Senior plc

Interim Results for the half-year ended 30 June 2022

Strong performance, outlook maintained

FINANCIAL HEADLINES	Half-Year to 30 June		change	change (constant currency) [4]
	2022	2021		
REVENUE	**£402.2m**	£332.8m	**+21%**	+16%
OPERATING PROFIT	**£15.4m**	£5.1m	**+202%**	+166%
ADJUSTED FOR:				
NET RESTRUCTURING (INCOME)/COST	**£(2.8)m**	£0.1m		
ADJUSTED OPERATING PROFIT [1]	**£12.6m**	£5.2m	**+142%**	+117%
ADJUSTED OPERATING MARGIN [1]	**3.1%**	1.6%	**+150 bps**	+140 bps
PROFIT BEFORE TAX	**£11.1m**	£22.3m	**-50%**	-55%
ADJUSTED PROFIT BEFORE TAX [1]	**£8.8m**	£0.9m	**+878%**	+577%
BASIC EARNINGS PER SHARE	**2.43p**	4.72p	**-49%**	
ADJUSTED EARNINGS PER SHARE [1]	**1.92p**	0.10p	**+1820%**	
INTERIM DIVIDEND PER SHARE	**0.30p**	nil p	**n/m**	
FREE CASH FLOW [2]	**£19.3m**	£19.2m	**+1%**	
NET DEBT EXCLUDING CAPITALISED LEASES [2] - 30 June 2022 / 31 December 2021	**£72.9m**	£79.9m	**£7m decrease**	**Net debt / EBITDA 1.3x**
NET DEBT [2] - 30 June 2022 / 31 December 2021	**£149.4m**	£153.1m	**£4m decrease**	
ROCE [3]	**2.3%**	0.0%	**+230bps**	

Highlights

- Strong trading performance compared to prior year; in line with expectations
- 2022 outlook maintained; second half performance expected to be similar to first half
- Demand continues to strengthen across our core markets
- Increased order intake with a book-to-bill of 1.34
- Strong free cash inflow of £19.3m
- Healthy balance sheet, significantly de-levered
- Supply chain constraints and increasing inflationary pressures being managed diligently
- Spencer Aerospace acquisition on track to complete in Q3 2022
- Dividend reinstated

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

"These strong results, compared to the same period in 2021, are in line with our expectations. Profitability has improved and our healthy balance sheet has been enhanced through strong free cash flow performance. Our core markets are showing good growth as activity levels pick up following two years of pandemic related uncertainty. Global supply chain constraints and increasing inflationary pressures, caused by external events, remain evident and we continue to manage the impact of those diligently to ensure we satisfy our customers and other stakeholders.

The Board anticipates further good progress in 2022, in line with previous expectations, with performance in the second half of the year expected to be similar to the first half. Along with the strong cash performance and healthy balance sheet, this gives the Board confidence to announce the reinstatement of a dividend for 2022.

Over the medium-term we remain committed to delivering a strong recovery across both Divisions, driving the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

Looking ahead, our differentiated offering in fluid conveyance and thermal management products coupled with our global footprint and positioning in attractive and diverse end markets, gives the Board confidence that Senior is well positioned to build on our strong capabilities and to capture growth opportunities. Our continued investment in low carbon technology and advanced manufacturing combined with our commitment to the highest sustainability standards provide additional foundations for continued success."

Further information

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Notes

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

(1) Adjusted operating profit and adjusted profit before tax are stated before £2.8m net restructuring income (H1 2021 - £0.1m net restructuring cost, see Note 4 for further detail). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £0.5m (H1 2021 - £21.5m income, see Note 4 for further detail). Adjusted operating margin is the ratio of adjusted operating profit to revenue. Adjusted earnings per share is also stated before exceptional non-cash tax credit of £nil (H1 2021 – £0.6m).

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

(3) 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).

(4) H1 2021 results translated using H1 2022 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). EBITDA for the 12 month period ending June 2022 was £51.0m.
- Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.
- 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 2022 rates was $1.29 (H1 2021 - $1.39) and applied in the translation of balance sheet items at 30 June 2022 was $1.22 (30 June 2021 - $1.38; 31 December 2021 - $1.35). Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.28: £1 average for 2022.

There will be a presentation on Monday 1 August 2022 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 12 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs and manufactures 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 2022

Trading performance has been strong in the first half of 2022, when compared to prior year, in line with expectations. With a continued focus on operational performance, Senior generated robust free cash flow and further de-levered its healthy balance sheet.

For the first half of 2022, Group revenue increased by 16% on a constant currency basis to £402.2m with growth in both divisions. The year-on-year increase reflected the ramp up in civil aircraft production rates, growth in land vehicle, power & energy, semi-conductor equipment and space markets, as well as pricing benefits of £8.1m. Furthermore, favourable exchange rates added £15.2m to total sales.

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

The Group generated an adjusted operating profit of £12.6m (H1 2021 - £5.2m). The Group's adjusted operating margin increased by 150 basis points, to 3.1% for the half-year. The improved profitability reflected underlying volume related operating leverage across our operating businesses. Inflationary pressures were successfully mitigated by diligently managing costs and by increasing prices and surcharges where possible. Overall, price increases of £8.1m largely offset material and other inflationary cost increases of £9.4m in the first half of the year.

Adjusted profit before tax increased to £8.8m (H1 2021 - £0.9m). The adjusted tax charge was £0.8m (H1 2021 - £0.5m). Adjusted earnings per share increased to 1.92 pence (H1 2021 – 0.10 pence).

Reported profit before tax was £11.1m, compared to £22.3m in H1 2021, having benefited from the profit on the sale of our Senior Aerospace Connecticut business during that period (H1 2021 – £24.2m). Basic earnings per share was 2.43 pence (H1 2021 – 4.72 pence).

The Group delivered a robust cash performance in the first half of 2022 generating free cash inflow of £19.3m (H1 2021 - £19.2m) helped by our effective management of working capital and capital expenditure. Gross investment in capital expenditure was £11.5m (H1 2021 - £7.9m) with £1.2m cash outflows (H1 2021 - £5.8m inflows) from working capital. The Group generated net cash inflow of £17.5m (H1 2021 - £60.9m) in the six months to June 2022, due to free cash inflow of £19.3m (H1 2021 - £19.2m), partly offset by £1.8m cash outflows (H1 2021 - £41.7m inflows) related to corporate undertakings and restructuring activity.

The Group's financial position remains strong, with a healthy balance sheet and period end net debt to EBITDA of 1.3x. The headroom on our committed borrowing facilities at 30 June 2022 was £228.0m. Net debt at the end of June 2022 was £149.4m (including capitalised leases of £76.5m), a reduction of £3.7m from December 2021, after taking into account adverse currency movements of £11.0m and a £2.8m increase for lease movements.

Reflecting confidence in the Group's performance, financial position and future prospects, the Board is reinstating dividend payments and has approved an interim dividend of 0.30 pence per share (H1 2021 nil pence). It will be paid on 11 November 2022 to shareholders on the register at the close of business on 14 October 2022. We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover over the medium term.

Market Overview

In the first half of 2022, our core markets across the Group continued to improve.

Civil Aerospace (40% of Group)

Demand for air travel is proving resilient, particularly for domestic and other short-haul routes. International traffic is accelerating, particularly in North America and Europe with Asia also improving albeit constrained by the impact of China's zero COVID policy. IATA expects domestic passenger numbers to reach 2019 levels next year and international passenger numbers to return to 2019 levels by 2025.

In the medium and longer term, strong structural growth in air travel is driven by growing air traffic demand in Asia and supported by the replacement of older aircraft with latest generation, more fuel efficient models.

As a consequence, production volumes for civil aerospace have been ramping up during the first half of 2022, driven by increasing single aisle rates. Widebody rates are largely as expected, although B787 production is yet to recommence as Boeing finalises the resolution of the issues previously reported.

Defence (15% of Group)

Senior's sales to the Defence sector are primarily focused on the US defence market. The approved budget for US defence in fiscal year 2022 is \$778bn and a bipartisan request for fiscal year 2023 spending of \$857bn has been made. However, the 2022 Appropriations Bill was not passed until March 2022 which meant that up to that point, spending was restricted to the prior year's levels under a Continuing Resolution ("CR") which led to a delay in some ordering activity.

