Senior plc

Interim Results for the half-year ended 30 June 2023

Adjusted profit before tax doubles year-on-year, outlook maintained

FINANCIAL HIGHLIGHTS	Half year to 30 June 2023	2022	change	change (constant currency) (4)
REVENUE	**£482.3m**	£402.2m	**+20%**	+16%
OPERATING PROFIT	**£20.8m**	£15.4m	**+35%**	+28%
ADJUSTED FOR:				
AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS	**£1.1m**	£nil		
NET RESTRUCTURING COST/(INCOME)	**£0.9m**	£(2.8)m		
US PENSION SETTLEMENT	**£0.1m**	£nil		
ADJUSTED OPERATING PROFIT (1)	**£22.9m**	£12.6m	**+82%**	+71%
ADJUSTED OPERATING MARGIN (1)	**4.7%**	3.1%	**+160 bps**	+150 bps
PROFIT BEFORE TAX	**£13.5m**	£11.1m	**+22%**	+14%
ADJUSTED PROFIT BEFORE TAX (1)	**£17.6m**	£8.8m	**+100%**	+87%
BASIC EARNINGS PER SHARE	**2.80p**	2.43p	**+15%**	
ADJUSTED EARNINGS PER SHARE (1)	**3.53p**	1.92p	**+84%**	
INTERIM DIVIDEND PER SHARE	**0.60p**	0.30p	**+100%**	
FREE CASH FLOW (2)	**£(11.8)m**	£19.3m	**-161%**	
NET DEBT EXCLUDING CAPITALISED LEASES (2) - 30 June 2023 / 31 December 2022	**£119.4m**	£100.5m	**£19m increase**	**Net debt / EBITDA(5) 1.6x**
NET DEBT (2) - 30 June 2023 / 31 December 2022	**£190.5m**	£178.9m	**£12m increase**	
ROCE (3)	**6.3%**	2.3%	**+400bps**	

Highlights

- Strong trading performance compared to prior year
- Adjusted profit before tax doubled year-on-year
- Robust core market demand, with a healthy book-to-bill of 1.20
- Healthy balance sheet with net debt / EBITDA(5) of 1.6x
- Spencer acquisition integration progressing well, with sales up almost 50% year-on-year
- Outlook maintained with strong growth anticipated for the full year
- Interim dividend of 0.60p approved, reflecting improved performance and future prospects

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

"Senior is on a strong trajectory with good growth across our two divisions and profits doubling year-on-year. This year-on-year increase reflected the strong momentum in our core markets and our positioning on key growth platforms across both Flexonics and Aerospace.

We are pleased with performance in our Flexonics Division where margins have recovered well as sales have grown and in addition, we had some one-off benefits related to cost recovery. We expect to see year-on-year growth in the Flexonics division in H2, though we are mindful of the commentary around some potential softening of markets in the second half of the year.

Increasing aircraft build rates are starting to help build momentum in our Aerospace Division. The ongoing supply chain challenges are being actively managed but, as expected, are temporarily dampening volume related operating leverage. Planned aircraft build rate increases should lead to higher sales in H2 with supply chain challenges enduring but anticipated to be less severe towards the end of the year. Looking ahead we can expect Aerospace performance to continue to improve in 2024 and beyond as supply chain challenges dissipate and production rates increase.

Overall, the Board's expectations of strong growth for the Group in 2023 are unchanged.

We remain on track to drive the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

Our strategy and positioning in attractive and structurally resilient core markets, combined with our sector leading sustainability credentials and highly relevant technical capabilities, provides confidence of continuing performance improvements across our Aerospace and Flexonics Divisions and enhanced value for our stakeholders."

Further information

Bindi Foyle, Group Finance Director, Senior plc	+44 (0) 1923 714 725
Gulshen Patel, Director of Investor Relations & Corporate Communications, Senior plc	+44 (0) 1923 714 722
Richard Webster-Smith, FGS Global	+44 (0) 7796 708 551

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 £1.1m amortisation of intangible assets from acquisitions (H1 2022 - £nil), £0.9m net restructuring costs (H1 2022 - £2.8m net income, see Note 4 for further detail) and £0.1m US pension settlement costs (H1 2022 - £nil). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £2.0m (H1 2022 - £0.5m, see Note 4 for further detail). Adjusted operating margin is the ratio of adjusted operating profit to revenue.

(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 2022 results translated using H1 2023 average exchange rates - constant currency.

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

- EBITDA is adjusted profit before tax and before interest, depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and includes EBITDA for businesses acquired and it is based on frozen GAAP (pre-IFRS 16). EBITDA for the 12 month period ending June 2023 was £77.6m.
- 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 adjusted 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 definition of adjusted items in the Consolidated Income Statement is included in Note 4.

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average H1 2023 rates was $1.23 (H1 2022 - $1.29) and applied in the translation of balance sheet items at 30 June 2023 was $1.27 (30 June 2022 - $1.22; 31 December 2022 - $1.21).

Webcast

There will be a presentation on Monday 31 July 2023 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 a FTSE 250 international manufacturing Group with operations in 12 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior's Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders." 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 2023

In the first half of 2023, Senior made good operational and strategic progress. Trading performance was strong in the period with revenue growing 20% and adjusted profit before tax doubling over H1 2022.

The Group saw increased order intake during the period, with a healthy book to bill ratio of 1.20 which underpins our confidence in strong growth in 2023 and beyond. Both divisions recorded good order intake demonstrating the broad, diversified and high-quality nature of our business.

For the first half of 2023, Group revenue increased by 16% on a constant currency basis to £482.3m with growth in both divisions. This year-on-year increase reflected the strong momentum in our core markets and our positioning on key growth platforms across both Aerospace and Flexonics. The Group benefited from growth in land vehicle and power & energy markets and the increases in civil aircraft production rates, as well as pricing benefits of £21.6m. Favourable exchange rates added £13.5m to total sales.

In Flexonics, revenue grew 25% compared to prior year, on a constant currency basis. This performance was driven by strong customer demand and market share gains in land vehicles as well as good momentum in power & energy markets. In Aerospace, revenue increased 11% year-on-year on a constant currency basis. The increase reflected ramp up in civil aircraft production rates and improved activity in the defence market more than offsetting the reduction in sales to semi-conductor equipment customers (which is included in "Other Aerospace").

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 £22.9m (H1 2022 - £12.6m). Adjusted operating margin increased by 160 basis points, to 4.7% for the half-year. Overall, price increases of £21.6m offset material and other inflationary cost increases of £18.7m in the first half of the year. The improved profitability also reflected underlying volume related operating leverage, particularly across our Flexonics operating businesses.

As is well documented, volatility in the Aerospace supply chain continues. Whilst we are starting to see the first green shoots of improvement, we continue to believe that it will be well into 2024 before we see normalisation in the supply chain. Meanwhile, our operating businesses continue to focus on doing everything possible to manage the supply chain issues and maintain service levels for customers. We continue to work closely with our suppliers and customers to minimise any potential disruptions, including from the fire at one of our key suppliers in Thailand. We have made good progress to mitigate the impact of the fire, establishing alternative sources where possible. Our supplier has made good headway with the factory rebuild but it will be well into 2024 before they have completed their efforts to re-establish full capacity and have production lines re-qualified.

The Group's adjusted profit before tax doubled, increasing to £17.6m (H1 2022 - £8.8m). The adjusted tax charge was £3.0m (H1 2022 - £0.8m). Adjusted earnings per share increased by 84% to 3.53 pence (H1 2022 – 1.92 pence).

Reported profit before tax was £13.5m, compared to £11.1m in H1 2022. Basic earnings per share increased to 2.80 pence (H1 2022 – 2.43 pence).

In line with expectations, the Group recorded free cash outflow of £11.8m (H1 2022 - £19.3m inflow) in the first half of 2023, primarily due to investment in working capital reflecting production growth. Cash outflows from working capital of £38.5m (H1 2022 - £1.2m outflows) reflected higher receivables as a result of revenue growth and planned investment in inventory to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. Gross capital expenditure was £13.7m (H1 2022 - £11.5m) which was 0.7x depreciation (excluding the impact of IFRS 16). The Group experienced a net cash outflow of £18.1m (H1 2022 - £17.5m inflow) in the six months to June 2023, due to free cash outflow of £11.8m (H1 2022 - £19.3m inflow); £4.1m dividends paid; £1.3m net outflows related to the US pension settlement, restructuring and corporate undertakings; and £0.9m purchase of shares held by the employee benefit trust.

