Interim Results for the half-year ended 30 June 2021

Resilient – well positioned for the future

FINANCIAL HEADLINES	Half-Year to 30 June 2021	2020	change	change (constant currency) [4]
REVENUE	**£332.8m**	£409.0m	**-19%**	-13%
OPERATING PROFIT/(LOSS)	**£5.1m**	£(126.2)m	**n/m**	n/m
ADJUSTED FOR:				
GOODWILL IMPAIRMENT	**£nil**	£110.5m		
OTHER ADJUSTING ITEMS	**£0.1m**	£24.7m		
ADJUSTED OPERATING PROFIT [1]	**£5.2m**	£9.0m	**-42%**	-34%
ADJUSTED OPERATING MARGIN [1]	**1.6%**	2.2%	**-60bps**	-50bps
PROFIT/(LOSS) BEFORE TAX	**£22.3m**	£(136.3)m	**n/m**	n/m
ADJUSTED PROFIT BEFORE TAX [1]	**£0.9m**	£3.6m	**-75%**	-69%
BASIC EARNINGS/(LOSS) PER SHARE	**4.72p**	(26.43)p	**n/m**	
ADJUSTED EARNINGS PER SHARE [1]	**0.10p**	0.72p	**-86%**	
FREE CASH FLOW [2]	**£19.2m**	£16.0m	**+20%**	
NET DEBT EXCLUDING CAPITALISED LEASES [2]	**£71.0m**	£155.2m	**£84m decrease**	Net debt / EBITDA 2.0x
NET DEBT [2]	**£147.4m**	£238.9m	**£92m decrease**	
ROCE [3]	**0.0%**	6.8%	**-680bps**	

Highlights

- Robust free cash flow of £19.2m up 20% from last year
- Trading ahead of management's previous expectations
- Successful completion of the divestment of Senior Aerospace Connecticut
- Net debt/EBITDA of 2.0x, liquidity headroom increased to £215m
- Restructuring benefits tracking ahead of plan; now expecting cumulative annualised savings of around £50m for the full year
- Clear signs of recovery in our end markets
- Reaffirm improved expectations for Group performance for 2021 as stated in 9 July Post-Close Trading Update

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

"Our performance in the first half of 2021 has, once again, demonstrated the resilience of Senior. While the global pandemic is not over, we are encouraged to see the clear signs of recovery in our end markets, which gives renewed confidence in our ability to create enhanced value for our investors over the medium term. As we said in our 9 July 2021 Post-Close Trading Update, for 2021, despite the well-publicised headwinds associated with freight and commodity costs; semiconductor supply chain challenges for our land vehicle customers; as well as the divestment of our Senior Aerospace Connecticut business, we expect overall Group performance for 2021 to be slightly ahead of our previous expectations. In relative terms, H1 2021 is likely to be slightly stronger than H2 2021 due to reduced defence sales in H2 2021, which, based on delivery profiles, we expect to pick up again in 2022. Over the medium term we remain confident of delivering a strong recovery across our Divisions, driving the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

On behalf of the Board, I would like to thank our business leaders and employees who, through the most difficult operating conditions that the Company has encountered in recent memory, have faced up to the daily challenges posed by the effects of the pandemic with remarkable fortitude, striving to do the very best that they can for the benefit of all of our stakeholders."

Further information

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Notes

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

(1) Adjusted operating profit and adjusted profit before tax are stated before a £0.1m net restructuring charge (H1 2020 - £20.0m, see Note 4 for further detail), £nil amortisation of intangible assets from acquisitions (H1 2020 - £4.7m), and £nil goodwill impairment (H1 2020 - £110.5m, see Note 4 for further detail). Adjusted profit before tax is also stated before corporate undertakings of £21.5m credit (H1 2020 - £4.7m debit, 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 (last 12 months) 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 2020 results translated using H1 2021 average exchange rates - constant currency.

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

- EBITDA is adjusted profit/loss before tax (defined in Note 4), on a 12-month basis, before interest (defined below), depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16). EBITDA for the 12-month period ending June 2021 was £36.4m.
- Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.
- Interest is finance costs and investment income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).

The Group's principal exchange rate for the US Dollar applied in the translation of Income Statement and cash flow items at average H1 2021 rates was $1.39 (H1 2020 - $1.27) and applied in the translation of balance sheet items at 30 June 2021 was $1.38 (30 June 2020 - $1.24). Currently assuming exchange rate for the US Dollar to Pound Sterling of $1.40: £1 average for 2021.

There will be a presentation on Monday 2 August 2021 at 11.00am BST accessible via a live webcast on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is an international manufacturing Group with operations in 13 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior designs and manufactures high technology components and systems for the principal original equipment manufacturers 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 2021

In the first half of 2021, Senior delivered robust free cash flow generation despite the continued impact of the Coronavirus (COVID-19) pandemic on our markets and customers. Compared to the first half of 2020, part of which was pre-COVID-19, sales, adjusted operating profit and adjusted earnings per share all declined in the period.

In our Post-Close Trading Update on 9 July 2021 we reported that trading for the six months ended 30 June 2021 was ahead of management's expectations. Group sales were 13% lower, on a constant currency basis, than the equivalent period in the prior year, part of which was pre-COVID-19.

In Aerospace, for the six months ended 30 June 2021, sales were 21% lower than H1 2020 on a constant currency basis, part of which was pre-COVID-19 and included Senior Aerospace Connecticut for the full six months. Excluding Senior Aerospace Connecticut, which was divested on 22 April 2021, revenue on an organic basis declined by 19%, reflecting the ongoing impact of reduced production rates by the civil aircraft and engine original equipment manufacturers (OEMs) and customers' rebalancing of inventory throughout the supply chain. On an organic basis, sales from civil aerospace were down 34%, partly offset by 15% growth in sales from defence and other markets on a constant currency basis.

In Flexonics, sales in H1 2021 were 6% higher than for the same period in 2020 on a constant currency basis. The performance in the first half of the year benefited from the recovery in heavy-duty truck and off-highway markets, partly offset by the ongoing weakness in the oil & gas sector and the closure of the Senior Flexonics business in Malaysia.

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

Our restructuring programme is effective and delivering its expected benefits which has helped us to generate an adjusted operating profit of £5.2m, despite the reduction in Group sales. Savings of £25m were delivered in the first half of 2021, an increase of £14m compared to H1 2020. The Group's adjusted operating margin decreased by 60 basis points, to 1.6% for the year.

Adjusted profit before tax decreased to £0.9m (H1 2020 - £3.6m). Adjusted earnings per share decreased to 0.10 pence (H1 2020 – 0.72 pence).

Reported profit before tax was £22.3m (H1 2020 - £136.3m loss). Basic earnings per share was 4.72 pence (H1 2020 – 26.43 pence loss).

Return on capital employed (ROCE) for the first half of the year was neutral (H1 2020 – 6.8%), reflecting performance for the last 12 months, all of which was impacted by the pandemic.

With a strong focus on cash generation, the Group delivered free cash inflow of £19.2m (H1 2020 - £16.0m). We have continued to benefit from our actions on working capital management and controls over capital expenditure. Gross investment in capital expenditure was £7.9m (representing 0.4x depreciation, prior to the impact of IFRS 16) and the Group generated £5.8m cash inflow from working capital. As previously advised, following several years of high capital investment to support growth we are now past the peak investment phase and are capitalised and prepared for recovery and growth. Furthermore, the Group generated net cash inflow of £60.9m in the six months to June 2021, as free cash inflow of £19.2m coupled with £47.0m net inflow from corporate undertakings was partly offset by £5.3m cash outflows for restructuring and other payments. The financial position of the Group is strong, with £214.7m of headroom on our committed borrowing facilities, an improvement of £57.6m from 31 December 2020. The level of net debt at the end of June 2021 was £71.0m (excluding capitalised leases of £76.4m), a decrease of £58.4m from December 2020. With the successful divestment of Senior Aerospace Connecticut and our diligent cash management, we have further strengthened the balance sheet. As such, the ratio of net debt to EBITDA at 30 June 2021 was 2.0x (31 December 2020 – 2.8x).

Considered and effective capital deployment is a strategic priority for the Group and, in line with our strategy to review the overall portfolio of our businesses and evaluate their strategic fit within the Group, on 22 April 2021 we completed the divestiture of our Senior Aerospace Connecticut, USA, operating business. The net proceeds for this divestiture were £49.7m. As previously announced, our small oil & gas operating business in Malaysia, Senior Flexonics Upeca has now closed and the closure of our Senior Aerospace Bosman operating business in the Netherlands is expected to complete in H2 2021, following the transfer of production to our French Aerospace sites.

Notwithstanding the clear signs of recovery in our end markets, Group performance is still impacted by the pandemic, and as such, the Board believes it is not yet appropriate to pay an interim dividend in the current operating environment. The Board recognises the importance of the dividend for our shareholders and intends to reinstate dividend payments as soon as it is appropriate to do so.

Market Overview

Civil Aerospace (36%[1] of Group)

Air traffic recovery in the first half of 2021 is evidently underway as travel restrictions continue to ease globally and the COVID-19 vaccine rollout gathers pace. While long-haul international travel remains subdued, short-haul domestic travel in certain aviation markets, for example the US, has seen significantly improving trends. According to Flightaware, North American departures have recovered to their highest levels since March 2020. European summer air traffic in the first half of July 2021 was up 75% on 2020, according to Eurocontrol, an organisation which monitors Europe's current air traffic situation.