Other Aerospace (11% of Group)

Sales from our Aerospace operating businesses into industrial markets outside of the civil aerospace and defence markets are classified under "Other Aerospace" and include sales into the space, semi-conductor equipment and medical markets. These end markets have continued to grow in the first half of 2022, with 8% growth in semi-conductor anticipated in 2022. According to the Space Foundation, the global space economy is projected to grow 55% from 2020 to 2030, while according to Statista, the medical equipment industry is expected to have a CAGR of around 6% to 2030.

Land Vehicle (19% of Group)

Heavy duty truck and off highway markets grew in the first half of 2022, while passenger vehicle continued to be affected by supply chain constraints.

According to Americas Commercial Transportation ("ACT") Research, the heavy duty truck market grew by 12% in the first half of 2022 compared to H1 2021, and is forecast to grow by 15% for the full year 2022. 2023 is expected to be flat as slowing macroeconomic indicators are expected to be offset by modest pre-buy activity ahead of the tightening of emission standards coming in by 2024. For European truck and bus production, IHS Markit Inc. ("IHS") estimates a decline of 14% in the first half of 2022 compared to H1 2021 and currently forecasts an overall decline for the full year 2022 of 6% compared to prior year as supply chain constraints ease.

Passenger vehicle production in the first half of 2022 continued to be impacted by semi-conductor shortages and was further impacted by the reduced supply of wire harnesses due to the Ukraine crisis. According to IHS, European (including the UK) passenger vehicle production declined by 6% in H1 2022 compared to H1 2021 and is forecast to grow by 13% for the full year 2022 as semiconductor availability improves.

According to the International Energy Agency ("IEA"), global electric car sales have continued their strong growth in 2022 after breaking records in 2021. In the first quarter of 2022, two million electric cars were sold worldwide, up by 75% from the same period a year earlier.

Power & Energy (15% of Group)

Power & energy markets continued to grow in the first half of 2022 as the recovery in the upstream oil & gas sector continued and levels of maintenance and overhaul improved for downstream oil & gas.

The IEA has reiterated its world oil demand forecast for 2022 and announced that in 2023, demand is expected to surpass pre-pandemic levels. According to the IEA, global refining capacity is set to expand slightly in 2022 and 2023, although shortages in individual products may well persist due to uneven rates of demand growth and limits in the refining system. This tight supply, coupled with a limited appetite for new refining capacity due to the US federal government's policies on energy, has led businesses to focus on upgrading and expanding existing facilities, thereby increasing maintenance and overhaul work.

In power generation, the IEA forecasts average annual electricity demand growth of 2.7%, with renewables growth set to serve more than 90% of net demand growth during 2022-2024. Nuclear-based generation is expected to grow by 1% annually. For 2022, the IEA forecast renewable capacity to increase over 8% compared with last year.

Delivery of Group Strategy

Senior has a focused and compelling strategy to maximise value for shareholders and is confident of delivering its target return on capital employed of a minimum of 13.5% (post IFRS 16) over the medium-term. Senior will achieve this through the following:

- a strategic focus on Intellectual Property (IP) rich fluid conveyance and thermal management;
- organically growing our Aerostructures business to fully utilise our world class global footprint;
- maintaining strong focus on efficiencies through our Senior Operating System as end markets continue to recover;
- executing on our portfolio optimisation strategy to maximise value creation; and
- driving intrinsic strong cash generation.

We most recently set out our strategy in detail at our capital markets day in October 2021: https://www.seniorplc.com/~/media/Files/S/Senior-PLC/reports-and-presentations/presentations/capital-markets-presentation-121021.pdf and in Senior's Annual Report and Accounts 2021 on pages 30 to 39 (available at www.seniorplc.com). Please refer to these for greater detail.

In the first half of 2022, in addition to making good progress with our innovative product development activities, in June 2022 we announced the strategic acquisition of substantially all of the assets of Spencer Aerospace Manufacturing, LLC ("Spencer Aerospace"), a leading manufacturer of highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications. The acquisition of Spencer Aerospace is on track to complete in Q3 2022, subject to customary closing conditions.

While Senior already has some fluid fitting expertise, our customers have been strongly encouraging us to increase our presence in this area and our combined expertise and market reach will allow us to respond decisively and rapidly grow associated revenues. The acquisition of Spencer Aerospace will further enhance Senior's industry-leading fluid conveyance capabilities and is an important step in our strategy to optimise our portfolio and maximise value for shareholders.

The high-pressure hydraulic fluid fittings products engineered and manufactured by Spencer Aerospace are in high demand from aerospace and defence customers around the world and are complementary to Senior's existing advanced fluid conveyance product and system capabilities. The addition of Spencer Aerospace improves growth prospects by enabling Senior to provide higher level assemblies and sub-systems, supports penetration into adjacent market applications (e.g., hydrogen fittings for power and infrastructure applications) and expands Senior's fittings & couplings markets in North America, Europe & ROW for both OEMs & distributors. The strong customer relationships that Senior has with OEMs, Tier 1 integrators, and aftermarket customers around the world, will open new opportunities.

Sustainability

Senior is a values-driven organisation: we believe with conviction that how you do business is every bit as important as what you do. We always put safety and ethics first and we strongly encourage and promote diversity and inclusivity across our international operations. Therefore, sustainability is an integral part of our strategy, firmly embedded within the behaviours of our people and the culture of our organisation. We invest in our employees to help them succeed and they are empowered within a well-defined governance framework. For many years we have had a strong focus on Environmental, Social and Governance ("ESG") matters. Our track record means that we are well positioned to meet and exceed all of our stakeholder ESG expectations: our industry-leading ESG disclosures and ratings are evidence of Senior's longstanding approach to sustainability.

Our products operate in various hard-to-decarbonise sectors – aerospace, transport and power & energy - as a result, we apply our expertise and technology across many different applications, working in close partnership with our customers, to develop solutions that support both their commercial and sustainability objectives. Our engineering expertise is key in helping to tackle the climate change and clean air challenge, as the world transitions to a lower carbon economy.

Key highlights for ESG in 2022:

Environment

- We are on track to deliver our Scope 1, 2 and 3 SBTi verified "Near Term Net-Zero" Targets
- We have submitted our Long Term Net Zero climate targets to SBTi for verification and approval
- Current CDP leadership rating of A- for our climate disclosure
- Achieved the highest CDP Supplier Engagement Rating of A
- In 2022, we are proactively developing and extending our supplier environmental engagement

Social

- In September 2022, we are undertaking our next global employee survey
- We remain on track to achieve our 2025 Lost Time Injury Rate reduction target
- In 2022, we have introduced additional safety initiatives involving ergonomics and hand protection to support our 2025 Lost Time Injury Rate reduction goal
- Currently, 55% of the Board Directors are female and two of the Directors are from minority ethnic backgrounds

Governance

- The 2022 Code of Conduct annual training programme has been launched and is due to be completed in Q3
- All employees continue to receive training and regular reminders about the risks related to information/cyber security
- In line with TCFD recommendations, Senior's resilience at different climate-related scenarios has been assessed and the Transition Plan is being updated

Outlook

Trading performance has been strong in the first half of 2022, compared to the same period in 2021, in line with expectations. Our core markets are showing good growth as activity levels pick up following two years of pandemic related uncertainty. Global supply chain constraints and increasing inflationary pressures, caused by external events, remain evident and we continue to manage the impact of those diligently to ensure we satisfy our customers and other stakeholders.

The Board anticipates further good progress in 2022, in line with previous expectations, with performance in the second half of the year expected to be similar to the first half. Along with the strong cash performance and healthy balance sheet, this gives the Board confidence to announce the reinstatement of a dividend for 2022.

Over the medium-term we remain committed to delivering a strong recovery across both Divisions, driving the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

Looking ahead, our differentiated offering in fluid conveyance and thermal management products coupled with our global footprint and positioning in attractive and diverse end markets, gives the Board confidence that Senior is well positioned to build on our strong capabilities and to capture growth opportunities. Our continued investment in low carbon technology and advanced manufacturing combined with our commitment to the highest sustainability standards provide additional foundations for continued success.

DAVID SQUIRES
Group Chief Executive Officer

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 66% (H1 2021 – 66%[(1)]) of Group revenue and consists of 14 operations. These are located in North America (six), the United Kingdom (four), continental Europe (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby H1 2021 results have been translated using H1 2022 average exchange rates and on an adjusted basis to exclude net restructuring income/costs. The Division's operating results on a constant currency basis are summarised below:

	H1 2022	H1 2021 [(2)]	Change
	£m	£m	
Revenue	**£264.5m**	£233.7m	+13.2%
Adjusted operating profit	**£9.8m**	£5.5m	+78.2%
Adjusted operating margin	**3.7%**	2.4%	+130bps

(1) This number is excluding Senior Aerospace Connecticut

(2) H1 2021 results translated using H1 2022 average exchange rates - constant currency.