The Group's balance sheet remains healthy with a period end net debt to EBITDA of 1.6x, illustrating Senior's financial stability. The headroom on our committed borrowing facilities at 30 June 2023 was £154.9m. Net debt at the end of June 2023 was £190.5m (including capitalised leases of £71.1m), an increase of £11.6m from December 2022, after taking into account favourable currency movements of £8.9m and a £2.4m increase for lease movements.

Return on capital employed ("ROCE") increased by 400 basis points to 6.3% (H1 2022 – 2.3%). The significant increase in ROCE reflected the doubling of profits. This improvement in ROCE keeps the Group on track to deliver our Group ROCE target of 13.5% over the medium term.

Reflecting the confidence in the Group's performance, financial position and future prospects, the Board has approved an interim dividend of 0.60 pence per share (H1 2022 – 0.30 pence), which is double the prior year interim. This will be paid on 10 November 2023 to shareholders on the register at close of business on 13 October 2023. In the medium term, we will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover.

Market Overview

In the first half of 2023, our core markets across the Group continued to improve.

Land Vehicle (22% of Group)

Good momentum in the land vehicle market continued in the first half of 2023, with all segments growing.

According to Americas Commercial Transportation ("ACT") research, North American heavy-duty truck production grew by 14% in the first half of 2023 compared to H1 2022. At our FY results in February, ACT had been expecting market decline of 3% in 2023 but now are predicting overall growth in the year due to ongoing strength in the US economy. According to IHS Markit Inc. ("IHS"), European truck and bus market production grew by 12% in the first half of the year and growth for the full year 2023 is forecast to be 3% year-on-year. Whilst it is too early to predict what will happen in 2024, the global commercial vehicle market is expected to grow at low single digit compound annual growth rate through the cycle. We will continue to monitor the end market conditions carefully across the various regions in which we operate and seek to maximise growth opportunities.

Light vehicle production in the first half of 2023 continued to benefit from less disruption to supply chains, helped by improving availability of semi-conductor chips. According to IHS, European light vehicle production grew by 16% in first half of the year. It is forecast to grow by 9% in the full year 2023.

According to the International Energy Agency ("IEA"), global electric car sales have continued their strong growth in 2023, registering 25% year-on-year growth during the first quarter. The IEA are forecasting 35% growth in electric car sales for 2023, thus, accounting for 18% of total car sales across 2023. The Bloomberg New Energy Finance Electric Vehicle Outlook 2023 report predicts that by 2026, plug-in vehicles will represent 30% of new passenger vehicle sales globally, 44% by 2030 and 75% by 2040. With the increasing adoption of electrification for both land vehicle and stationary power applications set to continue into the long-term future, this market is fast growing and represents a major opportunity for Senior in the medium and long term, particularly for our proprietary battery cooling technology.

Power & Energy (15% of Group)

In the first half of 2023, power & energy markets grew with higher levels of activity in upstream oil and gas continuing and improving levels of maintenance and overhaul, highlighting the need for energy security stemming from the Ukraine crisis.

Growth in electricity demand is forecast to continue increasing steadily, rising from 2.6% per annum in 2023 to an average 3.2% per annum in 2024-2025. The IEA's outlook for 2023 to 2025 shows that renewable power generation is set to increase more than all other sources combined, with an annualised growth rate of over 9%.

According to the IEA, global demand for oil will grow by 2% in 2023. Going forward, demand is forecast to grow by 1% per year until 2028. Global refining capacity has continued to modestly expand in 2023 and is forecast to grow by 4% by 2028, with the main driver being jet fuel demand.

Given its role as a zero-carbon electricity source, momentum in nuclear power has continued building; further accelerated given the importance of security of energy supply. The International Atomic Energy Agency has noted that nuclear energy has an important role to play in enabling countries to move away from fossil fuels, achieve their net zero targets, and reinforce climate resilience in energy systems. Whilst extending lifetimes of nuclear plants is likely to be an important part of a cost-effective path to this, it is feasible that half of the emission reductions by 2050 may come from small modular reactors (SMRs) due to their lower cost, smaller size, and reduced project risks. We are actively monitoring developments in this area and the resultant opportunities for Senior.

Civil Aerospace (42% of Group)

Air traffic continued to increase, with all regions showing improvements in the first quarter of 2023. According to the International Air Transport Association ("IATA"), latest May 2023 data showed that domestic passenger numbers now exceed 2019 levels, while international passenger numbers have reached 91% of 2019 levels.

The picture for civil aerospace programmes remains positive. Both Airbus and Boeing have confirmed their guidance for increased build rates across their key narrow and widebody programmes.

In the medium and longer term, structural growth in air travel of c. 3-4% per annum is expected to be driven by growing air traffic demand in Asia. IATA expects demand for air travel to double by 2040, with passenger numbers expected to increase by 3.9 billion. Asia Pacific will contribute more than half of the forecast growth supported by favourable demographics and growth in household incomes. This, along with the replacement of older aircraft with the latest generation, more fuel-efficient models, will underpin demand for new aircraft.

With our diversified product portfolio in the aerospace sector, including attractive positions across the newest generation of single aisle aircraft platforms, Senior is well positioned to benefit from the ongoing market recovery, and increased aircraft build rates.

Defence (13% of Group)

Senior's sales to the Defence sector are primarily focused on the US market. The approved base budget for US defence in Fiscal Year 2023 was $816bn, with a further $36bn of supplemental funding also provided. For Fiscal Year 2024, the US Department of Defense's base budget request is $842bn, a 3% increase on the base budget for 2023.

Senior is well placed to benefit from this level of spend with good content on the F-35 Joint Strike Fighter, mature programmes such as the C-130 transport aircraft, and newer programmes such as the T-7A Red Hawk trainer.

Other Aerospace (8% of Group)

Sales from our Aerospace operating businesses into end 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. Using our world class bellows technology, we manufacture highly engineered proprietary products to provide unique solutions for semi-conductor manufacturing equipment.

As expected, for 2023, the World Semiconductor Trade Statistics ("WSTS") forecast the global semi-conductor market to contract by 10%, however, the overall semi-conductor equipment market is projected to grow at a CAGR of 10% from 2023 to 2028.(1)

The Low Earth Orbit (LEO) Satellite Market has grown exponentially in recent years and is forecast to record a CAGR of 12% from 2023 to 2028.(2) We have good positions with key market players in this sector so should benefit from this strong growth.

We are ensuring we are appropriately resourced to take advantage of the market-led opportunities across our Flexonics and Aerospace Divisions.

Delivery of Group Strategy

Purpose

Our Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders". We do this by:

- Using our technology expertise in fluid conveyance and thermal management to provide safe and innovative products for demanding applications in some of the most hostile environments.
- Enabling our customers, who operate in the hardest-to-decarbonise sectors, to transition to low carbon and clean energy solutions.
- Staying at the forefront of climate disclosure and action by ensuring our own operations achieve our Net Zero commitments.

Technology

Our extensive design expertise, intellectual property and know-how, and technology supports our strategic focus on fluid conveyance and thermal management. This enables us to develop and supply proprietary products, sub-systems and systems for our customers' demanding applications across a range of diverse and attractive end markets.

Our strategy of focusing on fluid conveyance and thermal management is positioning Senior to offer pivotal technologies for emissions reduction and environmental efficiency, capabilities that continue to be highly relevant as the world transitions towards a low carbon economy. Not only are we actively focused on new product offerings that support the transition to a low-carbon world, but we are actively involved in making conventional technology cleaner to bridge the gap between both worlds.

