Senior plc

Interim Results for the half-year ended 30 June 2024

Robust results, full-year expectations unchanged

FINANCIAL HIGHLIGHTS	Half-year to 30 June 2024	2023	change	change (constant currency) [4]
REVENUE	**£501.4m**	£482.3m	**+4%**	+7%
OPERATING PROFIT	**£20.6m**	£20.8m	**-1%**	+2%
ADJUSTED OPERATING PROFIT [1]	**£25.1m**	£22.9m	**+10%**	+13%
ADJUSTED OPERATING MARGIN [1]	**5.0%**	4.7%	**+30 bps**	+30 bps
PROFIT BEFORE TAX	**£13.2m**	£13.5m	**-2%**	+1%
ADJUSTED PROFIT BEFORE TAX [1]	**£18.4m**	£17.6m	**+5%**	+8%
BASIC EARNINGS PER SHARE	**2.63p**	2.80p	**-6%**	
ADJUSTED EARNINGS PER SHARE [1]	**3.55p**	3.53p	**+1%**	
INTERIM DIVIDEND PER SHARE	**0.75p**	0.60p	**+25%**	
FREE CASH FLOW [2]	**£3.0m**	£(11.8)m	**+125%**	
NET DEBT EXCLUDING CAPITALISED LEASES [2] - 30 June 2024 / 31 December 2023	**£156.1m**	£132.0m	**£24m increase**	
ROCE [3]	**7.3%**	6.3%	**+100bps**	

Highlights

- Robust trading performance with sales up 7%[4] and adjusted operating profit up 13%[4]
- Continued growth in order book, book-to-bill of 1.15
- Notable contract wins in both Aerospace and Flexonics divisions
- Full-year outlook unchanged with good growth anticipated for the full-year
- Interim dividend increased by 25% to 0.75p

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

"Senior has delivered a robust set of results that are in line with our expectations.

Our Aerospace revenue and profits have grown strongly notwithstanding 737 MAX volumes being subdued as a consequence of the ongoing situation at Boeing.

Our Flexonics Division continued to perform well, maintaining double digit margins, albeit revenues and profits were lower as land vehicle markets started to normalise and upstream oil & gas customers reduced inventory levels.

For the full-year we still expect to maintain good performance in Flexonics with H1 slightly higher than H2 due to a return to more typical levels of land vehicle demand.

The Group's diversified position across key civil and defence aircraft platforms, strong order intake and increasing aircraft build rates are expected to drive good growth in Aerospace for the full-year. Higher volumes, operational efficiency benefits and improved pricing are expected to result in H2 performance being higher than H1.

Overall, the Board's expectations of good growth for the Group in 2024 are unchanged."

Further information

Bindi Foyle, Group Finance Director, Senior plc	+44 (0) 1923 714 725
Tom Bindloss, Head of Treasury and Interim Investor Relations, Senior plc	+44 (0) 1923 714 743
Richard Webster-Smith, FGS Global	+44 (0) 7796 708 551

Notes

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

(1) Adjusted operating profit and adjusted profit before tax are stated before £0.8m amortisation of intangible assets from acquisitions (H1 2023 - £1.1m), £nil net restructuring costs (H1 2023 - £0.9m), £nil US pension settlement costs (H1 2023 - £0.1m), £2.6m site relocation costs (H1 2023 – £nil) and £1.1m US class action lawsuit (H1 2023 - £nil). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £0.7m (H1 2023 - £2.0m). A reconciliation of adjusted operating profit to operating profit is shown in Note 4. Adjusted operating margin is the ratio of adjusted operating profit to revenue.

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

(3) Return on capital employed ("ROCE") is derived from annual adjusted operating profit (as defined in Note 4) divided by the average of the capital employed at the start and end of that twelve-month period, capital employed being total equity plus net debt (as derived in Note 12c).

(4) Constant currency is H1 2023 results translated using H1 2024 average exchange rates.

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

- EBITDA is adjusted profit before tax and before interest, depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA from businesses which have been disposed and includes EBITDA for businesses acquired and it is based on frozen GAAP (pre-IFRS 16). EBITDA for the 12-month period ending June 2024 was £85.8m.
- Net debt is defined in Note 12c. It is based on frozen GAAP (pre-IFRS 16) and as required by the covenant definition, it is restated using 12-month average exchange rates.
- Interest is adjusted finance costs and finance income before net finance income of retirement benefits. It also excludes interest from businesses which have been disposed and it is based on frozen GAAP (pre-IFRS 16).
- The definition of adjusted items in the Condensed Consolidated Income Statement is included in Note 4.

The Group's principal foreign exchange translation exposure is to the US Dollar. The average rate applied in the translation of Income Statement and cash flow items for H1 2024 was $1.26 (H1 2023 - $1.23) and the rate applied in the translation of balance sheet items at 30 June 2024 was $1.26 (30 June 2023 - $1.27; 31 December 2023 - $1.27). Our current assumption is that the average US Dollar to Pound Sterling exchange rate for the full-year 2024 is $1.27.

Webcast

There will be a presentation on Monday 5 August 2024 at 09:30am BST accessible via a live webcast on Senior's website at www.seniorplc.com/investors. The webcast will be made available on the website for subsequent viewing.

Note to Editors

Senior is a FTSE 250 international manufacturing Group with operations in 12 countries. It is listed on the main market of the London Stock Exchange (symbol SNR). Senior's Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders." Senior designs and manufactures high technology components and systems for the principal original equipment producers in the worldwide aerospace & defence, land vehicle and power & energy markets.

Cautionary Statement

This Interim Management Report ("IMR") has been prepared solely to provide additional information to enable shareholders to assess the Group's strategy and business objectives and the potential for the strategy and objectives to be fulfilled. It should not be relied upon by any other party or for any other purpose.

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

INTERIM MANAGEMENT REPORT 2024

Senior has delivered a robust set of results in the first half of 2024 that are in line with our expectations.

The Group saw strong order intake during the period, with a healthy book-to-bill ratio of 1.15 which underpins our confidence in continued growth in 2024 and beyond. Both Aerospace and Flexonics divisions recorded good order intake, with some notable contract wins including from Airbus, Collins Aerospace, Spirit AeroSystems and land vehicle OEMs (details in the divisional reviews below), demonstrating the broad, diversified and high-quality nature of our business.

For the first half of 2024, Group revenue increased by 7% on a constant currency basis to £501.4m with growth in the Aerospace Division and an anticipated reduction in the Flexonics Division. Adverse exchange rates had an impact of £12.3m to total sales.

In Aerospace, revenue increased 14% year-on-year on a constant currency basis. The increase reflected the ramp up in civil aircraft production rates notwithstanding 737 MAX volumes being subdued following the Alaskan Airlines incident in January 2024. We saw steady growth in the defence market and a return to growth in sales to semiconductor equipment customers (which is included in "Other Aerospace"). In Flexonics, revenue was down 6% compared to prior year, on a constant currency basis. As expected, this was due to land vehicle markets starting to normalise and a rebalancing of inventory by our upstream oil & gas customers.

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

The Group's adjusted operating profit increased by 13% on a constant currency basis to £25.1m (H1 2023 - £22.9m). Adjusted operating margin increased by 30 basis points, to 5.0% for the half-year. The increase in profitability for the Group was driven by improved profit in Aerospace more than offsetting the expected volume-related reduction in profit in Flexonics.

Overall, our Aerospace division continues to make good progress operationally. Build rates on most aircraft types have been increasing, with the obvious exception of the Boeing 737 MAX due to the well documented issues. Our business in Thailand is making good progress, having been significantly affected over the past year by the fire at a key supplier in February 2023. The supplier's factory has been rebuilt and we were pleased to have made our first shipments to customers in July using parts from the new factory. Volumes from the new factory will increase steadily over coming months as parts are requalified. Generally, we have seen our supply chain stabilising as a result of specific actions we and our suppliers have implemented. However, a few hotspots remain, and we are mindful of comments from customers about continuing pressures in some parts of the aerospace ecosystem.

We have been closely following the discussions between Boeing and the FAA regarding the 737 MAX, noting the understandably cautious approach to increasing production volumes. Increases are taking longer than the industry might have hoped at the start of the year. We have agreed sensible production schedules with Boeing and other customers that take account of likely build rates and inventory levels. The operating businesses most exposed to the 737 MAX programme were resourced for significantly higher build rates coming into the year and have been protecting this resource, particularly skilled labour, whilst awaiting clarity from customers on demand for those products affected. This cost base is now being realigned to the agreed production schedules.

The Group's adjusted profit before tax increased by 5% to £18.4m (H1 2023 - £17.6m) reflecting higher adjusted operating profit more than offsetting higher net interest costs of £6.7m (H1 2023 - £5.3m). The adjusted tax charge was £3.7m (H1 2023 - £3.0m). With the adjusted effective tax rate increasing to 20.1% from 17.0%, adjusted earnings per share increased 1% to 3.55 pence (H1 2023 – 3.53 pence).