In May 2021, the International Air Transport Association ("IATA") forecasted that world passenger flows will return to 2019 levels by the end of 2022 and will reach 105% of 2019 levels by 2023. As demand recovers, production of new aircraft will be supported by the replacement cycle driven by the retirement of older, less efficient, aircraft. Beyond this, the drivers supporting air traffic growth over the long-term of c. 4% per annum remain in place. Senior has a diversified product portfolio in the aerospace sector, including attractive positions across the newest generation of single aisle aircraft platforms, and as such, is well positioned to benefit from the expected medium-term market recovery.

Production rates for single aisle aircraft were significantly cut in 2020, due to the pandemic, and have remained at subdued levels in the first half of 2021. Nevertheless, both Airbus and Boeing have recently confirmed plans to ramp up single aisle production in the near-term. Airbus confirmed in May 2021 an average A320 Family production rate of 45 aircraft per month in Q4 2021, up from their announced rate of 40 per month in 2020. They also called on suppliers to prepare for a firm rate of 64 by Q2 2023. These production rates compare to the pre-pandemic actual levels of 60 per month and an anticipated ramp up to rate 63 per month in 2021. In anticipation of a continued recovering market, Airbus has also asked suppliers to enable a scenario of rate 70 by Q1 2024 and longer term, Airbus is investigating opportunities for rates as high as 75 by 2025 for the A320 Family. Similarly, Boeing stated on 28 July 2021 that the 737 programme is now producing at a rate of approximately 16 per month and reaffirmed their expectation of an increase to 31 per month in early 2022, with further gradual increases to correspond with market demand. Boeing also stated that since the FAA's approval to return the 737 MAX to operations in November 2020, more than 130 737 MAX aircraft have been delivered and airlines have returned more than 190 previously grounded airplanes to service. In addition, Boeing confirmed in their recent earnings call that they have an order backlog of around 3,300 aircraft, so we expect this programme to be very successful.

Recovery in the international travel sector, which typically uses wide body aircraft, is expected to take longer than domestic routes. Airbus recently announced the A350 Family, currently at an average production rate of 5 per month, is expected to increase to 6 by autumn 2022. This compared to pre-pandemic levels of between 9 and 10 per month. For the A330 Family, production remains at an average monthly production rate of 2 per month. Boeing announced an average production rate of 5 per month on the 787 platform from a peak rate of 14 per month pre-pandemic. However, Boeing have stated that production will be lower than 5 per month temporarily while they complete the inspection and rework before gradually returning to that rate. Boeing now expects to deliver fewer than half of the 787s currently in inventory in 2021. Production of the 767 will continue at a rate of 3 per month. The 777/777X combined production rate reduced to 2 per month in H1 2021, with Boeing continuing to expect first delivery of the 777X in late 2023.

Business jet flight activity in the first half of 2021 has been relatively resilient, with activity in June 2021 surpassing pre-COVID-19 levels, according to WingX Global Market Tracker. Bombardier remains confident that business aircraft activities in 2021 are expected to be better than 2020. They reaffirmed their guidance of delivering 110-120 aircraft (including 35-40 Global 7500) in 2021. In regional jets, Embraer delivered 23 commercial aircraft in the first half of 2021 but has pushed out the entry of the E175-E2 jet further until 2024. Airbus announced that the A220 Family, which is currently at around rate 5 aircraft per month, is confirmed to rise to around 6 per month in early 2022. Airbus is also envisaging a monthly production rate of 14 by the middle of the decade.

Defence (19%[1] of Group)

Senior's sales to the Defence sector represented 19% of Group revenue in 2021 and is primarily focused on the US defence market. The US defence spending is almost as high as the next twelve countries combined. Key US growth programmes to benefit include the F-35 as well as new aircraft such as the USAF T-7A Red Hawk. Senior is well placed with good content on these growth programmes. Mature programmes such as the C-130 transport aircraft continue in series production.

Other Aerospace (11%[1] 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. The semi-conductor end-market is currently experiencing high levels of demand from the

[1] This number is excluding Senior Aerospace Connecticut.

strong business and consumer electronics sector as a result of pandemic-related consumer and work-from-home trends, and it is being further strengthened by recovering industrial markets such as automotive. According to industry sources, the semi-conductor industry will continue to grow, due to the mainstream adoption of 'Internet of Things' ("IoT"), 5G and the increasing semiconductor needs of the automotive sector. All these technologies require a vast array of chip components. According to World Semiconductor Trade Statistics ("WSTS"), the global semiconductor market grew by 6.8% in 2020 and is expected to grow by 19.7% in 2021. Our highly engineered proprietary products use our world class bellows technology to provide excellent solutions for semiconductor manufacturing equipment.

Land Vehicle (18% of Group)

In Flexonics, Land Vehicle markets are continuing their recovery with independent market forecasts estimating a strong recovery in North American and European truck production during 2021-22. Americas Commercial Transportation ("ACT") Research has upgraded its forecasts again and is now forecasting a 46% increase in North American heavy-duty truck production in 2021, and further growth of 14% in 2022. The North American medium-duty diesel truck market is also forecast to increase by 12% in 2021. IHS Markit Inc. ("IHS") forecasts that European truck and bus production will grow by 19% in 2021 and a further 8% in 2022.

Passenger vehicle production demand picked up 32% in North America and Europe year-on-year, although there have been operational difficulties due to the well-publicised headwinds associated with freight and commodity costs and the challenges associated with the semiconductor supply chain. IHS forecasts that European (including the UK) passenger vehicle production will grow by 13% in 2021 and a further 11% in 2022 and Indian passenger vehicle production will grow by 28% in 2021 and a further 14% in 2022.

According to the International Energy Agency ("IEA") Global EV Outlook 2021, electric car registrations increased by 41% in 2020, despite the pandemic-related worldwide downturn in car sales in which global car sales dropped 16%. In the first-quarter of 2021, global electric car sales rose by around 140% compared to the same period in 2020. With the increasing adoption of electrification for both land vehicle and stationary power applications continuing, 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 (16% of Group)

In power generation, the IEA reported in May 2021 that despite pandemic-induced supply chain challenges and construction delays, renewable capacity additions in 2020 had expanded by more than 45% from 2019, the largest year-on-year increase since 1999. As such, we are continuing to see growth in renewable and nuclear generation capacity. Global electricity demand, after a decline in 2020, is anticipated to grow by 3% in 2021. Oil price increases, coupled with recovering economies, are expected to support the return to growth in oil and gas markets from the end of 2021. Furthermore, according to the IEA Oil Market Report ("OMR"), global oil demand is set to return to pre-pandemic levels by the end of 2022.

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

Delivery of Group Strategy

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

- A strategic focus on IP-rich fluid conveyance and thermal management
- Reaping the benefits from the restructuring programme
- Executing on its portfolio optimisation strategy to maximise value creation
- Driving intrinsic strong cash generation

Senior has maintained its focus on IP-rich technology and manufacturing, with a strategic focus on fluid conveyance and thermal management technology and capabilities. These capabilities are supported by a strong body of both design and manufacturing process intellectual property and know-how. Senior, using these technologies and capabilities, is able to develop and supply proprietary products, sub-systems and systems for demanding applications, effectively solving challenges for our blue-chip customers in a range of diverse and attractive end markets.

Across the portfolio, our businesses manufacture highly engineered products and systems with applications aligned to the low carbon economy, being pivotal technologies for emissions reduction and environmental efficiency. We have identified significant current and future opportunities for the Group in fluid conveyance and thermal management and these capabilities continue to be highly relevant as the World transitions towards a low carbon economy.

We have already developed novel solutions for low/zero carbon applications and are involved in a range of research and development projects that support the drive for electrification and hydrogen propulsion systems on land and in the air. This is discussed further in the technology and product design and development section below.

Our businesses are actively focused on product offerings for the transition to a low carbon world and are currently involved in making conventional technology cleaner to bridge the gap between both worlds. In addition, Senior's end-markets are evolving to reflect the global effort to achieve net zero carbon emissions. Senior's technology and product roadmap is aligned to these trends with a product development strategy that is compatible with our focus on Environmental Social and Governance (“ESG”).

In addition to our fluid conveyance and thermal management capabilities, we also have excellent build-to-print precision machining and structural assembly capabilities. These businesses focus on a wide range of both complex airframe and aeroengine applications. Examples include compressor fan blades for multiple engine types, wing ribs for narrow-body aircraft, complex structures assembly for wing and fuselage, highly engineered engine casings and fin skin assemblies for satellite chassis. Our Structures businesses are well capitalised with state-of-the-art equipment and operate across North America, the UK and South East Asia.

Our strategy for Structures as we emerge from the pandemic is straightforward:

- Fill our existing capacity
- Pursue some further diversification into Space and Defence
- Grow market share profitably in Civil Aerospace

We remain confident that our Aerostructures core market will recover, driving business performance improvement which will provide the Group with strategic optionality over the medium-term.

Technology and product design and development

We continue to invest in new technology and product design and development in the areas of fluid conveyance, thermal management and Additive Manufacturing in support of our key markets in Aerospace, Land Vehicles and Power & Energy, as they transition towards a low carbon economy.

Aerospace

- Our traditional fluid conveyance products are entirely compatible with sustainable aviation fuels currently under evaluation by our customers.
- Our Additive Manufacturing capabilities are enabling advances in complex product design for improved performance and weight reduction for the benefit of our customers.
- Our world-class capability in thermal management and fluid conveyance opens up opportunities to support electric/hybrid air vehicle applications.
- We are leveraging and building upon our long experience of providing hydrogen fluid handling and distribution products for industrial markets to support development of both on-aircraft and off-aircraft hydrogen technologies as this alternative propulsion system evolves.