Alignment of our technology and product roadmaps to these trends is enhanced by a product development strategy that is compatible with our focus on sustainability and the anticipated needs of our customers during this transition. Senior remains on track with our technology and product roadmaps, and we are seeing pull-through of our technology themes into customer applications and in support of research and development programmes. For example, the Airbus "Wing of Tomorrow" development program explores new manufacturing and assembly techniques for future wing concepts. The program serves as a test bed for various design and manufacturing technology concepts that will be incorporated into future platforms. Senior has developed an innovative duct for this program which allows for rapid assembly during wing production. Developed jointly between Senior and the customer, this innovative design consolidates previously discrete sections of the ducting system into a ready-to-assemble kit that can be "dropped in" during the wing assembly process. This new method delivers significant time savings over the conventional process and is an excellent example of leveraging our core design and manufacturing capabilities to deliver benefits for our customers.

(1) Research and markets, Global Semiconductor Manufacturing Equipment Market Analysis Report 2023-2028, May 2023
(2) Mordor Intelligence, Low Earth Orbit (LEO) Satellite Market & Share Analysis – Growth trends & forecast (2023-2028)

Electrification and hydrogen power are poised to remain the key technology themes in many of our end markets in the decades to come. Our fluid conveyance and thermal management technology, highly relevant to these themes, will continue to help us support our customers with high-value solutions in the medium- and long-term to bridge the transition to sustainable technologies for the future in a low carbon economy.

Spencer integration

The integration of Spencer Aerospace, which we acquired in November 2022, has been progressing well during the first half of the year. Sales were up almost 50% in H1 2023 compared to H1 2022 and we are pursuing multiple new business opportunities, both in Spencer's traditional North American home markets, and in Europe where they are working collaboratively with our French Aerospace business, Ermeto.

Aerostructures strategy

The strategy for our Aerostructures businesses has been progressing well. Our focus in this area is to:

- fill our existing capacity;
- pursue some further diversification into Space and Defence; and
- grow market share profitably in Civil Aerospace.

We remain confident of further performance improvement in our Aerostructures business as production volumes continue to ramp.

Considered and effective capital deployment

We understand the importance of considered and effective capital deployment towards maximising shareholder value creation. The Group has a financial objective to maintain an overall ROCE in excess of the Group's cost of capital and to target a minimum pre-tax return on capital employed of 13.5% on a post IFRS 16 basis. Our strategy of expanding Senior's high-quality fluid conveyance and thermal management businesses remains a priority. All significant investments are supported by a business case and are assessed using a rigorous investment appraisal process.

To maximise the Group's operating efficiency and overall effectiveness we actively review our overall portfolio of operating businesses and evaluate them in terms of their strategic fit within the Group. As indicated at our Full Year results in February 2023, we continue to consider the best time to relaunch the Aerostructures potential divestment process to ensure we optimise value for shareholders, taking into account financing markets and end market conditions.

Sustainability

Sustainability is an integral part of our overall strategy. We always aim to deliver our products in a manner that is both environmentally sustainable and supports economic growth through sustainable methods. This means that in implementing our strategy, we are committed to using resources responsibly, investing for the long-term wellbeing of the planet and ensuring that all people involved in and with our businesses are treated fairly.

Our technology and expertise are key enablers of emission reductions and will only grow more relevant as the world transitions to Net Zero. They are applied across different applications, working in close partnership with our customers, to develop solutions that support both their commercial and sustainability objectives.

In the first half of the year, we continue to make progress against our sustainability metrics and activities:

Environment

- Awarded the top 'A' score by CDP in its global annual ranking for transparency on climate change; the only Aerospace and Defence company to achieve an A rating for 2022. In February 2023, CDP also awarded Senior the highest 'A' leadership status in its annual supplier engagement ratings.
- We remain on track to achieve our Scope 1, 2 and 3 Science Based Target Initiative ("SBTi") verified Near Term Targets.
- We have submitted our Long-Term Net Zero Targets to SBTi for validation. The targets, to be achieved by 2040, are aligned to keep global warming to 1.5 degrees centigrade, the most ambitious goal of the Paris Agreement.
- Approximately 47% of our electricity was sourced from renewable energy, an increase from 41% in December 2022.
- We recycled 95.4% of waste produced.

Social

- Recognising the impact of high rates of inflation, Senior is continuing to take steps to help the broader workforce including salary settlements that reflected regional cost of living pressures and promoting wellbeing initiatives.
- Following our second Global Employee Opinion Survey undertaken in September 2022, our operating businesses are making good progress on implementing their action plans having communicated the results to their teams via employee briefing sessions.
- Our Lost Time Injury Rate has reduced to 0.28 for H1 2023, an improvement from 0.38 at the end of 2022. In 2022, we introduced additional safety initiatives focusing on ergonomics and hand protection to support our 2025 Lost Time Injury Rate reduction goal.
- Currently, 57% of the Board Directors are female, including the Chair of the Audit Committee, the Senior Independent Director, who is also Chair of the Remuneration Committee, and the Group Finance Director. Two of the Directors (29%) are from ethnic minority backgrounds.

Governance

- In June 2023, employees received refresher training on Senior's Code of Conduct including Protecting Human Rights and International Trade Compliance.
- Climate Change training has been rolled out in June 2023 to key stakeholders across the Group including the Board, senior managers from the Group's operating businesses, and Finance, HR and HS&E teams.
- Employees continue to receive training and regular reminders about the risks related to information/cyber security.

Outlook

Senior is on a strong trajectory with good growth across our two divisions and overall, the Board's expectations of strong growth for the Group in 2023 are unchanged.

We expect to see year-on-year growth in the Flexonics division in H2, though we are mindful of the commentary around some potential softening of markets in the second half of 2023.

In Aerospace, planned aircraft build rate increases should lead to higher sales in H2 with supply chain challenges enduring but anticipated to be less severe towards the end of the year. Looking ahead we can expect Aerospace performance to continue to improve in 2024 and beyond as supply chain challenges dissipate and production rates increase.

We remain on track to drive the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

Our strategy and positioning in attractive and structurally resilient core markets, combined with our sector leading sustainability credentials and highly relevant technical capabilities, provides confidence of continuing performance improvements across our Aerospace and Flexonics Divisions and enhanced value for our stakeholders.

DAVID SQUIRES
Group Chief Executive Officer

DIVISIONAL REVIEW

Flexonics Division

The Flexonics Division represents 37% (H1 2022 – 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 2022 results have been translated using H1 2023 average exchange rates. There are no reconciling items between adjusted operating profit and operating profit in H1 2023. The Division's operating results on a constant currency basis are summarised below:

	H1 2023	H1 2022 [1]	Change
Revenue	**£178.6m**	£142.4m	+25.4%
Adjusted operating profit	**£20.2m**	£11.9m	+69.7%
Adjusted operating margin	**11.3%**	8.4%	+290bps

[1] H1 2022 results translated using H1 2023 average exchange rates - constant currency.

Divisional revenue increased by £36.2m (25.4%) to £178.6m (H1 2022 – £142.4m) and adjusted operating profit increased by £8.3m (69.7%) to £20.2m (H1 2022 – £11.9m).

Revenue Reconciliation	**£m**
H1 2022 revenue	£142.4m
Land vehicles	£25.7m
Power & energy	£10.5m
H1 2023 revenue	£178.6m

Flexonics core markets grew strongly in the first half of the year helping sales in H1 2023 to increase by 25.4% compared to the prior period.

Group sales to land vehicle markets increased by 32.8% driven by increased market and customer demand and market share gains for both commercial and passenger vehicles. Senior's sales to the North American truck and off-highway market increased by £7.2m (16.1%), while sales to other truck and off-highway regions, including Europe and India, increased by £8.6m (47.5%). Our strong sales in truck markets were aided by production increases on recently won contracts. Group sales to passenger vehicle markets increased by £9.9m (64.3%) in the year, benefiting from the launch and ramp up of new programmes in North America and Europe.

In the Group's power & energy markets good momentum continued as sales increased by £10.5m (16.4%) in the year. Sales to oil and gas customers increased by £7.6m (39.4%), as a result of higher demand mainly from upstream activity as well as improving levels of maintenance and overhaul. Sales to other power & energy markets increased by £2.9m reflecting growth in sales to medical and steel industry customers.