Reported operating profit was £20.6m (H1 2023 - £20.8m) and this performance is further described in the Other Financial Information section below. Profit before tax was £13.2m (H1 2023 - £13.5m) and basic earnings per share was 2.63 pence (H1 2023 – 2.80 pence).

The Group generated free cash flow of £3.0m (H1 2023 - £11.8m outflow) in the first half of 2024. The improvement over prior year was primarily due to lower working capital outflows and higher cash profits more than offsetting higher investment in capital expenditure and higher tax and interest payments. Cash outflows from working capital were £19.8m (H1 2023 - £38.5m outflows) reflecting increased trading in the period. Inventory was higher particularly in Aerospace with planned investment to enable us to meet the strong increase in demand from our customers and as a result of 737 MAX production being lower than initially resourced for. Receivables were higher as a result of revenue growth. Gross capital expenditure was £16.9m (H1 2023 - £13.7m) which was 0.9x depreciation (excluding the impact of IFRS 16).

The Group experienced a net cash outflow of £18.5m (H1 2023 - £18.1m) in the six months to June 2024, due to free cash flow of £3.0m (H1 2023 - £11.8m outflow) offset primarily by £10.7m contingent consideration paid for Spencer Aerospace following its strong growth post acquisition, £7.0m dividends paid and £3.0m purchase of shares held by the employee benefit trust.

Net debt at the end of June 2024 was £233.1m (including capitalised leases of £77.0m), an increase of £29.3m from December 2023, after taking into account adverse currency movements of £0.5m and a £10.3m increase for lease movements, primarily for lease extensions at existing facilities. Period end net debt to EBITDA was 1.8x and the headroom on our committed borrowing facilities at 30 June 2024 was £158.4m.

Return on capital employed ("ROCE") increased by 100 basis points to 7.3% (H1 2023 – 6.3%). This improvement in ROCE keeps the Group on track to deliver our Group ROCE target of 13.5% over the medium-term.

Reflecting the confidence in the Group's performance, financial position and future prospects, the Board has approved an interim dividend of 0.75 pence per share (H1 2023 – 0.60 pence), representing 25% growth. This will be paid on 15 November 2024 to shareholders on the register at close of business on 18 October 2024. In the medium-term, we will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover.

Delivery of Group Strategy

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

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

As we address these challenges with our customers, we aim to "keep one foot in today, and one foot in tomorrow". This enables us to be both practical about the realities our customers are facing in today's world, and yet deliver better designed, lighter or more efficient products that help them move increasingly into a lower carbon future of tomorrow.

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

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

Spencer Aerospace ("Spencer"), our high-pressure fittings business, which was acquired in November 2022, has continued to grow strongly with sales up by over 40% in H1 2024 compared to H1 2023. We continue to pursue multiple new business opportunities, both in Spencer's traditional North American home markets, and in Europe where the company is working collaboratively with our French business, Senior Aerospace Ermeto. This collaboration has offered Spencer a channel into European markets and customers that they would not previously have been able to access while at the same time broadening Senior's product offering in Europe.

We continue to invest in markets where we believe there is significant growth potential and where the Group's skills and knowledge can be exploited, such as Aerospace highly-engineered standard components. This market has high barriers to entry and attractive returns. We are focussing our efforts in this sector on broadening our product portfolio for specific products such as flanges, couplings and fittings while also expanding our production capacity to meet high levels of customer demand.

Considered and effective capital deployment

We understand the importance of considered and effective capital deployment towards maximising shareholder value creation. The Group has a medium-term pre-tax ROCE target of at least 13.5% on a post IFRS 16 basis. Our strategy of expanding Senior's high-quality fluid conveyance and thermal management businesses remains a priority. We have a rigorous appraisal process to evaluate the business case of all significant investments.

The Group actively reviews its overall portfolio of operating businesses and evaluates them in terms of their strategic fit in order to grow returns, maximise Group operating efficiency and optimise value for shareholders.

We continue to progress strategic options for our Aerostructures business including the potential divestment of the business. Within the period, revenue in Aerostructures grew strongly by 16% from £121.9m to £141.2m on a constant currency basis. We have secured notable new contract awards and important contract renewals bringing pricing up-to-date from various customers, with multiple ongoing discussions regarding attractive new business opportunities.

Market Overview

In the first half of 2024, our core markets across the Group were largely as expected.

Civil Aerospace (46% of Group)

Air traffic continued to increase, with all regions showing improvements in the six months to the end of June 2024. According to the International Air Transport Association ("IATA"), the latest data showed that total demand, measured in Revenue Passenger Kms (RPKs), increased by 13.4% compared to the same period in 2023. Air traffic is forecast to continue to grow as incomes increase, especially in developing markets in Asia. Demand for new aircraft is forecast to grow by 3-4%, driven by growth in air traffic and ongoing fleet replacement.

During the first half of 2024, Airbus made two adjustments to the production rates of its commercial aircraft programmes. Firstly, it increased its target build rate for the A350 from 10 per month in 2026 to 12 in 2028. Secondly, for the A320 family of aircraft, it extended the date by which the monthly build rate would reach 75 from 2026 to 2027, citing concerns around engine and interiors supply. Increased production rate targets for all its other commercial aircraft programmes remain unchanged. Production rate targets are: A220, 14 per month in 2026; A320 family, 75 per month in 2027; A330, 4 per month in 2024; A350, 12 per month in 2028.

Following the Alaskan Airlines incident, Boeing's build rates for the 737 MAX remain below the previously stated target of 38 per month. Boeing plans to increase production steadily to 38 per month by the end of 2024. Boeing has previously said they are aiming for a build rate of 50 per month in 2025/26. On the 787 programme production rates were below five per month during H1 2024, according to Boeing, and are expected to return to 5 per month by the year end. They have previously said they expect to move gradually to 10 per month by 2025/26. The 777X programme has entered flight testing and entry into service is expected in 2025.

Embraer is forecasting that it will deliver approximately 100 of its E2 jets per annum in 2026, up from 72 - 80 in 2024. Year to date, global business jet activity is down by 2% year-on-year, however, longer-term trends in line with GDP growth remain in place. Global deliveries of business jets are anticipated to increase by 10% year-on-year in 2024 and by 2% per annum over the next decade, according to Honeywell's Global Business Aviation Outlook.

Defence (13% of Group)

Senior's sales to the Defence sector are primarily focused on US military aircraft platforms such as the F-35 and C-130J.

Lockheed Martin has stated that they continue to produce at 156 F-35 aircraft per year and expect to deliver 75-100 in the second half of 2024.

Other Aerospace (Adjacent Markets) (8% of Group)

Sales from our Aerospace operating businesses into end markets outside of the civil aerospace and defence markets are classified under "Other Aerospace" and include sales into the semiconductor equipment, space and medical markets. Using our world class bellows technology, we manufacture highly engineered proprietary products to provide unique solutions for semiconductor manufacturing equipment and medical device markets.

In the semiconductor sector global sales of wafer fab equipment are forecast to grow by 3% in 2024 driven by investment in China and demand for AI-related chips (Source: Semi.org).

Land Vehicle (20% of Group)

Demand in heavy-duty truck markets during the first half was resilient, while the off-highway market was down and the light vehicle market experienced mixed conditions.

According to Americas Commercial Transportation ("ACT") research, North American heavy-duty truck production grew by 4% in the first half of 2024 compared to H1 2023. At the time of our FY results in March 2024, ACT had been expecting a market decline of 16% in 2024 but now are predicting a decline of 9%. This improvement is due to the strength in demand from private fleets, and the vocational and Mexican truck markets. However, inventory levels of heavy-duty trucks in North America have increased 41% year-on-year and the order backlog is down 27% compared to H1 2023, according to ACT.

S&P data shows that European heavy-duty truck production was down 1% year-on-year in H1 2024 and production for the full-year 2024 is forecast to be down by 14% when compared to 2023.

Whilst it is too early to predict what will happen in 2025, the global commercial vehicle market is expected to grow at low single digit compound annual growth rate through the cycle.

In the off-highway sector, demand for construction, mining and utility vehicles was down during H1 due to softer market conditions in both North America and Europe and continued weakness in China. This softness was caused by lower demand in the construction and agricultural equipment sectors. It is expected to persist into H2, with demand in these markets being down by up to 10% year-on-year in 2024.

Light vehicle production in the first half of 2024 benefitted from better conditions within the supply chain, but this was offset by weak economic growth in Europe. According to S&P, European light vehicle production was down 5% in the first half of the year and is expected to be down by 5% for the full year. The North American market is anticipated to be up by 1% in 2024. In India, the other light-vehicle market to which Senior has significant exposure, production in 2024 is forecast to increase by 4%, driven by robust domestic demand.