Land Vehicles

- Our current exhaust gas recirculation and waste heat recovery products continue to support evolving Land Vehicle propulsion systems as they become more efficient and lower their impact on the environment.
- To focus on product offerings for the transition to a low carbon economy, we are engaged with our customers’ new product development programmes by providing design and engineering support for cooling and fluid handling solutions for batteries and electronics on the growing number of electric/ hybrid vehicles.
- We are supporting the development of commercial vehicle hydrogen fuel cell cooling and conveyance by capitalising on several years’ experience of producing hydrogen fuel cell products in the energy sector.

Power & Energy

- We continue to develop an established wide range of fluid conveyance products, bellows and expansion joints for harsh environments in green energy generation including solar farms, wind power plants, hydroelectric, geothermal, fuel cell and nuclear power applications.
- Our many years’ experience of providing fluid conveyance products for harsh environments and specifically hydrogen fuel cell cooling and conveyance, opens up opportunities in hydrogen production and infrastructure applications.

Portfolio optimisation

The Group continuously reviews its overall portfolio of operating businesses and evaluates them in terms of their strategic fit within the Group. Senior has continued its "Prune to Grow" strategy of portfolio optimisation by divesting, closing, or combining non-core or performance-challenged assets. In recent years this has included:

- the disposals of sub scale composites businesses in Wichita, US and the UK; the Blois (France) and Brazilian automotive businesses; and our small precision machining business, Senior Aerospace Absolute in WA, USA;
- the closures of our oil and gas machining Senior Flexonics Malaysia facility; the South Carolina assembly facility; and the closure of Bosman following the ongoing transfer of production from the Netherlands to France;
- combining businesses under strong leadership: the Aerospace Fluid Systems and Structures Divisions; the Jet and Ketema Southern California Aerospace businesses; AMT and Damar Washington State Aerospace businesses; and the Ermeto and Calorstat French Aerospace businesses; and
- the strategic divestment of the Senior Aerospace Connecticut helicopter structures business which successfully raised £49.7m.

Environmental, Social and Governance

ESG remains a very high priority for Senior. We have made good progress in our key metrics, which will be reported at the full year results. Notably, in the first half of 2021:

- in line with our SBTi Scope 3 commitment, we are actively engaging with over 300 of our key suppliers with respect to their targets and commitment to reducing carbon. As previously noted, Senior is the first company in the global Aerospace & Defence sector to have its emissions reduction targets (for Scope 1, 2 and 3) independently verified and approved by the Science Based Targets initiative (“SBTi”). These targets are consistent with reductions required to limit climate warming to 1.5°C.
- in line with the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations, we have commenced work on scenario analysis to assess potential implications of climate change on the Company’s strategy. To support this process, we have undertaken a cross functional materiality exercise relative to climate change and, supported by expert external consultants, we will finalise the scenario analysis in Q3 this year.
- we invited all employees to participate in our global employee opinion survey. We had excellent participation and engagement, and feedback was very positive, valuable, and constructive. We will use this feedback to help implement specific continuous improvement plans across the business. It is our intention to run this global survey annually.
- The Senior Group Code of Conduct has been updated in July 2021 to coincide with the launch of our 2021 Code of Conduct training course. As well as being available on-line, a personal hard copy has been issued to every employee.

Restructuring

Our restructuring programme, which was initiated in 2019 and further adapted through the course of 2020, is effective and delivering ahead of plan. With some restructuring activities continuing into 2021, a net charge of £0.1m was incurred in the first half of year, with a net cash outflow of £3.0m. In the second half of the year, we are expecting a further cash outflow of around £6m, mainly related to the closure of our Senior Aerospace Bosman operating business which is expected to complete in H2 2021. With our focus on delivering the expected benefits, which are tracking ahead of plan, we now expect to achieve cumulative annualised savings of around £50m for the full year 2021 (2020 - £36m), with savings of £25m already delivered in the first half of 2021 (H1 2020 - £11m). The decisive actions which have been taken to insulate the Group through the pandemic in 2020 and 2021, including headcount reduction and business closures, mean that we are now an even leaner and more efficient business.

Outlook

Our current market assumptions for the full year 2021 are as follows:

- Production volumes for civil aerospace will be lower in 2021 than 2020, based on the production rates that the aircraft and engine OEMs have announced. We also recognise that there are varying levels of inventory in different tiers of the supply chain. However, based on the most recent public updates from Airbus and Boeing, single-aisle production rates are expected to pick up towards the end of 2021 and into 2022.
- Defence markets are anticipated to remain stable.
- Based on independent industry forecasts, heavy-duty truck and passenger vehicle markets are expected to continue to recover in 2021.
- In power & energy markets, recovery in the oil & gas sector is likely to be at the end of 2021/start of 2022.

Our outlook for the Group for 2021 remains unchanged from the statement we made in our 9 July 2021 Post-Close Trading Update, where we stated that despite the well-publicised headwinds associated with freight and commodity costs; semiconductor supply chain challenges for our land vehicle customers; as well as the divestment of our Senior Aerospace Connecticut business, we expect overall Group performance for 2021 to be slightly ahead of our previous expectations. In relative terms, H1 2021 is likely to be slightly stronger than H2 2021 due to reduced defence sales in H2 2021, which, based on delivery profiles, we expect to pick up again in 2022.

Looking further ahead, our differentiated offering in fluid conveyance and thermal management products; our investment in low carbon and advanced manufacturing technology; our global footprint; our strong track record and commitment to the highest ESG standards; and our positioning in attractive and diverse end markets, means that the Board is confident we will make good progress as the recovery continues. Over the medium term we remain committed to delivering a strong recovery across our Divisions, driving the Group ROCE to a minimum of 13.5% in line with our previously stated ambition. We expect 2022 to show progression towards that medium term goal.

Senior intends to host a Capital Markets Day in October 2021, the theme of which will be our fluid conveyance and thermal management strategy; further details will be provided in due course.

DAVID SQUIRES
Group Chief Executive Officer

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 66%[(1)] (H1 2020 - 73%) of Group revenue and consists of 14[(2)] operations. These are located in North America (six), the United Kingdom (four), continental Europe (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby H1 2020 results have been translated using H1 2021 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions, goodwill impairment and restructuring. The Division's operating results on a constant currency basis are summarised below:

	H1 2021	H1 2020 [(3)]	Change
	£m	£m	
Revenue	**223.1**	280.5	-20.5%
Adjusted operating profit	**5.1**	9.5	-46.3%
Adjusted operating margin	**2.3%**	3.4%	-110bps

(1) This number is excluding Senior Aerospace Connecticut

(2) This excludes Senior Aerospace Connecticut and Senior Aerospace Bosman in The Netherlands (which is in the process of being closed).

(3) H1 2020 results translated using H1 2021 average exchange rates - constant currency.

Divisional revenue decreased by £57.4m (20.5%) to £223.1m (H1 2020 - £280.5m) whilst adjusted operating profit decreased by £4.4m (46.3%) to £5.1m (H1 2020 - £9.5m).

Revenue Reconciliation	**£m**
H1 2020 revenue	280.5
Civil aerospace	(61.3)
Defence	6.3
Other markets	6.3
Disposal of business	(8.7)
H1 2021 revenue	223.1

Revenue in the Aerospace Division reduced by 20.5% compared to prior year, part of which was pre-COVID-19 and included Senior Aerospace Connecticut for the full six months. Excluding Senior Aerospace Connecticut, which was divested on 22 April 2021, revenue on an organic basis declined by 18.5%, reflecting the ongoing impact of the cuts in programme production rates by the civil aircraft and engine original equipment manufacturers (OEMs) and customers' rebalancing of inventory throughout the supply chain.

The civil aerospace sector was the most impacted with Senior's sales decreasing by 34.4% compared to prior year. This was reflective of aircraft production rates remaining lower in H1 2021 compared to pre-pandemic levels.

Excluding the divestment of Senior Aerospace Connecticut, total revenue from the defence sector increased by 11.1% during the period, due to the ramp-up of the Joint Strike Fighter and higher demand for other defence products.

Revenue derived from other markets such as space, power & energy, medical and semi-conductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, increased by £6.2m largely due to increasing demand in the semi-conductor equipment market and growth from the space satellite sector.

Excluding the £1.6m reduction in operating profit from the divestment of Senior Aerospace Connecticut, organic adjusted operating profit decreased by £2.8m compared to prior year. This reflected the drop through impact of the reduction in revenue, mitigated by additional savings delivered from the restructuring programme. On an organic basis (excluding Senior Aerospace Connecticut), the Divisional adjusted operating margin decreased by 70 basis points to 2.0% (H1 2020 – 2.7%).

In the second half of the year, we expect production volumes for civil aerospace to be slightly higher than H1 2021 based on the production rates that the aircraft and engine OEMs have announced and taking into account varying levels of inventory in different tiers of the supply chain. However, we expect defence revenue to be lower in H2 compared to H1 due to the divestment of Senior Aerospace Connecticut; a timing gap between the completion of deliveries on parts for F-35 Lot 14 and the commencement of deliveries on Lot 15; and lower military aftermarket sales. Overall, therefore it is likely that Divisional revenue will be lower in H2 compared to H1 2021. The benefits from the restructuring programme in H2 are expected to be similar to H1.