Adjusted operating profit increased by £8.3m compared to prior period and the divisional adjusted operating margin increased by 290 basis points to 11.3% (H1 2022 – 8.4%). This significant improvement in profitability reflected the underlying volume related operating leverage across our operating business and the benefits from recurring price increases and one-off cost recoveries which offset inflationary cost increases.

Power & energy markets grew in the first half of 2023 and this positive momentum is expected to continue given higher activity in upstream oil & gas and maintenance and overhaul sectors. As we enter H2, land vehicle customer demand is holding up well and ACT research are now forecasting overall growth this year (having previously forecasted a market decline of 3%).

Overall, we expect to see year-on-year growth in the Flexonics division in H2, though we are mindful of the commentary around some potential softening of markets in the second half of the year. We will monitor end market conditions carefully across the various regions in which we operate and seek to maximise growth opportunities.

Aerospace Division

The Aerospace Division represents 63% (H1 2022 – 66%) of Group revenue and consists of 14 operations. These are located in North America (six), the United Kingdom (four), France (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby H1 2022 results have been translated using H1 2023 average exchange rates and on an adjusted basis to exclude amortisation of intangible assets from acquisitions and net restructuring income/costs. The Division's operating results on a constant currency basis are summarised below:

	H1 2023	H1 2022 [(1)]	Change
Revenue	**£304.1m**	£273.5m	+11.2%
Adjusted operating profit	**£11.6m**	£10.1m	+14.9%
Adjusted operating margin	**3.8%**	3.7%	+10bps

(1) H1 2022 results translated using H1 2023 average exchange rates - constant currency.

Divisional revenue increased by £30.6m (11.2%) to £304.1m (H1 2022 – £273.5m) whilst adjusted operating profit increased by £1.5m (14.9%) to £11.6m (H1 2022 – £10.1m).

Revenue Reconciliation	**£m**
H1 2022 revenue	£273.5
Civil aerospace	£35.5
Defence	£1.5
Other markets	£(6.4)
H1 2023 revenue	£304.1

Revenue in the Aerospace Division increased by 11.2% year-on-year on a constant currency basis, benefiting from the overall recovery in demand. The year-on-year increase reflected the ramp up in civil aircraft production rates and improved activity in the defence market. As anticipated, sales to semi-conductor equipment customers reduced due to lower cyclical market demand.

The civil aerospace sector had the strongest growth during the period with Senior's sales increasing by 21.4% compared to prior year. Aircraft production rates were higher in H1 2023 compared to H1 2022, driven particularly by single aisle aircraft, regional and large business jets. Widebody production rates are planned to increase towards the end of the year. 22% of civil aerospace sales were from widebody aircraft in the first half of 2022, with the other 78% sales being from single aisle, regional and business jets.

Total revenue from the defence sector increased by £1.5m (2.4%) primarily from the increase in F-35 production.

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, decreased by £6.4m (14.1%) as a result of the decrease in demand from the semi-conductor equipment market.

During the period, adjusted operating profit increased by 14.9% to £11.6m (H1 2022 - £10.1m) and the adjusted operating margin increased by 10 basis points to 3.8% (H1 2022 – 3.7%). Price increases attained during the period helped to offset the impact of material and other inflationary cost increases. As expected, inefficiencies largely caused by the enduring supply chain challenges are significantly, but temporarily, dampening volume related drop through benefits. As disclosed at our full year results, our Thailand operating business is being impacted by a fire at a key supplier which happened in February this year. We have made good progress to mitigate the impact of the fire, establishing alternative sources where possible. Our supplier has made good headway with the factory rebuild but it will be well into 2024 before they have completed their efforts to re-establish full capacity and have production lines re-qualified.

Throughout the period our operating businesses kept their focus on doing everything possible to manage the supply chain issues and maintain service levels for customers. Whilst we are starting to see the first green shoots of improvement, we continue to believe that it will be well into 2024 before we see normalisation in the supply chain.

As aircraft build rates increase through the second half of the year, we can expect higher sales in the division in H2 compared to H1 although we should continue to expect the volume related drop through benefits to be temporarily dampened by the ongoing supply chain challenges described. Looking further ahead we can expect Aerospace performance to improve in 2024 and beyond as these supply chain challenges dissipate and production rates continue to increase.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £482.3m (H1 2022 - £402.2m). Excluding the favourable exchange rate impact of £13.5m, Group revenue increased by £66.6m (16.0%), of which £21.6m related to pricing. Revenue grew in both Aerospace and Flexonics year-on-year.

Operating profit

Adjusted operating profit increased by £10.3m (81.7%) to £22.9m (H1 2022 - £12.6m). Excluding the favourable exchange rate impact of £0.8m, adjusted operating profit increased by £9.5m (70.9%) on a constant currency basis. After accounting for £1.1m amortisation of intangible assets from acquisitions (H1 2022 - £nil), £0.9m net restructuring costs (H1 2022 - £2.8m net income) and £0.1m US pension settlement costs, reported operating profit was £20.8m (H1 2022 - £15.4m). Reported operating profit in the Aerospace Division was £9.6m (H1 2022 - £12.6m) and reported operating profit in the Flexonics Division was £20.8m (H1 2022 - £11.4m).

The Group's adjusted operating margin increased by 160 basis points, to 4.7% for the half year. This improved profitability principally reflected volume related operating leverage across our businesses. Inflationary pressures were successfully mitigated by diligently managing costs and by increasing prices and surcharges where possible. Overall price increases of £21.6m offset material and other inflationary cost increases of £18.7m.

Finance costs and investment income

Finance costs, net of investment income and before unwinding of discount on deferred and contingent consideration increased to £5.3m (H1 2022 - £3.8m) and comprise IFRS 16 interest charge on lease liabilities of £1.5m (H1 2022 - £1.2m), net finance income on retirement benefits of £1.0m (H1 2022 - £0.6m) and net interest charge of £4.8m (H1 2022 - £3.2m). This increase was driven by higher underlying interest rates on variable rate debt and higher levels of indebtedness in H1 2023 versus the prior period.

Tax charge

The adjusted tax rate for the period was 17.0% (H1 2022 – 9.1%), being a tax charge of £3.0m (H1 2022 - £0.8m) on adjusted profit before tax of £17.6m (H1 2022 - £8.8m). The adjusted tax rate benefitted from enhanced deductions for R&D expenditure in the US, the super-deduction for capital expenditure in the UK, as well as prior year items.

The reported tax rate was 14.1% charge, being a tax charge of £1.9m on reported profit before tax of £13.5m. This included £1.1m tax credit against items excluded from adjusted profit before tax, of which £0.3m credit related to amortisation of intangible assets from acquisitions, £0.3m credit related to net restructuring costs and a £0.5m credit related to corporate undertakings in the half year. The 2022 half year 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.

Cash tax paid was £2.4m (H1 2022 - £1.7m) and is stated net of refunds received of £2.7m (H1 2022 - £1.3m) of tax paid in prior periods, arising from 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, decreased to 413.9 million (H1 2022 – 416.4 million). The decrease arose principally due to the purchase of shares held by the employee benefit trust during 2022 and the first half of 2023. The adjusted earnings per share was 3.53 pence (H1 2022 – 1.92 pence). Basic earnings per share was 2.80 pence (H1 2022 – 2.43 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 400 basis points to 6.3% (H1 2022 – 2.3%). The increase in ROCE was mainly a result of the significant increase in adjusted operating profit compared to prior half year.