In the European EV sector in H1 2024 compared to H1 2023, registrations of BEVs were up by 2%, of PHEVs up by 1% and of hybrids up by 21% (Source: ACEA). Although near-term growth rates have reduced, especially in some specific markets such as Italy, Germany and the USA, the long-term outlook remains positive as new environmental policies in Europe and the USA drive adoption in the commercial vehicle sector and the economics of passenger EVs continues to improve.

Power & Energy (13% of Group)

In the first half of 2024, activity in the downstream oil & gas sector has remained stable, focussing on maintenance work by refinery companies in North America. In the medium-term, investment in new refining capacity is most likely to be in Asia and the Middle East, with the former driven by robust demand growth and the latter by the availability of cheap natural gas feedstock. In the upstream oil & gas sector, activity in international and offshore markets continues to be robust, however onshore in North America is subdued. Separately, the Group is experiencing the effects of certain customers destocking as they rebalance their inventory levels.

Growth in electricity demand is forecast to continue increasing steadily, rising from 2.2% in 2023 to an average 3.4% per annum in 2024-2026. In developing markets, demand is being driven by economic growth, while in developed markets, data centres, the development of AI technologies and the reshoring of manufacturing is responsible. This demand will be met by both renewable and conventional power generation, with the latter playing a crucial role in offsetting the intermittency of the former. As a zero-carbon electricity source, momentum in nuclear power has continued building; further accelerated given the importance of security of energy supply. The International Atomic Energy Agency has noted that nuclear energy has an important role to play in enabling countries to move away from fossil fuels, achieve their net zero targets, and reinforce climate resilience in energy systems.

Sustainability

Our dedication to sustainability is ingrained in our core Values, forming the foundation of our Purpose. Our Environmental, Social, and Governance (“ESG”) programmes are dynamic and continually advancing. Notably, we have achieved class-leading “A” scores from CDP for both our disclosure and actions on climate and our supplier engagement in 2023. These achievements underscore our ongoing commitment to sustainability, reflecting our proactive stance in addressing environmental challenges and fostering positive social and governance practices.

In May 2024, Senior received an award from Safran, a major aerospace customer, recognising our leading commitment to decarbonisation.

In the first half of 2024, we continue to make good progress with our key sustainability metrics and activities:

Environment

- We remain on track to achieve our Scope 1, 2 and 3 Science Based Target initiative (“SBTi”) verified Near Term Targets.
- CDP “A” rating for supplier engagement.
- Safran Low Carbon Supplier competition award.

Social

- We undertook a Global Employee Engagement Survey in the first half of 2024 and were pleased to see improvements in the participation rate, engagement, and health & wellbeing scores.
- Our Lost Time Injury Illness Rate shows a reduction, with a figure of 0.27 in June 24 down from 0.32 in December 2023.
- Currently, 57% of the Board Directors are female, including the Chair of the Audit Committee, the Senior Independent Director, who is also Chair of the Remuneration Committee, and the Group Finance Director. The Chair of the Audit Committee is also the non-executive Director with Board responsibility for employee engagement. Two of the Directors (29%) are from ethnic minority backgrounds.

Governance

- As previously reported, two new non-financial performance measures were introduced for 2024 (carbon reduction and employee engagement) to the Company’s annual bonus targets.
- Adoption of an enhanced Group Fraud Policy.

Outlook

Senior has delivered a robust set of results that are in line with our expectations.

For the full-year we still expect to maintain good performance in Flexonics with H1 slightly higher than H2. Robust demand in our downstream oil & gas and nuclear business is helping to offset the ongoing rebalancing of inventory by our upstream oil & gas customers and the return to more typical levels of land vehicle market demand.

The Group's diversified position across key civil and defence aircraft platforms, strong order intake and increasing aircraft build rates are expected to drive good growth in Aerospace for the full-year. Regarding the 737 MAX, we have agreed sensible schedules with Boeing and other customers that take into account ongoing production demand and current customer inventory levels. Overall, higher volumes, operational efficiency benefits and improved pricing are expected to result in Aerospace H2 performance being higher than H1.

At a Group level, we expect to continue to largely mitigate the impact of lower 737 MAX production with growth in other business. Overall, the Board's expectations of good growth for the Group in 2024 are unchanged(1).

DAVID SQUIRES
Group Chief Executive Officer

(1) Our current assumption is that the average US Dollar to Pound Sterling exchange rate for the full-year 2024 is $1.27.

DIVISIONAL REVIEW

Aerospace Division

The Aerospace Division represents 67% (H1 2023 – 63%) of Group revenue and consists of 14 operations. These are located in North America (six), the United Kingdom (four), France (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby H1 2023 results have been translated using H1 2024 average exchange rates and on an adjusted basis to exclude amortisation of intangible assets from acquisitions, net restructuring costs, US pension settlement costs, site relocation costs and US class action lawsuit. The Division's operating results on a constant currency basis are summarised below:

	H1 2024	H1 2023 [1]	Change
Revenue	**£338.7m**	£296.6m	+14.2%
Adjusted operating profit	**£16.2m**	£11.6m	+39.7%
Adjusted operating margin	**4.8%**	3.9%	+90bps

(1) H1 2023 results translated using H1 2024 average exchange rates - constant currency.

Divisional revenue increased by £42.1m (14.2%) to £338.7m (H1 2023 – £296.6m) whilst adjusted operating profit increased by £4.6m (39.7%) to £16.2m (H1 2023 – £11.6m).

Revenue Reconciliation	
H1 2023 revenue	£296.6m
Civil aerospace	£35.8m
Defence	£3.2m
Other adjacent markets	£3.1m
H1 2024 revenue	£338.7m

Contract Wins

The Aerospace Division has been awarded several new or extended contracts this year from the following customers:

- Airbus SA. A multi-year contract extension for the manufacture and supply of various aerostructures parts from our businesses in Thailand and Malaysia.
- Airbus Atlantic. A new contract for the supply of business class seat structures from our business in Thailand.
- Spirit AeroSystems. A 5-year contract extension for the supply of large diameter precision formed and machined structural components for various Boeing commercial programmes from our Jet Products business in California.
- Collins Aerospace (RTX). New multi-year production contracts for the supply of precision formed and machined thrust reverser structural components for commercial aerospace platforms at Airbus and Boeing from our Jet Products business in California.
- Deutsche Aircraft. A new life of programme contract for the design, development and manufacture of high-pressure ducting for the sustainable D328eco aircraft from our SSP business in California and our Bird Bellows business in the UK.
- Rolls-Royce. A new 5-year contract for the supply of aerofoils for the Pearl engine family and manufacturing will be undertaken at our business in Thailand.

H1 Performance

Revenue in the Aerospace Division increased by 14.2% year-on-year on a constant currency basis, benefiting from the overall recovery in demand across all market sectors. The year-on-year increase reflected the ramp up in civil aircraft production rates notwithstanding 737 MAX volumes being subdued following the Alaskan Airlines incident in January 2024. Defence and other adjacent markets (mainly the semiconductor equipment market) also contributed to growth in the division.

The civil aerospace sector had good growth during the period with Senior's sales increasing by 18.2% compared to prior year. Aircraft production rates were higher in H1 2024 compared to H1 2023, with the exception of Boeing 737 MAX, driven particularly by Airbus's 320 single aisle family and regional jets. 22% of civil aerospace sales were from widebody aircraft in the first half of 2024, with the other 78% sales being from single aisle, regional and business jets.

Our high-pressure fittings business, Spencer Aerospace, has continued to grow strongly with sales up by over 40% in H1 2024 compared to H1 2023.

Total revenue from the defence sector increased by £3.2m (5.1%) with higher sales to F35 and Eurofighter programmes with legacy programmes remaining stable.

Revenue derived from other adjacent markets such as space, power & energy, medical and semiconductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, increased by £3.1m (8.2%) as a result of the rebound in demand from the semiconductor equipment market.

During the period, adjusted operating profit increased by 39.7% to £16.2m (H1 2023 - £11.6m) and the adjusted operating margin increased by 90 basis points to 4.8% (H1 2023 – 3.9%).

Overall, the division continues to make good progress operationally. Our business in Thailand is now making good progress, having been significantly affected over the past year by the fire at a key supplier in February 2023. The supplier's factory has been rebuilt and our deliveries using parts made in the new factory will increase steadily over coming months as parts are requalified. Generally, we have seen our supply chain stabilising as a result of specific actions we and our suppliers have implemented. However, a few hotspots remain, and we are mindful of comments from customers about continuing pressures in some parts of the aerospace ecosystem.

Regarding the 737 MAX, increased production volumes are taking longer than the industry might have hoped at the start of the year. The operating businesses most exposed to the 737 MAX programme were resourced for significantly higher build rates coming into the year and have been protecting this resource, particularly skilled labour, whilst awaiting clarity from customers on demand for those products affected. Our cost base is now being realigned as we have agreed sensible production schedules with Boeing and other customers that take account of likely build rates and inventory levels.