Divisional revenue increased by £30.8m (13.2%) to £264.5m (H1 2021 – £233.7m) whilst adjusted operating profit increased by £4.3m (78.2%) to £9.8m (H1 2021 – £5.5m).

Revenue Reconciliation	**£m**
H1 2021 revenue	233.7
Civil aerospace	40.4
Defence	(8.3)
Other markets	7.4
Disposal of business	(8.7)
H1 2022 revenue	264.5

Revenue in the Aerospace Division increased by 13.2% year-on-year on a constant currency basis, reflecting the overall recovery in demand. Excluding the prior year £8.7m revenue from Senior Aerospace Connecticut, which was divested in April 2021, revenue on an organic, constant currency basis increased by 17.6%. The year-on-year increase reflected the ramp up in civil aircraft production rates and growth from semi-conductor equipment and space markets, which more than offset the decline in defence which was affected by the Continuing Resolution which was in place in the U.S. for much of the period.

The civil aerospace sector had the strongest growth during the period with Senior's sales increasing by 33.4% compared to prior year. This was reflective of aircraft production rates being higher in H1 2022 compared to H1 2021, particularly for single aisle aircraft. 21% of civil aerospace sales were from widebody aircraft in the first half of 2022, with the other 79% sales being from single aisle, regional and business jets.

Excluding the divestment of Senior Aerospace Connecticut, total revenue from the defence sector decreased by £8.3m (12.2%) as orders were delayed due to the late approval of the Appropriations Bill which resulted in the Continuing Resolution coming into force and F-35 sales were impacted by customer inventory levels.

Revenue derived from other markets such as space, power & energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, increased by £7.4m as a result of the increasing demand in the semi-conductor equipment market and growth in the space satellite sector.

During the period, adjusted operating profit increased by 78.2% to £9.8m (H1 2021 - £5.5m) and the adjusted operating margin increased by 130 basis points to 3.7% (H1 2021 – 2.4%). This improvement in profitability reflected the underlying volume related operating leverage across our operating businesses and price increases to help offset the impact of material and other inflationary cost increases.

Production volumes for civil aerospace during the first half of 2022 have been ramping up, driven by increasing single aisle/narrow body rates.

- Airbus announced at their Half-Year 2022 results, it is adapting the ramp-up trajectory for its A320 Family month production rate and now targets a monthly rate of 65 in early 2024, a significant increase from current levels, albeit six months later than previously planned. The Airbus teams are engaged with suppliers and partners to ramp up towards an A320 Family monthly production rate of 75 in 2025, backed by strong customer demand. On the A321XLR, Airbus announced the first flight took place in June, representing an important milestone towards the aircraft's entry-into-service that is expected to take place in early 2024. On the A220, Airbus reaffirmed at their Half-Year call that they are on track for a monthly production rate of 14 by the middle of the decade.

- Boeing announced at their Q2 earnings call that the 737 production rate increased to 31 airplanes per month during the quarter and their principal aim is to stabilise production at that rate before increasing further. Boeing have a 737 order backlog of around 3,400 aircraft and at the end of the second quarter 2022, there were 290 737 MAX aircraft in inventory.
- COMAC recently announced completion of the flight test programme, the final step before certification.

Widebody rates are largely as expected, except for the 787. IATA has signalled that this segment will return to 2019 levels by 2025.

- Airbus announced at its Half-Year 2022 results, on widebody, it is exploring, together with its supply chain, the feasibility of further rate increases to meet growing market demand as international air travel recovers. As previously announced, Airbus continues to target an A330 monthly production rate of almost three aircrafts at the end of 2022 and an A350 monthly production rate of around 6 aircraft in early 2023.
- On the 787 platform, Boeing continues to work with the FAA to finalise actions to resume deliveries and is readying airplanes for delivery. The programme is producing at a very low rate and will continue to do so until deliveries resume, with an expected gradual return to production of five per month over time. Boeing confirmed at their Q2 earnings call that they had 120 787 aircraft in inventory at the end of the second quarter of 2022.
- Boeing reaffirmed on their Q2 earnings call that they still anticipate delivery of the first 777X plane in 2025.

Global business jet activity was resilient in the first half of 2022, continuing the pre-pandemic bounce. According to WingX Advance, demand for the last 12 months have consecutively been record-breaking. In the first half of 2022, activity was up 27% year-on-year and 21% above pre-pandemic 2019 levels. North American activity is continuing but it is the rebound in Europe which is much stronger.

Due to the US defence Appropriations Bill not being signed into effect until March 2022, defence spending has been delayed in 2022. We now expect defence revenue to be slightly lower in 2022 compared to prior year.

- Lockheed Martin delivered 61 F-35 aircraft in H1 2022, which was up from 54 in H1 2021. At their half year results presentation, they announced that deliveries are expected to remain in the range of 147-153 aircraft per year in 2023 and 2024, before achieving the 156 aircraft delivery target in 2025. They continue to anticipate annual deliveries of 156 aircraft beyond 2025 for the foreseeable future.

Flexonics Division

The Flexonics Division represents 34% (H1 2021 – 34%) 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, and China (two) including the Group's 49% equity stake in a land vehicle product joint venture. This Divisional review, presented before the share of the joint venture results, is on a constant currency basis, whereby H1 2021 results have been translated using H1 2022 average exchange rates. There are no reconciling items between adjusted operating profit and operating profit in H1 2022. The Division's operating results on a constant currency basis are summarised below:

	H1 2022	H1 2021 [(1)]	Change
	£m	£m	
Revenue	**£137.9m**	£114.6m	+20.3%
Adjusted operating profit	**£11.3m**	£7.8m	+44.9%
Adjusted operating margin	**8.2%**	6.8%	+140bps

[(1)] H1 2021 results translated using H1 2022 average exchange rates - constant currency.

Divisional revenue increased by £23.3m (20.3%) to £137.9m (H1 2021 – £114.6m) and adjusted operating profit increased by £3.5m (44.9%) to £11.3m (H1 2021 – £7.8m).

Revenue Reconciliation	**£m**
H1 2021 revenue	114.6
Land vehicles	13.8
Power & energy	9.5
H1 2022 revenue	**137.9**

Flexonics core markets all grew in the first half of the year, with sales in H1 2022 increasing by 20.3% compared to the prior period.

Group sales to land vehicle markets increased by 22.3%. Senior's sales to the North American truck and off-highway market increased by £7.9m (22.7%), as off-highway sales were strong and market production of heavy-duty diesel trucks increased by 12%. Sales to other truck and off-highway regions, including Europe and India, increased by £5.0m (38.8%) reflecting the ramp up of new programmes and market growth in India, which offset underlying lower supply constrained market production in Europe. Group sales to passenger vehicle markets increased by £0.9m (6.3%) in the year, reflecting launch of new programmes in North America and Europe, offset partly by underlying lower market production as a result of supply chain constraints.

In the Group's power & energy markets, sales increased by £9.5m (18.0%) in the year. Sales to power generation and nuclear markets increased by £5.1m (30.4%) particularly as maintenance activity increased. Sales to oil and gas markets increased by £4.0m (26.7%), as a result of increasing demand, in particular, from upstream activity. In downstream oil & gas, levels of maintenance and overhaul improved in the period. Sales to other power & energy markets increased by £0.4m.

Adjusted operating profit increased by £3.5m compared to prior period and the divisional adjusted operating margin increased by 140 basis points to 8.2% (H1 2021 – 6.8%). This improvement in profitability reflected the underlying volume related operating leverage across our operating business and price increases to help offset the impact of material and other inflationary cost increases.

Land Vehicle markets, despite facing ongoing supply chain constraints, are still expected to continue to grow overall in 2022.

- ACT Research is forecasting a 15% increase in North American heavy-duty truck production in 2022.
- The North American medium-duty diesel truck production is forecast to decrease by 2% in 2022.
- IHS Markit Inc. forecasts that European truck and bus production will decline by 6% in 2022 and that passenger vehicle production will grow by 13% in 2022.
- Indian passenger vehicle production is forecast to grow by 17% in 2022.

Power & energy markets grew in the first half of 2022 as the recovery in upstream oil & gas sector continued and levels of maintenance and overhaul increased for downstream oil & gas.

