(238.9)

[2] The change in lease liabilities in the six months ended 30 June 2020 includes lease rental payments of £5.5m, of which £1.5m relates to lease interest, £3.2m exchange movement and £0.8m other movements related to lease additions and modifications.

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
Cash and Cash equivalents comprise [3]:	£m	£m
Cash and bank balances	77.4	24.0
Overdrafts	(0.1)	(2.8)
Total	77.3	21.2

[3] 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.

13. Disposals

In the half-year ended 30 June 2020, costs associated with the potential divestment of Aerostructures business were £4.7m (H1 2019 loss on disposal £7.2m).

In the half-year ended 30 June 2020, the Group received £0.2m deferred consideration relating to the disposal of its Aerospace business Senior Aerospace Absolute Manufacturing (”Absolute”) and in the half-year ended 30 June 2019, the Group reported an outflow of £0.7m related to the disposal of its Flexonics operating company in France, Senior Flexonics Blois SAS (“Blois”), comprising £1.1m cash balances and £0.4m proceeds.

In October 2019, the Group sold Absolute, based in Washington state, USA that focused on small build-to-print precision machined components. In September 2019, the Group disposed its Flexonics operating company in Brazil, Senior Flexonics Brasil Ltda (“São Paulo”), serving the local automotive and power & energy markets. In February 2019, the Group sold Blois, that focused on the European passenger vehicles end market. These transactions fit with the Prune To Grow strategy and enable Management to have greater focus on opportunities in its core activities and to deploy capital in other parts of the Group with higher returns.

For the year ended 31 December 2019, the external revenue of these three disposed businesses was £16.1m (H1 2019 – £11.9m) and their adjusted operating loss was £2.4m (H1 2019 - £1.5m). A charge of £22.0m arose on disposal after taking into account £0.9m of professional fees incurred in connection with disposal activities and the fair value of net assets disposed after costs (£27.7m including £8.1m of goodwill, £11.9m of property, plant and equipment, £5.4m of inventories, £7.7m of cash balances, £4.5m of lease liabilities), offset by cash considerations of £2.9m, deferred consideration of £0.7m and the previously recorded foreign exchange gain that has been recycled to the Income Statement of £3.0m.

For the half-year ended 30 June 2019, Blois external revenue was £2.4m and it incurred an operating loss of £0.3m. A loss of £7.2m arose on disposal after taking into account exit costs together with fair value of net assets disposed (£9.1m including £2.3m of inventories and £5.6m of property, plant and equipment), offset by cash consideration of £0.4m and the previously recorded foreign exchange gain that has been recycled to the Income Statement of £1.5m.

14. Provisions

Current and non-current provisions include warranty costs of £6.9m (30 June 2019: £6.6m; 31 December 2019: £6.0m), restructuring of £7.5m (30 June 2019: £nil; 31 December 2019: £2.9m) and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business and costs associated with the US class action lawsuits of £11.8m (30 June 2019: £7.7m; 31 December 2019: £12.6m).

15. Share capital

Share capital as at 30 June 2020 amounted to £41.9m (30 June 2019: £41.9m, 31 December 2019: £41.9m). No shares were issued during the period.

16. Contingent liabilities

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. Various Group undertakings are parties to legal actions or claims which arise in the ordinary course of business, some of which could be for substantial amounts. While the outcome of some of these matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
	£m	£m
Carrying value of financial assets:		
Cash and cash equivalents	77.4	24.0
Trade receivables	98.9	161.2
Other receivables	0.8	1.7
Financial assets at amortised cost	177.1	186.9
Foreign exchange contracts- cash flow hedges	0.7	1.7
Foreign exchange contracts- held for trading	0.2	-
Total financial assets	178.0	188.6
Carrying value of financial liabilities:		
Bank overdrafts and loans	232.6	198.1
Lease liabilities	83.7	94.2
Trade payables	65.2	114.9
Other payables	57.0	63.7
Financial liabilities at amortised cost	438.5	470.9
Foreign exchange contracts- cash flow hedges	11.2	9.8
Foreign exchange contracts- held for trading	1.1	-
Total financial liabilities	450.8	480.7

17. Financial Instruments (continued)

	Half-year ended 30 June 2020	Half-year ended 30 June 2019
	£m	£m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	167.0	198.8
In the second to fifth years inclusive	132.4	130.4
After five years	204.2	216.6
	503.6	545.8
Less: future finance charges	(65.1)	(74.9)
Financial liabilities at amortised cost	438.5	470.9

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 £237.5m (30 June 2019: £205.1m). 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 2020	Half-year ended 30 June 2019
	£m	£m
Assets:		
Foreign exchange contracts – cash flow hedges	0.7	1.7
Foreign exchange contracts – held for trading	0.2	-
Total assets	0.9	1.7
Liabilities:		
Foreign exchange contracts – cash flow hedges	11.2	9.8
Foreign exchange contracts – held for trading	1.1	-
Total liabilities	12.3	9.8

18. Related party transaction

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, is its Executive Vice-President and Chief Operations Officer. In the first six months of 2020, the Group sold £0.7m (H1 2019: £0.7m) of components to Bloom Energy Corporation. The gross receivable position as at 30 June 2020 was £0.1m (30 June 2019: £0.4m; 31 December 2019: £0.5m).

The Group have related party relationships with a number of pension schemes (see Note 11) and with Directors and Senior Managers of the Group.