H2 Outlook

Currently we expect H2 sales to be slightly higher than H1 as increases in most commercial aircraft build rates are partially offset by the ongoing 737 MAX situation. Overall, higher volumes, operational efficiency benefits and improved pricing are expected to result in Aerospace H2 performance being higher than H1.

Flexonics Division

The Flexonics Division represents 33% (H1 2023 – 37%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, and China (two including the Group's 49% equity stake in a land vehicle product joint venture). This Divisional review, presented before the share of the joint venture results, is on a constant currency basis, whereby H1 2023 results have been translated using H1 2024 average exchange rates and on an adjusted basis to exclude site relocation costs. The Division's operating results on a constant currency basis are summarised below:

	H1 2024	H1 2023 [(1)]	Change
Revenue	**£163.6m**	£173.8m	-5.9%
Adjusted operating profit	**£17.9m**	£19.5m	-8.2%
Adjusted operating margin	**10.9%**	11.2%	-30bps

(1) H1 2023 results translated using H1 2024 average exchange rates - constant currency.

Divisional revenue decreased by £10.2m (-5.9%) to £163.6m (H1 2023 – £173.8m) and adjusted operating profit decreased by £1.6m (-8.2%) to £17.9m (H1 2023 – £19.5m).

Revenue Reconciliation	
H1 2023 revenue	£173.8m
Land vehicle	£(2.9)m
Power & energy	£(7.3)m
H1 2024 revenue	£163.6m

Contract Wins

The Flexonics Division has been awarded a number of important contracts this year which include:

- Several new or extended contracts with North American heavy-duty truck OEMs with supply from our Bartlett business, with facilities in the USA and Mexico.
- New contract signed with European OEM for heavy-duty truck with supply from multiple Senior Flexonics operating businesses.
- New contracts with passenger vehicle OEMs in Europe with supply from our Olomouc business in the Czech Republic.
- Catofin contract with an Indian customer to manufacture and supply expansion joints for a new Catofin production facility supplied by our Pathway business in the USA.
- Numerous petrochemical, nuclear and other industrial contracts awarded to our Pathway business in the USA.

H1 Performance

Overall, and as expected, Senior's sales to land vehicle markets decreased in the period due to demand starting to normalise to more typical levels following a strong 2023. Group sales to land vehicle markets decreased by 2.9% driven by these softer market conditions partially mitigated by the benefit from the launch and ramp up of new programmes in North America and Europe. Senior's sales to the North American truck market increased by £1.6m (5.1%) with market production increasing by 3.7%. Our North American off-highway sales decreased £2.7m (-14.0%) reflecting lower demand from our customers. Sales to other truck and off-highway regions, including Europe and India, decreased by £0.7m (-2.7%). Group sales to passenger vehicle markets decreased by £1.1m (-4.6%) in the year.

In the Group's power & energy markets sales decreased by £7.3m (-10.0%) in the first half. Sales to other power & energy markets increased by £1.9m (4.1%) reflecting growth in sales to power generation, nuclear and renewables industry customers. Sales to oil and gas customers decreased by £9.2m (-34.7%) as a result of lower demand due to anticipated destocking in 2024 by certain upstream oil and gas customers. Downstream oil & gas sales remained healthy.

As expected, adjusted operating profit decreased by £1.6m compared to prior period as a result of lower sales. The divisional adjusted operating margin remained in double digits at 10.9% (H1 2023 –11.2%).

H2 Outlook

As we enter H2, although land vehicle customer demand has held up well, ACT research are now forecasting a decline in the North American heavy-duty truck market of 9% in the full-year 2024. S&P data shows that European heavy-duty truck production for the full-year 2024 is forecast to be down by 14%. Currently, therefore, we expect H1 performance to be slightly higher than H2 due to this return to more typical levels of land vehicle market demand in the second half of the year and ongoing rebalancing of inventory by our upstream oil & gas customers, partially offset by robust demand in our downstream oil and gas and nuclear business.

OTHER FINANCIAL INFORMATION

Operating profit

Adjusted operating profit increased by £2.2m (9.6%) to £25.1m (H1 2023 - £22.9m). Excluding the adverse exchange rate impact of £0.7m, adjusted operating profit increased by £2.9m (13.1%) on a constant currency basis. After accounting for £0.8m amortisation of intangible assets from acquisitions (H1 2023 - £1.1m), £2.6m site relocation costs (H1 2023 - £nil) and £1.1m US class action lawsuit (H1 2023 - £nil), reported operating profit was £20.6m (H1 2023 - £20.8m). Net restructuring costs and US pension settlement costs were £nil in the first half of the year (H1 2023 - £0.9m and £0.1m respectively). Reported operating profit in the Aerospace Division was £12.0m (H1 2023 - £9.6m) and reported operating profit in the Flexonics Division was £18.3m (H1 2023 - £20.8m).

Site relocation costs of £2.6m (H1 2023 - £nil) include £2.3m related to the transfer of some manufacturing from Senior Aerospace SSP's facility in California, US, to its cost competitive facility in Mexico. The majority of this cost relates to recognition of an impairment of £1.9m of property, plant and equipment. The Group also incurred £0.3m costs related to the transfer of our Senior Flexonics Crumlin business to a nearby high-tech facility to better showcase its design, development, test and qualification capabilities in support of the Group's strategic initiatives.

Finance costs and income

Finance costs, net of finance income and before interest unwind of contingent consideration increased to £6.7m (H1 2023 - £5.3m) and comprise IFRS 16 interest charge on lease liabilities of £1.6m (H1 2023 - £1.5m), net finance income on retirement benefits of £1.0m (H1 2023 - £1.0m) and net interest charge of £6.1m (H1 2023 - £4.8m). This increase was driven by higher underlying interest rates on variable rate debt and higher levels of indebtedness in H1 2024 versus the prior period.

Gross finance costs, including interest unwind of contingent consideration were £11.6m (H1 2023 - £9.6m) and finance income was £4.2m (H1 2023 - £2.9m).

Tax charge

The adjusted tax rate for the period was 20.1% (H1 2023 – 17.0%), being a tax charge of £3.7m (H1 2023 - £3.0m) on adjusted profit before tax of £18.4m (H1 2023 - £17.6m). The adjusted tax rate benefitted from enhanced deductions for R&D expenditure in the USA as well as the geographical mix of taxable profits. The reported tax rate was 17.4%, being a tax charge of £2.3m on reported profit before tax of £13.2m. This included £1.4m tax credit against items excluded from adjusted profit before tax, of which £0.2m credit related to amortisation of intangible assets from acquisitions, £0.7m related to site relocation costs, £0.3m related to US class action lawsuit and £0.2m related to corporate undertakings in the half-year. The 2023 half-year reported tax rate was 14.1%, being a tax charge of £1.9m on reported profit before tax of £13.5m. This included £1.1m tax credit against items excluded from adjusted profit before tax, of which £0.3m credit related to amortisation of intangible assets from acquisitions, £0.3m credit related to net restructuring costs and a £0.5m credit related to corporate undertakings.

Cash tax paid was £5.0m (H1 2023 - £2.4m) and is stated net of refunds received of £nil (H1 2023 - £2.7m) of tax paid in prior periods, arising from the offset of tax losses against taxable profits of prior periods.

Earnings per share

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 413.8 million (H1 2023 – 413.9 million). The decrease arose principally due to the purchase of shares held by the employee benefit trust during 2023 and the first half of 2024. The adjusted earnings per share was 3.55 pence (H1 2023 – 3.53 pence). Basic earnings per share was 2.63 pence (H1 2023 – 2.80 pence). See Note 7 for details of the basis of these calculations.

Return on capital employed ("ROCE")

ROCE, a key performance indicator for the Group as defined above, increased by 100 basis points to 7.3% (H1 2023 – 6.3%). The increase in ROCE was mainly a result of the significant increase in the last twelve month period in adjusted operating profit compared to prior half-year.