Cash flow

The Group generated free cash outflow of £11.8m in H1 2023 (H1 2022 - £19.3m inflow) as set out in the table below:

	H1 2023 £m	H1 2022 £m
Operating profit	**20.8**	15.4
Amortisation of intangible assets from acquisitions	**1.1**	-
Net restructuring costs/(income)	**0.9**	(2.8)
US pension settlement	**0.1**	-
Adjusted operating profit	**22.9**	12.6
Depreciation (including amortisation of software)	**25.0**	24.5
Working capital and provisions movement, net of restructuring items	**(38.5)**	(1.2)
Pension contributions	**(0.3)**	(2.3)
Pension service and running costs	**0.7**	0.7
Other items(1)	**0.4**	2.2
Interest paid, net	**(6.0)**	(4.1)
Income tax paid, net	**(2.4)**	(1.7)
Capital expenditure	**(13.7)**	(11.5)
Sale of property, plant and equipment	**0.1**	0.1
Free cash flow	**(11.8)**	19.3
Corporate undertakings	**0.1**	(0.5)
Net restructuring cash paid	**(0.6)**	(1.3)
US pension settlement	**(0.8)**	-
Dividends paid	**(4.1)**	-
Purchase of shares held by employee benefit trust	**(0.9)**	-
Net cash flow	**(18.1)**	17.5
Effect of foreign exchange rate changes	**8.9**	(11.0)
IFRS 16 non-cash additions and modifications including acquisition	**(2.4)**	(2.8)
Change in net debt	**(11.6)**	3.7
Opening net debt	**(178.9)**	(153.1)
Closing net debt	**(190.5)**	(149.4)

(1) Other items comprises £1.4m share-based payment charges (H1 2022 – £2.2m), £(0.6m) profit on share of joint venture (H1 2022 – £(0.1m)), £(0.3m) working capital and provision currency movements (H1 2022 – £0.2m) and £(0.1m) profit on sale of fixed assets (H1 2022 – £(0.1m)).

Capital expenditure

Gross capital expenditure of £13.7m (H1 2022 - £11.5m) was 0.7 times depreciation excluding the impact of IFRS 16 (H1 2022 - 0.6 times). The disposal of property, plant and equipment raised £0.1m (H1 2022 - £0.1m). For the full year 2023, capital investment is expected to be in line with depreciation (excluding the impact of IFRS 16). We are prioritising new investment on sustainability related items; important replacement equipment for current production; and growth projects where contracts have been secured.

Working capital

Working capital balances increased by £32.5m in the first half of 2023 to £163.8m (31 December 2022 - £131.3m), after £7.4m favourable foreign currency movements. The underlying increase reflects increased trading in the period. Receivables were higher as a result of revenue growth and inventory was higher with planned investment to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. In the first half of 2023, working capital increased as a percentage of sales by 210 basis points to 17.6% (31 December 2022 - 15.5%). Although we may continue to see an increase in working capital over the coming year, we will continue our relentless and effective focus on working capital management.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") decreased by £3.8m to £48.0m (31 December 2022 - £51.8m) due to £4.7m net actuarial losses and £0.4m running costs partly offset by £1.3m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £2.2m to £9.9m (31 December 2022 - £12.1m). During the first half of 2023, one of the US defined benefit plans was partially settled following a combination of lump sum payments and annuity purchase. A net expense of £0.1m, recognised as an adjusting item to operating profit (see Note 4), and cash outflow of £0.8m (see Note 12b) was recorded in the first half of 2023 in relation to this settlement.

The triennial actuarial valuation of the UK Plan as at 5 April 2022 showed a surplus of £24.5m (5 April 2019 - deficit of £10.2m). The Group's deficit reduction cash contributions, including administration costs, to the UK Plan ceased on 30 June 2022.

The estimated cash contributions expected to be paid during the full year 2023 in the US funded plans is £1.6m (£0.4m was paid in 2022).

Net debt

Net debt which includes IFRS 16 lease liabilities increased by £11.6m to £190.5m at 30 June 2023 (31 December 2022 - £178.9m). As noted in the cash flow above, the Group generated net cash outflow of £18.1m (as defined in Note 12c), after £8.9m favourable foreign currency movements and £2.4m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £71.1m (31 December 2022 - £78.4m) increased by £18.9m to £119.4m at 30 June 2023 (31 December 2022 - £100.5m), due to free cash outflow of £11.8m, £5.0m capital repayment of leases, £5.0m outflow for dividends and purchase of shares and £1.3m net cash outflows for corporate undertakings, restructuring and US pension settlement partially offset by £4.2m favourable foreign currency movements.

Funding and Liquidity

At 30 June 2023, the Group held committed borrowing facilities of £274.3m and the Group had headroom of £154.9m under these committed facilities. The weighted average maturity of the Group's committed facilities is 3.0 years at 30 June 2023. Net debt (defined in Note 12c) was £190.5m, including £71.1m 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 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 8.9x, 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.

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

The principal risks and uncertainties faced by the Group have been reviewed during the first half of 2023. The Group's principal risk list as at 30 June 2023 and for the remaining six months of the financial year has remained unchanged from those set out in detail on pages 64 to 71 of the Annual Report & Accounts 2022 (available at www.seniorplc.com). Details regarding the mitigating actions the Board has established in response to the risks and uncertainties can also be found on the same pages of the Annual Report & Accounts 2022. These mitigating actions are reviewed and updated regularly.

Supply chain disruption and inflationary pressures have persisted into 2023 and the Group continues to diligently manage the challenging business environment through a wide variety of mitigation techniques. While inflation in the US has moderated and key inflationary indicators point to continued cooling of US core inflation rates throughout the remainder of 2023, UK inflation rates remain high, with the easing of inflationary pressures in the UK lagging behind the US and other large economies. The risks to the Group from Economic and Geopolitical Impact remain elevated as concerns over a global economic downturn linger and political tensions remain escalated in parts of the world. We continue to closely monitor and assess the economic and geopolitical developments that pose the potential to impact the Group and its key stakeholders.

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 60 to 62 of the Annual Report and Accounts 2022 (available at www.seniorplc.com).

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 Group Chief Executive Officer	Bindi Foyle Group Finance Director
28 July 2023	28 July 2023

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the Senior Plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 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 for 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
28 July 2023

Condensed Consolidated Income Statement

For the half-year ended 30 June 2023

	Notes	Half-year ended 30 June 2023 £m	Half-year ended 30 June 2022 £m	Year ended 31 Dec 2022 £m
Revenue	3	482.3	402.2	848.4
Trading profit		20.2	15.3	32.1
Share of joint venture profit	9	0.6	0.1	0.4
Operating profit (1)	3	20.8	15.4	32.5
Investment income		2.9	0.7	1.9
Finance costs		(9.6)	(4.5)	(10.6)
Corporate undertakings	4	(0.6)	(0.5)	(1.4)
Profit before tax (2)		13.5	11.1	22.4
Tax charge	5	(1.9)	(1.0)	(2.2)
Profit for the period		11.6	10.1	20.2
Attributable to:				
Equity holders of the parent		11.6	10.1	20.2
Earnings per share				
Basic (3)	7	2.80p	2.43p	4.86p
Diluted (4)	7	2.72p	2.37p	4.73p

(1) Adjusted operating profit	4	22.9	12.6	28.5
(2) Adjusted profit before tax	4	17.6	8.8	20.1
(3) Adjusted earnings per share	7	3.53p	1.92p	4.36p
(4) Adjusted and diluted earnings per share	7	3.43p	1.88p	4.24p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2023

	Half-year ended 30 June 2023	Half-year ended 30 June 2022	Year ended 31 Dec 2022
	£m	£m	£m
Profit for the period	11.6	10.1	20.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gains/(Losses) on foreign exchange contracts- cash flow hedges during the period	0.8	(6.5)	(4.5)
Reclassification adjustments for losses included in profit	0.9	1.3	2.2
Gains/(Losses) on foreign exchange contracts- cash flow hedges	1.7	(5.2)	(2.3)
Exchange differences on translation of overseas operations	(18.3)	22.2	24.5
Tax relating to items that may be reclassified	(0.5)	1.2	0.7
	(17.1)	18.2	22.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	(3.3)	(15.1)	(23.1)
Tax relating to items that will not be reclassified	0.8	3.8	5.7
	(2.5)	(11.3)	(17.4)
Other comprehensive (expense)/income for the period, net of tax	(19.6)	6.9	5.5
Total comprehensive (expense)/income for the period	(8.0)	17.0	25.7
Attributable to:			
Equity holders of the parent	(8.0)	17.0	25.7