- The IEA has reiterated their world oil demand forecast for 2022 and announced that in 2023, demand is expected to surpass pre-pandemic levels.
- According to the IEA, global refining capacity is set to expand slightly in 2022 and 2023, although shortages in individual products may well persist due to uneven rates of demand growth and limits in the refining system. This tight supply, coupled with a limited appetite for new refining capacity due to the US federal government's policies on energy, has led businesses towards upgrading and the expansion of existing facilities, thereby increasing maintenance and overhaul work.
- In power generation, the IEA forecasts average annual electricity demand growth of 2.7% with renewables growth set to serve more than 90% of net demand growth during 2022-2024. Nuclear-based generation is expected to grow by 1% annually during the period. For 2022, the IEA forecast renewable capacity to increase over 8% compared with last year.

Good progress continues to be made with our fluid conveyance and thermal management product and technology developments in support of the transition to clean energy, with many active customer engagements: one example of this is shown below.

Case study: Thermal management solution for fully electric heavy-duty truck application

Senior Flexonics Olomouc in the Czech Republic secured a new contract for a fully electric heavy-duty truck application for one of our large European truck customers in 2021. This is the first heavy duty commercial BEV (battery electric vehicle) for this customer. This contract will run for five years and production will start in late 2022. We have designed a complex stainless steel thermal management solution to cool two electric motors for the on-road commercial vehicle.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £402.2m (H1 2021 - £332.8m). Excluding the favourable exchange rate impact of £15.2m, Group revenue increased by £54.2m (15.6%), of which £8.1m related to pricing. Revenue grew in both Aerospace and Flexonics.

Operating profit

Adjusted operating profit increased by £7.4m (142.3%) to £12.6m (H1 2021 – £5.2m). Excluding the favourable exchange rate impact of £0.6m, adjusted operating profit increased by £6.8m (117.2%) on a constant currency basis. After accounting for £2.8m net restructuring income (H1 2021 – £0.1m net restructuring cost), reported operating profit was £15.4m (H1 2021 – £5.1m).

The Group's adjusted operating margin increased by 150 basis points, to 3.1% for the half year. This improved profitability reflected underlying volume related operating leverage across our operating businesses. Inflationary pressures were successfully mitigated by diligently managing costs and by increasing prices and surcharges where possible. Overall price increases of £8.1m offset material and other inflationary cost increases of £9.4m.

Finance costs and investment income

Finance costs, net of investment income decreased to £3.8m (H1 2021 – £4.3m) and comprise IFRS 16 interest charge on lease liabilities of £1.2m (H1 2021 – £1.3m), net finance income on retirement benefits of £0.6m (H1 2021 – £0.2m) and net interest charge of £3.2m (H1 2021 – £3.2m). The decrease was mainly due to higher net finance income on the Senior plc UK pension plan.

Tax charge

The adjusted ETR for the year was 9.1% (H1 2021 – 55.6%), being a tax charge of £0.8m (H1 2021 – £0.5m) on adjusted profit before tax of £8.8m (H1 2021 – £0.9m). The adjusted ETR reflects the geographic mix of taxable profits and losses in the period and benefits from the impact of prior year item credits, as well as enhanced deductions for R&D expenditure in the US and capital expenditure in the UK, which being proportionately large relative to the underlying tax position resulted in a decrease in ETR for the period.

The reported tax rate was 9.0%, being a tax charge of £1.0m on reported profit before tax of £11.1m. This included £0.2m net tax charge against items excluded from adjusted profit before tax, of which £0.1m credit related to the corporate undertakings and £0.3m charge related to net restructuring income. The 2021 half year reported tax rate was 12.1%, being a tax charge of £2.7m on reported profit before tax of £22.3m. This included the tax charge of items excluded from adjusted profit before tax of £2.8m and £0.6m credit related to the revaluation of UK deferred tax assets at the substantially enacted 25% corporation tax rate effective from 1 April 2023.

Cash tax paid was £1.7m (H1 2021 – £2.0m) and is stated net of refunds received of £1.3m (H1 2021 – £nil) relating to tax paid in prior periods, including £1.1m in the US arising from Covid-19 relief measures in previous years which resulted in the offset of tax losses against taxable profits of prior periods.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 416.4 million (H1 2021 – 415.5 million). The increase arose principally due to the exercising of share-based payment awards during the first half of 2022. The adjusted earnings per share increased to 1.92 pence (H1 2021 – 0.10 pence). Basic earnings per share was 2.43 pence (H1 2021 – 4.72 pence). See Note 7 for details of the basis of these calculations.

Return on capital employed (ROCE)

ROCE, a key performance indicator for the Group as defined above, increased by 230 basis points to 2.3% (H1 2021 – 0.0%). The increase in ROCE was mainly a result of the increase in adjusted operating profit for the 12 month period to June 2022 compared to prior year.

Cash flow

The Group generated robust free cash flow of £19.3m in H1 2022 (H1 2021 - £19.2m) as set out in the table below:

	H1 2022 £m	H1 2021 £m
Operating profit	**15.4**	5.1
Net restructuring (income)/costs	**(2.8)**	0.1
Adjusted operating profit	**12.6**	5.2
Depreciation (including amortisation of software)	**24.5**	24.2
Working capital and provisions movement, net of restructuring items	**(1.2)**	5.8
Pension payments above service cost	**(1.6)**	(2.6)
Other items(1)	**2.2**	0.6
Interest paid, net	**(4.1)**	(4.2)
Income tax paid, net	**(1.7)**	(2.0)
Capital expenditure	**(11.5)**	(7.9)
Sale of property, plant and equipment	**0.1**	0.1
Free cash flow	**19.3**	19.2
Corporate undertakings	**(0.5)**	47.0
Net restructuring cash paid	**(1.3)**	(3.0)
US Class action lawsuits	**-**	(2.3)
Net cash flow	**17.5**	60.9
Effect of foreign exchange rate changes	**(11.0)**	2.9
IFRS 16 non-cash additions and modifications	**(2.8)**	(5.3)
Change in net debt	**3.7**	58.5
Opening net debt	**(153.1)**	(205.9)
Closing net debt	**(149.4)**	(147.4)

(1) Other items comprises £2.2m share-based payment charges (H1 2021 – £1.8m), £(0.1)m profit on share of joint venture (H1 2021 – £(0.2)m), £0.2m working capital and provision currency movements (H1 2021 – £(1.0)m) and £(0.1)m profit on sale of fixed assets (H1 2021 – £nil).

Capital expenditure

Gross capital expenditure of £11.5m (H1 2021 – £7.9m) was 0.6 times depreciation excluding the impact of IFRS 16 (H1 2021 – 0.4 times). The disposal of property, plant and equipment raised £0.1m (H1 2021 – £0.1m). For the full year 2022, capital investment is expected to be slightly below 2022 depreciation (excluding the impact of IFRS 16).

Working capital

Working capital increased by £12.4m in first half of 2022 to £115.4m (31 December 2021 – £103.0m), of which £7.5m related to foreign currency movements. As expected, the underlying increase was reflective of demand recovery underway in our key end markets along with some supply chain lead times increasing. We will continue our relentless and effective focus on working capital management.

Net debt

Net debt which includes IFRS 16 lease liabilities decreased by £3.7m to £149.4m at 30 June 2022 (31 December 2021 – £153.1m). As noted in the cash flow table above, the Group generated net cash inflow of £17.5m (defined in Note 12c), partly offset by £11.0m adverse foreign currency movements and £2.8m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £76.5m (31 December 2021 – £73.2m) decreased by £7.0m to £72.9m at 30 June 2022 (31 December 2021 – £79.9m).

Funding and Liquidity

At 30 June 2022, the Group held committed borrowing facilities of £300.9m and the Group had headroom of £228.0m under these committed facilities. During the first half of 2022, the Group refinanced its US revolving credit facility of $50.0m (£41.0m) and extended the maturity to June 2025. Accordingly, the weighted average maturity of the Group's committed facilities is now 2.7 years. Net debt (defined in Note 12c) was £149.4m, including £76.5m 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.

The Group has two 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 Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 30 June 2022, the Group's net debt to EBITDA was 1.3x and interest cover was 8.8x, both comfortably within covenants limits. For all testing periods within the Going Concern Period, there is sufficient headroom to remain within the covenant limits and the Group's committed borrowing facilities, even in a severe but plausible downside scenario.

In the first half, the Group implemented a global cash pooling structure which has enhanced liquidity and cash management, reduced gross debt levels and will help mitigate rising interest costs moving forward.

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. Further details are provided in Note 2.