Cash flow

The Group generated free cash flow of £3.0m in H1 2024 (H1 2023 - £11.8m outflow) as set out in the table below:

	H1 2024 £m	H1 2023 £m
Operating profit	**20.6**	20.8
Amortisation of intangible assets from acquisitions	**0.8**	1.1
Net restructuring costs	**-**	0.9
US pension settlement	**-**	0.1
Site relocation costs	**2.6**	-
US class action lawsuit	**1.1**	-
Adjusted operating profit	**25.1**	22.9
Depreciation (including amortisation of software)	**24.4**	25.0
Working capital and provisions movement, net of restructuring items	**(19.8)**	(38.5)
Pension contributions	**(0.3)**	(0.3)
Pension service and running costs	**1.0**	0.7
Other items(1)	**1.4**	0.4
Interest paid, net	**(6.9)**	(6.0)
Income tax paid, net	**(5.0)**	(2.4)
Capital expenditure	**(16.9)**	(13.7)
Sale of property, plant and equipment	**-**	0.1
Free cash flow	**3.0**	(11.8)
Corporate undertakings	**(12.0)**	0.1
Net restructuring costs paid	**(0.3)**	(0.6)
US pension settlement	**-**	(0.8)
Site relocation costs paid	**(0.7)**	-
Dividend from Joint Venture	**1.5**	-
Dividends paid	**(7.0)**	(4.1)
Purchase of shares held by employee benefit trust	**(3.0)**	(0.9)
Net cash flow	**(18.5)**	(18.1)
Effect of foreign exchange rate changes	**(0.5)**	8.9
IFRS 16 non-cash additions and modifications including acquisition	**(10.3)**	(2.4)
Change in net debt	**(29.3)**	(11.6)
Opening net debt	**(203.8)**	(178.9)
Closing net debt	**(233.1)**	(190.5)

(1) Other items comprises £2.6m share-based payment charges (H1 2023 – £1.4m), £(0.7m) profit on share of joint venture (H1 2023 – £(0.6m)), £(0.5m) working capital and provision currency movements (H1 2023 – £(0.3m)) and £nil profit on sale of fixed assets (H1 2023 – £(0.1m)).

Capital expenditure

Gross capital expenditure of £16.9m (H1 2023 - £13.7m) was 0.9 times depreciation excluding the impact of IFRS 16 (H1 2023 - 0.7 times). The disposal of property, plant and equipment was profit neutral (H1 2023 - £0.1m profit). For the full-year 2024, capital investment is expected to be slightly above depreciation (excluding the impact of IFRS 16). We are prioritising new investment on growth projects where contracts have been secured, important replacement equipment for current production and sustainability related items.

Working capital

Working capital balances increased by £19.7m in the first half of 2024 to £180.6m (31 December 2023 - £160.9m), after £0.2m adverse foreign currency movements. The underlying increase reflects increased trading in the period. Inventory was higher particularly in Aerospace with planned investment to enable us to meet the strong increase in demand from our customers and as a result of 737 MAX production being lower than initially resourced for. Receivables were higher as a result of revenue growth. In the first half of 2024, working capital increased as a percentage of sales by 170 basis points to 18.4% (31 December 2023 – 16.7%). For the full-year 2024, we currently expect working capital to be around 17% to 18% of sales. Our medium-term target remains for working capital as a percentage of sales to reduce towards the 15% level.

Retirement benefit schemes

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") decreased by £1.8m to £46.7m (31 December 2023 - £48.5m) mainly due to £2.3m net actuarial losses and £0.6m running costs partly offset by £1.1m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £0.2m to £7.8m (31 December 2023 - £8.0m).

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

The estimated cash contributions expected to be paid during the full-year 2024 in the US funded plans is £0.8m (£1.5m was paid in 2023).

Net debt

Net debt which includes IFRS 16 lease liabilities increased by £29.3m to £233.1m at 30 June 2024 (31 December 2023 - £203.8m). As noted in the cash flow above, the Group generated net cash outflow of £18.5m (as defined in Note 12c), before £0.5m adverse foreign currency movements and £10.3m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £77.0m (31 December 2023 - £71.8m) increased by £24.1m to £156.1m at 30 June 2024 (31 December 2023 - £132.0m), due to free cash flow of £3.0m and £1.5m dividend received from the Joint Venture more than offset by £10.7m contingent consideration paid for Spencer Aerospace following the strong growth post acquisition, £10.0m outflow for dividends and purchase of shares, £4.9m capital repayment of leases, £2.3m net cash outflows related to corporate undertakings, site relocation and restructuring and £0.7m adverse foreign currency movements.

Funding and Liquidity

At 30 June 2024, the Group held committed borrowing facilities of £314.5m and the Group had headroom of £158.4m under these committed facilities. In the first half, the US RCF of $50m was extended by a year and will now mature in June 2026. The weighted average maturity of the Group's committed facilities is 3.0 years at 30 June 2024. Net debt (defined in Note 12c) was £233.1m, including £77.0m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants.

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 30 June 2024, the Group's net debt to EBITDA was 1.8x and interest cover was 10.7x, both comfortably within covenant limits. For all testing periods within the Going Concern Period (defined in Note 2), there is sufficient headroom to remain within the covenant limits and the Group's committed borrowing facilities, even in a severe but plausible downside scenario.

Going concern basis

The Directors have, at the time of approving these Condensed Consolidated Interim Financial Statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the 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. Further details are provided in Note 2.

Risks and uncertainties

The principal risks and uncertainties faced by the Group have been reviewed during the first half of 2024. The Group's principal risk list as at 30 June 2024 and for the remaining six months of the financial year has remained unchanged from those set out in detail on pages 62 to 69 of the Annual Report & Accounts 2023 (available at www.seniorplc.com). Details regarding the mitigating actions the Board has established in response to the risks and uncertainties can also be found on the same pages of the Annual Report & Accounts 2023. These mitigating actions are reviewed and updated regularly.

The first half of 2024 presented additional headwinds flowing from some of the Group's key aerospace customers who continue to wrestle with operational challenges. The impact of demand and build rate variability, heightened scrutiny of quality and safety conformance and the potential for disruption resulting from merger and acquisition activity are being carefully monitored with mitigating actions being deployed accordingly.

The Group's risk and assurance framework continues to serve as an effective foundation from which to monitor and address our evolving business climate. Additional information regarding the risk and assurance framework is set out on pages 58 to 61 of the Annual Report and Accounts 2023 (available at www.seniorplc.com).

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

We confirm that to the best of our knowledge:

1. the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted for use by the UK;
2. the Interim Management Report herein includes a fair review of the information required by:
   a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
   b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

David Squires Group Chief Executive Officer	Bindi Foyle Group Finance Director
2 August 2024	2 August 2024

INDEPENDENT REVIEW REPORT TO SENIOR PLC

Conclusion

We have been engaged by Senior plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

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

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

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

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
5 Canada Square, London, E14 5GL
2 August 2024

Condensed Consolidated Income Statement

For the half-year ended 30 June 2024

	Notes	Half-year ended 30 June 2024	Half-year ended 30 June 2023	Year ended 31 Dec 2023
		£m	£m	£m
Revenue	3	501.4	482.3	963.5
Trading profit		19.9	20.2	36.9
Share of joint venture profit	9	0.7	0.6	1.0
Operating profit (1)	3	20.6	20.8	37.9
Finance income		4.2	2.9	10.1
Finance costs		(11.6)	(9.6)	(20.5)
Corporate undertakings	4	-	(0.6)	(4.7)
Profit before tax (2)		13.2	13.5	22.8
Tax (charge)/credit	5	(2.3)	(1.9)	8.3
Profit for the period		10.9	11.6	31.1
Attributable to:				
Equity holders of the parent		10.9	11.6	31.1
Earnings per share				
Basic (3)	7	2.63p	2.80p	7.52p
Diluted (4)	7	2.57p	2.72p	7.32p

(1) Adjusted operating profit	4	25.1	22.9	45.8
(2) Adjusted profit before tax	4	18.4	17.6	38.3
(3) Adjusted earnings per share	7	3.55p	3.53p	10.28p
(4) Adjusted and diluted earnings per share	7	3.47p	3.43p	10.00p

Condensed Consolidated Statement of Comprehensive Income

For the half-year ended 30 June 2024

	Half-year ended 30 June 2024	Half-year ended 30 June 2023	Year ended 31 Dec 2023
	£m	£m	£m
Profit for the period	10.9	11.6	31.1
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	(2.9)	0.8	2.7
Reclassification adjustments for losses included in profit	0.2	0.9	0.9
(Losses)/gains on foreign exchange contracts- cash flow hedges	(2.7)	1.7	3.6
Exchange differences on translation of overseas operations	(2.5)	(18.3)	(16.9)
Tax relating to items that may be reclassified	0.6	(0.5)	(0.9)
	(4.6)	(17.1)	(14.2)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	(2.0)	(3.3)	(2.6)
Tax relating to items that will not be reclassified	0.5	0.8	0.6
	(1.5)	(2.5)	(2.0)
Other comprehensive expense for the period, net of tax	(6.1)	(19.6)	(16.2)
Total comprehensive income/(expense) for the period	4.8	(8.0)	14.9
Attributable to:			
Equity holders of the parent	4.8	(8.0)	14.9