Condensed Consolidated Balance Sheet

As at 30 June 2023	Notes	30 June 2023	30 June 2022	31 Dec 2022
		£m	£m	£m
Non-current assets				
Goodwill	8	193.2	157.1	199.7
Other intangible assets		33.6	4.3	36.2
Investment in joint venture	9	4.6	4.2	4.4
Property, plant and equipment	10	283.1	304.1	307.2
Deferred tax assets		12.2	8.7	10.9
Retirement benefits	11	48.0	58.5	51.8
Trade and other receivables		0.6	0.1	0.4
Total non-current assets		575.3	537.0	610.6
Current assets				
Inventories		199.4	163.3	194.3
Current tax receivables		2.0	2.8	2.1
Trade and other receivables		147.1	133.7	126.7
Cash and bank balances	12c)	35.7	82.6	43.2
Total current assets		384.2	382.4	366.3
Total assets		959.5	919.4	976.9
Current liabilities				
Trade and other payables		183.2	190.4	191.2
Current tax liabilities		18.1	15.9	17.7
Lease liabilities	12c)	11.2	11.3	12.7
Bank overdrafts and loans	12c)	-	31.3	0.5
Provisions	14	16.1	12.9	16.7
Deferred and contingent consideration		36.1	-	23.4
Total current liabilities		264.7	261.8	262.2
Non-current liabilities				
Bank and other loans	12c)	155.1	124.2	143.2
Retirement benefits	11	9.9	10.8	12.1
Deferred tax liabilities		4.7	7.0	4.7
Lease liabilities	12c)	59.9	65.2	65.7
Provisions	14	5.7	2.9	2.9
Contingent consideration		15.1	-	28.9
Others		6.2	3.2	7.8
Total non-current liabilities		256.6	213.3	265.3
Total liabilities		521.3	475.1	527.5
Net assets		438.2	444.3	449.4
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		6.3	5.5	6.4
Hedging and translation reserve		34.4	46.8	51.5
Retained earnings		351.8	342.6	346.5
Own Shares		(11.0)	(7.3)	(11.7)
Equity attributable to equity holders of the parent		438.2	444.3	449.4
Total equity		438.2	444.3	449.4

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2023

	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 2022	41.9	14.8	5.8	(37.2)	65.8	343.2	(9.2)	425.1
Profit for the period	-	-	-	-	-	20.2	-	20.2
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(2.3)	-	-	-	(2.3)
Exchange differences on translation of overseas operations	-	-	-	-	24.5	-	-	24.5
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(23.1)	-	(23.1)
Tax relating to components of other comprehensive income	-	-	-	0.7	-	5.7	-	6.4
Total comprehensive (expense)/income for the period	-	-	-	(1.6)	24.5	2.8	-	25.7
Share-based payment charge	-	-	4.3	-	-	-	-	4.3
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(4.5)	(4.5)
Use of shares held by employee benefit trust	-	-	-	-	-	(2.0)	2.0	-
Transfer to retained earnings	-	-	(3.7)	-	-	3.7	-	-
Dividends paid	-	-	-	-	-	(1.2)	-	(1.2)
Balance at 31 December 2022	41.9	14.8	6.4	(38.8)	90.3	346.5	(11.7)	449.4
Profit for the period	-	-	-	-	-	11.6	-	11.6
Gains on foreign exchange contracts- cash flow hedges	-	-	-	1.7	-	-	-	1.7
Exchange differences on translation of overseas operations	-	-	-	-	(18.3)	-	-	(18.3)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(3.3)	-	(3.3)
Tax relating to components of other comprehensive income	-	-	-	(0.5)	-	0.8	-	0.3
Total comprehensive (expense)/income for the period	-	-	-	1.2	(18.3)	9.1	-	(8.0)
Share-based payment charge	-	-	1.4	-	-	-	-	1.4
Tax relating to share-based payments	-	-	0.4	-	-	-	-	0.4
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(0.9)	(0.9)
Use of shares held by employee benefit trust	-	-	-	-	-	(1.6)	1.6	-
Transfer to retained earnings	-	-	(1.9)	-	-	1.9	-	-
Dividends paid	-	-	-	-	-	(4.1)	-	(4.1)
Balance at 30 June 2023	41.9	14.8	6.3	(37.6)	72.0	351.8	(11.0)	438.2

Condensed Consolidated Statement of Changes in Equity (continued)

	All equity is attributable to equity holders of the parent							
	Issued share capital	Share premium account	Equity reserve	Hedging reserve	Translation reserve	Retained earnings	Own shares	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	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 income/(expense) 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

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Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2023

	Notes	Half-year ended 30 June 2023	Half-year ended 30 June 2022	Year ended 31 Dec 2022
		£m	£m	£m
Net cash (used in)/ from operating activities	12a)	(1.7)	28.8	57.7
Investing activities				
Interest received		1.9	0.1	0.7
Proceeds on disposal of property, plant and equipment		0.1	0.1	0.5
Purchases of property, plant and equipment		(12.9)	(10.9)	(28.7)
Purchases of intangible assets		(0.8)	(0.6)	(1.8)
Acquisition of Spencer		0.3	-	(25.3)
Net cash used in investing activities		(11.4)	(11.3)	(54.6)
Financing activities				
Dividends paid		(4.1)	-	(1.2)
New loans		84.1	13.9	90.8
Repayment of borrowings		(66.8)	(13.6)	(90.4)
Purchase of shares held by employee benefit trust		(0.9)	-	(4.5)
Repayment of lease liabilities		(5.0)	(4.4)	(9.1)
Net cash generated/(used) in financing activities		7.3	(4.1)	(14.4)
Net (decrease)/increase in cash and cash equivalents		(5.8)	13.4	(11.3)
Cash and cash equivalents at beginning of period		42.7	51.1	51.1
Effect of foreign exchange rate changes		(1.2)	3.2	2.9
Cash and cash equivalents at end of period	12c)	35.7	67.7	42.7

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 28 July 2023, 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 2022 do not constitute the Group's statutory accounts for 2022 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2022 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 2023 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 by 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 2022, 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 2022.

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 2023 coupled with our core markets showing good growth, 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 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 8.9x, both comfortably within covenants limits. The Group's liquidity headroom at 30 June 2023 was £154.9m. 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 2022, which were prepared 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 2022, 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 2023	Half-year ended 30 June 2023	Half-year ended 30 June 2023	**Half-year ended 30 June 2023**	Half-year ended 30 June 2022	Half-year ended 30 June 2022	Half-year ended 30 June 2022	**Half-year ended 30 June 2022**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
External revenue	303.8	178.5	-	**482.3**	264.4	137.8	-	402.2
Inter-segment revenue	0.3	0.1	(0.4)	**-**	0.1	0.1	(0.2)	-
Total revenue	304.1	178.6	(0.4)	**482.3**	264.5	137.9	(0.2)	402.2
Adjusted trading profit	11.6	20.2	(9.5)	**22.3**	9.8	11.3	(8.6)	12.5
Share of joint venture profit	-	0.6	-	**0.6**	-	0.1	-	0.1
Adjusted operating profit	11.6	20.8	(9.5)	**22.9**	9.8	11.4	(8.6)	12.6
Amortisation of intangible assets from acquisitions	(1.1)	-	-	**(1.1)**	-	-	-	-
Net restructuring (costs)/income	(0.9)	-	-	**(0.9)**	2.8	-	-	2.8
US pension settlement	-	-	(0.1)	**(0.1)**	-	-	-	-
Operating profit	9.6	20.8	(9.6)	**20.8**	12.6	11.4	(8.6)	15.4
Investment income				**2.9**				0.7
Finance costs				**(9.6)**				(4.5)
Corporate undertakings				**(0.6)**				(0.5)
Profit before tax				**13.5**				11.1
Tax charge				**(1.9)**				(1.0)
Profit after tax				**11.6**				10.1

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.