Risks and uncertainties

During the first half of 2022 the principal risks and uncertainties faced by the Group have been reviewed. While the principal risk list has remained relatively unchanged from those set out in detail on pages 50 to 55 of the Annual Report & Accounts 2021 (available at www.seniorplc.com), certain risks such as Economic and Geopolitical Impact, Supply Chain Challenges and Inflation have intensified as a result of the conflict in Ukraine. Additionally, the Customer Demand and Price-down Pressures principal risk has been split into two separate principal risks to address these elements individually.

The Group's risk and assurance framework continues to serve as an effective foundation from which to monitor and address shifting business conditions in this unsettled economic climate. Additional information regarding the risk and assurance framework is set out on pages 48 and 49 of the Annual Report and Accounts 2021 (available at www.seniorplc.com).

The Group's principal risks and uncertainties as at 30 June 2022 and for the remaining six months of the financial year are summarised as:

Risks and Uncertainties	**Descriptions**
STRATEGIC RISKS	
Economic and geopolitical impact	There is an increasing risk that there will be a global economic downturn which may impact some or all of the sectors within which the Group operates. Changes in critical trade relations factors, such as tariffs, sanctions and exchange rates, resulting from geo-political events have created uncertainty over the future impacts on international trade, including export revenues, material availability and cost and the ability to employ foreign nationals. Shifts in political regimes and government spending programmes can lead to higher taxation which may impact earnings.

Risks and Uncertainties	Descriptions
Pandemic	The expansion of global vaccination programmes and other measures appear to have furthered the progress towards a return to normality. Despite the optimism that the worst of the COVID-19 pandemic is behind us, the Group remains vigilant to the potential impacts of future waves of the pandemic and will continue to prioritise the health and safety of our employees. Focus continues on responding to demand increases in a controlled way to ensure that the cost saving measures introduced in 2020 are not undermined.
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 to require new technology, such as 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.
Implementation of strategy	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. Ambiguity surrounding the Group's strategy and strategic priorities may result in investors failing to recognise the value of the Group's investment case.
Innovation and technological change	The Group must innovate in order to continue to win new business and achieve profitable growth. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete. New technologies may have an impact on the Group's markets, e.g., electric vehicles and hydrogen aircraft.
OPERATIONAL RISKS	
Supply chain challenges	Suppliers may be unable or unwilling to respond to increases or decreases in demand, impacting our ability to supply our customers and/or our ability to optimise inventory. Critical materials or components may become temporarily or permanently unavailable, leading to an inability to meet production commitments. Supply chain disruption can lead to higher volatility in delivery schedules as customers adjust demand to protect their production capabilities. This may challenge the Group's ability to meet customer schedule, quality and cost requirements, resulting in potential delays, penalties and cost overruns. During 2022, the Group has successfully implemented a number of mitigating actions to counteract supply chain disruptions, including increasing safety stock of critical materials and components, expanding our supplier base to provide alternate material sources and enhancing communication with customers and suppliers regarding changes in demand, lead times and other production factors.
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 and/or reputational loss.

Risks and Uncertainties	Descriptions
Customer demand	Supply chain constraints, ongoing impacts from COVID-19, staffing shortages and other labour disruptions may leave customers unable to meet current sales commitments and/or respond to increases in market demands. As a result, there is a risk that customers do not honour firm order schedules, delay programme ramp-up, postpone new programmes or in extreme circumstances, go out of business.
Programme 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, which may result in excess inventory and/or an inability to meet schedule and cost requirements leading to delays, cost overruns or asset write-downs. Changes across a variety of production requirements, such as fluctuations in material supplies, volatility in customer ordering and employee retention and training, may challenge the Group's ability to maintain programme quality specifications, leading to the potential for higher costs of quality or greater risk of product defects.
Price-down pressures	Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.
PEOPLE AND CULTURE RISKS	
Talent and skills	There is a risk that the Group, particularly in the US and UK, is unable to attract sufficient skills and talent and/or is unable to retain the skills and talent it has in order to meet demand and/or respond to strategic priorities. Margins may be impacted by higher wage rates necessary to retain current employees and/or attract new employees. A notable portion of the Group's workforce may reach retirement age at the same time, creating a gap in skills and labour availability.
FINANCIAL RISKS	
Inflation	Inflationary pressures stemming from a confluence of labour constraints, supply chain disruptions and shifting customer demand could result in a reduction of earnings from existing programmes if the Group is unable to secure mitigating price adjustments from customers. Higher production costs resulting from material, energy and labour cost inflation can reduce our ability to remain cost competitive and win new business. Inflationary pressures may result in higher interest rates which could impact the Group's earnings. During 2022, the Group has deployed a variety of strategies to mitigate the impacts of rising inflation, including negotiating selling price adjustments with customers (where there is no pass through mechanism), utilising alternate supply sources and implementing efficiency improvement projects to contain labour and energy cost escalations.

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. Foreign exchange impacts could have a material impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk). The Group is in a strong financial position at the end of June 2022.
COMPLIANCE RISKS	
Corporate governance breach	Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value. In 2022, we are providing relevant training to all employees across the Group.

In response to the risks and uncertainties, the Board has established a range of mitigating actions that are set out in detail on pages 50 to 55 of the Annual Report & Accounts 2021 (available at www.seniorplc.com). These are reviewed and updated regularly.

Responsibility statement of the Directors in respect of the half-yearly 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 for use by the UK;
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

Bindi Foyle

David Squires
Group Chief Executive Officer

29 July 2022

Bindi Foyle
Group Finance Director

29 July 2022

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet Statement, 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 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

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 UK-adopted international accounting standards.

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 for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
29 July 2022

Condensed Consolidated Income Statement

For the half-year ended 30 June 2022

	Notes	Half-year ended 30 June 2022 £m	Half-year ended 30 June 2021 £m	Year ended 31 Dec 2021 £m
Revenue	3	402.2	332.8	658.7
Trading profit	3	15.3	4.9	10.3
Share of joint venture profit	9	0.1	0.2	0.2
Operating profit [(1)]	3	15.4	5.1	10.5
Investment income		0.7	0.2	0.5
Finance costs		(4.5)	(4.5)	(8.5)
Corporate undertakings	4	(0.5)	21.5	21.2
Profit before tax [(2)]		11.1	22.3	23.7
Tax (charge)/credit	5	(1.0)	(2.7)	0.5
Profit for the period		10.1	19.6	24.2
Attributable to:				
Equity holders of the parent		10.1	19.6	24.2
Earnings per share				
Basic [(3)]	7	2.43p	4.72p	5.82p
Diluted [(4)]	7	2.37p	4.65p	5.73p

[(1)] Adjusted operating profit	4	12.6	5.2	6.1
[(2)] Adjusted profit/(loss) before tax	4	8.8	0.9	(1.9)
[(3)] Adjusted earnings per share	7	1.92p	0.10p	0.17p
[(4)] Adjusted and diluted earnings per share	7	1.88p	0.09p	0.17p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2022

	Half-year ended 30 June 2022	Half-year ended 30 June 2021	Year ended 31 Dec 2021
	£m	£m	£m
Profit for the period	10.1	19.6	24.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Losses on foreign exchange contracts- cash flow hedges during the period	(6.5)	(0.6)	(2.1)
Reclassification adjustments for losses/(gains) included in profit	1.3	(0.7)	(1.3)
Losses on foreign exchange contracts- cash flow hedges	(5.2)	(1.3)	(3.4)
Foreign exchange gain recycled to the Income Statement on disposal and restructuring (business closures)	-	(2.9)	(2.9)
Exchange differences on translation of overseas operations	22.2	(6.9)	(3.8)
Tax relating to items that may be reclassified	1.2	0.3	0.8
	18.2	(10.8)	(9.3)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension schemes	(15.1)	8.3	19.7
Tax relating to items that will not be reclassified	3.8	(3.6)	(6.4)
	(11.3)	4.7	13.3
Other comprehensive income/(expense) for the period, net of tax	6.9	(6.1)	4.0
Total comprehensive income for the period	17.0	13.5	28.2
Attributable to:			
Equity holders of the parent	17.0	13.5	28.2