Senior has a diversified product portfolio in the aerospace sector and the potential to add content on existing programmes as our customers recognise and appreciate Senior's financial resilience, stability and global footprint. Our businesses are well capitalised with equipment that can be utilised across civil, defence and space sectors. We have secured new multi-year contracts and contract extensions on defence and civil platforms which, coupled with increasing production rates, will help to underpin our return to growth in our Aerospace Division in 2022 and beyond.

Flexonics Division

The Flexonics Division represents 34% (H1 2020 - 27%) of Group revenue and consists of 12[(1)] operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, and China (two) including the Group 49% equity stake in a land vehicle product joint venture. This Divisional review is on a constant currency basis, whereby H1 2020 results have been translated using H1 2021 average exchange rates and on an adjusted basis to exclude the charge relating to amortisation of intangible assets from acquisitions and restructuring. The Division's operating results on a constant currency basis are summarised below:

	H1 2021	H1 2020 [(2)]	Change
	£m	£m	
Revenue	**110.0**	103.7	+6.1%
Adjusted operating profit	**7.4**	4.6	+60.9%
Adjusted operating margin	**6.7%**	4.4%	+230bps

(1) This figure excludes Senior Flexonics Upeca, Malaysia following its closure.

(2) H1 2020 results translated using H1 2021 average exchange rates - constant currency.

Divisional revenue increased by £6.3m (6.1%) to £110.0m (H1 2020 - £103.7m) and adjusted operating profit increased by £2.8m (60.9%) to £7.4m (H1 2020 - £4.6m).

Revenue Reconciliation	**£m**
H1 2020 revenue	103.7
Land vehicles	20.0
Power & energy	(13.7)
H1 2021 revenue	110.0

Recovery is underway across some of our Flexonics end-markets with sales in H1 2021 increasing by 6.1% compared to prior year. The performance in the first half of the year benefited from the recovery in heavy-duty truck, off-highway and passenger vehicle markets, partly offset by the ongoing weakness in the oil & gas sector and the closure of the Senior Flexonics business in Malaysia.

Group sales to land vehicle markets increased by 50.8%. Senior's sales to the North American truck and off-highway market increased by £10.0m (44.8%), as the market recovery in heavy-duty diesel trucks continues. Sales to other truck and off-highway regions increased by £4.6m (54.1%), due to substantial increases in the truck and off-highway markets in Europe and India. Group sales to passenger vehicle markets increased by £5.4m (62.8%) in the period, reflecting higher end market demand.

In the Group's power & energy markets, sales decreased by £13.7m (21.3%) in the year. Sales to oil and gas markets decreased by £13.0m (47.3%), as a result of weaker demand, particularly for upstream activity and also the closure of our Senior Flexonics Upeca, Malaysia business. Downstream oil and gas activity was lower year-on-year because part of the prior year was pre pandemic with higher levels of economic activity. Some maintenance projects continue to be deferred. Sales to other power & energy markets decreased by £0.7m.

Adjusted operating profit increased by £2.8m compared to prior year and the divisional adjusted operating margin increased by 230 basis points to 6.7% (H1 2020 – 4.4%). This reflected the drop through impact of growth in revenue coupled with additional savings delivered from the restructuring programme which more than offset the inflationary impact of freight and commodity costs.

Going into the second half of the year, the impact of the well-publicised headwinds associated with freight and commodity costs and the semiconductor supply chain challenges for our land vehicle customers will require continued intensive management by our operating businesses. ACT Research is forecasting a 46% increase in North American heavy-duty truck production in 2021, and further growth of 14% in 2022. The North American medium-duty diesel truck market is also forecast to increase by 12% in 2021. IHS Markit Inc. forecasts that European truck and bus production will grow by 19% in 2021 and a further 8% in 2022. Oil price increases, coupled with recovering economies, are expected to support the return to growth in oil & gas markets from the end of 2021. Overall, we anticipate modest revenue growth in Flexonics in 2021, with performance in H2 2021 being broadly similar to H1 2021.

OTHER FINANCIAL INFORMATION

Group revenue

Group revenue was £332.8m (H1 2020 - £409.0m). Excluding the adverse exchange rate impact of £25.1m, Group revenue decreased by £51.1m (13.3%), Aerospace £57.4m lower and Flexonics £6.3m higher.

Operating profit

Adjusted operating profit decreased by £3.8m to £5.2m (H1 2020 - £9.0m). Excluding the adverse exchange rate impact of £1.1m, adjusted operating profit decreased by £2.7m (34.2%) on a constant currency basis. This reflected the drop through impact of the significant reduction in revenue, mitigated by additional savings delivered from the restructuring programme. After accounting for £0.1m net restructuring (H1 2020 - £20.0m), £nil amortisation of intangible assets from acquisitions (H1 2020 - £4.7m), and £nil goodwill impairment (H1 2020 - £110.5m), reported operating profit was £5.1m (H1 2020 - £126.2m loss).

Finance costs and investment income

Total finance costs, net of investment income, decreased to £4.3m (H1 2020 - £5.4m) and comprise IFRS 16 interest charge on lease liabilities of £1.3m (H1 2020: £1.5m), net finance income on retirement benefits of £0.2m (H1 2020: £0.4m) and net interest charge of £3.2m (H1 2020: £4.3m). The decrease in net interest charge was mainly due to the repayment in October 2020 of $20.0m (£14.6m) US Private Placement Note carrying a high interest rate and lower average net debt in H1 2021 compared to H1 2020.

Tax charge

The adjusted tax rate for the period was 55.6% (H1 2020 – 16.7%), being a tax charge of £0.5m (H1 2020 - £0.6m) on adjusted profit before tax of £0.9m (H1 2020 - £3.6m). The increase in rate is attributed to the geographical mix of profits and losses in the period. The reported tax rate was 12.1% (H1 2020 – 19.6%), being a tax charge of £2.7m (H1 – 2020 £26.7m credit) on reported profit before tax of £22.3m (H1 2020 – £136.3m loss). This included the tax charge on items excluded from adjusted profit before tax of £2.8m (H1 2020 – £27.3m credit) and an exceptional non-cash tax credit of £0.6m (H1 2020 – £nil).

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, increased to 415.5 million (H1 2020 – 414.7 million). The increase arose from the utilisation of shares held by the Company's employee benefit trust. Adjusted earnings per share decreased by 86.1% to 0.10 pence (H1 2020 – 0.72 pence). Basic earnings per share improved from 26.43 pence loss per share in H1 2020 to 4.72 pence profit per share in H1 2021. See Note 7 for details of the basis of these calculations.

Return on capital employed (ROCE)

ROCE decreased by 680 basis points to 0.0% (H1 2020 – 6.8%). The decrease in ROCE was a result of the reduction in adjusted operating profit for the 12 month period to June 2021 compared to prior year, partly offset by lower average capital employed.

Cash flow

The Group generated robust free cash flow of £19.2m in H1 2021 (H1 2020 - £16.0m) as set out in the table below:

	H1 2021	H1 2020
	£m	£m
Operating profit/(loss)	**5.1**	(126.2)
Amortisation of intangible assets from acquisitions	**-**	4.7
Goodwill impairment	**-**	110.5
Restructuring	**0.1**	20.0
Adjusted operating profit	**5.2**	9.0
Depreciation (including amortisation of software)	**24.2**	27.3
Working capital and provisions movement, net of restructuring items	**5.8**	1.7
Pension payments above service cost	**(2.6)**	(2.8)
Other items [(1)]	**0.6**	3.0
Interest paid, net	**(4.2)**	(5.4)
Income tax paid, net	**(2.0)**	(2.2)
Capital expenditure	**(7.9)**	(14.8)
Sale of plant, property and equipment	**0.1**	0.2
Free cash flow	**19.2**	16.0
Corporate undertakings	**47.0**	(4.5)
Restructuring cash paid	**(3.0)**	(5.7)
US class action lawsuits	**(2.3)**	(2.5)
Net cash flow	**60.9**	3.3
Effect of foreign exchange rate changes	**2.9**	(11.8)
IFRS 16 non-cash additions and modifications before disposals	**(5.3)**	(0.8)
Change in net debt	**58.5**	(9.3)
Opening net debt	**(205.9)**	(229.6)
Closing net debt	**(147.4)**	(238.9)

[(1)] Other items comprises £1.8m share-based payment charges (H1 2020 - £1.5m), £(0.2)m share of joint venture (H1 2020 - £(0.1)m), and £(1.0)m working capital and provision currency movements (H1 2020 – £1.6m).

Capital expenditure

Capital expenditure of £7.9m (H1 2020 - £14.8m) was 0.4 times depreciation (excluding impact of IFRS 16) (H1 2020 – 0.7 times). As previously advised, following several years of high capital investment to support growth we are now past the peak investment phase and are capitalised and prepared for recovery and growth. Therefore, we can expect future capital investment to be at more normal levels. In the near term we are carefully managing capital expenditure. We are prioritising new investment on health and safety related items; important replacement equipment for current production; and growth projects where contracts have been secured.

Working capital

Working capital decreased by £12.4m in the first half of the year to £93.6m (31 December 2020 - £106.0m), reflecting our relentless and effective focus on working capital management. We have been encouraged by the recent news from Boeing and Airbus regarding the increase in production rates on single aisle aircraft. As a consequence, we may see an increase in working capital associated with inventory required to support these higher production rates towards the end of the year. Additionally, having benefitted last year from coronavirus relief measures in some countries allowing for the deferral of indirect taxes normally due in 2020, we anticipate a cash outflow of £3.4m in the second half of this year related to these.