Condensed Consolidated Balance Sheet

As at 30 June 2024	Notes	30 June 2024	30 June 2023	31 Dec 2023
		£m	£m	£m
Non-current assets				
Goodwill	8	193.8	193.2	193.3
Other intangible assets		32.4	33.6	33.1
Investment in joint venture	9	4.2	4.6	5.1
Property, plant and equipment	10	284.0	283.1	284.7
Deferred tax assets		23.9	12.2	20.7
Retirement benefits	11	46.7	48.0	48.5
Trade and other receivables		0.5	0.6	0.8
Total non-current assets		585.5	575.3	586.2
Current assets				
Inventories		221.9	199.4	207.5
Current tax receivables		2.7	2.0	2.3
Trade and other receivables		144.3	147.1	141.7
Cash and bank balances	12c)	36.4	35.7	47.6
Total current assets		405.3	384.2	399.1
Total assets		990.8	959.5	985.3
Current liabilities				
Trade and other payables		188.1	183.2	188.4
Current tax liabilities		7.7	18.1	10.0
Lease liabilities	12c)	13.0	11.2	12.4
Bank overdrafts and loans	12c)	27.0	-	1.8
Provisions	13	12.0	16.1	10.5
Deferred and contingent consideration		12.5	36.1	10.5
Total current liabilities		260.3	264.7	233.6
Non-current liabilities				
Bank and other loans	12c)	165.5	155.1	177.8
Retirement benefits	11	7.8	9.9	8.0
Deferred tax liabilities		9.6	4.7	7.0
Lease liabilities	12c)	64.0	59.9	59.4
Provisions	13	13.5	5.7	15.0
Contingent consideration		6.8	15.1	18.5
Others		9.2	6.2	8.9
Total non-current liabilities		276.4	256.6	294.6
Total liabilities		536.7	521.3	528.2
Net assets		454.1	438.2	457.1
Equity				
Issued share capital	14	41.9	41.9	41.9
Share premium account		14.8	14.8	14.8
Equity reserve		7.2	6.3	7.9
Hedging and translation reserve		32.7	34.4	37.3
Retained earnings		367.1	351.8	368.0
Own Shares		(9.6)	(11.0)	(12.8)
Equity attributable to equity holders of the parent		454.1	438.2	457.1
Total equity		454.1	438.2	457.1

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2024

	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 2023	41.9	14.8	6.4	(38.8)	90.3	346.5	(11.7)	449.4
Profit for the period	-	-	-	-	-	31.1	-	31.1
Gains on foreign exchange contracts-cash flow hedges	-	-	-	3.6	-	-	-	3.6
Exchange differences on translation of overseas operations	-	-	-	-	(16.9)	-	-	(16.9)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.6)	-	(2.6)
Tax relating to components of other comprehensive income	-	-	-	(0.9)	-	0.6	-	(0.3)
Total comprehensive income/(expense) for the period	-	-	-	2.7	(16.9)	29.1	-	14.9
Share-based payment charge	-	-	4.1	-	-	-	-	4.1
Tax relating to share-based payments	-	-	-	-	-	0.9	-	0.9
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(5.6)	(5.6)
Use of shares held by employee benefit trust	-	-	-	-	-	(4.5)	4.5	-
Transfer to retained earnings	-	-	(2.6)	-	-	2.6	-	-
Dividends paid	-	-	-	-	-	(6.6)	-	(6.6)
Balance at 31 December 2023	41.9	14.8	7.9	(36.1)	73.4	368.0	(12.8)	457.1
Profit for the period	-	-	-	-	-	10.9	-	10.9
Losses on foreign exchange contracts-cash flow hedges	-	-	-	(2.7)	-	-	-	(2.7)
Exchange differences on translation of overseas operations	-	-	-	-	(2.5)	-	-	(2.5)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(2.0)	-	(2.0)
Tax relating to components of other comprehensive income	-	-	-	0.6	-	0.5	-	1.1
Total comprehensive (expense)/income for the period	-	-	-	(2.1)	(2.5)	9.4	-	4.8
Share-based payment charge	-	-	2.6	-	-	-	-	2.6
Tax relating to share-based payments	-	-	-	-	-	(0.4)	-	(0.4)
Purchase of shares held by employee benefit trust	-	-	-	-	-	-	(3.0)	(3.0)
Use of shares held by employee benefit trust	-	-	-	-	-	(6.2)	6.2	-
Transfer to retained earnings	-	-	(3.3)	-	-	3.3	-	-
Dividends paid	-	-	-	-	-	(7.0)	-	(7.0)
Balance at 30 June 2024	41.9	14.8	7.2	(38.2)	70.9	367.1	(9.6)	454.1

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

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Condensed Consolidated Cash Flow Statement

For the half-year ended 30 June 2024

	Notes	Half-year ended 30 June 2024	Half-year ended 30 June 2023	Year ended 31 Dec 2023
		£m	£m	£m
Net cash generated/(used in) from operating activities	12a)	14.4	(1.7)	41.4
Investing activities				
Interest received		3.2	1.9	4.3
Proceeds on disposal of property, plant and equipment		-	0.1	0.7
Purchases of property, plant and equipment		(16.3)	(12.9)	(33.7)
Purchases of intangible assets		(0.6)	(0.8)	(2.2)
Acquisition of Spencer		(10.7)	0.3	(23.9)
Dividend from joint venture		1.5	-	-
Net cash used in investing activities		(22.9)	(11.4)	(54.8)
Financing activities				
Dividends paid		(7.0)	(4.1)	(6.6)
New loans		98.3	84.1	136.2
Repayment of borrowings		(83.8)	(66.8)	(96.2)
Purchase of shares held by employee benefit trust		(3.0)	(0.9)	(5.6)
Repayment of lease liabilities		(4.9)	(5.0)	(10.2)
Net cash (used)/generated in financing activities		(0.4)	7.3	17.6
Net (decrease)/increase in cash and cash equivalents		(8.9)	(5.8)	4.2
Cash and cash equivalents at beginning of period		45.8	42.7	42.7
Effect of foreign exchange rate changes		(0.5)	(1.2)	(1.1)
Cash and cash equivalents at end of period	12c)	36.4	35.7	45.8

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 2 August 2024, 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 2023 do not constitute the Group's statutory accounts for 2023 as defined in Section 434(3) of the Companies Act 2006. Statutory accounts for 2023 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 ending 31 December 2024 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these Condensed Consolidated Interim Financial Statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the published Annual Financial Statements of the Group as at and for the year ended 31 December 2023, which were prepared in accordance with UK-adopted international accounting standards.

These Condensed Consolidated Interim Financial Statements do not include all the information required for full Annual Financial Statements and should be read in conjunction with the Annual Financial Statements of the Group as at and for the year ended 31 December 2023.

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 the Going Concern Period based on the experiences over recent years, including the robust trading performance in the first half of 2024. These projections are borne out of extensive scenario testing, based on a variety of end market assumptions, while taking account of appropriate mitigating actions within the direct control of the Group.

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 30 June 2024, the Group's net debt to EBITDA was 1.8x and interest cover was 10.7x, both comfortably within covenant limits. The Group's liquidity headroom at 30 June 2024 was £158.4m. For all testing periods within the Going Concern Period, there is sufficient headroom to remain within the covenant limits and the Group's committed borrowing facilities, even in a severe but plausible downside scenario.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

2. Accounting Policies (continued)

New policies and standards

The accounting policies, presentation and methods of computation adopted in the preparation of these Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2023, which were prepared in accordance with UK-adopted international accounting standards.

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

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group's latest Annual Financial Statements for the year ended 31 December 2023, which are available via Senior's website www.seniorplc.com, set out the key sources of estimation uncertainty and the critical judgements that were made in preparing those Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis

The Group reports its segment information as two operating divisions according to the market segments they serve, Aerospace and Flexonics, which is consistent with the oversight employed by the Executive Committee. The chief operating decision maker, as defined by IFRS 8, is the Executive Committee. The Group is managed on the same basis, as two operating divisions.

Business Segments

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

	Aerospace	Flexonics	Eliminations / central costs	**Total**	Aerospace	Flexonics	Eliminations / central costs	Total
	Half-year ended 30 June 2024	Half-year ended 30 June 2024	Half-year ended 30 June 2024	**Half-year ended 30 June 2024**	Half-year ended 30 June 2023	Half-year ended 30 June 2023	Half-year ended 30 June 2023	Half-year ended 30 June 2023
	£m	£m	£m	**£m**	£m	£m	£m	£m
External revenue	338.0	163.4	-	**501.4**	303.8	178.5	-	482.3
Inter-segment revenue	0.7	0.2	(0.9)	**-**	0.3	0.1	(0.4)	-
Total revenue	338.7	163.6	(0.9)	**501.4**	304.1	178.6	(0.4)	482.3
Adjusted trading profit	16.2	17.9	(9.7)	**24.4**	11.6	20.2	(9.5)	22.3
Share of joint venture profit	-	0.7	-	**0.7**	-	0.6	-	0.6
Adjusted operating profit	16.2	18.6	(9.7)	**25.1**	11.6	20.8	(9.5)	22.9
Amortisation of intangible assets from acquisitions	(0.8)	-	-	**(0.8)**	(1.1)	-	-	(1.1)
Net restructuring costs	-	-	-	**-**	(0.9)	-	-	(0.9)
US pension settlement	-	-	-	**-**	-	-	(0.1)	(0.1)
Site relocation costs	(2.3)	(0.3)	-	**(2.6)**	-	-	-	-
US class action lawsuit	(1.1)	-	-	**(1.1)**	-	-	-	-
Operating profit	12.0	18.3	(9.7)	**20.6**	9.6	20.8	(9.6)	20.8
Finance income				**4.2**				2.9
Finance costs				**(11.6)**				(9.6)
Corporate undertakings				**-**				(0.6)
Profit before tax				**13.2**				13.5
Tax charge				**(2.3)**				(1.9)
Profit after tax				**10.9**				11.6

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Segmental analysis (continued)

Segment information for assets and liabilities is presented below.