	30 June 2023	30 June 2022	31 Dec 2022
Assets	£m	£m	£m
Aerospace	637.7	551.5	647.8
Flexonics	219.0	210.4	217.3
Segment assets for reportable segments	856.7	761.9	865.1
Unallocated			
Central	4.6	4.8	3.6
Cash	35.7	82.6	43.2
Deferred and current tax	14.2	11.5	13.0
Retirement benefits	48.0	58.5	51.8
Others	0.3	0.1	0.2
Total assets per Consolidated Balance Sheet	959.5	919.4	976.9

	30 June 2023	30 June 2022	31 Dec 2022
Liabilities	£m	£m	£m
Aerospace	173.1	179.1	189.5
Flexonics	82.8	82.4	79.7
Segment liabilities for reportable segments	255.9	261.5	269.2
Unallocated			
Central	18.0	16.1	19.2
Debt	155.1	155.5	143.7
Deferred and current tax	22.8	22.9	22.4
Retirement benefits	9.9	10.8	12.1
Deferred and contingent consideration(1)	51.2	-	52.3
Others	8.4	8.3	8.6
Total liabilities per Consolidated Balance Sheet	521.3	475.1	527.5

(1) Deferred and contingent consideration is related to the acquisition of Spencer Aerospace.

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 2023	Half-year ended 30 June 2022	Year ended 31 Dec 2022
	£m	£m	£m
Civil Aerospace	201.4	161.3	339.4
Defence	63.8	59.7	122.1
Other	38.9	43.5	92.1
Aerospace	304.1	264.5	553.6
Land Vehicles	104.0	75.7	164.1
Power & Energy	74.6	62.2	131.5
Flexonics	178.6	137.9	295.6
Eliminations	(0.4)	(0.2)	(0.8)
Total revenue	482.3	402.2	848.4

Other Aerospace comprises space and non-military helicopters and other markets, principally including semiconductor, medical, and industrial applications.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost/income and the costs associated with US pension settlement and 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 amortisation charge relates to the acquisition of Spencer Aerospace. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019, which continued through 2020 and into 2022 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 2023. The aerospace manufacturing grant, within net restructuring income, represents incentives specific to only part of the Group for a limited time period. The US pension settlement relates to partial closure of a US defined benefit scheme in H1 2023. Corporate undertakings relate to business acquisition 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 2023	Half-year ended 30 June 2022	Year ended 31 Dec 2022
	£m	£m	£m
Operating profit	20.8	15.4	32.5
Amortisation of intangible assets from acquisitions	1.1	-	0.2
Net restructuring cost/(income)	0.9	(2.8)	(4.2)
US pension settlement	0.1	-	-
Adjusted operating profit	22.9	12.6	28.5
Profit before tax	13.5	11.1	22.4
Adjustments to profit before tax as above	2.1	(2.8)	(4.0)
Corporate undertakings	0.6	0.5	1.4
Corporate undertakings – discount unwind	1.4	-	0.3
Total Corporate undertakings	2.0	0.5	1.7
Adjusted profit before tax	17.6	8.8	20.1

Net restructuring cost/income

In 2020 the Group had 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. In 2023 there were still some residual activities associated with that. In addition, the Group has continued to review inventory exposures from programmes which were reduced and identified some residual impairments on inventory where there is no alternate use.

The restructuring resulted in net cost of £0.9m (H1 2022 - £2.8m net income). Of this, £0.5m related to consultancy and other activities (H1 2022 - £0.8m). For certain specific programmes in conjunction with restructuring, management also identified some residual inventory impairments of £0.4m (H1 2022 - £1.5m reversal). In the first half of 2022, impairment provisions on property, plant and equipment were incurred with a charge of £1.3m and £3.4m income was recognised in relation to an aerospace manufacturing grant.

Net cash outflow related to restructuring activities was £0.6m (H1 2022 - £1.3m net cash outflow). At 30 June 2023, a restructuring provision of £0.1m (30 June 2022: £0.9m; 31 December 2022: £0.2m) was recognised and is expected to be utilised in 2023.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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

US pension settlement

One of the US defined benefit plans was partially settled in the first half of 2023 following a combination of lump sum payments and annuity purchase. A net expense of £0.1m, recognised as an adjusting item to operating profit, and cash outflow of £0.8m was recorded in the first half of 2023 in relation to this settlement.

Corporate undertakings

In the half-year ended 30 June 2023, the Group recorded £2.0m costs related to the acquisition of Spencer, of which £1.4m is unwinding of discount on deferred and contingent consideration and £0.6m is unwind of initial fair value uplift and other corporate costs (Half year ended 30 June 2022: £0.3m costs related to the acquisition of Spencer Aerospace and £0.2m costs relating to other corporate activities). See note 13 for further details.

5. Tax charge

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Current tax:		
Current year charge	3.0	2.1
Irrecoverable withholding tax	0.2	0.2
Prior year items	-	(0.2)
	3.2	2.1
Deferred tax:		
Current year charge	(1.3)	(0.9)
Prior year items	-	(0.2)
	(1.3)	(1.1)
Total tax charge	1.9	1.0

Tax for the half-year ended 30 June 2023 is calculated at 14.1% (H1 2022: 9.0%) 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.

As a result of the substantial enactment on 24 May 2022 of a change in UK tax rate from 19% to 25% effective from 1 April 2023, an effective tax rate of 23.5% has been applied to UK profits in the period. A deferred tax credit has also been recognised in the Statement of Comprehensive Income to state UK deferred tax balances at the future rate of 25%.

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. Pillar 2 rules were substantively enacted in the UK on 20 June 2023, with application from 1 January 2024. The Group does not consider that these rules are likely to have a significant impact on its tax position.

We have applied the guidance contained in International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) released on 23 May 2023 that provides for a temporary mandatory exception from deferred tax accounting for Pillar 2.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. Dividends

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Amounts recognised as distribution to equity holders in the period:		
Final dividend for the year ended 31 December 2022 of 1.00p per share (2021: nil p)	4.1	-
Interim dividend for the year ending 31 December 2023 of 0.60p per share (2022: 0.30p) per share	2.5	1.2

The interim dividend was approved by the Board of Directors on 28 July 2023 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 2023	Half-year ended 30 June 2022
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	413.9	416.4
Effect of dilutive potential ordinary shares:		
Share options	12.2	10.1
Weighted average number of ordinary shares for the purposes of diluted earnings per share	426.1	426.5

	Half-year ended 30 June 2023	Half-year ended 30 June 2023	Half-year ended 30 June 2022	Half-year ended 30 June 2022
	Earnings	EPS	Earnings	EPS
	£m	Pence	£m	Pence
Earnings and earnings per share ("EPS")				
Profit for the period	11.6	2.80	10.1	2.43
Adjust:				
Amortisation of intangible assets from acquisitions net of tax credit of £0.3m (H1 2022 - £nil)	0.8	0.20	-	-
Net restructuring cost/(income) net of tax of tax credit of £0.3m (H1 2022: £0.3m)	0.6	0.15	(2.5)	(0.61)
US pension settlement net of tax of £nil (H1 2022: £nil)	0.1	0.02	-	-
Corporate undertakings net of tax credit of £0.5m (H1 2022: £0.1m)	1.5	0.36	0.4	0.10
Adjusted earnings after tax	14.6	3.53	8.0	1.92
Earnings per share				
- basic		2.80p		2.43p
- diluted		2.72p		2.37p
- adjusted		3.53p		1.92p
- adjusted and diluted		3.43p		1.88p

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

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost/income, US pension settlement and corporate undertakings (See Note 4 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 £199.7m at 31 December 2022 to £193.2m at 30 June 2023 reflects a decrease of £6.5m 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 2023.

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 £4.6m (30 June 2022: £4.2m; 31 December 2022: £4.4m) represents the Group's share of the joint venture's net assets as at 30 June 2023.

10. Property, plant and equipment

During the period, the Group invested £12.9m (H1 2022: £10.9m) in 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 2022: £nil) for proceeds of £0.1m (H1 2022: £0.1m).

At 30 June 2023, right-of-use assets were £63.8m (30 June 2022: £69.6m; 31 December 2022: £70.8m). Right-of-use asset depreciation was £5.3m for the six months ending 30 June 2023 (H1 2022: £5.1m).