Condensed Consolidated Balance Sheet

As at 30 June 2022	Notes	30 June 2022	30 June 2021	31 Dec 2021
		£m	£m	£m
Non-current assets				
Goodwill	8	157.1	148.8	150.2
Other intangible assets		4.3	4.1	4.2
Investment in joint venture	9	4.2	3.8	3.9
Property, plant and equipment	10	304.1	303.0	294.6
Deferred tax assets		8.7	4.5	5.7
Retirement benefits	11	58.5	57.2	72.2
Trade and other receivables		0.1	0.1	0.1
Total non-current assets		537.0	521.5	530.9
Current assets				
Inventories		163.3	138.5	145.2
Current tax receivables		2.8	3.1	2.6
Trade and other receivables		133.7	97.3	98.0
Cash and bank balances	12c)	82.6	60.0	51.1
Assets classified as held for sale		-	2.3	-
Total current assets		382.4	301.2	296.9
Total assets		919.4	822.7	827.8
Current liabilities				
Trade and other payables		190.4	142.2	143.0
Current tax liabilities		15.9	19.0	14.6
Lease liabilities	12c)	11.3	0.5	0.4
Bank overdrafts and loans	12c)	31.3	1.3	14.8
Provisions	14	12.9	19.2	13.8
Total current liabilities		261.8	182.2	186.6
Non-current liabilities				
Bank and other loans	12c)	124.2	129.7	116.2
Retirement benefits	11	10.8	10.1	11.0
Deferred tax liabilities		7.0	10.1	10.5
Lease liabilities	12c)	65.2	75.9	72.8
Provisions	14	2.9	2.4	2.2
Others		3.2	3.6	3.4
Total non-current liabilities		213.3	231.8	216.1
Total liabilities		475.1	414.0	402.7
Net assets		444.3	408.7	425.1
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		5.5	4.1	5.8
Hedging and translation reserve		46.8	27.1	28.6
Retained earnings		342.6	330.0	343.2
Own Shares		(7.3)	(9.2)	(9.2)
Equity attributable to equity holders of the parent		444.3	408.7	425.1
Total equity		444.3	408.7	425.1

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2022

	All equity is attributable to equity holders of the parent							
	Issued share capital	Share premium account	Equity reserve	Hedging reserve	Translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	41.9	14.8	5.1	(37.2)	75.1	305.1	(11.5)	393.3
Profit for the period	-	-	-	-	-	24.2	-	24.2
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(3.4)	-	-	-	(3.4)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	-	-	-	2.6	(5.5)	-	-	(2.9)
Exchange differences on translation of overseas operations	-	-	-	-	(3.8)	-	-	(3.8)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	19.7	-	19.7
Tax relating to components of other comprehensive income	-	-	-	0.8	-	(6.4)	-	(5.6)
Total comprehensive (expense)/income for the period	-	-	-	-	(9.3)	37.5	-	28.2
Share-based payment charge	-	-	3.5	-	-	-	-	3.5
Tax relating to share-based payments	-	-	-	-	-	0.1	-	0.1
Use of shares held by employee benefit trust	-	-	-	-	-	(2.3)	2.3	-
Transfer to retained earnings	-	-	(2.8)	-	-	2.8	-	-
Balance at 31 December 2021	41.9	14.8	5.8	(37.2)	65.8	343.2	(9.2)	425.1
Profit for the period	-	-	-	-	-	10.1	-	10.1
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(5.2)	-	-	-	(5.2)
Exchange differences on translation of overseas operations	-	-	-	-	22.2	-	-	22.2
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(15.1)	-	(15.1)
Tax relating to components of other comprehensive income	-	-	-	1.2	-	3.8	-	5.0
Total comprehensive (expense)/income for the period	-	-	-	(4.0)	22.2	(1.2)	-	17.0
Share-based payment charge	-	-	2.2	-	-	-	-	2.2
Use of shares held by employee benefit trust	-	-	-	-	-	(1.9)	1.9	-
Transfer to retained earnings	-	-	(2.5)	-	-	2.5	-	-
Balance at 30 June 2022	41.9	14.8	5.5	(41.2)	88.0	342.6	(7.3)	444.3

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 reserve	Translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	41.9	14.8	5.1	(37.2)	75.1	305.1	(11.5)	393.3
Profit for the period	-	-	-	-	-	19.6	-	19.6
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(1.3)	-	-	-	(1.3)
Exchange differences on translation of overseas operations	-	-	-	-	(6.9)	-	-	(6.9)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	-	-	-	2.6	(5.5)	-	-	(2.9)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	8.3	-	8.3
Tax relating to components of other comprehensive income	-	-	-	0.3	-	(3.6)	-	(3.3)
Total comprehensive income/(expense) for the period	-	-	-	1.6	(12.4)	24.3	-	13.5
Share-based payment charge	-	-	1.8	-	-	-	-	1.8
Tax relating to share-based payments	-	-	-	-	-	0.1	-	0.1
Use of shares held by employee benefit trust	-	-	-	-	-	(2.3)	2.3	-
Transfer to retained earnings	-	-	(2.8)	-	-	2.8	-	-
Balance at 30 June 2021	41.9	14.8	4.1	(35.6)	62.7	330.0	(9.2)	408.7

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Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2022

	Notes	Half-year ended 30 June 2022	Half-year ended 30 June 2021	Year ended 31 Dec 2021
		£m	£m	£m
Net cash from operating activities	12a)	28.8	17.2	27.0
Investing activities				
Interest received		0.1	-	0.1
Proceeds on disposal of property, plant and equipment		0.1	0.1	0.2
Purchases of property, plant and equipment		(10.9)	(7.5)	(20.2)
Purchases of intangible assets		(0.6)	(0.4)	(1.1)
Proceeds on disposal of businesses net of cash balances	13	-	51.5	51.7
Net cash (used)/generated in investing activities		(11.3)	43.7	30.7
Financing activities				
New loans		13.9	19.7	20.0
Repayment of borrowings		(13.6)	(40.9)	(41.1)
Repayment of lease liabilities		(4.4)	(4.0)	(8.4)
Net cash used in financing activities		(4.1)	(25.2)	(29.5)
Net increase in cash and cash equivalents		13.4	35.7	28.2
Cash and cash equivalents at beginning of period		51.1	23.2	23.2
Effect of foreign exchange rate changes		3.2	(0.2)	(0.3)
Cash and cash equivalents at end of period	12c)	67.7	58.7	51.1

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 29 July 2022, 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 2021 do not constitute the Group's statutory accounts for 2021 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2021 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 for use by the UK.

The Annual Financial Statements of the Group for the year ended 31 December 2022 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these Condensed Consolidated Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the published Annual Financial Statements of the Group as at and for the year ended 31 December 2021, which were prepared in accordance with UK-adopted international accounting standards.

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 2021.

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, being a period of at least 12 months from this reporting date (the "Going Concern Period"). 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 projections, including severe but plausible downsides covering a period of at least 12 months from the date of this report based on the experiences over recent years, including the strong trading performance in the first half of 2022 coupled with our core markets showing good growth as activity levels pick up, as outlined in the Interim Management Report review. These projections are borne out of extensive scenario testing, based on a variety of end market assumptions, while taking account of appropriate mitigating actions within the direct control of the Group.

The Group has two 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 Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 30 June 2022, the Group's net debt to EBITDA was 1.3x and interest cover was 8.8x, both comfortably within covenants limits. The Group's liquidity headroom at 30 June 2022 was £228m. For all testing periods within the Going Concern Period, there is sufficient headroom to remain within the covenant limits and the Group's committed borrowing facilities, even in a severe but plausible downside scenario.

Based on the above assessment, the Board has concluded that the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the Going Concern Period. Accordingly, the Directors have formed the judgement that it is appropriate to prepare these Condensed Consolidated Interim Financial Statements on the going concern basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

2. Accounting Policies (continued)

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 2021, which were prepared in accordance in accordance with UK-adopted international accounting standards.

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

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgments, 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 2021, 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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. The Group is managed on the same basis, as two operating divisions.