Assets	30 June 2024 £m	30 June 2023 £m	31 Dec 2023 £m
Aerospace	664.6	637.7	646.5
Flexonics	212.4	219.0	215.4
Segment assets for reportable segments	877.0	856.7	861.9
Unallocated			
Central	4.1	4.6	4.0
Cash	36.4	35.7	47.6
Deferred and current tax	26.6	14.2	23.0
Retirement benefits	46.7	48.0	48.5
Others	-	0.3	0.3
Total assets per Consolidated Balance Sheet	990.8	959.5	985.3

Liabilities	30 June 2024 £m	30 June 2023 £m	31 Dec 2023 £m
Aerospace	192.8	173.1	183.1
Flexonics	81.6	82.8	79.9
Segment liabilities for reportable segments	274.4	255.9	263.0
Unallocated			
Central	15.1	18.0	22.2
Debt	192.5	155.1	179.6
Deferred and current tax	17.3	22.8	17.0
Retirement benefits	7.8	9.9	8.0
Deferred and contingent consideration	19.3	51.2	29.0
Others	10.3	8.4	9.4
Total liabilities per Consolidated Balance Sheet	536.7	521.3	528.2

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 2024	Half-year ended 30 June 2023	Year ended 31 Dec 2023
	£m	£m	£m
Civil Aerospace	232.0	201.4	410.5
Defence	65.6	63.8	132.6
Other	41.1	38.9	73.4
Aerospace	338.7	304.1	616.5
Land Vehicles	97.8	104.0	201.7
Power & Energy	65.8	74.6	146.3
Flexonics	163.6	178.6	348.0
Eliminations	(0.9)	(0.4)	(1.0)
Total revenue	501.4	482.3	963.5

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost, US pension settlement, site relocation costs, US class action lawsuit and costs associated with corporate undertakings. The Board has a policy to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered.

The amortisation charge relates to the acquisition of Spencer Aerospace. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019, which had residual activity in 2023 in response to further specific end market conditions. The US pension settlement related to closure of a US defined benefit scheme in 2023. Site relocation costs relate to transfer of business activities into new or existing cost competitive facilities to support the Group's strategic initiatives. The US class action lawsuit relates to an historic legal matter. Corporate undertakings relate to business acquisition and disposal 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 2024	Half-year ended 30 June 2023	Year ended 31 Dec 2023
	£m	£m	£m
Operating profit	20.6	20.8	37.9
Amortisation of intangible assets from acquisitions	0.8	1.1	2.2
Net restructuring cost	-	0.9	5.6
US pension settlement	-	0.1	-
Site relocation costs	2.6	-	0.1
US class action lawsuit	1.1	-	-
Adjusted operating profit	25.1	22.9	45.8
Profit before tax	13.2	13.5	22.8
Adjustments to profit before tax as above	4.5	2.1	7.9
Corporate undertakings	-	0.6	4.7
Corporate undertakings – discount unwind	0.7	1.4	2.9
Total Corporate undertakings	0.7	2.0	7.6
Adjusted profit before tax	18.4	17.6	38.3

Site relocation costs

In the first half of 2024, £0.3m of site relocation costs (H1 2023 - £nil) related to the transfer of our Senior Flexonics Crumlin business to a nearby high-tech facility in Wales to better showcase its design, development, test and qualification capabilities in support of the Group's strategic initiatives. The Group also recognised an impairment of £1.9m of property, plant and equipment and costs of £0.4m related to the transfer of existing business to other cost competitive facilities.

US class action lawsuit

In June 2022 a wage and hour class action lawsuit was filed against one business based in California, USA. This lawsuit alleged violations of state regulations concerning meal and rest breaks and related penalties covering the period 2021 through the first half of 2024. Mediation took place in April 2024, resulting in a Company agreed settlement and related costs of £1.1m, of which no payments have made as at 30 June 2024. Court approval and payment is expected by the end of the first half of 2025.

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

Corporate undertakings

In the first half of 2024, the Group recorded £0.7m relating to interest unwind of Spencer acquisition contingent consideration. In the first half of 2023, the Group recorded £2.0m costs related to the acquisition of Spencer, of which £1.4m is interest unwind of deferred and contingent consideration and £0.6m is unwind of initial fair value uplift and other corporate costs.

5. Tax charge

	Half-year ended 30 June 2024 £m	Half-year ended 30 June 2023 £m
Current tax:		
Current year charge	2.0	3.0
Irrecoverable withholding tax	0.2	0.2
	2.2	3.2
Deferred tax:		
Current year charge/(credit)	0.1	(1.3)
	0.1	(1.3)
Total tax charge	2.3	1.9

Tax for the half-year ended 30 June 2024 is calculated at 17.4% (H1 2023: 14.1%) on the profit before tax, representing the half-year allocation of the estimated weighted average annual tax rate expected for the full financial year in accordance with IAS 34. The estimated tax rate is weighted to reflect the tax impact of significant events taking place during the interim period.

The UK tax rate of 25% has been applied to the UK profits for the period (H1 2023: 23.5%, being an effective tax rate as a result of the change in the UK tax rate from 19% to 25% with effect from 1 April 2023).

The group is paying close attention to proposals under Pillar 2 of the OECD's Base Erosion Profit Shifting (BEPS) project and the impact this may have on the group's future tax position. Pillar 2 rules were substantively enacted in the UK on 20 June 2023, with application from 1 January 2024. The group does not expect material top-up tax to be payable in any jurisdiction.

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. Dividends

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Amounts recognised as distribution to equity holders in the period:		
Final dividend for the year ended 31 December 2023 of 1.70p (2022: 1.00p) per share	7.0	4.1
Interim dividend for the year ending 31 December 2024 of 0.75p (2023: 0.60p) per share	3.1	2.5

The interim dividend was approved by the Board of Directors on 2 August 2024 and has not been included as a liability in these Condensed Consolidated Interim Financial Statements, in accordance with the requirements of IFRS.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Earnings per share

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

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
Number of shares	million	million
Weighted average number of ordinary shares for the purposes of basic earnings per share	413.8	413.9
Effect of dilutive potential ordinary shares:		
Share options	10.0	12.2
Weighted average number of ordinary shares for the purposes of diluted earnings per share	423.8	426.1

	Half-year ended 30 June 2024	Half-year ended 30 June 2024	Half-year ended 30 June 2023	Half-year ended 30 June 2023
	Earnings	EPS	Earnings	EPS
Earnings and earnings per share ("EPS")	£m	Pence	£m	Pence
Profit for the period	10.9	2.63	11.6	2.80
Adjust:				
Amortisation of intangible assets from acquisitions net of £0.2m tax credit (H1 2023 - £0.3m credit)	0.6	0.14	0.8	0.20
Net restructuring cost net of £nil tax (H1 2023 - £0.3m credit)	-	-	0.6	0.15
US pension settlement net of £nil tax (H1 2023: £nil)	-	-	0.1	0.02
Corporate undertakings net of £0.2m tax credit (H1 2023 - £0.5m credit)	0.5	0.12	1.5	0.36
Site relocation costs net of £0.7m tax credit (H1 2023 - £nil)	1.9	0.46	-	-
US class action lawsuit net of £0.3m tax credit (H1 2023 - £nil)	0.8	0.20	-	-
Adjusted earnings after tax	14.7	3.55	14.6	3.53
Earnings per share				
- basic		2.63p		2.80p
- diluted		2.57p		2.72p
- adjusted		3.55p		3.53p
- adjusted and diluted		3.47p		3.43p

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

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost, US pension settlement, site relocation costs, US class action lawsuit and corporate undertakings.

7. Earnings per share (continued)

The Board has a policy to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered. See Note 4 for further details.

8. Goodwill

The change in goodwill from £193.3m at 31 December 2023 to £193.8m at 30 June 2024 reflects an increase of £0.5m due to foreign exchange differences.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. No such indicators have been identified at 30 June 2024.

9. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China. The Group's investment of £4.2m (30 June 2023: £4.6m; 31 December 2023: £5.1m) represents the Group's share of the joint venture's net assets as at 30 June 2024. During the first half of 2024, the Group received £1.5m dividend from the joint venture (H1 2023 - £nil).