11. Retirement benefit schemes

Aggregate retirement benefit liabilities of £9.9m (30 June 2022: £10.8m; 31 December 2022: 12.1m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £4.7m (30 June 2022: £5.0m; 31 December 2022: £6.7m) and other unfunded schemes, with a deficit of £5.2m (30 June 2022: £5.8m; 31 December 2022: £5.4m).

During the first half of 2023, one of the US defined benefit plans was partially settled following a combination of lump sum payments and annuity purchase. A net expense of £0.1m, recognised as an adjusting item to operating profit (see Note 4), and cash outflow of £0.8m (see Note 12b) was recorded in the first half of 2023 in relation to this settlement.

The retirement benefit surplus of £48.0m (30 June 2022: £58.5m; 31 December 2022: £51.8m) 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 2023	Half-year ended 30 June 2022
	£m	£m
Operating profit	20.8	15.4
Adjustments for:		
Depreciation of property, plant and equipment	24.2	23.7
Amortisation of intangible assets	1.9	0.8
Share of joint venture	(0.6)	(0.1)
Share-based payment charges	1.4	2.2
Profit on sale of fixed assets	(0.1)	(0.1)
Pension contributions	(0.3)	(2.3)
Pension service and running costs	0.7	0.7
Corporate undertaking costs	(0.2)	(0.5)
Increase in inventories	(14.1)	(7.3)
Increase in receivables	(25.6)	(27.9)
Increase in payables and provisions	1.5	28.6
Restructuring impairment of property, plant and equipment	-	1.3
US pension settlement	(0.7)	-
Working capital and provisions currency movements	(0.3)	0.2
Cash generated by operations	8.6	34.7
Income taxes paid	(2.4)	(1.7)
Interest paid	(7.9)	(4.2)
Net cash from operating activities	(1.7)	28.8

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, US pension settlement cash flows, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Net cash from operating activities	(1.7)	28.8
Corporate undertaking costs	0.2	0.5
Net restructuring cash paid	0.6	1.3
US pension settlement cash paid	0.8	-
Interest received	1.9	0.1
Proceeds on disposal of property, plant and equipment	0.1	0.1
Purchases of property, plant and equipment	(12.9)	(10.9)
Purchase of intangible assets	(0.8)	(0.6)
Free cash flow	(11.8)	19.3

c) Analysis of net debt	At 1 January 2023	Net Cash flow	Exchange movement	Other Lease Movements	At 30 June 2023
	£m	£m	£m	£m	£m
Cash and bank balances	43.2	(6.3)	(1.2)	-	35.7
Overdrafts	(0.5)	0.5	-	-	-
Cash and cash equivalents	42.7	(5.8)	(1.2)	-	35.7
Debt due within one year	-	-	-	-	-
Debt due after one year	(143.2)	(17.3)	5.4	-	(155.1)
Lease liabilities [1]	(78.4)	5.0	4.7	(2.4)	(71.1)
Liabilities arising from financing activities	(221.6)	(12.3)	10.1	(2.4)	(226.2)
Total	(178.9)	(18.1)	8.9	(2.4)	(190.5)

[1] The change in lease liabilities in the six months ended 30 June 2023 includes lease rental payments of £6.5m (£1.5m of these payments relates to lease interest), £4.7m exchange movement and £2.4m other movements related to lease additions and modifications.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the Cash Flow Statement (continued)

c) Analysis of net debt (continued)

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
Cash and Cash equivalents comprise:	£m	£m
Cash and bank balances	35.7	82.6
Overdrafts	-	(14.9)
Total	35.7	67.7

d) Analysis of working capital and provisions

Working capital comprises the following:

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Inventories	199.4	163.3
Trade and other receivables	147.1	133.7
Trade and other payables	(183.2)	(190.4)
Working capital, including derivatives	163.3	106.6
Items excluded:		
Foreign exchange contracts	0.5	8.8
Total	163.8	115.4

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

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Increase in inventories	(14.1)	(7.3)
Increase in receivables	(25.6)	(27.9)
Increase in payables and provisions	1.5	28.6
Working capital and provisions movement, excluding currency effects	(38.2)	(6.6)
Items excluded:		
(Increase)/Decrease in restructuring related inventory impairment	(0.4)	1.5
Decrease in net restructuring provision and other receivables	0.1	3.9
Total	(38.5)	(1.2)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Acquisition activities

In the prior year, 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 was completed in Q4 2022.

In the first half of 2023, £2.0m costs were recognised as an adjusting item to profit before tax (see Note 4) in relation to unwinding of discount on deferred and contingent consideration (£1.4m), unwind of initial fair value uplift at acquisition date (£0.4m) and other acquisition costs (£0.2m). A net cash inflow of £0.1m was recorded, being a working capital consideration adjustment receipt of £0.3m, partially offset by the cash effect of other acquisition costs. 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, which were also cash outflows.

14. Provisions

Current and non-current provisions include warranty costs of £16.8m (30 June 2022: £8.9m; 31 December 2022: £10.8m), restructuring of £0.1m (30 June 2022: £0.9m; 31 December 2022: £0.2m) and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £4.9m (30 June 2022: £6.0m; 31 December 2022: £8.6m).

15. Share capital

Share capital as at 30 June 2023 amounted to £41.9m (30 June 2022: £41.9m, 31 December 2022: £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 2023 (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.

17. Related party transaction

Barbara Jeremiah, Senior Independent Non-Executive Director and Chair of the Remuneration Committee was appointed a non-executive director of Johnson Matthey Plc with effect from 1 July 2023. Johnson Matthey Plc, a related party of the Group, has been renting excess car parking space from one of the Group's operating businesses on a rolling monthly basis. The lease contract was in place prior to the acquisition of Thermal Engineering in 2013 by the Group. In the first six months of 2023, £0.04m car park rental was received (Half year ended 30 June 2022: £0.04m). There are no outstanding amounts at 30 June 2023 (30 June 2022: £nil).

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

18. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Carrying value of financial assets:		
Cash and bank balances	35.7	82.6
Trade receivables	129.5	115.3
Other receivables	0.2	0.7
Financial assets at amortised cost	165.4	198.6
Foreign exchange contracts- cash flow hedges	3.2	1.4
Total financial assets	168.6	200.0
Carrying value of financial liabilities:		
Bank overdrafts and loans	155.1	155.5
Lease liabilities	71.1	76.5
Trade payables	98.4	101.4
Deferred consideration	23.0	-
Other payables	56.0	58.5
Financial liabilities at amortised cost	403.6	391.9
Contingent Consideration - fair value through profit or loss	28.2	-
Foreign exchange contracts- cash flow hedges	6.8	10.2
Foreign exchange contracts- held for trading	0.1	-
Total financial liabilities	438.7	402.1

	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	£m	£m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	196.3	206.3
In the second to fifth years inclusive	178.7	148.0
After five years	72.7	83.1
	447.7	437.4
Less: future finance charges	(44.1)	(45.5)
Financial liabilities at amortised cost	403.6	391.9

Notes to the Condensed Consolidated Interim Financial Statements (continued)

18. Financial Instruments (continued)

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 £145.8m (30 June 2022: £148.6m). 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 either level 2 or level 3. Level 2 are those fair values which are 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). Level 3 are those fair values which are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements.

Half-year ended	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2023	**£m**	**£m**	**£m**	**£m**
Assets				
Foreign exchange contracts – cash flow hedges	-	**3.2**	**-**	**3.2**
Total assets	-	**3.2**	**-**	**3.2**
Liabilities				
Contingent consideration – fair value through profit or loss	-	**-**	**28.2**	**28.2**
Foreign exchange contracts – cash flow hedges	-	**6.8**	**-**	**6.8**
Foreign exchange contracts – held for trading	-	**0.1**	**-**	**0.1**
Total liabilities	-	**6.9**	**28.2**	**35.1**

Half-year ended	Level 1	Level 2	Level 3	Total
30 June 2022	£m	£m	£m	£m
Assets				
Foreign exchange contracts – cash flow hedges	-	1.4	-	1.4
Total assets	-	1.4	-	1.4
Liabilities				
Foreign exchange contracts – cash flow hedges	-	10.2	-	10.2
Total liabilities	-	10.2	-	10.2