Business Segments

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

	Aerospace	Flexonics	Eliminations / central costs	**Total**	Aerospace	Flexonics	Eliminations / central costs	**Total**
	Half-year ended 30 June 2022	Half-year ended 30 June 2022	Half-year ended 30 June 2022	**Half-year ended 30 June 2022**	Half-year ended 30 June 2021	Half-year ended 30 June 2021	Half-year ended 30 June 2021	**Half-year ended 30 June 2021**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
External revenue	264.4	137.8	-	**402.2**	222.8	110.0	-	**332.8**
Inter-segment revenue	0.1	0.1	(0.2)	**-**	0.3	-	(0.3)	**-**
Total revenue	264.5	137.9	(0.2)	**402.2**	223.1	110.0	(0.3)	**332.8**
Adjusted trading profit	9.8	11.3	(8.6)	**12.5**	5.1	7.4	(7.5)	**5.0**
Share of joint venture profit	-	0.1	-	**0.1**	-	0.2	-	**0.2**
Adjusted operating profit	9.8	11.4	(8.6)	**12.6**	5.1	7.6	(7.5)	**5.2**
Net restructuring income/(costs)	2.8	-	-	**2.8**	(0.6)	0.5	-	**(0.1)**
Operating profit	12.6	11.4	(8.6)	**15.4**	4.5	8.1	(7.5)	**5.1**
Investment income				**0.7**				**0.2**
Finance costs				**(4.5)**				**(4.5)**
Corporate undertakings				**(0.5)**				**21.5**
Profit before tax				**11.1**				**22.3**
Tax charge				**(1.0)**				**(2.7)**
Profit after tax				**10.1**				**19.6**

Trading profit and adjusted trading profit is operating 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 2022 £m	30 June 2021 £m	31 Dec 2021 £m
Aerospace	551.5	515.2	506.6
Flexonics	210.4	177.9	184.9
Segment assets for reportable segments	761.9	693.1	691.5
Unallocated			
Central	4.8	4.5	4.6
Cash	82.6	60.0	51.1
Deferred and current tax	11.5	7.6	8.3
Retirement benefits	58.5	57.2	72.2
Others	0.1	0.3	0.1
Total assets per Consolidated Balance Sheet	919.4	822.7	827.8

Liabilities	30 June 2022 £m	30 June 2021 £m	31 Dec 2021 £m
Aerospace	179.1	151.7	148.1
Flexonics	82.4	66.0	63.9
Segment liabilities for reportable segments	261.5	217.7	212.0
Unallocated			
Central	16.1	17.6	15.4
Loans and overdrafts	155.5	131.0	131.0
Deferred and current tax	22.9	29.1	25.1
Retirement benefits	10.8	10.1	11.0
Others	8.3	8.5	8.2
Total liabilities per Consolidated Balance Sheet	475.1	414.0	402.7

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 2022	Half-year ended 30 June 2021	Year ended 31 Dec 2021
	£m	£m	£m
Civil Aerospace	161.3	117.2	244.5
Defence	59.7	71.2	125.0
Other	43.5	34.7	69.8
Aerospace	264.5	223.1	439.3
Land Vehicles	75.7	59.4	118.8
Power & Energy	62.2	50.6	101.1
Flexonics	137.9	110.0	219.9
Eliminations	(0.2)	(0.3)	(0.5)
Total revenue	402.2	332.8	658.7

Other Aerospace comprises space and other markets, principally including semiconductor equipment, 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 net restructuring income/cost and the income and costs associated with corporate undertakings. The adjustments are made on a consistent basis and also reflect how the business is managed on a day-to-day basis.

The Group implemented a restructuring programme in 2019, which continued through 2020 and 2021 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. Some residual restructuring activity has continued in 2022. Corporate undertakings relate to business acquisition costs, gain on disposal of a business, bid defence and other costs relating to corporate activities. None of these charges 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 2022	Half-year ended 30 June 2021	Year ended 31 Dec 2021
	£m	£m	£m
Operating profit	15.4	5.1	10.5
Net restructuring (income)/costs	(2.8)	0.1	(4.4)
Adjusted operating profit	12.6	5.2	6.1
Profit before tax	11.1	22.3	23.7
Adjustments to profit/loss before tax as above	(2.8)	0.1	(4.4)
Corporate undertakings	0.5	(21.5)	(21.2)
Adjusted profit/(loss) before tax	8.8	0.9	(1.9)

Net restructuring income/costs

The Group focused on taking actions to conserve cash to manage through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. The decisive actions taken on restructuring and cost management over the last couple of years has delivered the expected benefits. In addition, the Group has continued to review inventory and asset exposures on programmes that have been reduced, cancelled or where the Group will no longer participate. As part of the restructuring focus, we have assessed critically any inventory or asset exposures on these programmes and written down the carrying values on excess holdings and assets where there is no alternate use. Where demand has picked up on previously reduced or cancelled programmes, inventory impairments have been reversed to the extent that there are confirmed orders in place.

The restructuring resulted in net income of £2.8m (H1 2021: £0.1m net charge). Of this, £3.4m income (H1 2021: £nil) related to an aerospace manufacturing grant and £0.8m cost related to consultancy and other activities (H1 2021: £1.4m including headcount). For certain specific programmes, and in conjunction with the focus on restructuring, management has also identified inventory impairment reversals of £1.5m (H1 2021: £0.9m) where customer demand has increased, and further impairment provisions on property, plant and equipment in 2022 with a charge of £1.3m (H1 2021: £nil) to cover the risk where there are no alternative uses. H1 2021 also included a net credit of £0.4m related to disposal and property, plant and equipment.

Net cash outflow related to restructuring activities was £1.3m (H1 2021: £3.0m). At 30 June 2022, a restructuring provision of £0.9m (30 June 2021: £6.1m; 31 December 2021: £1.3m) was recognised and is expected to be utilised in the second half of 2022.

Corporate undertakings

In the half-year ended 30 June 2022, the Group recorded £0.3m costs related to the acquisition of Spencer Aerospace and £0.2m costs relating to other corporate activities in the Condensed Consolidated Income Statement (Half year ended 30 June 2021: £24.2m gain on disposal of Senior Aerospace Connecticut and £2.7m bid defence and costs relating to other corporate activities). See note 13 for further details.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

5. Tax charge

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Current tax:		
Current year charge	2.1	1.1
Irrecoverable withholding tax	0.2	0.2
Prior year items	(0.2)	-
	2.1	1.3
Deferred tax:		
Current year charge	(0.9)	1.4
Prior year items	(0.2)	-
	(1.1)	1.4
Total tax charge	1.0	2.7

Tax for the half-year ended 30 June 2022 is calculated at 9.0% (H1 2021: 12.1%) on the profit before tax, representing the half-year allocation of the estimated weighted average annual tax rate expected for the full financial year in accordance with IAS 34. The estimated tax rate is weighted to reflect the tax impact of significant events taking place during the interim period.

In the half-year ended 30 June 2021 a deferred tax credit of £0.6m was recognised in the Income Statement and £2.0m deferred tax charge was recognised in the Statement of Comprehensive Income following the substantial enactment on 24th May 2021 of a change in UK tax rate from 19% to 25% effective from 1 April 2023.

The group is paying close attention to proposals under Pillar 2 of the OECD's Base Erosion Profit Shifting (BEPS) project and the impact this may have on the group's future tax position. The Group does not consider that changes to international tax legislation to effect these proposals is likely to have a significant impact on its tax position.

6. Dividends

No dividends were recorded in the current or prior period.

An Interim dividend for the year ending 31 December 2022 of 0.3 pence per share, estimated cost £1.3m, was approved by the Board of Directors on 29 July 2022 and has not been included as a liability in these Condensed Consolidated Interim Financial Statements, in accordance with the requirements of IFRS.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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 2022	Half-year ended 30 June 2021
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	416.4	415.5
Effect of dilutive potential ordinary shares:		
Share options	10.1	6.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	426.5	421.7

	Half-year ended 30 June 2022	Half-year ended 30 June 2022	Half-year ended 30 June 2021	Half-year ended 30 June 2021
	Earnings	EPS	Earnings	EPS
	£m	Pence	£m	Pence
Earnings and earnings per share ("EPS")				
Profit for the period	10.1	2.43	19.6	4.72
Adjust:				
Net restructuring (income)/cost net of tax of £0.3m (H1 2021: £0.2m credit)	(2.5)	(0.61)	(0.1)	(0.03)
Corporate undertakings net of tax of £0.1m (H1 2021: £3.0m)	0.4	0.10	(18.5)	(4.45)
Non-cash deferred tax credit	-	-	(0.6)	(0.14)
Adjusted earnings after tax	8.0	1.92	0.4	0.10
Earnings per share				
- basic			2.43p	4.72p
- diluted			2.37p	4.65p
- adjusted			1.92p	0.10p
- adjusted and diluted			1.88p	0.09p

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 net restructuring income/cost, corporate undertakings and a non-cash deferred tax credit (See Note 4 and Note 5 for further details).

The impact of these items have been excluded from adjusted earnings after tax and adjusted earnings per share in line with the Board adopted policy to separately disclose those items, where significant in size, that it considers are outside the earnings for the particular year under review and against which the Board measures and assesses the performance of the business.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Goodwill

The change in goodwill from £150.2m at 31 December 2021 to £157.1m at 30 June 2022 reflects an increase of £6.9m due to foreign exchange differences.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. No such indicators have been identified at 30 June 2022.