Net debt

Net debt which includes IFRS 16 lease liabilities decreased by £58.5m to £147.4m at 30 June 2021 (31 December 2020 - £205.9m). As noted in the cash flow above, the Group generated net cash inflow of £60.9m and recognised favourable foreign currency movements of £2.9m, partly offset by £5.3m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £76.4m (31 December 2020 - £76.5m) was £71.0m (31 December 2020 - £129.4m).

Funding and Liquidity

At 30 June 2021, the Group held committed borrowing facilities of £285.7m and the Group had headroom of £214.7m under these committed facilities. During the first half of 2021, the Group refinanced its US revolving credit facility of $50.0m (£36.2m) and extended the maturity to June 2023. Accordingly, the weighted average maturity of the Group's committed facilities is now 3.4 years. Net debt (defined in Note 12c) was £147.4m, including £76.4m 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 existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest (defined in the Notes to the Financial Headlines) must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, have been supportive and we agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020, June 2021 and December 2021 testing periods and agreed an additional September 2021 testing period to provide financial flexibility for the Group through this unprecedented period.

Notwithstanding these covenant relaxations, for the testing period ended 30 June 2021, the Group's net debt to EBITDA was 2.0x and interest cover was 5.4x, both comfortably within the Existing Covenants limits. The Group's liquidity headroom was also comfortably within covenant limits.

Going concern basis

The Directors have, at the time of approving these Condensed Consolidated Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Condensed Consolidated Interim Financial Statements, having undertaken a rigorous assessment of the financial forecasts. Further details are provided in Note 2.

Risks and uncertainties

During the first half of 2021 the principal risks and uncertainties faced by the Group have been reviewed. COVID-19 continues to impact our business and end markets, although there are signs of recovery. The following risk has been added to the Group's principal risks as a result of the review:

Key Skills and Talent – As demand starts to return, recruitment, particularly of direct labour, will be required. Mitigating actions have been developed to manage this risk, including regular discussion with the operating businesses to implement actions where challenges are arising.

In addition, one risk has been incorporated within two existing risks, as follows:

Boeing 737 Max – The Boeing 737 Max is now flying again. The residual risk will now be considered in the 'Programme and Supplier Management' and 'Customer Demand and Price-down Pressures' risks.

The remainder of the principal risks remain unchanged from those set out in detail on pages 34 to 37 of the Annual Report & Accounts 2020 (available at www.seniorplc.com). The Group's principal risks and uncertainties as at 30 June 2021 and for the remaining six months of the financial year are summarised as:

Risks and Uncertainties	Descriptions
Pandemic	This risk materialised in 2020 having a significant impact on the Group. The measures taken in 2020 to manage these impacts remain in place. As global vaccination programmes and other measures enable a return to normality, the Group will continue to prioritise the health and safety of our employees. Focus will also be on responding to demand increases in a controlled way to ensure that the cost saving measures introduced in 2020 are not undermined. The Group remains vigilant to the potential impacts of future waves of the pandemic.
Programme and Supplier management	The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives. There is a risk that the Group and/or its supply chain is unable to respond quickly enough to changes in demand potentially resulting in excess inventory and/or an inability to meet schedule, quality and cost requirements resulting in delay, cost over-runs or asset write-downs. Suppliers may be unable or unwilling to respond to increases or decreases in demand impacting on our ability to supply our customers and/or our ability to optimise inventory holdings. In extreme cases some suppliers may face financial difficulties and go out of business.
Customer Demand and Price-down Pressures	Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.
Strategy and Portfolio Management	An inability to implement the Group's strategy and/or effectively manage the Group's portfolio could have a significant impact on the Group's ability to generate long-term value for shareholders.
Corporate Governance risk	Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders and ultimately have a material adverse impact on the Group's enterprise value. In 2021, we have updated our Code of Conduct and are providing relevant training to all employees across the Group.

Risks and Uncertainties	Descriptions
Financing and liquidity	The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due or insufficient liquidity to meet financing covenants. At the end of June 2021, the Group is in a strong financial position with increased headroom on our committed borrowing facilities. There is no long-term debt maturing over the next 12 months.
Economic and Geopolitical impact	There is a risk that there will be a global economic downturn impacting on some or all of the sectors within which the Group operates. Trade relations, for example imposing of tariffs in the US, and other likely geo-political events have created uncertainty over the future impact on international trade and the ability to retain and recruit foreign nationals. There are early signs that inflation may be increasing in areas in which we operate. There may also be changes to tax regimes around the world to enable recovery of some of the costs governments have incurred in dealing with the Covid-19 pandemic. There could be a resulting impact on margins.
Cyber/Information security	The risk that the Group is subjected to external threats from hackers or viruses potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in financial and/or reputational loss.
Innovation and technological change	In order to continue to win new business and achieve profitable growth the Group must innovate. There is a risk that the Group does not continue to innovate and implement technological change resulting in its technology becoming uncompetitive or obsolete. New technologies may have an impact on the Group's markets, e.g. electric vehicles.
Talent and Skills	In common with other businesses, particularly in the US, there is a risk that the Group is unable to attract sufficient skills and talent to meet demand and/or is unable to retain the skills and talent it has.
Climate change	There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact on our ability, or that of a supplier, to meet our customers' requirements. Our customers' products may evolve requiring new technology, for example electrification. This also presents an opportunity for the Group to be involved in replacement technologies. Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.

In response to the risks and uncertainties, the Board has established a range of mitigating actions that are set out in detail on pages 34 to 37 of the Annual Report & Accounts 2020 (available at www.seniorplc.com). These are reviewed and updated regularly.

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

We confirm that to the best of our knowledge:

1. the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the 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

30 July 2021

Bindi Foyle
Group Finance Director

30 July 2021

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement 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 2021 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").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 2, the latest annual financial statements of the group are prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be 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 as adopted for use in the UK.

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.

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Robert Brent
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
30 July 2021

Condensed Consolidated Income Statement

For the half-year ended 30 June 2021

	Notes	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
		£m	£m	£m
Revenue	3	332.8	409.0	733.6
Trading profit/(loss)	3	4.9	(126.3)	(177.5)
Share of joint venture profit	9	0.2	0.1	0.2
Operating profit/(loss) (1)	3	5.1	(126.2)	(177.3)
Investment income		0.2	0.5	1.1
Finance costs		(4.5)	(5.9)	(11.0)
Corporate undertakings	4	21.5	(4.7)	(4.6)
Profit/(loss) before tax (2)		22.3	(136.3)	(191.8)
Tax (charge)/credit	5	(2.7)	26.7	33.3
Profit/(loss) for the period		19.6	(109.6)	(158.5)
Attributable to:				
Equity holders of the parent		19.6	(109.6)	(158.5)
Earnings/(loss) per share				
Basic (3)	7	4.72p	(26.43)p	(38.20)p
Diluted (4)	7	4.65p	(26.32)p	(38.20)p

Alternative Performance Measures*:

	Notes	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
Operating profit/(loss)		5.1	(126.2)	(177.3)
Adjusted for				
Amortisation of intangible assets from acquisitions	4	-	4.7	7.7
Goodwill impairment and write-off	8	-	110.5	134.3
Restructuring	4	0.1	20.0	39.0
(1) Adjusted operating profit	4	5.2	9.0	3.7
(2) Adjusted profit/(loss) before tax	4	0.9	3.6	(6.2)
(3) Adjusted earnings/(loss) per share	7	0.10p	0.72p	(0.84)p
(4) Adjusted and diluted earnings/(loss) per share	7	0.09p	0.72p	(0.84)p

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

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2021

	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
	£m	£m	£m
Profit/(loss) for the period	19.6	(109.6)	(158.5)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains on foreign exchange contracts- cash flow hedges during the period	(0.6)	(9.3)	2.0
Reclassification adjustments for (gains)/losses included in profit	(0.7)	1.5	0.6
(Losses)/gains on foreign exchange contracts- cash flow hedges	(1.3)	(7.8)	2.6
Foreign exchange (gain)/loss recycled to the Income Statement on disposal and restructuring (business closures)	(2.9)	-	0.5
Exchange differences on translation of overseas operations	(6.9)	20.9	(3.6)
Tax relating to items that may be reclassified	0.3	1.8	(0.5)
	(10.8)	14.9	(1.0)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	8.3	(5.1)	(11.4)
Tax relating to items that will not be reclassified	(3.6)	0.9	1.6
	4.7	(4.2)	(9.8)
Other comprehensive (expense)/income for the period, net of tax	(6.1)	10.7	(10.8)
Total comprehensive income/(expense) for the period	13.5	(98.9)	(169.3)
Attributable to:			
Equity holders of the parent	13.5	(98.9)	(169.3)