10. Property, plant and equipment

During the period, the Group invested £16.3m (H1 2023: £12.9m) on the acquisition of property, plant and equipment (excluding right-of-use assets). The Group also disposed of machinery with a carrying value of £nil (H1 2023: £nil) for proceeds of £nil (H1 2023: £0.1m).

At 30 June 2024, right-of-use assets were £67.3m (30 June 2023: £63.8m; 31 December 2023: £64.4m). Right-of-use asset depreciation was £5.2m for the six months ending 30 June 2024 (H1 2023: £5.3m).

11. Retirement benefit schemes

Aggregate retirement benefit liabilities of £7.8m (30 June 2023: £9.9m; 31 December 2023: 8.0m) comprise the Group's US defined benefit pension funded schemes with a total deficit of £2.7m (30 June 2023: £4.7m; 31 December 2023: £2.8m) and other unfunded schemes, with a deficit of £5.1m (30 June 2023: £5.2m; 31 December 2023: £5.2m).

The retirement benefit surplus of £46.7m (30 June 2023: £48.0m; 31 December 2023: £48.5m) 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 to net cash from operating activities

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Operating profit	20.6	20.8
Adjustments for:		
Depreciation of property, plant and equipment	23.5	24.2
Amortisation of intangible assets	1.7	1.9
Share of joint venture	(0.7)	(0.6)
Share-based payment charges	2.6	1.4
Profit on sale of fixed assets	-	(0.1)
Pension contributions	(0.3)	(0.3)
Pension service and running costs	1.0	0.7
Increase in inventories	(15.0)	(14.1)
Increase in receivables	(4.0)	(25.6)
(Decrease)/increase in payables and provisions	(1.1)	1.5
Site relocation costs	1.9	-
US pension settlement	-	(0.7)
US class action lawsuit	1.1	-
Corporate undertaking costs	(1.3)	(0.2)
Working capital and provisions currency movements	(0.5)	(0.3)
Cash generated by operations	29.5	8.6
Income taxes paid	(5.0)	(2.4)
Interest paid	(10.1)	(7.9)
Net cash from operating activities	14.4	(1.7)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the Cash Flow Statement (continued)

b) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as the items reconciling reported profit before tax and adjusted profit before tax defined in Note 4, financing and transactions with shareholders. It is derived as follows:

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Net cash from operating activities	14.4	(1.7)
Net restructuring costs paid	0.3	0.6
US pension settlement paid	-	0.8
Site relocation costs paid	0.7	-
Corporate undertaking costs paid	1.3	0.2
Interest received	3.2	1.9
Proceeds on disposal of property, plant and equipment	-	0.1
Purchases of property, plant and equipment	(16.3)	(12.9)
Purchase of intangible assets	(0.6)	(0.8)
Free cash flow	3.0	(11.8)

c) Analysis of net debt

	At 1 January 2024	Net Cash flow	Non Cash	Exchange movement	Other Lease Movements	At 30 June 2024
	£m	£m	£m	£m	£m	£m
Cash and bank balances	47.6	(10.7)	-	(0.5)	-	36.4
Overdrafts	(1.8)	1.8	-	-	-	-
Cash and cash equivalents	45.8	(8.9)	-	(0.5)	-	36.4
Debt due within one year	-	-	(27.0)	-	-	(27.0)
Debt due after one year	(177.8)	(14.5)	27.0	(0.2)	-	(165.5)
Lease liabilities (1)	(71.8)	4.9	-	0.2	(10.3)	(77.0)
Liabilities arising from financing activities	(249.6)	(9.6)	-	-	(10.3)	(269.5)
Total	(203.8)	(18.5)	-	(0.5)	(10.3)	(233.1)

(1) The change in lease liabilities in the six months ended 30 June 2024 includes lease rental payments of £6.5m (£1.6m of these payments relates to lease interest), £0.2m exchange movement and £10.3m other movements related to lease additions and modifications.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

12. Notes to the Cash Flow Statement (continued)

c) Analysis of net debt (continued)

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
Cash and Cash equivalents comprise:	£m	£m
Cash and bank balances	36.4	35.7
Total	36.4	35.7

Cash and cash equivalents (which are presented as a single class of assets on the face of the Condensed Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

d) Analysis of working capital and provisions

Working capital comprises the following:

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Inventories	221.9	199.4
Trade and other receivables	144.3	147.1
Trade and other payables	(188.1)	(183.2)
Working capital, including derivatives	178.1	163.3
Items excluded:		
Foreign exchange contracts	2.5	0.5
Total	180.6	163.8

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

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Increase in inventories	(15.0)	(14.1)
Increase in receivables	(4.0)	(25.6)
(Decrease)/increase in payables and provisions	(1.1)	1.5
Working capital and provisions movement, excluding currency effects	(20.1)	(38.2)
Items excluded:		
Increase in restructuring related inventory impairment	-	(0.4)
Decrease in net restructuring provision	0.3	0.1
Total	(19.8)	(38.5)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Provisions

Current and non-current provisions include warranty costs of £17.7m (30 June 2023: £16.8m; 31 December 2023: £17.9m), restructuring of £0.2m (30 June 2023: £0.1m; 31 December 2023: £0.5m) and other provisions including contractual matters, claims and legal costs that arise in the ordinary course of business of £7.6m (30 June 2023: £4.9m; 31 December 2023: £7.1m). Warranty costs include a provision of £10.9m related to one specific disputed commercial matter (30 June 2023: £9.9m; 31 December 2023: £11.0m). The range of reasonably possible outcomes considered by the Board is £5.4m, which reflects a reasonably possible increase or decrease of £2.7m. No further details on the matter are disclosed to avoid prejudicing the contractual position.

14. Share capital

Share capital as at 30 June 2024 amounted to £41.9m (30 June 2023 and 31 December 2023: £41.9m). No shares were issued during the period.

15. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, and tax audits. Where the Board has assessed there to be a more likely than not outflow of economic benefits, a provision has been made for the best estimate as at 30 June 2024 (see Note 13). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the outcome of some of these matters cannot be predicted with any certainty, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.

16. Related party transaction

Barbara Jeremiah, Senior Independent Non-Executive Director and Chair of the Remuneration Committee was appointed a non-executive director of Johnson Matthey Plc with effect from 1 July 2023. Johnson Matthey Plc, a related party of the Group, has been renting excess car parking space from one of the Group's operating businesses on a rolling monthly basis. The lease contract was in place prior to the acquisition of Thermal Engineering in 2013 by the Group. In the first six month of 2024, £0.04m car park rental was received (H1 2023 - £0.04m). There are no outstanding amounts at 30 June 2024 (30 June 2023: £nil).

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

17. Financial Instruments

Categories of financial instruments

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Carrying value of financial assets:		
Cash and bank balances	36.4	35.7
Trade receivables	129.9	129.5
Other receivables	0.3	0.2
Financial assets at amortised cost	166.6	165.4
Foreign exchange contracts- cash flow hedges	1.0	3.2
Foreign exchange contracts- held for trading	0.3	-
Total financial assets	167.9	168.8
Carrying value of financial liabilities:		
Bank overdrafts and loans	192.5	155.1
Lease liabilities	77.0	71.1
Trade payables	105.6	98.4
Deferred consideration	-	23.0
Other payables	61.8	56.0
Financial liabilities at amortised cost	436.9	403.6
Contingent Consideration - fair value through profit or loss	19.3	28.2
Foreign exchange contracts- cash flow hedges	5.4	6.8
Foreign exchange contracts- held for trading	0.2	0.1
Total financial liabilities	461.8	438.7

	Half-year ended 30 June 2024	Half-year ended 30 June 2023
	£m	£m
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	215.5	196.3
In the second to fifth years inclusive	187.4	178.7
After five years	91.4	72.7
	494.3	447.7
Less: future finance charges	(57.4)	(44.1)
Financial liabilities at amortised cost	436.9	403.6

17. Financial Instruments (continued)

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities noted above except for bank overdrafts and loans, where the Directors estimate the fair value to be £187.5m (30 June 2023: £145.8m). The fair value has been determined by applying a make-whole calculation using prevailing treasury bill yields plus the applicable credit spread for the Group.

Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value. All financial instruments are measured at either level 2 or level 3. Level 2 are those fair values which are derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 are those fair values which are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements.

Half-year ended 30 June 2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets:				
Foreign exchange contracts – cash flow hedges	-	**1.0**	**-**	**1.0**
Foreign exchange contracts – held for trading	-	**0.3**	**-**	**0.3**
Total assets	-	**1.3**	**-**	**1.3**
Liabilities:				
Contingent consideration – fair value through profit or loss	-	**-**	**19.3**	**19.3**
Foreign exchange contracts – cash flow hedges	-	**5.4**	**-**	**5.4**
Foreign exchange contracts – held for trading	-	**0.2**	**-**	**0.2**
Total liabilities	-	**5.6**	**19.3**	**24.9**

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