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 £4.2m (30 June 2021: £3.8m; 31 December 2021: £3.9m) represents the Group's share of the joint venture's net assets as at 30 June 2022.

10. Property, plant and equipment

During the period, the Group invested £10.9m (H1 2021: £7.5m) on the acquisition of property, plant and equipment (excluding right-of-use assets). The Group also disposed of machinery with a carrying value of £nil (H1 2021: £0.1m) for proceeds of £0.1m (H1 2021: £0.1m).

At 30 June 2022, right-of-use assets were £69.6m (30 June 2021: £71.8m; 31 December 2021: £67.4m). Right-of-use asset depreciation was £5.1m for the six months ending 30 June 2022 (H1 2021: £4.7m).

11. Retirement benefit schemes

Aggregate retirement benefit liabilities of £10.8m (30 June 2021: £10.1m; 31 December 2021: £11.0m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £5.0m (30 June 2021: £4.3m; 31 December 2021: £5.3m) and other unfunded schemes, with a deficit of £5.8m (30 June 2021: £5.8m; 31 December 2021: £5.7m).

The retirement benefit surplus of £58.5m (30 June 2021: £57.2m; 31 December 2021: £72.2m) 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the Cash Flow Statement

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

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Operating profit	15.4	5.1
Adjustments for:		
Depreciation of property, plant and equipment	23.7	23.4
Amortisation of intangible assets	0.8	0.8
Share of joint venture	(0.1)	(0.2)
Share-based payment charges	2.2	1.8
Profit on sale of fixed assets	(0.1)	-
Pension payments in excess of service cost	(1.6)	(2.6)
Corporate undertaking costs	(0.5)	(4.5)
Increase in inventories	(7.3)	(1.5)
Increase in receivables	(27.9)	(15.3)
Increase in payables and provisions	28.6	19.2
US class action lawsuits	-	(2.3)
Restructuring impairment of property, plant and equipment	1.3	0.5
Working capital and provisions currency movements	0.2	(1.0)
Cash generated by operations	34.7	23.4
Income taxes paid	(1.7)	(2.0)
Interest paid	(4.2)	(4.2)
Net cash from operating activities	28.8	17.2

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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 corporate undertakings, net restructuring cash flows, payments related to previously reported US class action lawsuits, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Net cash from operating activities	28.8	17.2
Corporate undertaking costs	0.5	4.5
Net restructuring cash paid	1.3	3.0
US class action lawsuits	-	2.3
Interest received	0.1	-
Proceeds on disposal of property, plant and equipment	0.1	0.1
Purchases of property, plant and equipment	(10.9)	(7.5)
Purchase of intangible assets	(0.6)	(0.4)
Free cash flow	19.3	19.2

c) Analysis of net debt	At 1 January 2022	Cash flow	Exchange movement	Other Lease Movements	At 30 June 2022
	£m	£m	£m	£m	£m
Cash and bank balances	51.1	28.0	3.5	-	82.6
Overdrafts (1)	-	(14.6)	(0.3)	-	(14.9)
Cash and cash equivalents	51.1	13.4	3.2	-	67.7
Debt due within one year	(14.8)	-	(1.6)	-	(16.4)
Debt due after one year	(116.2)	(0.3)	(7.7)	-	(124.2)
Lease liabilities (2)	(73.2)	4.4	(4.9)	(2.8)	(76.5)
Liabilities arising from financing activities	(204.2)	4.1	(14.2)	(2.8)	(217.1)
Total	(153.1)	17.5	(11.0)	(2.8)	(149.4)

(1) The Group's notional cash pool enables access to cash in its subsidiaries to pay down the Group's borrowings. The Group has the legal right to offset balances within the cash pool which it intends to use. If cash and cash equivalents were presented net of the notional cash pool at 30 June 2022, the cash and bank balances would be £67.7m and overdrafts would be £nil.

(2) The change in lease liabilities in the six months ended 30 June 2022 includes lease rental payments of £5.6m (£1.2m of these payments relates to lease interest), £4.9m exchange movement and £2.8m other movements related to lease additions and modifications. Following a review of the lease liability disclosures in 2022, the presentation of current and non-current liabilities within the Consolidated Balance Sheet for 30 June 2022 now reflects the timing of the underlying lease payments. Comparative information has not been restated as the adjustment is not deemed material.

12. Notes to the Cash Flow Statement (continued)

c) Analysis of net debt (continued)

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
Cash and Cash equivalents comprise:	£m	£m
Cash and bank balances	82.6	60.0
Overdrafts	(14.9)	(1.3)
Total	67.7	58.7

d) Analysis of working capital and provisions

Working capital comprises the following:

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Inventories	163.3	138.5
Trade and other receivables	133.7	97.3
Trade and other payables	(190.4)	(142.2)
Working capital, including derivatives	106.6	93.6
Items excluded:		
Foreign exchange contracts	8.8	0.3
Deferred consideration relating to disposals-current	-	(0.3)
Total	115.4	93.6

Working capital and provisions movement, net of restructuring items, a non-statutory cash flow item, is derived as follows:

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Increase in inventories	(7.3)	(1.5)
Increase in receivables	(27.9)	(15.3)
Increase in payables and provisions	28.6	19.2
Working capital and provisions movement, excluding currency effects	(6.6)	2.4
Items excluded:		
Decrease in restructuring related inventory impairment	1.5	0.9
Decrease in net restructuring provision and other receivables	3.9	2.5
Total	(1.2)	5.8

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Acquisition and Disposal activities

On 9 June 2022, the Group signed a definitive agreement to acquire substantially all of the assets of Spencer Aerospace Manufacturing, LLC, a leading manufacturer of highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications. The acquisition is expected to complete in Q3 2022, subject to customary closing conditions.

On 22nd April 2021, the Group sold its stand alone, build-to-print helicopter structures operating company, Senior Aerospace Connecticut, based in the USA. A gain of £24.2m arose on disposal after taking fair value of net assets disposed (£28.4m including £15.1m of goodwill, £7.5m property, plant and equipment and £5.8m of working capital), offset by net cash consideration of £49.7m after £1.8m disposal costs, and the previously recorded foreign exchange gain that has been recycled to the Income Statement of £2.9m.

14. Provisions

Current and non-current provisions include warranty costs of £8.9m (30 June 2021: £7.1m; 31 December 2021: £6.9m), restructuring of £0.9m (30 June 2021: £6.1m; 31 December 2021: £1.3m) and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £6.0m (30 June 2021: £8.4m; 31 December 2021: £7.8m).

15. Share capital

Share capital as at 30 June 2022 amounted to £41.9m (30 June 2021: £41.9m, 31 December 2021: £41.9m). No shares were issued during the period.

16. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, and tax audits. Where the Board has assessed there to be a more likely than not outflow of economic benefits, provision has been made for the best estimate as at 30 June 2022 (see Note 14). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the outcome of some of these matters cannot be predicted with any certainty, 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 2022	Half-year ended 30 June 2021
	£m	£m
Carrying value of financial assets:		
Cash and bank balances	82.6	60.0
Trade receivables	115.3	84.6
Other receivables	0.7	0.5
Financial assets at amortised cost	198.6	145.1
Foreign exchange contracts- cash flow hedges	1.4	1.8
Total financial assets	200.0	146.9
Carrying value of financial liabilities:		
Bank overdrafts and loans	155.5	131.0
Lease liabilities	76.5	76.4
Trade payables	101.4	65.2
Other payables	58.5	55.7
Financial liabilities at amortised cost	391.9	328.3
Foreign exchange contracts- cash flow hedges	10.2	2.1
Total financial liabilities	402.1	330.4

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments (continued)

	Half-year ended 30 June 2022	Half-year ended 30 June 2021
	£m	£m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	206.3	136.4
In the second to fifth years inclusive	148.0	130.2
After five years	83.1	111.0
	437.4	377.6
Less: future finance charges	(45.5)	(49.3)
Financial liabilities at amortised cost	391.9	328.3

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 £148.6m (30 June 2021: £132.3m). 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 2022	Half-year ended 30 June 2021
	£m	£m
Assets:		
Foreign exchange contracts – cash flow hedges	1.4	1.8
Total assets	1.4	1.8
Liabilities:		
Foreign exchange contracts – cash flow hedges	10.2	2.1
Total liabilities	10.2	2.1

18. Related party transaction

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