Condensed Consolidated Balance Sheet

As at 30 June 2021	Notes	30 June 2021	30 June 2020	31 Dec 2020
		£m	£m	£m
Non-current assets				
Goodwill	8	148.8	197.4	165.0
Other intangible assets		4.1	8.8	4.8
Investment in joint venture	9	3.8	3.5	3.6
Property, plant and equipment	10	303.0	373.2	330.5
Deferred tax assets		4.5	2.9	4.7
Retirement benefits	11	57.2	51.7	46.5
Trade and other receivables		0.1	0.3	0.1
Total non-current assets		521.5	637.8	555.2
Current assets				
Inventories		138.5	174.9	147.6
Current tax receivables		3.1	5.9	3.0
Trade and other receivables		97.3	112.6	85.3
Cash and bank balances	12c)	60.0	77.4	23.6
Assets classified as held for sale	13	2.3	-	-
Total current assets		301.2	370.8	259.5
Total assets		822.7	1,008.6	814.7
Current liabilities				
Trade and other payables		142.2	152.3	126.1
Current tax liabilities		19.0	25.4	19.8
Lease liabilities	12c)	0.5	0.7	0.5
Bank overdrafts and loans	12c)	1.3	28.3	0.4
Provisions	14	19.2	24.2	23.5
Total current liabilities		182.2	230.9	170.3
Non-current liabilities				
Bank and other loans	12c)	129.7	204.3	152.6
Retirement benefits	11	10.1	13.1	10.9
Deferred tax liabilities		10.1	8.5	5.5
Lease liabilities	12c)	75.9	83.0	76.0
Provisions	14	2.4	2.0	2.3
Others		3.6	4.6	3.8
Total non-current liabilities		231.8	315.5	251.1
Total liabilities		414.0	546.4	421.4
Net assets		408.7	462.2	393.3
Equity				
Issued share capital	15	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		4.1	4.5	5.1
Hedging and translation reserve		27.1	53.8	37.9
Retained earnings		330.0	359.0	305.1
Own Shares		(9.2)	(11.8)	(11.5)
Equity attributable to equity holders of the parent		408.7	462.2	393.3
Total equity		408.7	462.2	393.3

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2021

	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 2020	41.9	14.8	5.5	(40.2)	79.1	472.5	(14.0)	559.6
Loss for the period	-	-	-	-	-	(158.5)	-	(158.5)
Gains on foreign exchange contracts- cash flow hedges	-	-	-	2.6	-	-	-	2.6
Foreign exchange loss/(gain) recycled to the Income Statement on restructuring (business closures)	-	-	-	0.9	(0.4)	-	-	0.5
Exchange differences on translation of overseas operations	-	-	-	-	(3.6)	-	-	(3.6)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(11.4)	-	(11.4)
Tax relating to components of other comprehensive income	-	-	-	(0.5)	-	1.6	-	1.1
Total comprehensive income/ (expense) for the period	-	-	-	3.0	(4.0)	(168.3)	-	(169.3)
Share-based payment charge	-	-	3.0	-	-	-	-	3.0
Use of shares held by employee benefit trust	-	-	-	-	-	(2.5)	2.5	-
Transfer to retained earnings	-	-	(3.4)	-	-	3.4	-	-
Balance at 31 December 2020	41.9	14.8	5.1	(37.2)	75.1	305.1	(11.5)	393.3
Profit for the period	-	-	-	-	-	19.6	-	19.6
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(1.3)	-	-	-	(1.3)
Exchange differences on translation of overseas operations	-	-	-	-	(6.9)	-	-	(6.9)
Foreign exchange loss/(gain) recycled to the Income Statement on disposal	-	-	-	2.6	(5.5)	-	-	(2.9)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	8.3	-	8.3
Tax relating to components of other comprehensive income	-	-	-	0.3	-	(3.6)	-	(3.3)
Total comprehensive income/(expense) for the period	-	-	-	1.6	(12.4)	24.3	-	13.5
Share-based payment charge	-	-	1.8	-	-	-	-	1.8
Tax relating to share-based payments	-	-	-	-	-	0.1	-	0.1
Use of shares held by employee benefit trust	-	-	-	-	-	(2.3)	2.3	-
Transfer to retained earnings	-	-	(2.8)	-	-	2.8	-	-
Balance at 30 June 2021	41.9	14.8	4.1	(35.6)	62.7	330.0	(9.2)	408.7

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 2020	41.9	14.8	5.5	(40.2)	79.1	472.5	(14.0)	559.6
Loss for the period	-	-	-	-	-	(109.6)	-	(109.6)
Losses on foreign exchange contracts- cash flow hedges	-	-	-	(7.8)	-	-	-	(7.8)
Exchange differences on translation of overseas operations	-	-	-	-	20.9	-	-	20.9
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(5.1)	-	(5.1)
Tax relating to components of other comprehensive income	-	-	-	1.8	-	0.9	-	2.7
Total comprehensive (expense)/income for the period	-	-	-	(6.0)	20.9	(113.8)	-	(98.9)
Share-based payment charge	-	-	1.5	-	-	-	-	1.5
Use of shares held by employee benefit trust	-	-	-	-	-	(2.2)	2.2	-
Transfer to retained earnings	-	-	(2.5)	-	-	2.5	-	-
Balance at 30 June 2020	41.9	14.8	4.5	(46.2)	100.0	359.0	(11.8)	462.2

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Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2021

	Notes	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
		£m	£m	£m
Net cash from operating activities	12a)	17.2	17.6	48.9
Investing activities				
Interest received		-	0.1	0.2
Proceeds on disposal of property, plant and equipment		0.1	0.2	0.5
Purchases of property, plant and equipment		(7.5)	(14.2)	(25.2)
Purchases of intangible assets		(0.4)	(0.6)	(1.6)
Proceeds on disposal of businesses net of cash balances	13	51.5	0.2	0.4
Net cash generated/(used) in investing activities		43.7	(14.3)	(25.7)
Financing activities				
New loans		19.7	120.3	135.6
Repayment of borrowings		(40.9)	(59.0)	(142.8)
Repayment of lease liabilities		(4.0)	(4.0)	(7.9)
Net cash (used)/generated in financing activities		(25.2)	57.3	(15.1)
Net increase in cash and cash equivalents		35.7	60.6	8.1
Cash and cash equivalents at beginning of period		23.2	15.1	15.1
Effect of foreign exchange rate changes		(0.2)	1.6	-
Cash and cash equivalents at end of period	12c)	58.7	77.3	23.2

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 30 July 2021, 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 2020 do not constitute the Group's statutory accounts for 2020 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2020 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 2021 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these Condensed Consolidated Interim Financial Statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the published Annual Financial Statements of the Group as at and for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2020.

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 resilient performance in the first half of 2021 as outlined in the Interim Management Report review. While the global pandemic is not over, there are clear signs of recovery in the Group's end markets. This, coupled with the continuing impact of the pandemic and the resulting economic uncertainty, both in the short and medium term, has been factored into the forecasts considered. These projections are borne out of extensive scenario testing, based on a variety of end market assumptions, while taking account of appropriate mitigating actions within the direct control of the Group.

At 30 June 2021, the Group held committed borrowing facilities of £285.7m and the Group had headroom of £214.7m. The Group has two existing covenants ("Existing Covenants") for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest (defined in the Notes to the Financial Headlines must be higher than 3.5x. The Group's lenders, both banks and US private placement investors, agreed covenant relaxations ("New Covenants") in relation to the June 2020, December 2020, June 2021 and December 2021 testing periods and agreed an additional September 2021 testing period.

For the testing period ended 30 June 2021, the Group's net debt to EBITDA was 2.0x and interest cover was 5.4x, both comfortably within the Existing Covenants limits. The Group's liquidity headroom was also comfortably within covenant limits. For all testing periods within the Going Concern Period, there is sufficient headroom to remain within the relevant 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 2020, which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 2020, which are available via Senior's website www.seniorplc.com, set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those Financial Statements. In light of COVID-19, the Directors continue to consider additional areas of judgment and estimation around going concern (see above).

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/(loss) and a reconciliation to the Group profit/(loss) after tax is presented below:

	Aerospace	Flexonics	Eliminations / central costs	**Total**	Aerospace	Flexonics	Eliminations / central costs	**Total**
	Half-year ended 30 June 2021	Half-year ended 30 June 2021	Half-year ended 30 June 2021	**Half-year ended 30 June 2021**	Half-year ended 30 June 2020	Half-year ended 30 June 2020	Half-year ended 30 June 2020	**Half-year ended 30 June 2020**
	£m	£m	£m	**£m**	£m	£m	£m	**£m**
External revenue	222.8	110.0	-	**332.8**	300.0	109.0	-	**409.0**
Inter-segment revenue	0.3	-	(0.3)	**-**	0.2	0.1	(0.3)	**-**
Total revenue	223.1	110.0	(0.3)	**332.8**	300.2	109.1	(0.3)	**409.0**
Adjusted trading profit	5.1	7.4	(7.5)	**5.0**	10.4	4.9	(6.4)	**8.9**
Share of joint venture profit	-	0.2	-	**0.2**	-	0.1	-	**0.1**
Adjusted operating profit	5.1	7.6	(7.5)	**5.2**	10.4	5.0	(6.4)	**9.0**
Amortisation of intangible assets from acquisitions	-	-	-	**-**	(3.3)	(1.4)	-	**(4.7)**
Goodwill impairment	-	-	-	**-**	(110.5)	-	-	**(110.5)**
Restructuring	(0.6)	0.5	-	**(0.1)**	(17.8)	(2.2)	-	**(20.0)**
Operating profit/(loss)	4.5	8.1	(7.5)	**5.1**	(121.2)	1.4	(6.4)	**(126.2)**
Investment income				**0.2**				**0.5**
Finance costs				**(4.5)**				**(5.9)**
Corporate undertakings				**21.5**				**(4.7)**
Profit/(loss) before tax				**22.3**				**(136.3)**
Tax (charge)/credit				**(2.7)**				**26.7**
Profit/(loss) after tax				**19.6**				**(109.6)**

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Segment information for assets and liabilities is presented below.

Assets	30 June 2021 £m	30 June 2020 £m	31 Dec 2020 £m
Aerospace	515.2	649.7	563.3
Flexonics	177.9	214.9	170.4
Segment assets for reportable segments	693.1	864.6	733.7
Unallocated			
Central	4.5	5.4	2.9
Cash	60.0	77.4	23.6
Deferred and current tax	7.6	8.8	7.7
Retirement benefits	57.2	51.7	46.5
Others	0.3	0.7	0.3
Total assets per Consolidated Balance Sheet	822.7	1,008.6	814.7

Liabilities	30 June 2021 £m	30 June 2020 £m	31 Dec 2020 £m
Aerospace	151.7	180.0	153.9
Flexonics	66.0	58.4	55.7
Segment liabilities for reportable segments	217.7	238.4	209.6
Unallocated			
Central	17.6	19.0	14.1
Debt	131.0	232.6	153.0
Deferred and current tax	29.1	33.9	25.3
Retirement benefits	10.1	13.1	10.9
Others	8.5	9.4	8.5
Total liabilities per Consolidated Balance Sheet	414.0	546.4	421.4

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 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
	£m	£m	£m
Civil Aerospace	117.2	190.2	304.2
Defence	71.2	79.5	158.5
Other	34.7	30.5	63.5
Aerospace	223.1	300.2	526.2
Land Vehicles	59.4	41.7	89.2
Power & Energy	50.6	67.4	119.1
Flexonics	110.0	109.1	208.3
Eliminations	(0.3)	(0.3)	(0.9)
Total revenue	332.8	409.0	733.6

Other Aerospace comprises space and other markets, principally including semiconductor equipment, medical and industrial applications.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit/loss before tax

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

The amortisation charge relates to prior years' acquisitions. It is charged on a straight-line basis and reflects a non-cash item for the reported period. The Group implemented a restructuring programme in 2019 which was expanded in 2020 and continues in 2021 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. Goodwill impairment in 2020 related to the Aerostructures group of cash generating units (CGU group), which reflected the significant impact of COVID-19 on the civil aerospace sector. Goodwill write-offs in 2020 relate to operating business closures. Corporate undertakings relate to gain on disposal of a business, bid defence and other costs relating to corporate activities. None of these charges are reflective of in-year performance. Therefore, they are excluded by the Board and Executive Committee when measuring the operating performance of the businesses.

	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Year ended 31 Dec 2020
	£m	£m	£m
Operating profit/(loss)	5.1	(126.2)	(177.3)
Amortisation of intangible assets from acquisitions	-	4.7	7.7
Goodwill impairment and write-off	-	110.5	134.3
Restructuring	0.1	20.0	39.0
Adjusted operating profit	5.2	9.0	3.7
Profit/(loss) before tax	22.3	(136.3)	(191.8)
Adjustments to profit/loss before tax as above	0.1	135.2	181.0
Corporate undertakings	(21.5)	4.7	4.6
Adjusted profit/(loss) before tax	0.9	3.6	(6.2)

Goodwill impairment and write-off

During the first half of 2020, an impairment loss of £110.5m was recognised in relation to the goodwill allocated to the Aerostructures CGU group (subsequently reallocated to the Aerospace CGU group – see Note 8). This reflected the significant impact of COVID-19 on the short to medium-term outlook for Aerostructures, given the end market, which is focused on the civil aerospace sector. In the second half of 2020, write-offs of £1.6m and £22.2m were recognised in respect of the closures of Senior Aerospace Bosman and Senior Flexonics Upeca, Malaysia.

Restructuring

The Group continues to focus on taking actions to generate cash and to insulate the Group through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. The restructuring activities continue through 2021 due to changing end market conditions in some of the Flexonics and Aerospace markets and to further manage the business through the pandemic.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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

Restructuring (continued)

The restructuring, which involves headcount reductions and other efficiency improvements, resulted in a net charge of £0.1m for the first half of 2021 (H1 2020: £20.0m; FY 2020: £39.0m) in the Condensed Consolidated Income Statement and presented as an adjusted item given the size and nature of the costs incurred. The net charge comprises £1.4m headcount reduction, consultancy and other costs (H1 2020: £10.2m), partially offset by a credit of £0.9m relating to inventory utilisation (H1 2020: £7.4m impairment charge) and a net credit of £0.4m related to disposal of property, plant and equipment (H1 2020: £2.4m impairment charge).

As highlighted in 2020, certain programmes were cancelled or reduced leaving the Group with inventory with no immediate alternate use, resulting in inventory impairment as part of the wider restructuring programme. The Group continues to seek opportunities to use the inventory and where net realisable value is achieved, any credit is recognised within restructuring for consistency of presentation. In the first half of 2021, a credit of £0.9m relating to inventory was recorded within restructuring. In addition, the Group continues to seek opportunities to find buyers for items of property, plant and equipment following the Senior Flexonics Upeca, Malaysia closure and to the extent that any selling proceeds exceed the net book value, a credit is recorded within restructuring for consistency of presentation. A net credit of £0.4m was recorded to restructuring related to the disposal of such items.

Total cash outflow related to restructuring activities in the six months ended 30 June 2021 is £3.0m (H1 2020: £5.7m); see Note 12b. At 30 June 2021, a restructuring provision of £6.1m (30 June 2020: £7.5m; 31 December 2020: £8.9m) is held on the Condensed Consolidated Balance Sheet in current liabilities.

Corporate undertakings

In the half-year ended 30 June 2021, the Group recorded £24.2m gain on disposal of Senior Aerospace Connecticut (See Note 13) and £2.7m bid defence and costs relating to other corporate activities in the Condensed Consolidated Income Statement (H1 2020: £4.7m; FY 2020: £4.6m relating to costs associated with the potential divestment of the Aerostructures business).

5. Tax charge

	Half-year ended 30 June 2021 £m	Half-year ended 30 June 2020 £m
Current tax:		
Current year charge/(credit)	1.1	(0.9)
Irrecoverable withholding tax	0.2	0.2
Prior year items	-	(1.9)
	1.3	(2.6)
Deferred tax:		
Current year charge/(credit)	1.4	(25.8)
Prior year items	-	1.7
	1.4	(24.1)
Total tax charge/(credit)	2.7	(26.7)

Tax for the half-year ended 30 June 2021 is calculated at 12.1% (H1 2020: 19.6%) on the profit before tax (H1 2020 loss 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 one-off events taking place during the interim period.

In the half-year ended 30 June 2021, the tax effect of corporate undertaking income and costs, including disposal, have been reflected fully in the tax charge for the half-year. A deferred tax credit of £0.6m has been recognised in the Income Statement and £2.0m deferred tax charge has been recognised in the Statement of Comprehensive Income following the substantial enactment on 24th May 2021 of a change in UK tax rate from 19% to 25% effective from 1 April 2023.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. Dividends

No dividends were recorded in the current or prior period.

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 2021	Half-year ended 30 June 2020
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	415.5	414.7
Effect of dilutive potential ordinary shares:		
Share options	6.2	1.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	421.7	416.4

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Earnings per share (continued)

	Half-year ended 30 June 2021	Half-year ended 30 June 2021	Half-year ended 30 June 2020	Half-year ended 30 June 2020
	Earnings	EPS	Earnings	EPS
	£m	Pence	£m	Pence
Earnings and earnings per share ("EPS")				
Profit/(loss) for the period	19.6	4.72	(109.6)	(26.43)
Adjust:				
Amortisation of intangible assets from acquisitions net of tax of £nil (H1 2020: £1.1m)	-	-	3.6	0.87
Goodwill impairment net of tax of £nil (H1 2020: £21.7m)	-	-	88.8	21.41
Restructuring net of tax of £0.2m (H1 2020: £3.7m)	(0.1)	(0.03)	16.3	3.93
Corporate undertakings net of tax of £3.0m (H1 2020: £0.8m)	(18.5)	(4.45)	3.9	0.94
Non-cash deferred tax credit	(0.6)	(0.14)	-	-
Adjusted earnings after tax	0.4	0.10	3.0	0.72
Earnings/(loss) per share				
- basic			4.72p	(26.43)p
- diluted			4.65p	(26.32)p
- adjusted			0.10p	0.72p
- adjusted and diluted			0.09p	0.72p

The effect of dilutive shares on the earnings for the purposes of diluted earnings per share is £nil (2020: £nil).

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

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, goodwill impairment, restructuring, corporate undertakings and a non-cash deferred tax credit. (See Note 4 and Note 5 for further details).

The impact of these items have been excluded from adjusted earnings after tax and adjusted earnings per share in line with the Board adopted policy to separately disclose those items, where significant in size, that it considers are outside the earnings/loss 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 £165.0m at 31 December 2020 to £148.8m at 30 June 2021 reflects a decrease of £15.1m relating to Senior Aerospace Connecticut disposal (see Note 13) and a decrease of £1.1m due to foreign exchange differences.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As previously reported, the COVID-19 pandemic has had a direct impact on the Group's end markets and therefore the Board concluded that there was a triggering event during the first half of 2020. Accordingly, an impairment assessment exercise took place at the reporting date of 30 June 2020 and an impairment charge of £110.5m was recorded against the Aerostructures CGU group (now combined within a single Aerospace Division). On 30 September 2020, following the annual impairment assessment, no further impairments were recorded. There were no further triggering events at 31 December 2020 and 30 June 2021 reporting dates.

9. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £3.8m (30 June 2020: £3.5m; 31 December 2020: £3.6m) represents the Group's share of the joint venture's net assets as at 30 June 2021.

10. Property, plant and equipment

During the period, the Group invested £7.5m (H1 2020: £14.2m) on the acquisition of property, plant and equipment (excluding right-of-use assets). The Group also disposed of machinery with a carrying value of £0.1m (H1 2020: £0.2m) for proceeds of £0.1m (H1 2020: £0.2m).

At 30 June 2021, right-of-use assets were £71.8m (30 June 2020: £81.1m; 31 December 2020: £72.5m). Right-of-use asset depreciation was £4.7m for the six months ending 30 June 2021 (H1 2020: £5.1m).

11. Retirement benefit schemes

Aggregate retirement benefit liabilities of £10.1m (30 June 2020: £13.1m; 31 December 2020: £10.9m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £4.3m (30 June 2020: £6.9m; 31 December 2020: £4.7m) and other unfunded schemes, with a deficit of £5.8m (30 June 2020: £6.2m; 31 December 2020: £6.2m).

The retirement benefit surplus of £57.2m (30 June 2020: £51.7m; 31 December 2020: £46.5m) 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/(loss) to net cash from operating activities

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	£m	£m
Operating profit/(loss)	5.1	(126.2)
Adjustments for:		
Depreciation of property, plant and equipment	23.4	26.4
Amortisation of intangible assets	0.8	5.6
Share of joint venture	(0.2)	(0.1)
Share-based payment charges	1.8	1.5
Pension payments in excess of service cost	(2.6)	(2.8)
Corporate undertaking costs	(4.5)	(4.7)
(Increase)/decrease in inventories	(1.5)	3.5
(Increase)/decrease in receivables	(15.3)	24.6
Increase/(decrease) in payables and provisions	19.2	(14.5)
Goodwill impairment	-	110.5
US class action lawsuits	(2.3)	(2.5)
Restructuring impairment of property, plant and equipment	0.5	2.4
Working capital and provisions currency movements	(1.0)	1.6
Cash generated by operations	23.4	25.3
Income taxes paid	(2.0)	(2.2)
Interest paid	(4.2)	(5.5)
Net cash from operating activities	17.2	17.6

12. Notes to the Cash Flow Statement (continued)

b) Free cash flow

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

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	£m	£m
Net cash from operating activities	17.2	17.6
Corporate undertaking costs	4.5	4.7
Restructuring cash paid	3.0	5.7
US class action lawsuits	2.3	2.5
Interest received	-	0.1
Proceeds on disposal of property, plant and equipment	0.1	0.2
Purchases of property, plant and equipment	(7.5)	(14.2)
Purchase of intangible assets	(0.4)	(0.6)
Free cash flow	19.2	16.0

c) Analysis of net debt	At 1 January 2021	Cash flow	Exchange movement	Other Lease Movements	At 30 June 2021
	£m	£m	£m	£m	£m
Cash and bank balances	23.6	36.6	(0.2)	-	60.0
Overdrafts	(0.4)	(0.9)	-	-	(1.3)
Cash and cash equivalents	23.2	35.7	(0.2)	-	58.7
Debt due within one year	-	-	-	-	-
Debt due after one year	(152.6)	21.2	1.7	-	(129.7)
Lease liabilities (1)	(76.5)	4.0	1.4	(5.3)	(76.4)
Liabilities arising from financing activities	(229.1)	25.2	3.1	(5.3)	(206.1)
Total	(205.9)	60.9	2.9	(5.3)	(147.4)

(1) The change in lease liabilities in the six months ended 30 June 2021 includes lease rental payments of £5.3m, of which £1.3m relates to lease interest, £1.4m exchange movement and £5.3m other movements related to lease additions and modifications.

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
Cash and Cash equivalents comprise (2):	£m	£m
Cash and bank balances	60.0	77.4
Overdrafts	(1.3)	(0.1)
Total	58.7	77.3

(2) Cash and cash equivalents (which are presented as a single class of assets on the face of the Balance Sheet) comprise £56.9m cash at bank and other short-term highly liquid investments with a maturity of three months or less and £3.1m in escrow relating to Senior Aerospace Connecticut disposal, of which £2.9m has a maturity less than twelve months.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the Cash Flow Statement (continued)

d) Analysis of working capital and provisions

Working capital comprises the following:

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	£m	£m
Inventories	138.5	174.9
Trade and other receivables	97.3	112.6
Trade and other payables	(142.2)	(152.3)
Working capital, including derivatives	93.6	135.2
Items excluded:		
Foreign exchange contracts	0.3	11.4
Deferred consideration relating to disposals-current	(0.3)	(0.4)
Total	93.6	146.2

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

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	£m	£m
(Increase)/decrease in inventories	(1.5)	3.5
(Increase)/decrease in receivables	(15.3)	24.6
Increase/(decrease) in payables and provisions	19.2	(14.5)
Working capital and provisions movement, excluding currency effects	2.4	13.6
Items excluded:		
Decrease/(Increase) in restructuring related inventory impairment	0.9	(7.4)
Decrease/(Increase) in restructuring provision	2.5	(4.5)
Total	5.8	1.7

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Disposal and Held for Sale

On 22nd April 2021, the Group sold its stand alone, build-to-print helicopter structures operating company, Senior Aerospace Connecticut, based in the USA. The decision to sell was based on its primary focus on build-to-print parts for the rotary sector, with proceeds from the sale strengthening the Group's balance sheet and providing greater flexibility for the Group to operate within its capital deployment framework. For the half-year ended 30 June 2021, Senior Aerospace Connecticut external revenue was £8.0m (H1 2020: £18.3m) and operating profit was £0.8m (H1 2020: £2.7m).

A gain of £24.2m arose on disposal after taking fair value of net assets disposed (£28.4m including £15.1m of goodwill, £7.5m property, plant and equipment and £5.8m of working capital), offset by net cash consideration of £49.7m after £1.8m disposal costs, and the previously recorded foreign exchange gain that has been recycled to the Income Statement of £2.9m.

The Group received £nil (H1 2020: £0.2m) deferred consideration relating to the disposal of its Aerospace business Senior Aerospace Absolute Manufacturing.

Following the announced closure of Senior Flexonics Upeca in Malaysia in 2020, the Group is in the advanced stages of negotiation of a sale agreement with an identified buyer to dispose of a property (land and building) owned by Senior Flexonics Upeca, classified as held for sale at 30 June 2021 and presented separately in the Balance Sheet, with a carrying value of £2.3m (30 June 2020: £2.5m; 31 December 2020: £2.4m). The movement in the balance during 2021 relates to foreign exchange differences.

14. Provisions

Current and non-current provisions include warranty costs of £7.1m (30 June 2020: £6.9m; 31 December 2020: £6.6m), restructuring of £6.1m (30 June 2020: £7.5m; 31 December 2020: £8.9m) and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £8.4m (30 June 2020: £11.8m; 31 December 2020: £10.3m including costs associated with the US class action lawsuits).

15. Share capital

Share capital as at 30 June 2021 amounted to £41.9m (30 June 2020: £41.9m, 31 December 2020: £41.9m). No shares were issued during the period.

16. Contingent liabilities

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2021	Half-year ended 30 June 2020
	£m	£m
Carrying value of financial assets:		
Cash and cash equivalents	60.0	77.4
Trade receivables	84.6	98.9
Other receivables	0.5	0.8
Financial assets at amortised cost	145.1	177.1
Foreign exchange contracts- cash flow hedges	1.8	0.7
Foreign exchange contracts- held for trading	-	0.2
Total financial assets	146.9	178.0
Carrying value of financial liabilities:		
Bank overdrafts and loans	131.0	232.6
Lease liabilities	76.4	83.7
Trade payables	65.2	65.2
Other payables	55.7	57.0
Financial liabilities at amortised cost	328.3	438.5
Foreign exchange contracts- cash flow hedges	2.1	11.2
Foreign exchange contracts- held for trading	-	1.1
Total financial liabilities	330.4	450.8

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments (continued)

	Half-year ended 30 June 2021 £m	Half-year ended 30 June 2020 £m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	136.4	167.0
In the second to fifth years inclusive	130.2	132.4
After five years	111.0	204.2
	377.6	503.6
Less: future finance charges	(49.3)	(65.1)
Financial liabilities at amortised cost	328.3	438.5

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 £132.3m (30 June 2020: £237.5m). The fair value has been determined by applying a make-whole calculation using prevailing treasury bill yields plus the applicable credit spread for the Group.

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All financial instruments are measured at level 2, i.e. those fair values derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements.

	Half-year ended 30 June 2021 £m	Half-year ended 30 June 2020 £m
Assets:		
Foreign exchange contracts – cash flow hedges	1.8	0.7
Foreign exchange contracts – held for trading	-	0.2
Total assets	1.8	0.9
Liabilities:		
Foreign exchange contracts – cash flow hedges	2.1	11.2
Foreign exchange contracts – held for trading	-	1.1
Total liabilities	2.1	12.3

18. Related party transaction

Bloom Energy Corporation is a related party of the Group as Susan Brennan, an independent non-executive Director of the Group, is its Executive Vice-President and Chief Operations Officer. In the first six months of 2021, the Group sold £1.7m (H1 2020: £0.7m) of components to Bloom Energy Corporation. The gross receivable position as at 30 June 2021 was £0.4m (30 June 2020: £0.1m; 31 December 2020: £0.4m).

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